

**ANNUAL REPORT
2012**



نئے خواب - نیا جوش
New Vision-New Passion

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B++
A.M. Best

AA+
PACRA

AA+
JCR - VIS

**THE HIGHEST IFS* RATED GENERAL INSURANCE
COMPANY OF PAKISTAN BY LOCAL AND
INTERNATIONAL RATING AGENCIES**

*Insurer Financial Strength

TEAMWORK

Company Information

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Corporate Information

| | | |
|--|---|--|
| Chairman of the Board of Directors | Towfiq H. Chinoy | (Non-Executive Director) |
| Directors | Akbarali Hashwani Sadruddin Hashwani Masood Noorani Akbarali Pesnani John Joseph Metcalf R. Zakir Mahmood Aly Noormahomed Rattansey | (Non-Executive Director) (Non-Executive Director) (Non-Executive Director) (Non-Executive Director) (Non-Executive Director) (Non-Executive Director) (Non-Executive Director) |
| President & Managing Director (Chief Executive) | Tahir Ahmed | (Executive Director) |
| Company Secretary | Atiq Anwar Mahmudi | |
| Auditors | Ernst & Young Ford Rhodes Sidat Hyder | |
| Legal Advisor | Surrige & Beecheno | |
| Bankers | Habib Bank Limited Standard Chartered Bank (Pakistan) Ltd. United Bank Limited Soneri Bank Limited Faysal Bank Limited Bank Alfalah Limited | |
| Share Registrar | THK Associates (Pvt) Ltd Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi. Tel: 35689021, 35686658 | |
| Head Office / Registered Office | 2nd Floor, Jubilee Insurance House II Chundrigar Road, Karachi, Pakistan UAN:(92-21) 111 - 654 - 111 Tel : (92-21) 32416022-26 Fax : (92-21) 32416728, 32438738 E-Mail : info@jubileegeneral.com.pk Website : www.jubileegeneral.com.pk | |



Board of Directors



Towfiq H. Chinoy
Chairman

Director since: 27-08-1997

Other engagements:

Chairman
Packages Limited

Managing Director/
Chief Executive
International Steels Limited

Director / Trustee
Linde Pakistan Ltd.
Jubilee Life Insurance Company Ltd
IGI Investment Bank Ltd
HBL Asset Management Ltd
Mohatta Palace Gallery -Trust
Indus Valley School of Art and Architecture



Tahir Ahmed
Managing Director &
Chief Executive

Director since: 09-07-2005

Other engagements:

Chairman
Insurance Association of Pakistan
Pakistan Insurance Institute

Director
Institute of Capital Markets



Akbarali Hashwani
Director

Director since: 17-11-1979

Other engagements:

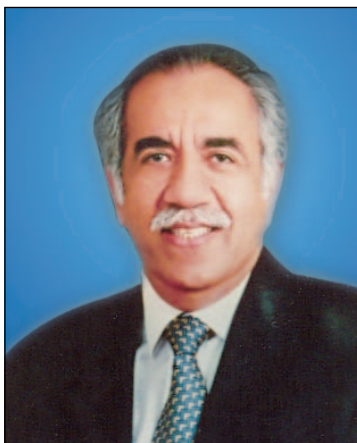
Chief Executive / Proprietor
Landmark Spinning Industries Ltd.
Syndicate Trading Company

Director / Chairman
Regent Textile Industries Ltd

Ittehad Cement Industries Ltd
Hassan Ali & Co. Cotton (Pvt) Ltd
Coronet Enterprises (Pvt) Ltd
Hashwani Construction
Company (Pvt) Ltd.
Beaumont Enterprises (Pvt) Ltd.
Marvel Enterprises (Pvt) Ltd.
Stonyx (Pvt) Ltd.



Board of Directors



Sadruddin Hashwani
Director

Director since: 17-11-1979

Other engagements:

Chairman & Chief Executive
Hashwani Hotels Ltd
Zaver Petroleum Corporation Ltd.

Chairman / Director
Gelcaps (Pakistan) Ltd
Hassan Ali & Co. (Pvt) Ltd
Hassan Ali (Grains) (Pvt) Ltd
Hashoo Limited
Hashoo Holdings (Pvt) Ltd
Hashoo International (Pvt) Ltd

Noor Properties (Pvt) Ltd
Zaver Chemical Ltd
Zaver Mining Company (Pvt) Ltd
Pakistan Services Ltd
Pearl Continental Hotel (Pvt) Ltd
Trains Air Travels (Pvt) Ltd
Pearls Tours and Travel (Pvt) Ltd
Zaver Power (Pvt) Ltd
O P I Gas (Pvt) Ltd
Zaver Oils Ltd
Pakistan Services (Azad Kashmir) Ltd



Masood Noorani
Director

Director since: 28-01-1982

Other engagements:

Chairman
Jubilee Life Insurance Company Ltd

Sole Proprietor
Noorani Associates



Akbarali Pesnani
Director

Director since: 15-08-2002

Other engagements:

Chairman
Aga Khan Cultural Services Pakistan
Greentech Solution (Pakistan) Ltd
The First Micro Finance Bank Ltd

Director
Cherat Cement Co. Ltd
Cherat Packaging Ltd

Mirpurkhas Sugar Mills Ltd
Greaves Pakistan (Private) Ltd
Greaves CNG (Private) Ltd
Air Asia Ltd.
Air Safira Ltd.
Industrial Promotion Services
(Pakistan) Ltd



John Joseph Metcalf
Director

Director since: 28-02-2007

Other engagements:

Director
Jubilee Life Insurance Company Ltd,
Jubilee Holdings, Kenya
Jubilee Insurance, Kenya
Jubilee Insurance, Tanzania
Jubilee Insurance, Uganda
Jubilee Insurance, Mauritius
Jubilee Insurance, Burundi



R. Zakir Mahmood
Director

Director since: 25-06-2008

Other engagements:

Chairman
Habib Allied International Bank
Plc, UK

Director
Habib Bank Limited
Khushhali Bank



Aly Noormahomed Rattansey
Director

Director since: 25-06-2008

Other engagements:

Chairman
Aga Khan Rural Support Programme

Director
Rural Support Programme Network
Askari Bank Limited
Jubilee Life Insurance Company Ltd



Vision

To enable people overcome uncertainty



Mission



Provide solutions to protect the future





Values

Teamwork
Integrity
Excellence
Passion



Strategic Objectives



Jubilee General is a growth-oriented leading insurance company of Pakistan. Our strategic objective is to increase our market share without compromising on level of service to our customers and profitability. We aim to achieve our objective by diversifying our portfolios, relying on niche areas by developing new products, sustaining profitable growth through employee training and continuously improving service to our customers.





Company Profile



Jubilee General Insurance Company Limited, established in 1953, is one of the most reputed and brightest names in the insurance sector. Sustained growth over half a century has secured Jubilee General a place among the “Big Three” Pakistani insurers in terms of gross direct premium and financial base. Jubilee General is listed on the Karachi and Lahore Stock Exchanges. Major shareholders include, Aga Khan Development Network, Aga Khan Fund for Economic Development and Hashoo Group. Jubilee General, with its Head Office in Karachi, has an extensive and dynamic branch network in all major

cities and towns of Pakistan that guarantees prompt service at the customer’s doorstep.

Jubilee General is the highest rated general insurance company in Pakistan with an Insurer Financial Strength Rating of “AA +” with “Stable Outlook” assigned by both the rating agencies of Pakistan i-e PACRA and JCR-VIS. The “AA+” with “stable outlook” takes into account financial strength of the Company as demonstrated by its strong capitalization and liquidity indicators. It also denotes a very strong capacity of the Company to meet policyholder and contract obligations.



Jubilee General has also been accorded the Financial Strength Rating of “B++” (good) and issuer credit rating of “BBB” by A. M. Best which is the highest rating assigned by an International Rating Agency to a General Insurance Company in Pakistan. According to A.M. Best the rating reflects Jubilee General's strong risk-adjusted capitalisation, solid business profile within Pakistan and good track record of operating performance and has developed good procedures in assessing, measuring and mitigating the key risks associated with the Company's business. A. M. Best Company is the world's oldest and most authoritative insurance rating and information source.

During the last seven years Jubilee General has grown at double the industry average growth rate.

In 2003, Jubilee General became the first Pakistani insurance company to acquire a foreign company when it took over the Pakistan operations of Commercial General Union.

The company prides itself in its long-standing reinsurance arrangements and relationships with internationally renowned reinsurers such as Swiss Re, Lloyds, Hannover Re, Asia Capital Re and Mitsui Sumitomo Re. The company is also supported by internationally acclaimed reinsurance brokers including AON Group, Willis, Marsh, Howden and UIB.

With a broad spectrum of services available, Jubilee General's client-base comprises prominent national and multinational corporations operating in Pharmaceutical, Chemical, Textile, Cement, Services (Hospitals & Hotels), Oil & Energy, Manufacturing, FMCG, Engineering, Banking and Financial sectors.

At Jubilee General, diversity is maintained through underwriting all classes of general insurance including fire, marine, motor, engineering, health and general accident. Jubilee General not only offers wide risk coverage, but also provides related risk management services delivered by highly qualified and experienced risk managers. Jubilee General has developed unique and innovative insurance solutions to meet the growing consumer financing trends of the economy. From auto financing to personal loans, mortgages to plastic cards, and trade finance to capital investment finance, Jubilee General has the customised solutions to secure entire operations, product range and transactions of all financial institutions. With the stream of upcoming power, engineering and infrastructure development projects on the national level, our Engineering & Bonds Department, comprising of the most experienced engineers

in the industry, is geared to provide technical and financial security to this vital sector. Furthermore, we have also introduced many consumer insurance products in the areas of SME's and Personal Lines.

As pioneers in Group Health Insurance, Jubilee General continues to develop new, flexible and customised plans to suit the diverse needs of our many blue chip Pakistani companies and multinational clients. Jubilee General has recently modified its health insurance products with better coverage and scalable limits.

Jubilee General continues to innovate in terms of product development and distribution channels, as well as customer service which is the corner stone of our business philosophy. In this regard, during the last couple of years we have introduced numerous value-added services, including:

- Comprehensive Free Tracker Package for Auto Insurance Customers
- SMSCare - Claims Alert Service
- Online Claim Intimation Services
- Online Complaint Handling and Feedback Service
- Online Premium Calculators
- Online Proposal Forms

The true test of the soundness of insurance coverage is the duration of client relationships. This is proven by the fact that many valued clients have been with us for over 40 years. Clients are satisfied knowing that Jubilee General is their best security.

Jubilee General's business philosophy can be summed up as Customer Protection, Customer Satisfaction and Customer Trust. This is acquired largely by the ability to handle claims effectively. The customer focus and pro-active management approach in all areas of business, allows Jubilee General to underwrite and handle claims in an expeditious and efficient manner.



Insurance Products

Property

Fire & Allied Perils
 Burglary
 Business Interruption following Fire & Allied Perils
 Property All Risk
 Industrial All Risk
 Ship Breaking



Marine

Marine Cargo Import
 Marine Cargo Export
 Marine Cargo Inland Transit
 Marine Umbrella Liability
 Marine Advance Loss of Profit
 Seller's Contingency
 Marine Hull
 Pleasure Craft Policy
 Sports Craft Policy
 Graveyard Voyage



Motor

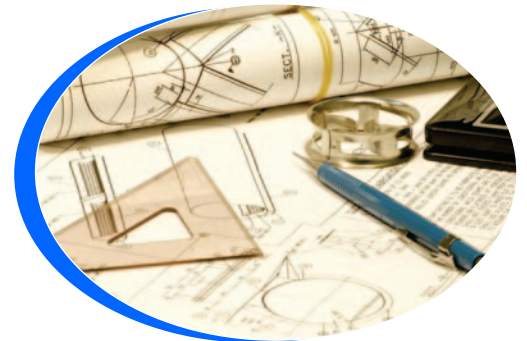
Private Car Comprehensive
 Commercial Vehicle Comprehensive
 Motor Comprehensive
 Motor Third Party Liability



Engineering

Contractor's All Risks
 Comprehensive Project
 Advance Loss of Profit following
 CAR/EAR
 Comprehensive Machinery
 Erection All Risks
 Machinery Breakdown (MBD)

Boiler & Pressure Vessels
 Business interruption following
 MBD
 Computer & Electronic Equipment
 Contractor's Plant & Machinery



Bonds

Bid Bond
 Mobilisation Advance Bond
 Performer Bond
 Maintenance Bond
 Customs Bond

Excise Bond
 Supply Bond
 Retention Money Bond
 Utility Bond
 Travel Agent Bond





Group Health

Comprehensive Dread Disease Expensive Benefit
 Comprehensive Hospitalisation Expense Benefit
 Maternity Expenses Benefit
 Out-Patient Expenses Benefit



Specialised

Banker's Blanket Bond
 Computer Crime
 Plastic Card
 Safe Deposit Box
 Foreign Currency Exchange
 Comprehensive Security Guard Co.
 Kidnap & Ransom
 Terrorism
 Crop
 Hotel Owner's All Risks
 Professional Indemnity

Director's & Officers' Liability
 Residual Value
 Energy Risk
 Protection & Indemnity Insurance
 Prize Money
 Event Cancellation
 Network Operator's Policy
 Submarine Cable Policy
 Off Shore Construction Project
 Control of Well Policy
 Livestock



Miscellaneous

Cash in Safe
 Cash in Transit
 Cash on Counter
 Neon Sign
 Plate Glass
 Workmen's Compensation
 General Public Liability
 Product Liability

Employer's Residual Liability
 Fidelity Guarantee
 Golfer's Policy
 Aviation
 Travel
 All Risks
 Commercial General Liability



Personal Lines

Self Care
 Self Care Plus
 HomeCare
 ShopCare
 ShopCare Plus

EduCare
 AllCare
 ViaCare
 SehatCare
 CellCare





Management Team

* Standing from left to right

1st row

Tahir Ahmed

Managing Director

2nd row

Azfar Arshad

Executive Vice President

Atiq Anwar Mahmudi

Executive Director

3rd row

Bashir Ahmed Khan

Vice President

Hashim M. Shamim

Advisor

Mahboob Pervez

Joint Executive Vice President

Muhammad Razzak Chaudhary

Senior Vice President

Syed Sohail Ahmed

Executive Vice President

4th row

Syed Wiqar Hyder Taqvi

Joint Senior Vice President

Ghulam Shabbir Goraya

Joint Senior Vice President

Mohd Arif

Joint Senior Vice President

Zahoor A. Shaheen

Senior Vice President

Syed Hamid Hussain Zaidi

Joint Senior Vice President

Muhammad Amin Haroon

Joint Senior Vice President

Muhammad Ramzan

Senior Vice President

5th row

Saifuddin Shafi

Joint Executive Vice President

Rizwan Ehsan Puri

Vice President

Syed Ather Abbas

Executive Vice President

Fayyaz Ahmed Khan

Senior Vice President

Muhammad Nadeem Irshad

Joint Executive Vice President

M. Uzair Mirza

Executive Vice President

Ghulam Qadir

Joint Senior Vice President

Munir ul Haq

Senior Vice President

Saeed Jan Awan

Advisor

Captain Shahid Ahmed

Senior Vice President

6th row

Ahsan Ilyas

Vice President

Syed Zamin Zafar

Senior Vice President

Ejaz Mehmood

Senior Vice President

Mohammed Safdar

Executive Vice President

Nawaid Jamal

Joint Executive Vice President

Karim Merchant

Joint Executive Vice President

Asif Ali

Senior Vice President

Syed Abid Waseem

Senior Vice President

Brendan Thomas D'Lima

Executive Vice President

Syed Imran Rabbani

Joint Executive Vice President

Syed Rafiq Ali

Vice President

Syed Tariq Ziauddin

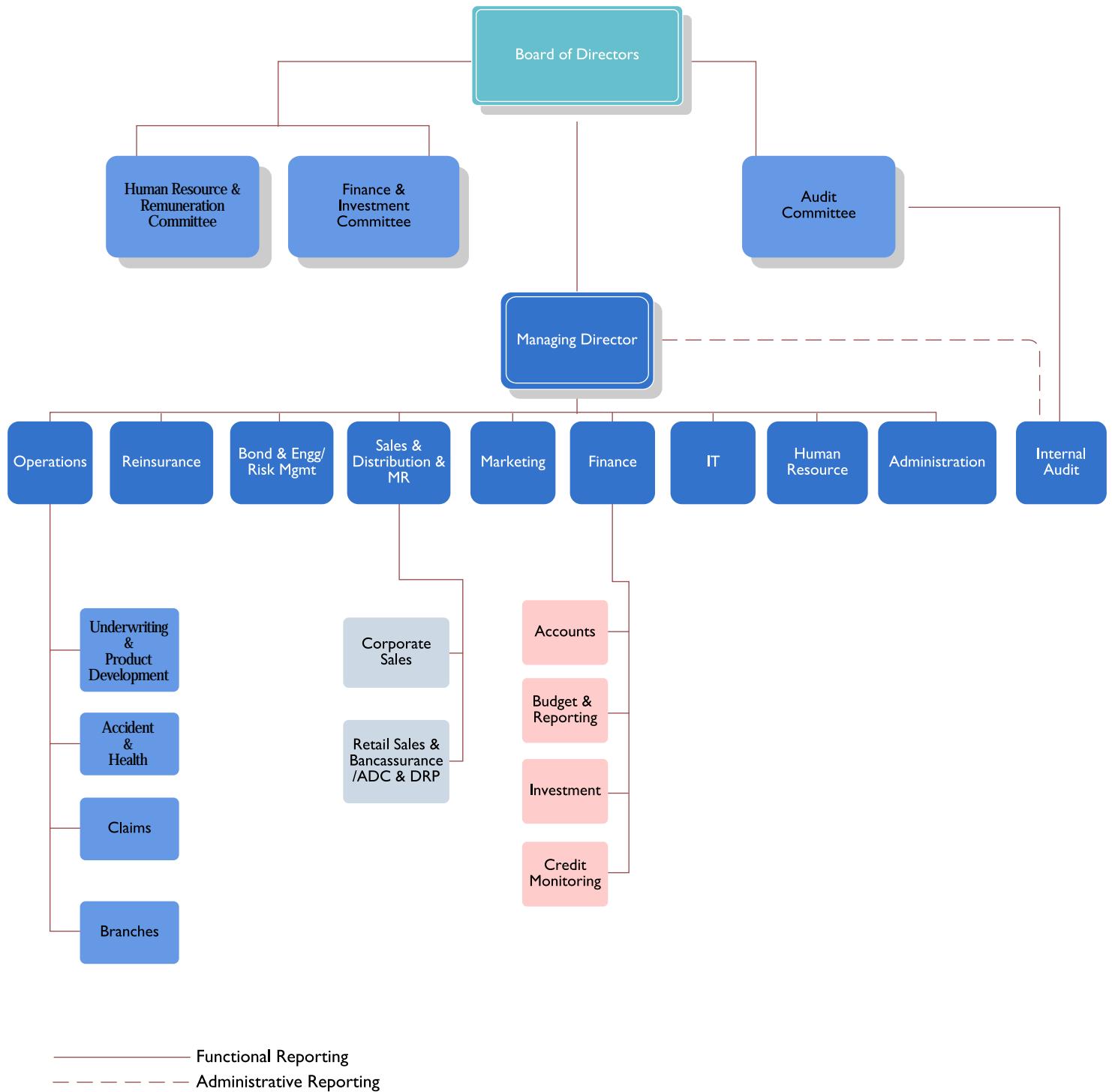
Joint Senior Vice President

Rai Zahoor Ali Khan

Assistant Vice President



Organisation Structure





Code of Conduct

Our Integrity guides our conduct towards our policyholders, colleagues, shareholders and the general public. This principle constitutes the foundation of our code of conduct and ethics as under:

- Compliance with law and the legal system is a fundamental principle for Jubilee. Every employee, agent and director shall obey the laws and regulations of the legal systems in letter and spirit within which he / she acts. Regardless of the sanctions foreseen by the law, any director, employee or an agent guilty of a violation will be liable to disciplinary consequences related to such violation.
 - Respect for personal integrity, privacy and personal right of every individual is a fundamental principle. We work together with individuals of various backgrounds, ethnic types, different cultures, gender, religions, ages and disabilities.
 - We compete fairly with the quality and the price of our innovative products and services, not by offering improper benefits to others. Employees are not permitted to use their jobs to solicit, to demand, accept, obtain or be promised advantages.
 - Jubilee does not make political contributions (donations to politicians, political parties or political organizations). As a responsible member of society and a good corporate citizen, Jubilee makes donations for education, health, and social and humanitarian projects.
 - It is Jubilee's objective to conduct business with reputable clients and business partners who are involved in lawful business activities. We do not facilitate money laundering.
 - It is the duty of Jubilee employees to make business decisions in the best interest of Jubilee Insurance and not based on their personal interest.
 - Jubilee employees are obligated to protect all assets of the Company, including intangible assets and software products, and use these properly only for the benefit of the Company.
- Open and effective communication requires accurate and truthful reporting. Jubilee is required to maintain sound processes and controls so that transactions are executed within approved authorization. Confidentiality is maintained with regard to Jubilee's proprietary information that has not been made known to public.
 - Protecting the health and safety of employees in the workplace is a high priority for Jubilee. Jubilee promotes sound environment friendly business practices.

INTEGRITY

Shareholders' and Investors' Information

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نئی ویژن - نیا جوش
New Vision - New Passion

Notice of Annual General Meeting

Notice is hereby given that the 60th Annual General Meeting of Jubilee General Insurance Company Ltd. will be held on Wednesday, April 10, 2013 at 11:30 a.m. at the Auditorium, Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Block 8, Clifton, Karachi to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended December 31, 2012 together with the Auditors' and Directors' Report thereon.
2. To consider and approve the payment of final cash dividend of 30% (Rs.3.00 per ordinary share of Rs.10/- each) for the year ended December 31, 2012 as recommended by the Directors of the Company.
3. To appoint Auditors of the Company for the year ending December 31, 2013 and fix their remuneration. The present auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, being eligible, have offered themselves for reappointment.

SPECIAL BUSINESS

4. To consider and if thought fit to capitalize a sum of Rs.177,969,840 out of the un-appropriated profits/reserves of the Company for the issuance of 17,796,984 bonus shares in the proportion of 15 (Fifteen) ordinary shares for every 100 (Hundred) ordinary shares held by the Members of the Company as at the close of business on April 01, 2013.
5. To consider and if thought fit to pass the following Resolutions with or without modification(s) as a special resolution for authorizing investment in the shares of London Bishkek Insurance Company – C.I.S.C, Kyrgyz Republic.

NOTES:

1. The Individual Members who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) and the Corporate Members who have not yet submitted photocopy of their valid National Tax Number Certificate (NTN) to the Company are once again requested to send the same with the Folio Number at the earliest directly to Company's Share Registrar, THK Associates (Private) Limited, Ground Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi. Reference is also made to the Securities and Exchange Commission of Pakistan (SECP) notification dated August 18, 2011, SRO 779 (I) 2011, which mandates that the dividend warrants should bear CNIC number of the Individual Member or the authorized person, except in case of minor(s) and National Tax Number (NTN) of Corporate Members.
2. The Share Transfer Books of the Company will be closed for the purpose of determining the entitlement for the payment of final cash dividend and for the issuance of bonus shares from April 02, 2013 to April 10, 2013 (both days inclusive). Transfer

Resolved that:

(a) The approval of shareholders be and is hereby accorded in term of section 208 of the Companies Ordinance, 1984 for investment of upto US \$ 440,088.2 by acquisition of upto 19.5% shareholding i.e. 10,106,691.3 Ordinary Shares of London Bishkek Insurance Company – C.I.S.C, Kyrgyz Republic, subject to the approval of State Bank of Pakistan and other regulatory approvals, if required.

(b) The Managing Director (Chief Executive) of the Company be and is hereby authorized to take any and all actions which may be required for the investment of the above mentioned amount for the acquisition of Ordinary Shares of London Bishkek Insurance Company – C.I.S.C, Kyrgyz Republic.

Attached to this notice of meeting being sent to the members is a statement under Section 160(1)(b) of the Companies Ordinance, 1984 setting forth all material facts concerning the resolutions contained in item no. 4 and 5 of the notice.

By order of the Board

Atiq A. Mahmudi
Company Secretary

Karachi: February 14, 2013

received at THK Associates (Pvt) Ltd, Ground Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi at the close of business on April 01, 2013 will be treated in time for the purpose of Cash Dividend and Bonus Shares entitlement to the transferees.

3. A member entitled to attend and vote at the Meeting may appoint another member as his/her proxy to attend, speak and vote at the Meeting on his/her behalf. The proxy forms must be deposited at the Registered Office of the Company not later than 48 hours before the time of the Meeting.
4. For attending the Meeting and Appointing Proxies, CDC Account Holders will further have to follow the guidelines as laid down in Circular No. 1 of 2000 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.
5. Members are requested to immediately inform the Company of any change in their addresses.



Statement U/S 160(I)(b) of the Companies Ordinance, 1984

This statement sets out the material facts concerning "Special Business" to be transacted at the 60th Annual General Meeting of the Company to be held on Wednesday, April 10, 2013.

a Capitalization out of the company's un-appropriated profit / reserves - Item # 4

The Directors of the Company are of the view that the Company's financial position justifies the capitalization of a sum of Rs.177,969,840 out of the Company's un-appropriated profits/reserves enabling the issuance of 17,796,984 fully paid bonus shares of Rs.10 each. These shares shall be issued to Members whose names appear in the Register of Members at the close of business on April 01, 2013. The bonus shares shall be issued in the proportion of 15 (Fifteen) shares for every 100 (Hundred) shares held by a Member. After the issuance of these bonus shares, the paid up capital of the Company would increase from Rs. 1,186,465,600 to Rs.1,364,435,440 . Accordingly, it is proposed to pass the following resolutions, namely:

RESOLVED THAT a sum of Rs.177,969,840 out of the un-appropriated profits/reserves of the Company be capitalized and applied for the issue of 17,796,984 ordinary shares of Rs.10 each and that the said shares be allotted as fully paid bonus shares to those Members of the Company whose names appear in the Register of Members of the Company as at the close of business on April 01, 2013 in the proportion of 15 (Fifteen) bonus shares for every 100 (Hundred) shares held by the entitled Members, and that such bonus shares shall rank pari passu as regards future dividends and in all other respects with the existing ordinary shares of the Company.

RESOLVED FURTHER THAT in the event of any Member becoming entitled to a fraction of a share, the Directors be and are hereby authorized to consolidate all such fractions and sell the shares so constituted on the Stock Market and to pay the net proceeds thereof to a charitable organization designated by the Directors.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolutions, the Managing Director be and is hereby authorized to take all necessary actions and do all acts, deeds and things and to settle any question or difficulties that may arise in regard to the allotment and the distribution of the said bonus shares as he thinks fit.

The Directors of the Company are not directly or indirectly, personally interested in this business except to

the extent of their respective shareholdings in the Company.

b Investment in the Shares of London Bishkek Insurance Company (LBIC) - CJSC, Kyrgyz Republic – item # 5

The information required to be disclosed under the Companies (Investment in Associated Companies or Undertakings) Regulations, 2012 is as under:

(i) name of the associated company or associated undertaking along with criteria based on which the associated relationship is established;

London Bishkek Insurance Company –CJSC, Kyrgyz Republic. The associated relationship is established based on the direct and indirect intended shareholding of major shareholders of Jubilee General Insurance Company Limited in the Investee Company.

(ii) purpose, benefits and period of investment;

This is a long term strategic investment and the purpose is to support the establishment of a strong market position in a developing insurance market so as to earn dividend and prospective capital gains in medium term.

(iii) maximum amount of investment;

US\$ 440,088.2

(iv) maximum price at which securities will be acquired;

US\$ 0.0435 Per Share

(v) maximum number of securities to be acquired;

10,106,691.3 Ordinary Shares

(vi) number of securities and percentage thereof held before and after the proposed investment;

No previous investment was made in this Company and therefore number of securities and percentage after the proposed investment will be as follows;

| | |
|-------------------------|------------------------------|
| a) number of securities | 10,106,691.3 Ordinary Shares |
| b) percentage | 19.5% |

(vii) in case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired;

Not applicable as the proposed investment is not in a listed company.



- (viii) in case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6(1);

US\$ 0.0435

100% shareholding of the LBIC have been acquired by Kyrgyz Investment & Credit Bank at negotiated price of US\$ 0.0435 per share based upon a due diligence carried out by Deloitte. The Bank has agreed to sell 19.50% of the shareholding in LBIC to Jubilee General Insurance at the same price at which the share have been purchased by them.

- (ix) break-up value of securities intended to be acquired on the basis of the latest audited financial statements;

US \$ 0.0360 Per Share based on audited accounts as of December 31, 2012

- (x) earning /(loss) per share of the associated company or associated undertaking for the last three years;

2012 - US \$ 0.0015
2011 - US \$ (0.0007)
2010 - US \$ 0.0005

- (xi) sources of fund from which securities will be acquired;

Company's own sources.

- (xii) where the securities are intended to be acquired using borrowed funds;

- (I) Justification for investment through borrowings; and
(II) detail of guarantees and assets pledged for obtaining such funds;

Not applicable

- (xiii) salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment;

Not applicable.

- (xiv) direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;

No personal interest of Jubilee General Insurance Directors. However the following share holders of Jubilee General Insurance are also considering to acquire share holding in the investee company.

Aga khan Fund for Economic Development.
10% 5,182,918. Ordinary Shares.

Jubilee Life Insurance Company Limited
19.5% 10,106,691.3 Ordinary Shares.

- (xv) any other important details necessary for the members to understand the transaction;

None

- (xvi) in case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely,-

- (I) description of the project and its history since conceptualization;
(II) starting and expected dates of completion of work;
(III) time by which such project shall become commercially operational; and
(IV) expected time by which the project shall start paying return on investment;

Not applicable



Financial Calendar

Results

| | | |
|---------------------------------------|--------------|------------------|
| First quarter ended 31 March 2012 | Announced on | 27 April 2012 |
| Half year ended 30 June 2012 | Announced on | 29 August 2012 |
| Third quarter ended 30 September 2012 | Announced on | 24 October 2012 |
| Year ended 31 December 2012 | Announced on | 14 February 2013 |

Dividend

| | | |
|-------------------|------------------------------------|------------------|
| Final Cash (2012) | Announced on | 14 February 2013 |
| | Entitlement date | 02 April 2013 |
| | Statutory limit upto which payable | 09 May 2013 |

| | | |
|---------------------------|-----------------------------------|------------------|
| Final Bonus Shares (2012) | Announced on | 14 February 2013 |
| | Entitlement date | 02 April 2013 |
| | Statutory limit upto issue | 09 May 2013 |

| | | |
|-------------------|------------------------------------|------------------|
| Final Cash (2011) | Announced on | 14 February 2012 |
| | Entitlement date | 29 March 2012 |
| | Statutory limit upto which payable | 08 May 2012 |
| | Paid on | 03 May 2012 |

| | | |
|---------------------------|------------------------------------|------------------|
| Final Bonus Shares (2011) | Announced on | 14 February 2012 |
| | Entitlement date | 29 March 2012 |
| | Statutory limit upto which payable | 08 May 2012 |
| | Issued on | 03 May 2012 |

Issuance of Annual Report

19 March 2013

60th Annual General Meeting

10 April 2013



Access to Reports and Enquiries

Annual Report

Annual report 2012 may be downloaded from the Company's website: www.jubileegeneral.com.pk or Printed copies can be obtained by writing to:

The Company Secretary
Jubilee General Insurance Company Limited
2nd Floor, Jubilee Insurance House
II. Chundrigar Road
Karachi 74000
Pakistan

Quarterly Reports

The Company publishes interim reports at the end of first, second and third quarters of the financial year. The interim reports for the year 2012 can be accessed at Jubilee General's website or printed copies can be obtained by writing to the Company Secretary.

Shareholders' Enquiries

Shareholders' enquiries about their holding, dividends or share certificates should be directed either to Company's registered office or share registrar at the following address:

THK Associates (Pvt) Limited
Ground Floor, State Life Building No. 3
Dr. Ziauddin Ahmed Road, Karachi.

UAN: 111-000-322 Tel: 35686658 / 35689021

Stock Exchange Listing

Jubilee General Insurance Company Limited shares are listed on Karachi and Lahore stock exchanges. The symbol code for dealing in shares of the company is JGICL.

EXCELLENCE

Corporate Governance and Financial Highlights

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The Directors' Report

For The Year Ended December 31, 2012

The Directors are pleased to present the Annual Report and the Audited Accounts for the year ended December 31 2012.

Country Review:

For the fiscal year 2012-2013, Pakistan's GDP growth is estimated to be around 3.7% against the target of 4.30% which does not compare favorably with the regional countries. The fiscal deficit is forecast to be at 7.50% against 4.70% budgetary estimate and current account deficit would remain at 0.70% of GDP mainly due to increasing foreign exchange remittances by overseas Pakistanis. The major challenges for Pakistan economy remain the low tax to GDP ratio; acute energy shortage which is seriously affecting the industrial sector productivity and causing labor unrest; increasing losses and inefficiencies in most of the State Owned Enterprises; and the poor law and order conditions in the country.

Insurance Sector Review:

Gross premium of the non-life insurance market grew by 11% in 2011 to Rs. 42 billion. However, in 2012 the growth in premium is expected to be between 2-3%. Thus net of inflation which is currently running at 11%, the non-life insurance market would show a negative growth of 9%. While rate competition in Marine and Motor portfolios continue, recurring floods in the past three years in some regions of Pakistan and some major Fire losses in 2012 have kept Fire premium rates stable. The early implementation of new Takaful Rules which would allow conventional insurers to also write Takaful business through a separate window to increase their revenues is keenly awaited.

Company Performance:

Despite the difficult economic scenario your Company has increased its written premium by 15.38% to reach Rs. 6.00 billion (2011: Rs. 5.20 billion). The net premium revenue has also increased by 11.60% to Rs. 3.10 billion (2011: Rs. 2.80 billion). As evident from the numbers summarized below, the pretax and after tax profit has also increased primarily due to higher investment and other income:

| | 2012 | 2011 |
|---------------------------------|------------------|-----------|
| | (Rupees in '000) | |
| Gross premium | 6,007,908 | 5,180,398 |
| Net premium revenue | 3,084,738 | 2,764,204 |
| Underwriting result | 154,428 | 153,756 |
| Investment income including | | |
| Capital Gain and rent | 783,011 | 748,318 |
| Profit before Tax | 946,079 | 892,911 |
| Profit after Tax | 826,576 | 797,189 |
| Earning per share of Rs.10 each | 6.97 | 6.72 |

Fire & Property:

The Fire & Property portfolio contributed 26% of total written premium and grew by 18% to Rs. 1,561 million.

Due to some large claims, this portfolio posted an underwriting profit of Rs.2 million only as compared to Rs.43 million in 2011.

Marine, Aviation & Transport:

This portfolio contributes 10% of the total written premium. Due to reduced volume of imports and the ban on transit of Nato supplies through Pakistan land route it increased nominally by only 2.50% to Rs.618 million.

However, the underwriting profit of this class of business increased to Rs.63 million as compared to Rs.45 million in 2011.

Motor:

The motor portfolio comprises 15% of the total written premium and increased by 15% to Rs. 880 million. It yielded an underwriting profit of Rs.34 million (Rs. 46 million in 2011.)

Liability:

The liability portfolio constitutes 6% of the total written premium at Rs. 351 million. It grew robustly by 30% mainly due to increase in oil / gas exploration activity in the country and yielded an underwriting profit of Rs.37 (Rs.36 million in 2011.)

Accident & Health:

We are the pioneers of Group Health insurance in Pakistan. This portfolio constitutes 12% share in the business mix of the Company. The written premium increased by 33% to Rs. 692 million (2011: Rs.522 million), However, due to increased cost of claims and expenses the underwriting loss increased to Rs. 68 million from Rs. 24 million in 2011. The management is taking measures to make this portfolio profitable.

Miscellaneous:

The miscellaneous class contributed 32% of our total written premium. It increased by 13% to reach Rs. 1,907 million. Due to various underwriting measures, significant improvement has been achieved in this class resulting in an underwriting profit of Rs.87 million as against Rs. 8.00 million only recorded in 2011.

Investment Income:

The investment income of the Company from all sources including dividends and returns on bank deposits, realized capital gains and income from real estate holdings generated Rs. 783 million in 2012 (Rs. 748 million in 2011) an increase of 5%.



The investment portfolio as on December 31, 2012 also shows an unrealized gain of Rs.2,257 million inclusive of appreciation of Rs.1,442 million in our real estate holdings.

Market Share:

Jubilee General's market share has progressively increased from 7.6% in 2005 to more than 12.24% in 2011. We anticipate further gain in 2012, which will be known when the statistics for all the companies are compiled by the Insurance Association of Pakistan.

Reinsurance:

The international reinsurance market remains stable due to the flow of new capital in this sector and prudent underwriting. However, due to the small size and low GDP penetration, the Pakistan market is not very attractive for the international reinsurers. The floods in Pakistan during the past three years have also impacted the reinsurance results. However, leveraging on its strong financials and prudent underwriting, Jubilee General has been able to enhance its reinsurance capacity at competitive terms, thereby positioning itself to write a larger volume of business and provide higher capacity to its clients.

Product Development:

To meet the emerging changes in the business environment and to reach a wider segment of customers, the Company has developed a portfolio of e-based products; to enter the retail and micro-insurance segments. The Company continues to invest in knowledge-based products and in training of its manpower to keep itself competitive and responsive to fast changing environment.

Dividend and appropriations of profit:

| The amount available for appropriation is: | (Rupees in '000) |
|--|------------------|
| Amount brought forward from previous years | 50,403 |
| Profit after tax for the year | 826,576 |
| Amount available for appropriation | 876,979 |

The Directors recommend that this amount be appropriated in the following manner:

Appropriation:

| | |
|--|---------|
| Transfer to special reserve | 100,000 |
| Transfer to general reserve | 230,000 |
| Proposed final cash dividend @ 30% (2011:30%) | 355,940 |
| Proposed issue of bonus shares @ 15% (2011: 20%) | 177,970 |
| Carry forward to next year | 13,069 |
| | 876,979 |

Board of Directors:

During the year there is no change in the Board of Directors elected in the Annual General meeting held on June 25, 2011. Except for the Managing Director all others are Non-Executive Directors.

The Board of Directors held six (6) meetings in 2012, and the participation of the Directors is indicated below:

| Name of Director | Meetings Attended |
|---|-------------------|
| Towfiq H. Chinoy – Chairman | 06 |
| Akbar Ali Hashwani | 06 |
| Masood Noorani | 06 |
| Akbar Ali Pesnani | 06 |
| John Joseph Metcalf | 06 |
| Aly Noormahomed Rattansey | 06 |
| R. Zakir Mahmood | 02 |
| M. Akhtar Bawany (Alternate Director to Sadruddin Hashwani) | 06 |
| Tahir Ahmed – Managing Director | 06 |

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

With deep regret we record the sad demise of the first Managing Director of the Company, Mr. Shawket C. Subjally on 31st December 2012.

Mr. Shawket C. Subjally served as the first Chief Executive of the Company for a period of 24 years from 1953 to 1977. He laid the strong foundation for the growth and prosperity of the Company and also played a prominent role in the development of the Pakistan insurance industry. His valuable contribution shall always be remembered.

Board Committees

The Board of Directors has constituted the following Committees:

- Audit Committee
- Finance and Investment Committee
- Human Resources and Remuneration Committee

The names of the members of the Board Committees and terms of reference are given in the annexure to this report (page 32). Except for the Managing Director and Chief Financial Officer, all others are Non-Executive Directors.

During the year the Board Audit Committee, Finance & Investment Committee and Human Resource & Remuneration Committee held four (4), four (4) and three (3) meetings respectively.

Management Committees:

The Company has also constituted four Management Committees, comprising of its executives to monitor the following core areas of its business; namely Underwriting, Claims, Re-Insurance & Co-Insurance and Enterprise Risk Management.

The names of members and the terms of references of these Committees are given in the annexure to this report (page 34). During the year four meetings were held by each of the first three Committees while two meetings were held by Enterprise Risk Management Committee.



Chief Executive Officer (CEO) Performance Review:

The Board of Directors appoints the Chief Executive Officer for the tenure of three years. The Human Resource & Remuneration Committee of the Board sets the Operational, Financial and Strategic Objectives and reviews the CEO performance on annual basis.

Statement of Director's Responsibilities:

In compliance with the corporate and financial reporting framework of the Code of Corporate Governance the Directors confirm the following:

- g 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.
- g Proper books of accounts of the Company have been maintained.
- g Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- g International financial reporting standard as applicable in Pakistan have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.
- g The system of internal control is sound in design and has been effectively implemented and monitored.
- g There are no significant doubts upon the Company's ability to continue as a going concern.

Insurer Financial Strength (IFS) Rating:

The Directors are pleased to announce that Jubilee General's IFS (Insurer Financial Strength) rating has been up-graded to "AA+" with "Stable Outlook" by both the rating agencies of Pakistan i.e. JCR-VIS and Pakistan Credit Rating Agency (PACRA). This rating makes our Company the highest rated General Insurer of Pakistan.

The "AA+" with "stable outlook" takes into account financial strength of Jubilee General as demonstrated by its strong capitalization and liquidity indicators. It also denotes a very strong capacity of the Company to meet policyholder and contract obligations.

Jubilee General has also been accorded the Financial Strength Rating of "B++" (good) and issuer credit rating of "BBB" by A. M. Best. According to A.M. Best Jubilee General has developed good procedures in assessing, measuring and mitigating the key risks associated with the Company's business. A. M. Best Company is the world's oldest and most authoritative insurance rating and information source.

Liquidity management:

During the year 2012 an amount of Rs.849 million (2011: Rs. 599 million) was generated from operating activities which has been utilized for increasing investment and payment of dividend to shareholders. The Company prudently manages its liquidity to ensure its ability to meet its contractual obligations efficiently as and when they fall due.

Awards:

Jubilee general insurance has secured first position for the third consecutive year in best corporate report award 2011 in NBFI (non banking financial institution) category, which comprises of insurance, leasing, investment banks, mutual funds and modarabas. The awards competition was jointly organized by the institute of chartered accountants of Pakistan (ICAP) and institute of cost and management accountants of Pakistan (ICMAP) to encourage and recognize excellence in annual corporate reporting as well as to promote corporate accountability and transparency through publication of timely information in a factual and reader friendly manner. 31 companies were selected for presenting the awards in 10 categories, out of a list of all the companies listed on the three stock exchanges in Pakistan.

The South Asian Federation of Accountants (SAFA) has also for the third consecutive year conferred "Certificate of Merit" to the Company for the Best Presented Annual Report for the year 2011 in the category of Insurance Sector. SAFA is the apex body of South Asian Association for Regional Co-operation and a Regional group of International Federation of Accountants.

Financial Contribution To The National Exchequer:

During the year, the Company has contributed Rs. 1,115 million (2011: Rs. 1,013 million) to the national exchequer for the payment of direct and indirect taxes and other mandatory contributions.

Corporate Social Responsibility:

During 2012, Jubilee General was engaged in education and health initiatives under its CSR banner programme.

The Company sponsored 4 home schools run by the NGO "HOPE" to provide education to 140 students and a stipend to 12 teachers. JGI-sponsored home schools are functioning at Rehri Goth, Pipri, and two at Ghaggar Phatak, in the province of Sindh.

A health camp was organized by the staff members, at which over 100 patients were checked for cataract and ocular pressure, and 50+ patients were provided services by a physician, an ENT specialist & dermatologist.

During the year, Jubilee General also donated Rs 8.09 million (Rs.6.85 million in 2011) to various institutions in the health, education and community service sectors.

Environment:

Through employee engagement we inculcated the spirit for environment protection when a team of our employees cleaned half a kilometer of Clifton beach collecting a wide array of garbage and handing it to the cantonment personnel for disposal.

We are committed to energy conservation by installing energy savers and LCD monitors and avoid unnecessary use of air-conditioning and lighting equipment in all our offices throughout Pakistan.

We have also minimized the use of paper and give waste paper for recycling.



Human Resource Development:

The Company's success over the years speaks of the caliber of its workforce especially in the challenging business environment. Jubilee General is committed to employee development and ensures that knowledge, skills and abilities are developed at all levels, thus enabling employees to perform their jobs more effectively and prepare them to assume more responsibilities in future.

Employees are sent for external training both locally and overseas. The Company also extends financial assistance to the employees acquiring post-graduate diploma in Insurance from Pakistan Insurance Institute and the advanced diploma - ACII, from the Chartered Insurance Institute, UK.

Sports Activities:

The Company actively encourages its employees to engage in various sports, by organizing in-house events in cricket, as well as, by participating in Inter-Company sporting competitions.

In order to encourage and contribute towards the promotion of sports and recreational facilities at the national level, the Company sponsored and supported the following events in 2012:

- g Snooker
- g Table Tennis
- g Football

Information Technology:

Your Company has undertaken a major technology upgrade, in its core application, distribution network and the infrastructure, with the objective to become an innovative, and a process-efficient industry leader.

We are in the process of implementing the web-based core insurance application on Oracle platform and are upgrading the country-wide wan network managed centrally through a 24/7 'network management system'.

Business Risk:

Details of business risks and measures taken for and their mitigation are annexed to this report (page 35).

Business Process Re-Engineering (BRP)

The Company believe in continuous business process re-engineering to improve operational efficiency and profitability. During the year under review we have started the centralization of Claims function and have also set up a common administration office for Medical business with Jubilee Life Insurance Company with the objective of reducing cost and bringing overall efficiencies.

Pattern of Shareholding and Trading in the Shares:

The pattern of shareholding and the information regarding trading in the shares of the Company by its Directors, Chief Executive, Chief Financial Officer and Company Secretary are annexed to this report (page 37).

Key Financial Data:

Key financial data for the last ten years is annexed to this report (page 40).

Value of Investments in Provident Fund and Gratuity Fund:

The values of investments in employees retirement funds based on audited accounts for the year ended December 31, 2011 are as follows:

(Rupees in '000)

| | |
|--------------------------|---------|
| Staff provident fund | 181,142 |
| Employees' gratuity fund | 86,603 |

Auditors:

Messrs Ernst & Young Ford Rhodes Sidat Hyder have audited the accounts for the year 2012, and have offered themselves for re-appointment. The Board Audit Committee recommends that they be re-appointed as the statutory auditors for a further term of one year, and the Board endorses this recommendation.

Future Outlook:

The present economic conditions and the future outlook in most of the G-7 and G-20 countries continue to be fragile and uncertain with the U.S.A and Europe in recession, and China, Japan and the BRIC countries experiencing serious slowdown in the pace of their economic activities.

The Pakistan economy is also mired in serious difficulties which have already been mentioned in the opening section of this report. The uncertainty preceding the national elections is likely to negatively impact the business environment and economic activity.

However, we are optimistic that with our strong brand identity and recognition as the highest IFS rated general insurer of Pakistan and our efforts to develop new products and markets with the help of an upgraded IT System, we shall be able to achieve better all around results and enhance our market position and financial strength.

Acknowledgements

We thank our valued clients and shareholders of the Company for their continued support which has enabled us to progressively increase our market share year after year. We also thank our brokers and reinsurers for their valuable support and would like to record our appreciation for the cooperation of Securities & Exchange Commission of Pakistan. We also acknowledge the hard work and dedication of our development officers, staff members and executives which has made it possible to achieve our goals.

On behalf of the Board.

Towfiq H. Chinoy
Chairman
Karachi: 14 February 2013



Board Committees

The company has three committees at the board level. These committees meet on quarterly basis to review the company's performance, which strengthens its governance framework. The terms of reference and composition of these committees are given below:

Audit Committee

The terms of reference of this committee include the following:

- g Determination of appropriate measures to safeguard the Company's assets.
- g Review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
 - major judgmental areas.
 - significant adjustments resulting from the audit.
 - any changes in accounting policies and practices.
 - compliance with applicable accounting standards
 - compliance with listing regulations and other statutory or regulatory requirements.
- g Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary).
- g Review of management letter issued by external auditors and management's response there to.
- g Ensuring coordination between the internal and external auditors of the company.
- g Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the company.
- g Consideration of major findings of internal investigations and management's response thereto.
- g Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective.
- g Review of the company's statement of internal control system prior to endorsement by the board of directors.
- g Determination of compliance with relevant statutory requirements.
- g Monitoring compliance with the best practices of corporate governance and identification of any significant violations thereof and
- g Consideration of any other issue or matter as may be assigned by the board of directors.

The Committee comprises of three members, including the Chairman of this committee, all of them are non-executive directors. During the year 2012 four meetings of this committee were held and the attendance of meeting is as follows:

| Name of Members | Meetings Attended |
|--------------------------------------|-------------------|
| Aly Noormahomed Rattansey – Chairman | 04 |
| Akbarali Pesnani – Member | 04 |
| John Joseph Metcalf – Member | 04 |

Finance & Investment Committee

The terms of reference of this committee include the following:

Planning & Budgeting:

- g Review the annual operating & capital expenditures budget and recommending the same to the Board.
- g Review and approve the long term plan and recommend three years budget of the Company.
- g Review and approve proposals for opening of Branch Offices inside and outside Pakistan.

Operating Review:

- g Review and recommend the monthly, quarterly, half yearly and annual results of the Company for approval of the Board.
- g Review and monitor the capital expenditures incurred in accordance with the budget.

Investments

- g Define the strategic objectives of the Investment Policy.
- g Allocate funds for investment in the different sectors and sub-sectors.
- g Establish the basic parameters governing the investment in the various sectors.
- g Review and approve the annual investment plan and budget.
- g Review each quarter, the overall investment portfolio with particular reference to purchase and sale of investments made during the quarter, the income accruing from each sector vis-à-vis the budget, and to consider the reasons for variances.
- g Review the economic, political and law & order outlook for the foreseeable future and to issue guidance for further investment / disinvestment activity, sectoral reallocation of investment portfolio etc.
- g Establish the benchmarks against which the performance of the overall investment portfolio and its sectors are to be assessed.

Other Matters:

- g Review and recommend the financial policies and controls of the Company, including the policies required under the Code of Corporate Governance to the board.

The Committee comprises of six members, including the Chairman of this Committee, out of which four are non-executive directors, one executive director and the Chief Financial Officer. The Committee held four meetings in the year 2012 and the attendance of meetings is as follows:

| Name of Members | Meetings Attended |
|------------------------------|-------------------|
| Masood Noorani – Chairman | 04 |
| John Joseph Metcalf – Member | 04 |
| Akberali Pesnani – Member | 04 |
| Akberali Hashwani – Member | 04 |
| Tahir Ahmed – Member | 04 |
| Atiq A. Mahmudi – Member | 03 |



Human Resource & Remuneration Committee

The terms of reference of this committee include the following:

- g Review the HR policies and make appropriate amendments if needed.
- g Review and approve manpower development plan and budget.
- g Review and recommend annual appraisal and salary revision of senior executives of the Company.
- g Review and approve any changes required in perquisites and benefits of senior executives and employees.
- g Approve terminations and acceptance of resignations for senior executives.

The committee comprises of five members including the Chairman of this Committee, out of which four are non-executive directors and one executive director. During the year 2012 three meetings of this committee were held and the attendance of meeting is as follows:

| Name of Members | | Meetings Attended |
|---------------------|------------|-------------------|
| Towfiq H. Chinoy | - Chairman | 03 |
| Akbarali Hashwani | - Member | 03 |
| Masood Noorani | - Member | 03 |
| John Joseph Metcalf | - Member | 03 |
| Tahir Ahmed | - Member | 03 |



Management Committees

The company has four management committees, which cover the core areas of business. These committees meet on regular basis and are headed by the Chief Executive Officer. The functions and composition of the committees are given below:

Underwriting Committee

The underwriting committee's function is to formulate the underwriting policy of the company and to set out the criteria for assessing various types of insurance risks and determines the premium of different insurance covers. The committee shall regularly review the underwriting and premium policies with due regard to relevant factors such as business portfolio and the market development.

The following are the members of this committee:

| | |
|-----------------|------------|
| Tahir Ahmed | - Chairman |
| Azfar Arshad | - Member |
| Mehboob Pervaiz | - Member |
| Mohammad Safdar | - Member |

Claims Committee

The function of this committee is to devise the claim settling policy of the Company. The committee oversees the claim position of the company and ensures that adequate claims reserves are made. The committee pays a particular attention to significant claims cases or events, which will give rise to a series of claims. The Committee also determines the circumstances under which the claim disputes shall be brought to its attention, and decide how to deal with such claims disputes. It shall also oversee the implementation of the measures for combating fraudulent claims cases.

The following are the members of this committee:

| | |
|--------------------|------------|
| Tahir Ahmed | - Chairman |
| Mohammad Safdar | - Member |
| Syed Imran Rabbani | - Member |

Re-insurance & Co-insurance Committee

This committee ensures that adequate reinsurance arrangements are made for the company. The committee pursues the proposed reinsurance's arrangements prior to their execution, reviews the arrangements from time to time and subject to the consent of the participating reinsurers makes appropriate adjustments to those arrangements in the light of the market development. The committee will also assess the effectiveness of the reinsurance program for the future reference.

The following are the members of this committee:

| | |
|------------------------|-----------|
| Tahir Ahmed | -Chairman |
| Nadeem Irshad | -Member |
| Karim Merchant | -Member |
| Brendan Thomas D' Lima | -Member |

Enterprise Risk Management Committee

This committee shall ensure the continuity of critical business functions, and commercial activity of the company and safe guard its assets. The committee shall assess, review, record, rank and rate the physical, financial and reputation risks. It will conduct the business impact analysis; assess effects of impact of any physical disruption; its financial implications and people to be affected. It will also evaluate mitigation in place; lay down proactive approach and reactive actions. It will also develop and implement business continuity plan for the company and review it from time to time.

The following are the members of this committee:

| | |
|------------------------|------------|
| Tahir Ahmed | - Chairman |
| Atiq A. Mahmudi | - Member |
| Azfar Arshad | - Member |
| Brendan Thomas D' Lima | - Member |
| Uzair Mirza | - Member |



Business Risk Management

Risk management ensures an integrated pre-emptive approach to mitigate current and emerging business risks. The Board is committed to effectively manage its risk through the formulation of risk management policy and system. The Company continuously monitors and controls risk to the business. The following are the major risks faced by the Company and their Mitigating factors:

| Risk | Mitigating factors |
|---|--|
| <p>Economic and Political Risk Difficult business conditions resulting from economic and political instability may prove to be an impediment in the plans of the Company to achieve its business objectives.</p> | <p>The Company has cautious approach to deal with such risks and develops niche products to maintain and increase its market share without compromising its profitability.</p> |
| <p>Market Risk The Company faces increased competition from existing players and new entrants including Takaful companies in insurance market.</p> | <p>The Company relies on its personalized service and customized products to retain its customer base and increase its market share.</p> |
| <p>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.</p> | <p>The Company's risk exposure is mitigated by employing a comprehensive framework to identify, assess, manage and monitor risk underwritten under the insurance contract. 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.</p> |
| <p>Reinsurance Risk Reinsurance ceded do not relieve the Company from its obligation to the insured and as a result the Company remains liable for the portion of claims reinsured in case of inability of the reinsurer to discharge its obligation.</p> | <p>To minimize its exposure of losses from reinsurer insolvencies, the Company obtains reinsurance from a number of reinsurers, representing first class security and spread over several geographical regions. The Company also ensures that 80% of all reinsurance treaties are backed by at least "A" rated reinsurers including Pakistan Reinsurance Company Limited and remaining by "BBB" rated.</p> |
| <p>Credit Risk The Possibility that the insured may fail to discharged its obligation for payment of premium and cause the Company to incur a financial loss.</p> | <p>The Company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counter parties in various industries and by continually assessing the credit worthiness of counter parties.</p> |
| <p>Investment Risk The changes in stock market, and interest rate may affect future cash flows of financial instruments.</p> | <p>The company limits investment risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity, money market fund and term finance certificates (TFCs) markets. In addition, the company actively monitors the key factors that affect stocks, money market and TFCs market.</p> |



| Risk | Mitigating factors |
|---|---|
| <p>Liquidity Risk The Company may encounter difficulty in meeting obligations associated with insurance and reinsurance contracts.</p> | <p>The Company manages its liquidity by maintaining healthy cash and cash equivalent and other liquid assets balances. The maturity profiles of financial assets and liabilities are also closely monitored for this purpose.</p> |
| <p>IT Risk The development in Information Technology may affect the company's operational process.</p> | <p>The company continuously upgrades its IT system which are managed by able officers and regulated by formal policy with disaster management system.</p> |



Pattern of Shareholding

For The Year Ended December 31, 2012

| Categories of Shareholders | Number of Shareholders | | No. of Shares held | Percentage |
|----------------------------|------------------------|----------|--------------------|------------|
| | From | To | | |
| 559 | 1 | 100 | 11102 | 0.0094 |
| 234 | 101 | 500 | 59681 | 0.0503 |
| 137 | 501 | 1000 | 99184 | 0.0836 |
| 342 | 1001 | 5000 | 759478 | 0.6401 |
| 94 | 5001 | 10000 | 644354 | 0.5431 |
| 48 | 10001 | 15000 | 604578 | 0.5096 |
| 17 | 15001 | 20000 | 293195 | 0.2471 |
| 10 | 20001 | 25000 | 220680 | 0.1860 |
| 14 | 25001 | 30000 | 391699 | 0.3301 |
| 2 | 30001 | 35000 | 60084 | 0.0506 |
| 5 | 35001 | 40000 | 189026 | 0.1593 |
| 6 | 40001 | 45000 | 251611 | 0.2121 |
| 2 | 45001 | 50000 | 94547 | 0.0797 |
| 2 | 50001 | 55000 | 106065 | 0.0894 |
| 5 | 55001 | 60000 | 292458 | 0.2465 |
| 2 | 60001 | 65000 | 123467 | 0.1041 |
| 2 | 65001 | 70000 | 134305 | 0.1132 |
| 2 | 70001 | 75000 | 143537 | 0.1210 |
| 1 | 85001 | 90000 | 88200 | 0.0743 |
| 2 | 90001 | 95000 | 181910 | 0.1533 |
| 1 | 95001 | 100000 | 98640 | 0.0831 |
| 2 | 100001 | 105000 | 203922 | 0.1719 |
| 2 | 110001 | 115000 | 225617 | 0.1902 |
| 2 | 120001 | 125000 | 241118 | 0.2032 |
| 3 | 125001 | 130000 | 383627 | 0.3233 |
| 2 | 135001 | 140000 | 277884 | 0.2342 |
| 3 | 140001 | 145000 | 428406 | 0.3611 |
| 3 | 145001 | 150000 | 445148 | 0.3752 |
| 1 | 155001 | 160000 | 156500 | 0.1319 |
| 1 | 185001 | 190000 | 185850 | 0.1566 |
| 1 | 205001 | 210000 | 209390 | 0.1765 |
| 2 | 215001 | 220000 | 436202 | 0.3676 |
| 2 | 235001 | 240000 | 476471 | 0.4016 |
| 1 | 270001 | 275000 | 272054 | 0.2293 |
| 1 | 280001 | 285000 | 282446 | 0.2381 |
| 1 | 290001 | 295000 | 294315 | 0.2481 |
| 1 | 315001 | 320000 | 317756 | 0.2678 |
| 1 | 350001 | 355000 | 352930 | 0.2975 |
| 1 | 370001 | 375000 | 370002 | 0.3119 |
| 1 | 440001 | 445000 | 441345 | 0.3720 |
| 1 | 515001 | 520000 | 515228 | 0.4343 |
| 1 | 560001 | 565000 | 563995 | 0.4754 |
| 1 | 895001 | 900000 | 898995 | 0.7577 |
| 1 | 950001 | 955000 | 954254 | 0.8043 |
| 1 | 960001 | 965000 | 963348 | 0.8119 |
| 1 | 1090001 | 1095000 | 1093992 | 0.9221 |
| 1 | 1150001 | 1155000 | 1152144 | 0.9711 |
| 1 | 1185001 | 1190000 | 1186275 | 0.9998 |
| 1 | 1240001 | 1245000 | 1241019 | 1.0460 |
| 1 | 1340001 | 1345000 | 1342454 | 1.1315 |
| 1 | 1365001 | 1370000 | 1367821 | 1.1529 |
| 1 | 1395001 | 1400000 | 1400000 | 1.1800 |
| 1 | 1410001 | 1415000 | 1413697 | 1.1915 |
| 1 | 1615001 | 1620000 | 1619586 | 1.3651 |
| 1 | 1720001 | 1725000 | 1721924 | 1.4513 |
| 1 | 4360001 | 4365000 | 4364959 | 3.6790 |
| 1 | 6520001 | 6525000 | 6522043 | 5.4970 |
| 1 | 8995001 | 9000000 | 9000000 | 7.5856 |
| 1 | 10105001 | 10110000 | 10106106 | 8.5178 |
| 1 | 16665001 | 16670000 | 16666974 | 14.0476 |
| 1 | 19265001 | 19270000 | 19266147 | 16.2383 |
| 1 | 24435001 | 24440000 | 24436814 | 20.5963 |
| 1540 | | | 118646559 | 100.0000 |



Pattern of Shareholding

For The Year Ended December 31, 2012

| Categories of Shareholders | Number of Shareholders | No. of Shares held | Percentage |
|--|------------------------|--------------------|---------------|
| Associated Companies, Undertakings and Related Parties: | 12 | 83,743,587 | 70.58 |
| Hassanali & Company (Pvt) Ltd | | 370,002 | |
| Hashoo Limited | | 127,431 | |
| Hashoo Holdings (Pvt) Ltd | | 219,625 | |
| Hashwani Hotels Limited | | 6,522,043 | |
| Habib Bank Limited | | 19,267,377 | |
| Aga Khan Fund for Economic Development | | 16,666,974 | |
| Aga Khan Hospital and Medical College Foundation | | 24,436,814 | |
| Trustee Pakistan Services - Employees Provident Fund | | 1,241,019 | |
| Trustee Hashwani Hotels - Employees Provident Fund | | 963,348 | |
| Jubilee Life Insurance Co. Ltd. | | 563,995 | |
| The Aga Khan University Foundation | | 4,364,959 | |
| Pakistan Services Limited | | 9,000,000 | |
| NIT and ICP | | | |
| Investment Corporation of Pakistan | 1 | 28 | - |
| Directors, CEO & their Spouse and Minor Children | 9 | 2,562,640 | 2.16 |
| Mr. Towfiq H. Chinoy | | 26,725 | |
| Mr. Akbarali Hashwani | | 1,652,307 | |
| Mr. Sadruddin Hashwani | | 515,228 | |
| Mr. Masood Noorani | | 143,714 | |
| Mr. Akbarali Pesnani | | 67,799 | |
| Mr. R. Zakir Mahmood | | 180 | |
| Mr. Aly Noormahomed Rattansey | | 180 | |
| Mr. Tahir Ahmed | | 139,074 | |
| Mrs. Sakina Pesnani w/o Akbarali Pesnani | | 17,433 | |
| Executives | 6 | 180,987 | 0.15 |
| Atiq Anwar Mahmudi | | 61,173 | |
| Azfar Arshad Inam | | 21,120 | |
| Syed Sohail Ahmed | | 88,200 | |
| Mohammad Safdar | | 1,200 | |
| Nasim ul Haq | | 5,270 | |
| Karim Merchant | | 3,600 | |
| Public Sector Companies and Corporations | | - | |
| Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and ICP Mutual Funds | 9 | 456,409 | 0.38 |
| Shareholders holding 10 percent or more share in the Company (other than those reported above) | | | |
| Individuals | 1,473 | 30,364,027 | 25.60 |
| Others | 30 | 1,338,881 | 1.13 |
| Total | 1,540 | 118,646,559 | 100.00 |

Pattern of Shareholding Additional Information

For The Year Ended December 31, 2012



Shareholders holding 10 percent or more share in the Company

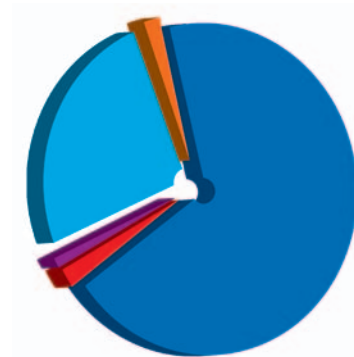
- Aga Khan Hospital and Medical College Foundation
- Habib Bank Limited
- Aga Khan Fund for Economic Development

| No. of Shares held | Percentage |
|--------------------|------------|
|--------------------|------------|

| | |
|------------|-------|
| 24,436,814 | 20.60 |
| 19,264,377 | 16.24 |
| 16,666,974 | 14.05 |

Trading in shares by Directors, CEO, CFO, Company Secretary & their spouses and minor children during the year 2012

| No. of Shares held | Designation | Transaction | No. of Shares |
|--------------------|-------------------------|-------------|---------------|
| Towfiq H. Chinoy | Chairman/Director | Acquired | 23,725 |
| Tahir Ahmed | Chief Executive Officer | Acquired | 17,000 |
| Atiq Anwar Mahmudi | CFO & Company Secretary | Acquired | 3,500 |



| Categories of Shareholders | No. of Shareholders | Shares held | Percentage of Total |
|----------------------------|---------------------|--------------------|---------------------|
| Individual | 1474 | 22,622,567 | 19.06 |
| Insurance Companies | 3 | 931,456 | 0.79 |
| Joint Stock Companies | 31 | 17,053,435 | 14.37 |
| Financial Institutions | 7 | 19,349,318 | 16.31 |
| Modarabas & Mutual Funds | 2 | 7,035 | 0.01 |
| Non Resident Shareholders | 15 | 27,152,061 | 22.88 |
| Others - see below | 8 | 31,530,687 | 26.58 |
| | <u>1540</u> | <u>118,646,559</u> | <u>100.00</u> |

- Associated Companies, Undertakings and Related Parties
- General Public
- Directors, CEO & their Spouse and Minor Children
- Executives
- Other Companies

- I The Aga Khan Hospital & Medical College Foundation
- II Aga Khan Foundation
- III The Aga Khan University Foundation
- IV Trustees Pak Services Ltd, Employees Provident Fund
- V Trustees Hashwani Hotels Ltd, Employees Provident Fund
- VI Trustees Artal Restaurants Int'l Employees Provident Fund
- VII The Aga Khan University- Employees Provident Fund
- VIII The Aga Khan University - Employees Gratuity Fund



Key Financial Data

| 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|------|------|------|------|------|------|------|------|------|------|
|------|------|------|------|------|------|------|------|------|------|

Rupees in million

SUMMARY OF BALANCE SHEET

| | | | | | | | | | | |
|-----------------------------|--------|--------|-------|-------|-------|-------|-------|-------|-------|-------|
| Paid-up Capital | 1,186 | 989 | 791 | 659 | 659 | 549 | 439 | 366 | 318 | 277 |
| General & Capital Reserves | 2,887 | 2,554 | 2,113 | 1,962 | 1,402 | 1,862 | 1,640 | 937 | 429 | 362 |
| Equity | 4,073 | 3,543 | 2,904 | 2,621 | 2,061 | 2,411 | 2,079 | 1,350 | 893 | 721 |
| Total Liabilities | 6,686 | 5,432 | 4,798 | 3,799 | 3,364 | 3,522 | 2,368 | 1,508 | 1,619 | 1,290 |
| Investment - at Cost | 5,927 | 4,937 | 3,709 | 1,753 | 1,430 | 1,956 | 1,262 | 1,072 | 857 | 644 |
| Investment Property- | | | | | | | | | | |
| (at book value) | 149 | 145 | 146 | 150 | 124 | 76 | 73 | 74 | 76 | 72 |
| Cash and Bank Deposits | 1,260 | 967 | 975 | 2,028 | 1,670 | 1,681 | 1,687 | 862 | 608 | 491 |
| Other assets - Current | 3,254 | 2,788 | 2,737 | 2,350 | 2,067 | 1,976 | 1,262 | 730 | 875 | 788 |
| Other assets - Non-Current | 169 | 138 | 135 | 139 | 134 | 244 | 163 | 120 | 96 | 15 |
| Total assets (book value) | 10,759 | 8,975 | 7,702 | 6,433 | 5,425 | 5,933 | 4,447 | 2,858 | 2,512 | 2,011 |
| Total assets (Market value) | 13,010 | 10,900 | 9,572 | 8,164 | 6,712 | 7,836 | 5,524 | 4,591 | 3,829 | 3,117 |

SUMMARY OF PROFIT & LOSS

| | | | | | | | | | | |
|---------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Gross Premium Revenue | 6,008 | 5,180 | 4,285 | 4,031 | 3,526 | 3,430 | 2,572 | 1,737 | 1,404 | 1,263 |
| Net Premium Revenue | 3,085 | 2,764 | 2,451 | 2,298 | 2,186 | 1,819 | 1,486 | 917 | 640 | 639 |
| Net Claims | 1,910 | 1,699 | 1,678 | 1,421 | 1,332 | 1,414 | 888 | 554 | 393 | 409 |
| Management Expenses | 734 | 652 | 633 | 535 | 506 | 405 | 330 | 241 | 205 | 166 |
| Underwriting Results | 154 | 154 | (64) | 114 | 108 | (207) | 100 | 70 | 68 | 35 |
| Investment Income | 783 | 748 | 587 | 674 | 366 | 780 | 815 | 545 | 200 | 154 |
| Profit / (Loss) before Taxation | 946 | 893 | 547 | 772 | (179) | 575 | 934 | 614 | 272 | 329 |
| Taxation - Net | (119) | (96) | (97) | (115) | (88) | 13 | (94) | (58) | (66) | (97) |
| Profit / (Loss) After Taxation | 827 | 797 | 450 | 656 | (267) | 588 | 840 | 556 | 206 | 232 |

SUMMARY OF CASH FLOWS

| | | | | | | | | | | |
|---|-------|-------|---------|-------|-------|-------|-------|------|------|------|
| Operating Activities | 849 | 599 | 474 | 217 | (103) | 58 | 427 | 106 | 214 | 228 |
| Investing Activities | (332) | (451) | (1,308) | 213 | 173 | 189 | 594 | 228 | (28) | (61) |
| Financing Activities | (291) | (155) | (194) | (97) | (81) | (253) | (196) | (80) | (69) | (65) |
| Cash & Cash Equivalents at the year end | 1,193 | 967 | 974 | 2,003 | 1,670 | 1,681 | 1,687 | 862 | 608 | 491 |



| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|--|---------------|--------|---------|----------|----------|---------|--------|--------|---------|--------|
| FINANCIAL RATIOS | | | | | | | | | | |
| Profitability | | | | | | | | | | |
| Profit / (Loss) Before Tax / Gross Premium % | 15.75 | 17.24 | 12.77 | 19.15 | (5.08) | 16.76 | 36.31 | 35.38 | 19.38 | 26.05 |
| Profit / (Loss) Before Tax / Net Premium % | 30.66 | 32.31 | 22.32 | 33.59 | (8.19) | 31.62 | 62.83 | 66.99 | 42.51 | 51.53 |
| Profit / (Loss) After Tax / Gross Premium % | 13.76 | 15.39 | 10.50 | 16.27 | (7.58) | 17.15 | 32.66 | 32.03 | 14.69 | 18.36 |
| Profit / (Loss) After Tax / Net Premium % | 26.81 | 28.84 | 18.36 | 28.55 | (12.22) | 32.35 | 56.50 | 60.65 | 32.22 | 36.31 |
| Underwriting Result / Gross Premium % | 2.56 | 2.97 | (1.49) | 2.83 | 3.07 | (6.04) | 3.88 | 4.01 | 4.81 | 2.80 |
| Underwriting Result / Net Premium % | 4.99 | 5.57 | (2.61) | 4.96 | 4.94 | (11.38) | 6.71 | 7.59 | 10.56 | 5.53 |
| Profit / (Loss) Before Tax / Total Income % | 24.46 | 25.43 | 18.01 | 25.98 | (7.02) | 22.12 | 40.58 | 42.03 | 32.38 | 41.51 |
| Profit / (Loss) After Tax / Total Income % | 21.38 | 22.69 | 14.81 | 22.07 | (10.47) | 22.64 | 36.50 | 38.05 | 24.54 | 29.25 |
| Combined ratio | % 95.01 | 94.43 | 102.61 | 95.04 | 95.06 | 111.38 | 93.29 | 92.41 | 89.44 | 94.47 |
| Net Claims / Net Premium | % 61.91 | 61.47 | 68.46 | 61.84 | 60.92 | 77.74 | 59.74 | 60.41 | 61.42 | 64.03 |
| Management Expense / Net Premium % | 23.79 | 23.59 | 25.83 | 23.28 | 23.14 | 22.27 | 22.20 | 26.28 | 32.04 | 25.99 |
| Return to Share Holders | | | | | | | | | | |
| Return on Equity - PAT | % 20.30 | 22.50 | 15.50 | 25.03 | (12.96) | 24.41 | 40.41 | 41.20 | 23.08 | 32.17 |
| Earning / (Loss) Per Share (pre tax) | Rs. 7.98 | 7.53 | 4.61 | 6.51 | (1.51) | 4.85 | 7.87 | 5.18 | 2.29 | 2.78 |
| Earning / (Loss) Per Share (after tax) | Rs. 6.97 | 6.72 | 3.79 | 5.53 | (2.25) | 4.96 | 7.08 | 4.69 | 1.74 | 1.96 |
| Earning growth | % 3.76 | 77.11 | (31.40) | (345.46) | (145.42) | (29.94) | 51.00 | 169.81 | (11.11) | 158.81 |
| Price Earning Ratio - PAT | Times 9.62 | 7.93 | 15.64 | 10.53 | (43.56) | 44.79 | 13.03 | 15.11 | 43.15 | 38.35 |
| Breakup value per share | Rs. 34.34 | 35.82 | 36.71 | 39.77 | 31.27 | 43.89 | 23.65 | 18.43 | 14.02 | 13.02 |
| Return on Assets (Book value) | % 7.69 | 8.88 | 5.84 | 10.20 | (4.93) | 9.92 | 18.89 | 19.46 | 8.21 | 11.54 |
| Return on Assets (Market value) | % 6.36 | 7.31 | 4.70 | 8.04 | (3.98) | 7.51 | 15.20 | 12.12 | 5.38 | 7.44 |
| Market Data | | | | | | | | | | |
| Face Value (Per share) | Rs. 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| Market Price per share at the end of the year | Rs. 67.11 | 53.31 | 59.33 | 58.24 | 98.16 | 222.25 | 92.30 | 70.85 | 75.00 | 75.00 |
| Market Price per share - Highest during the year | Rs. 73.18 | 74.90 | 87.75 | 114.00 | 234.90 | 239.90 | 99.75 | 91.00 | 105.00 | 79.00 |
| Market Price per share - Lowest during the year | Rs. 50.10 | 51.00 | 52.21 | 46.00 | 98.16 | 165.60 | 65.00 | 60.00 | 66.00 | 46.30 |
| Karachi Stock Exchange Index | Points 16,905 | 11,348 | 12,022 | 9,386 | 5,865 | 14,075 | 10,041 | 9,557 | 6,218 | 4,472 |
| Market Capitalization (Rs. M) | 7,959 | 5,272 | 4,693 | 3,839 | 6,470 | 12,208 | 8,112 | 5,189 | 4,776 | 4,153 |
| Cash Dividend Per Share | Rs. 3.00 | 3.00 | 2.00 | 3.00 | 1.50 | 3.00 | 2.00 | 1.50 | 1.50 | 1.50 |
| Cash Dividend | % 30.00 | 30.00 | 20.00 | 30.00 | 15.00 | 30.00 | 40.00 | 30.00 | 30.00 | 30.00 |
| Stock Dividend Per Share | Rs. 1.50 | 2.00 | 2.50 | 2.00 | - | 2.00 | 1.25 | 1.00 | 0.75 | 0.75 |
| Stock Dividend | % 15.00 | 20.00 | 25.00 | 20.00 | - | 20.00 | 25.00 | 20.00 | 15.00 | 15.00 |
| Dividend Yield | % 4.47 | 5.63 | 3.37 | 5.15 | 1.53 | 1.35 | 2.17 | 2.12 | 2.00 | 2.00 |
| Dividend Pay out | % 43.02 | 44.64 | 52.71 | 54.24 | (66.57) | 60.46 | 28.24 | 31.98 | 86.30 | 76.71 |
| Dividend Cover | Times 2.32 | 2.24 | 1.90 | 1.84 | (1.50) | 1.65 | 3.54 | 3.13 | 1.16 | 1.30 |
| Performance / Liquidity | | | | | | | | | | |
| Current Ratio | Times 2.40 | 2.46 | 2.59 | 2.67 | 2.63 | 2.47 | 2.97 | 3.19 | 2.03 | 2.08 |
| Liquid Ratio | Times 1.65 | 1.67 | 1.64 | 1.65 | 1.58 | 1.60 | 2.08 | 2.32 | 1.27 | 1.23 |
| Cash / Current Liabilities | % 17.84 | 17.80 | 20.31 | 52.57 | 49.69 | 47.76 | 71.35 | 58.32 | 36.10 | 35.96 |
| Total Assets Turnover | Times 0.56 | 0.58 | 0.56 | 0.63 | 0.65 | 0.58 | 0.58 | 0.61 | 0.56 | 0.63 |
| Fixed Assets Turnover | Times 23.65 | 21.20 | 17.13 | 16.86 | 14.72 | 15.02 | 14.39 | 12.07 | 10.97 | 14.89 |
| Total Liabilities / Equity | Times 1.64 | 1.53 | 1.65 | 1.45 | 1.63 | 1.46 | 1.14 | 1.12 | 1.81 | 1.79 |
| Return on capital employed | % 23.23 | 25.20 | 18.84 | 29.45 | (8.69) | 23.85 | 44.93 | 45.51 | 30.46 | 45.65 |
| Liquid Assets / Total Assets | % 66.80 | 65.78 | 60.82 | 58.78 | 57.15 | 61.30 | 66.31 | 67.67 | 58.34 | 56.48 |
| Paid-up Capital / Total Assets | % 11.02 | 11.02 | 10.27 | 10.25 | 12.15 | 9.26 | 9.88 | 12.81 | 12.68 | 13.77 |
| Earning assets / Total Assets | % 68.18 | 67.40 | 62.71 | 61.11 | 59.43 | 62.58 | 67.95 | 70.24 | 61.36 | 60.08 |
| Equity / Total Assets | % 37.86 | 39.48 | 37.70 | 40.75 | 38.00 | 40.63 | 46.75 | 47.24 | 35.55 | 35.86 |



Financial Statements Analysis

Vertical Analysis

Balance Sheet

| | 2012 | | 2011 | |
|--|-------------------|---------------|------------------|---------------|
| | Rupees in '000 | % | Rupees in '000 | % |
| Cash and bank deposits | 1,259,538 | 11.71 | 967,361 | 10.78 |
| Loans to employees | 757 | 0.01 | 849 | 0.01 |
| Investments | 5,927,293 | 55.09 | 4,937,313 | 55.01 |
| Investment properties | 149,017 | 1.38 | 144,765 | 1.61 |
| Deferred taxation | 31,207 | 0.29 | 36,233 | 0.40 |
| Other assets | 3,252,936 | 30.23 | 2,788,390 | 31.07 |
| Fixed assets - Tangible and Intangible | 138,633 | 1.29 | 99,924 | 1.11 |
| Total Assets | 10,759,381 | 100.00 | 8,974,835 | 100.00 |

| | | | | |
|---|-------------------|---------------|------------------|---------------|
| Total Equity | 4,072,828 | 37.85 | 3,542,869 | 39.48 |
| Underwriting provisions | 4,603,868 | 42.79 | 3,732,626 | 41.59 |
| Staff retirement benefits | 619 | 0.01 | 900 | 0.01 |
| Creditors and accruals | 1,198,167 | 11.14 | 1,102,684 | 12.29 |
| Other Liabilities | 883,899 | 8.22 | 595,756 | 6.64 |
| Total Shareholders' Equity & Liabilities | 10,759,381 | 100.00 | 8,974,835 | 100.00 |

Profit & Loss Account

| | | | | |
|--|----------------|--------------|----------------|--------------|
| Net premium revenue | 3,084,738 | 100.00 | 2,764,204 | 100.00 |
| Net claims | 1,910,326 | 61.93 | 1,699,094 | 61.47 |
| Expenses | 733,547 | 23.78 | 652,483 | 23.60 |
| Net commission | 286,437 | 9.29 | 258,871 | 9.37 |
| Investment income including rental & bank deposits returns | 788,880 | 25.57 | 731,438 | 26.46 |
| Other income including share of profit of an associates | 42,996 | 1.39 | 21,584 | 0.78 |
| General and administration expenses | 34,356 | 1.11 | 30,747 | 1.11 |
| Impairment in value of available for sale securities | 5,869 | 0.19 | 16,880 | 0.61 |
| Profit / (Loss) before tax | 946,079 | 30.67 | 892,911 | 32.30 |
| Taxation - net | (119,503) | (3.87) | (95,722) | (3.46) |
| Profit / (Loss) after tax | 826,576 | 26.80 | 797,189 | 28.84 |

Horizontal Analysis

Balance Sheet

| | 2012 | 2011 | 2010 | 2009 |
|--|-------------------|------------------|------------------|------------------|
| | Rupees in '000 | | | |
| Cash and bank deposits | 1,259,538 | 967,361 | 974,783 | 2,028,132 |
| Loans to employees | 757 | 849 | 791 | 294 |
| Investments | 5,927,293 | 4,937,313 | 3,709,155 | 1,753,158 |
| Investment properties | 149,017 | 144,765 | 146,446 | 149,653 |
| Deferred taxation | 31,207 | 36,233 | 36,383 | 31,978 |
| Other Assets | 3,252,936 | 2,788,390 | 2,736,988 | 2,362,790 |
| Fixed assets - Tangible and Intangible | 138,633 | 99,924 | 97,512 | 106,549 |
| Total Assets | 10,759,381 | 8,974,835 | 7,702,058 | 6,432,554 |

| | | | | |
|---|-------------------|------------------|------------------|------------------|
| Total Equity | 4,072,828 | 3,542,869 | 2,903,875 | 2,621,006 |
| Underwriting Provisions | 4,603,868 | 3,732,626 | 3,455,752 | 2,830,414 |
| Staff retirement benefits | 619 | 900 | 1,371 | 1,936 |
| Creditors and accruals | 1,198,167 | 1,102,684 | 921,558 | 693,542 |
| Other Liabilities | 883,899 | 595,756 | 419,502 | 285,656 |
| Total Shareholders' Equity & Liabilities | 10,759,381 | 8,974,835 | 7,702,058 | 6,432,554 |

Profit & Loss Account

| | | | | |
|--|----------------|----------------|----------------|----------------|
| Net premium revenue | 3,084,738 | 2,764,204 | 2,451,227 | 2,297,720 |
| Net claims | 1,910,326 | 1,699,094 | 1,677,614 | 1,420,977 |
| Expenses | 733,547 | 652,483 | 632,961 | 534,982 |
| Net commission | 286,437 | 258,871 | 204,737 | 227,640 |
| Investment income including rental & bank deposits returns | 788,880 | 731,438 | 586,715 | 673,537 |
| Other income including share of profit of an associates | 42,996 | 21,584 | 43,189 | 4,842 |
| General and administration expenses | 34,356 | 30,747 | 19,137 | 20,602 |
| Impairment in value of available for sale securities | 5,869 | 16,880 | - | - |
| Profit / (Loss) before tax | 946,079 | 892,911 | 546,682 | 771,898 |
| Taxation - net | (119,503) | (95,722) | (96,531) | (115,434) |
| Profit / (Loss) after tax | 826,576 | 797,189 | 450,151 | 656,464 |



| 2010 | | 2009 | | 2008 | | 2007 | |
|----------------|--------|----------------|--------|----------------|---------|----------------|--------|
| Rupees in '000 | % | Rupees in '000 | % | Rupees in '000 | % | Rupees in '000 | % |
| 974,783 | 12.66 | 2,028,132 | 31.53 | 1,670,155 | 30.79 | 1,680,625 | 28.33 |
| 791 | 0.01 | 294 | 0.00 | 364 | 0.01 | 433 | 0.01 |
| 3,709,155 | 48.16 | 1,753,158 | 27.25 | 1,430,217 | 26.36 | 1,955,892 | 32.97 |
| 146,446 | 1.90 | 149,653 | 2.33 | 123,822 | 2.28 | 76,197 | 1.28 |
| 36,383 | 0.47 | 31,978 | 0.50 | 35,974 | 0.66 | 62,570 | 1.05 |
| 2,736,988 | 35.54 | 2,362,790 | 36.73 | 2,066,680 | 38.09 | 1,975,757 | 33.30 |
| 97,512 | 1.27 | 106,549 | 1.66 | 97,960 | 1.81 | 181,232 | 3.05 |
| 7,702,058 | 100.00 | 6,432,554 | 100.00 | 5,425,172 | 100.00 | 5,932,706 | 100.00 |
| 2,903,875 | 37.70 | 2,621,006 | 40.75 | 2,061,314 | 38.00 | 2,411,663 | 40.65 |
| 3,455,752 | 44.87 | 2,830,414 | 44.00 | 2,583,876 | 47.63 | 2,672,194 | 45.04 |
| 1,371 | 0.02 | 1,936 | 0.03 | 2,501 | 0.05 | 3,066 | 0.05 |
| 921,558 | 11.97 | 693,542 | 10.78 | 526,783 | 9.71 | 567,741 | 9.57 |
| 419,502 | 5.45 | 285,656 | 4.44 | 250,698 | 4.62 | 278,042 | 4.69 |
| 7,702,058 | 100.00 | 6,432,554 | 100.00 | 5,425,172 | 100.00 | 5,932,706 | 100.00 |
| 2,451,227 | 100.00 | 2,297,720 | 100.00 | 2,186,443 | 100.00 | 1,818,775 | 100.00 |
| 1,677,614 | 68.44 | 1,420,977 | 61.84 | 1,332,461 | 60.94 | 1,413,733 | 77.73 |
| 632,961 | 25.82 | 534,982 | 23.28 | 506,324 | 23.16 | 405,432 | 22.29 |
| 204,737 | 8.35 | 227,640 | 9.91 | 239,543 | 10.96 | 206,643 | 11.36 |
| 586,715 | 23.94 | 673,537 | 29.31 | 366,030 | 16.74 | 780,314 | 42.90 |
| 43,189 | 1.76 | 4,842 | 0.21 | 17,397 | 0.80 | 9,629 | 0.53 |
| 19,137 | 0.78 | 20,602 | 0.90 | 19,553 | 0.89 | 7,869 | 0.43 |
| - | - | - | - | 651,142 | 29.78 | - | - |
| 546,682 | 22.30 | 771,898 | 33.59 | (179,153) | (8.19) | 575,041 | 31.62 |
| (96,531) | (3.94) | (115,434) | (5.02) | (88,096) | (4.03) | 13,415 | 0.74 |
| 450,151 | 18.36 | 656,464 | 28.57 | (267,249) | (12.22) | 588,456 | 32.35 |

| 2008 | | 2007 | | % increase / (decrease) over preceding year | | | |
|----------------|-----------|---------|---------|---|----------|----------|----------|
| Rupees in '000 | | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| 1,670,155 | 1,680,625 | 30.20 | (0.76) | (51.94) | 21.43 | (0.62) | (0.35) |
| 364 | 433 | (10.84) | 7.33 | 169.05 | (19.23) | (15.94) | 37.90 |
| 1,430,217 | 1,955,892 | 20.05 | 33.11 | 111.57 | 22.58 | (26.88) | 55.00 |
| 123,822 | 76,197 | 2.94 | (1.15) | (2.14) | 20.86 | 62.50 | 4.47 |
| 35,974 | 62,570 | (13.87) | (0.41) | 13.78 | (11.11) | (42.51) | 71.92 |
| 2,066,680 | 1,975,757 | 16.66 | 1.88 | 15.84 | 14.33 | 4.60 | 56.54 |
| 97,960 | 181,232 | 38.74 | 2.47 | (8.48) | 8.77 | (45.95) | 43.52 |
| 5,425,172 | 5,932,706 | 19.88 | 16.53 | 19.74 | 18.57 | (8.55) | 33.42 |
| 2,061,314 | 2,411,663 | 14.96 | 22.00 | 10.79 | 27.15 | (14.53) | 15.97 |
| 2,583,876 | 2,672,194 | 23.34 | 8.01 | 22.09 | 9.54 | (3.31) | 51.76 |
| 2,501 | 3,066 | (31.22) | (34.35) | (29.18) | (22.59) | (18.43) | (15.56) |
| 526,783 | 567,741 | 8.66 | 19.65 | 32.88 | 31.66 | (7.21) | 7.31 |
| 250,698 | 278,042 | 48.37 | 42.02 | 46.86 | 13.94 | (9.83) | 278.38 |
| 5,425,172 | 5,932,706 | 19.88 | 16.53 | 19.74 | 18.57 | (8.55) | 33.42 |
| 2,186,443 | 1,818,775 | 11.60 | 12.77 | 6.68 | 5.09 | 20.22 | 22.36 |
| 1,332,461 | 1,413,733 | 12.43 | 1.28 | 18.06 | 6.64 | (5.75) | 59.28 |
| 506,324 | 405,432 | 12.42 | 3.08 | 18.31 | 5.66 | 24.89 | 22.73 |
| 239,543 | 206,643 | 10.65 | 26.44 | (10.06) | (4.97) | 15.92 | 22.40 |
| 366,030 | 780,314 | 7.85 | 24.67 | (12.89) | 84.01 | (53.09) | (4.24) |
| 17,397 | 9,629 | 99.20 | (50.02) | 791.97 | (72.17) | 80.67 | (66.24) |
| 19,553 | 7,869 | 11.74 | 60.67 | (7.11) | 5.36 | 148.48 | (13.63) |
| 651,142 | - | - | - | - | - | - | - |
| (179,153) | 575,041 | 5.95 | 63.33 | (29.18) | (530.86) | (131.15) | (38.43) |
| (88,096) | 13,415 | 24.84 | (0.84) | (16.38) | 31.03 | (756.70) | (114.26) |
| (267,249) | 588,456 | 3.69 | 77.09 | (31.43) | (345.64) | (145.42) | (29.94) |



Comments on Key Financial Data

Performance Ratios

- The Company has a track record of good operating performance. Its gross premium and net premium have increased by 376% and 385% respectively over the period of ten years, as a result of which the market share of the Company has increased from 8% in 2003 to 13% in 2012.
- The overall Combined and Claims Ratios mostly remained in the range of 94% to 95% and 60% to 65% respectively over the years, except for the years 2007 and 2010 in which these were impacted due to specific catastrophic events that took place in the respective year.
- The Company is able to maintain its expense ratio within the range of 22% to 26% in the last ten years.
- The profit before tax has reached to Rs.946 million for the year 2012, which is 187% higher in comparison to Rs.329 million for the year 2003.
- The Company has maintained healthy return on equity of over 20% in the last ten years, except in 2008 due to stock market crash.
- The Earning per share has also improved to Rs. 7.98 per share from Rs. 2.78 in 2003.
- The Company's overall distribution to shareholders ranges from 45% to 50% over the years and dividend yield has also increased to 4.47% in 2012 from 2.00% in 2003.

Balance sheet

- The paid up capital as at December 31, 2012 has increased to Rs.1,186 million from Rs.237 million in 2003, as a result of the strong capitalization policy of the Company. The paid up capital is almost four times the minimum paid up capital requirement of Rs.300 million under the Insurance Law.
- The healthy profitability trend and sound dividend payout policy have facilitated the Company in improving its equity base from Rs.721 million in 2003 to Rs.4,073 million in 2012, thus increasing its capacity to absorb losses.

- The fair value of total assets of the company has increased substantially over the period of ten years to Rs.13 billion as at December 31, 2012, despite the significant decline in quoted securities in the year 2008.
- The Company's current assets are two times more than its current liabilities with sufficient availability of liquidity. Currently 67% of total assets of the Company are liquid assets, which is providing coverage of more than 100% against outstanding liabilities.

Cash Flow

- The operating cash inflow of the company has increased significantly to Rs. 849 million in the year 2012 in comparison to Rs. 228 million in the year 2003. The healthy generation of cash inflow from operating activities is properly utilized in investment activities and payment of dividend to shareholders.
- Due to the consistent policy of the Company to increase its paid up share capital by issuing bonus shares, the cash outflow of financing activities has also gone up significantly over the years.



Statement of Value Addition

WEALTH GENERATED

Net premium revenue
Commission from reinsurers
Investment income
Rental income
Other income

| 2012 | 2011 |
|------------------|------------------|
| (Rupees in '000) | |
| 3,084,738 | 2,764,204 |
| 216,238 | 190,361 |
| 724,415 | 696,650 |
| 125,724 | 112,780 |
| 9,721 | 2,668 |
| <u>4,160,836</u> | <u>3,766,663</u> |

Less :

Claims, Commission and expenses
(excluding employees remuneration,
depreciation, and other taxes)
Net Wealth Generated

| | |
|------------------|------------------|
| <u>2,646,706</u> | <u>2,370,144</u> |
| <u>1,514,130</u> | <u>1,396,519</u> |

WEALTH DISTRIBUTION

Employees remuneration

492,854 438,468

Government taxes
(includes income tax, WWF , and others taxes)

154,028 124,787

Contribution to society

8,089 6,850

Dividend to shareholders

- Cash
- Stock

| | |
|----------------|----------------|
| 355,940 | 296,617 |
| 177,970 | 197,744 |
| <u>533,910</u> | <u>494,361</u> |

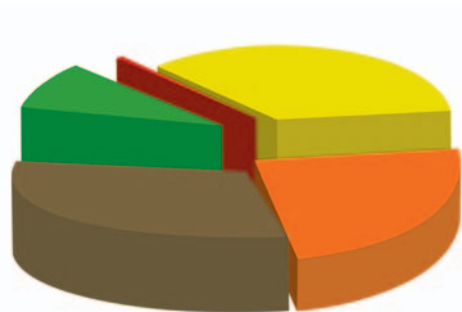
Retained in business

- Depreciation and Amortisation
- Earnings

| | |
|----------------|----------------|
| 32,583 | 29,225 |
| 292,666 | 302,828 |
| <u>325,249</u> | <u>332,053</u> |

| | |
|------------------|------------------|
| <u>1,514,130</u> | <u>1,396,519</u> |
|------------------|------------------|

Distribution of wealth - 2012



■ Employees Remuneration
■ Contribution to Society
■ Government Taxes
■ Dividend to Shareholders
■ Retained in Business

Distribution of wealth - 2011



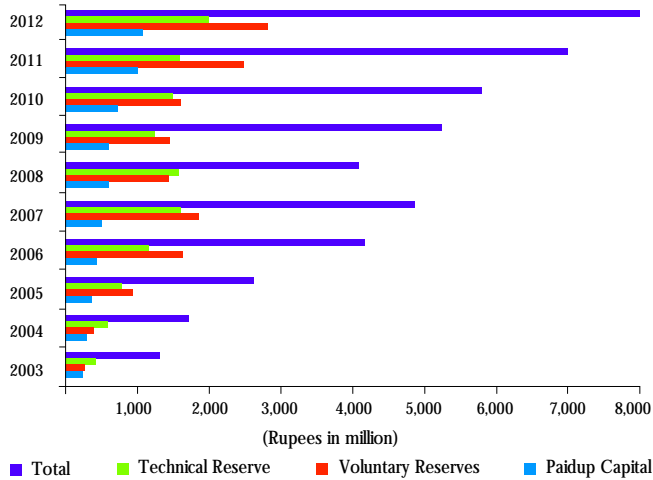
■ Employees Remuneration
■ Contribution to Society
■ Government Taxes
■ Dividend to Shareholders
■ Retained in Business



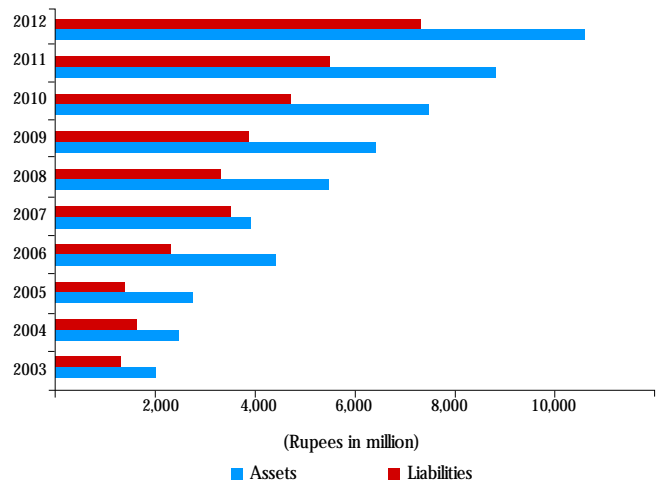
نئے خواب - نیا جوش
New Vision - New Passion

Performance at a Glance

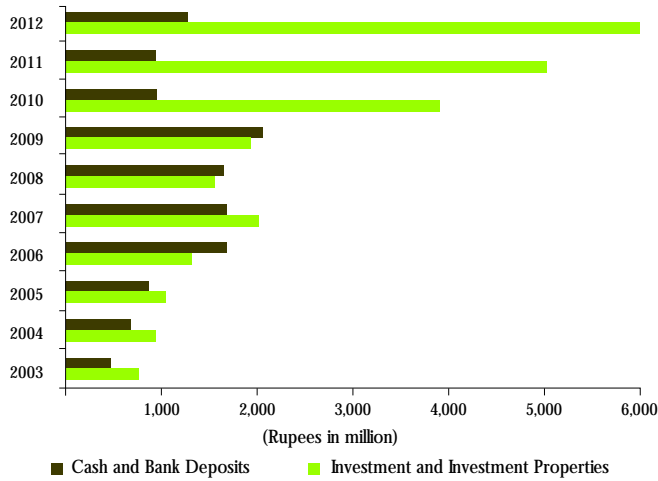
Capital & Reserves



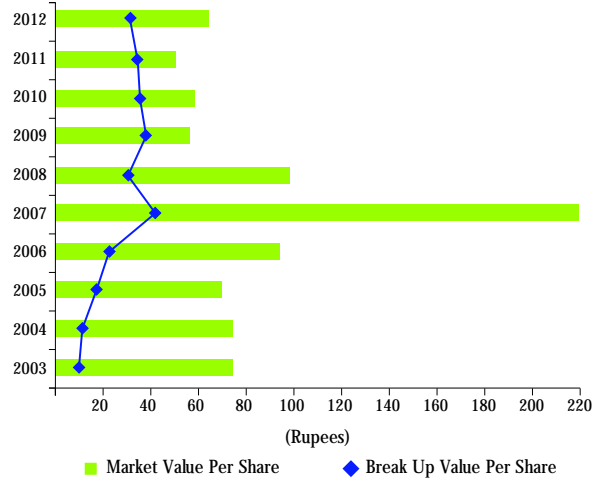
Assets & Liabilities



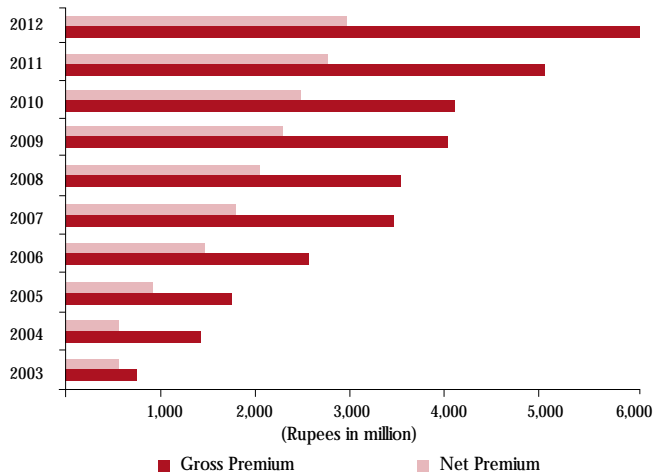
Investments & Cash and bank deposits



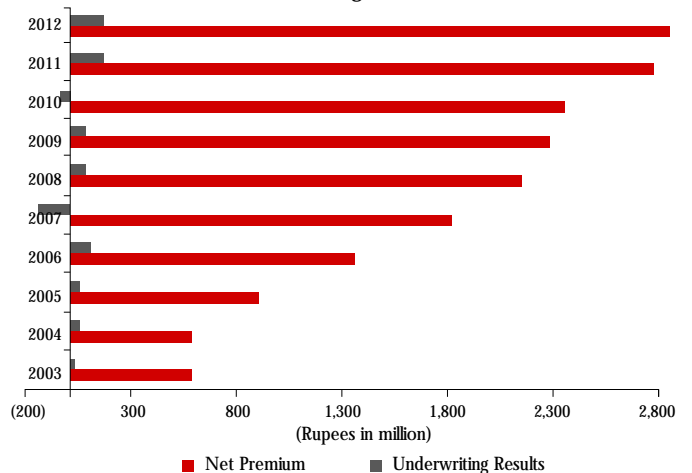
Market value vs Breakup value per share



Gross Premium and Net Premium

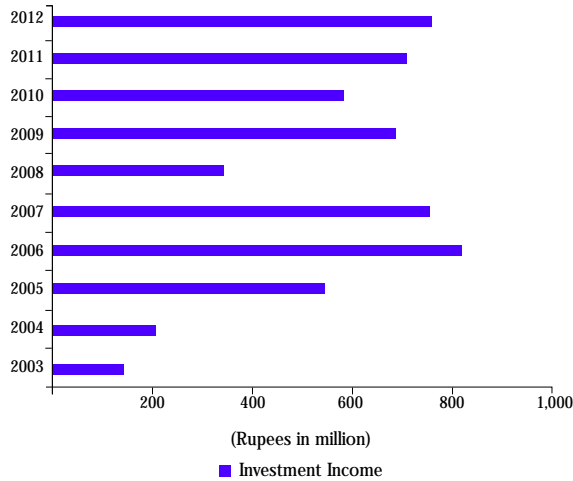


Net Premium and Underwriting Result

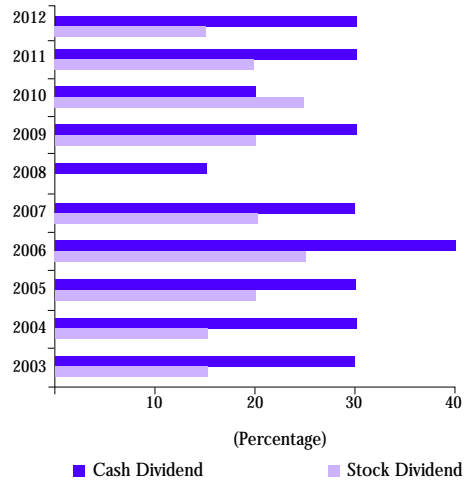




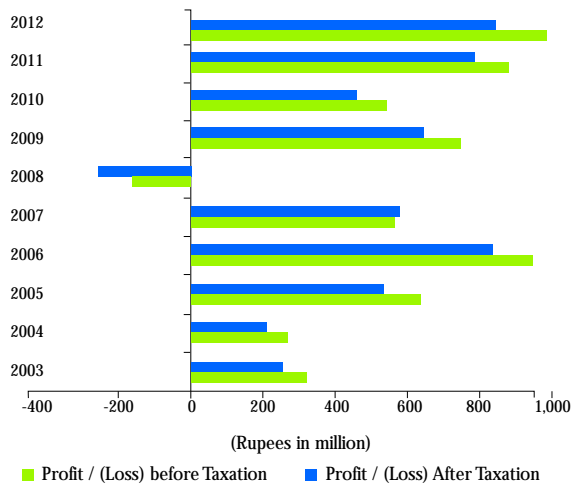
Investment Income



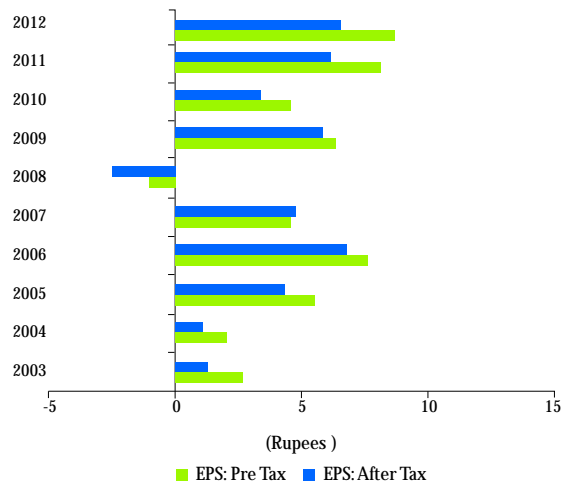
Dividend



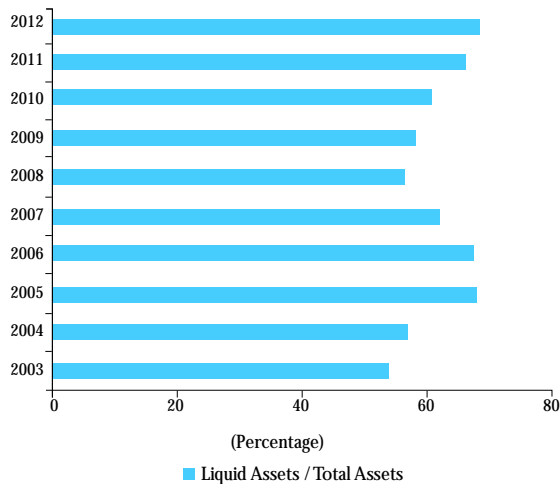
Profit / (Loss) before Tax and After Tax



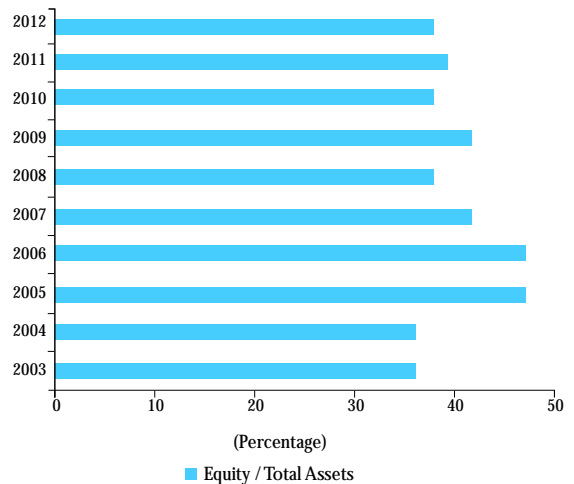
Earning / Loss per Share Tax and After Tax



Liquid Assets / Total Assets %



Equity / Total Assets %

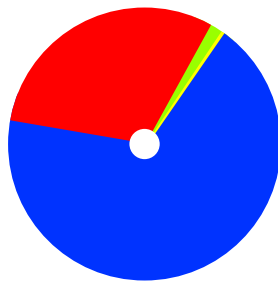




نئی ویژن - نیا جوش
New Vision - New Passion

Graphical Composition of Financial Statements

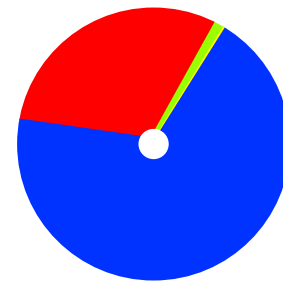
Assets



2012

| | |
|-----|------------------------|
| 68% | ■ Earning Assets |
| 30% | ■ Current Assets-other |
| 1% | ■ Fixed Assets |
| 1% | ■ Others |

2011



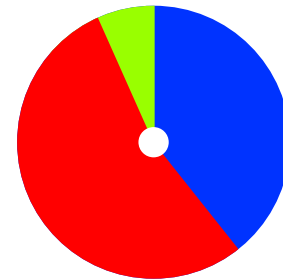
Shareholder's Equity and Liabilities



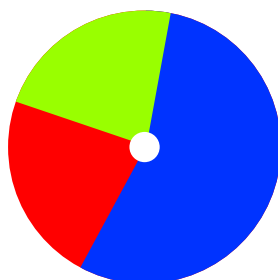
2012

| | |
|-----|---------------------------|
| 38% | ■ Share Capital & Reserve |
| 54% | ■ Current Liabilities |
| 8% | ■ Non Current Liabilities |

2011



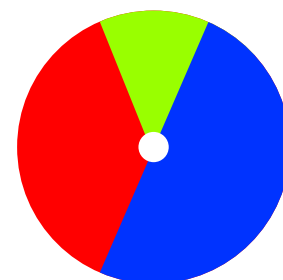
Cash Flows



2012

| | |
|-----|------------------------|
| 58% | ■ Operating Activities |
| 24% | ■ Investing Activities |
| 18% | ■ Financing Activities |

2011

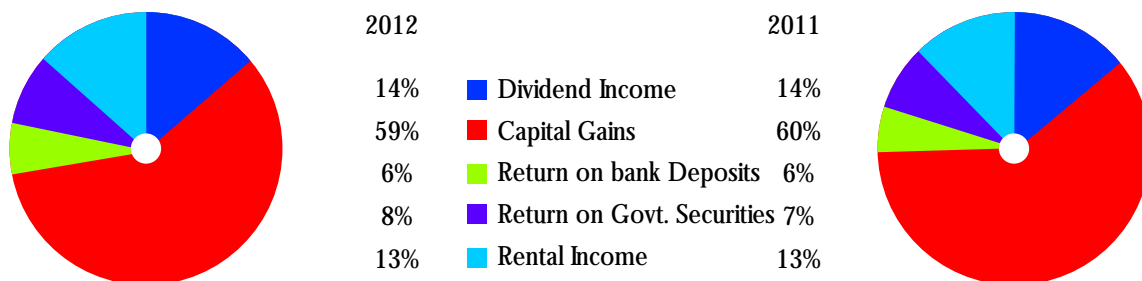




Gross Premium Business Wise



Investment income



Combined Ratios





Statement of Compliance with the Code of Corporate Governance

For The Year Ended December 31, 2012

This statement is being presented to comply with the Code of Corporate Governance contained in the Regulation No. 35 of listing regulations of Karachi Stock Exchange and SRO 68(I)/2003 dated January 21, 2003 issued by Securities and Exchange Commission of Pakistan for the purpose of establishing a framework of good governance, whereby a listed insurance company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code of Corporate Governance in the following manner:

1. The Company encourages representation of independent non-executive directors including those representing minority interest on its board of directors. At present all the directors on the board are non-executive directors.
2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a Banking company, a Development Financial Institution or a Non-Banking Financial Institution and they are not a member of any stock exchange.
4. No casual vacancies occurred in the Board during the year 2012.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company.
6. The board has developed a vision / mission statement and overall corporate strategy. Significant policies of the Company have been developed and approved by the Board.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. All the meetings of the Board were presided over by the Chairman 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 (7) days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the company. The company includes all the necessary aspects of internal control given in the code.
10. All the Directors have either attended the orientation course or have been provided appropriate materials / guidelines in this regard and as such they are fully aware of their duties and responsibilities. In 2010 six directors have attended the Directors' development program conducted by Institute of Directors, UK in Karachi.
11. The appointment, remuneration and terms and conditions of employment of the Chief Financial Officer, Company Secretary and Head of Internal Audit are approved by the Board of Directors. There was no new appointment of CFO, Company Secretary and Head of Internal Audit during the year.
12. The directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
14. 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.
15. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.
16. The underwriting, claims settlement and reinsurance and coinsurance committees have been formed.
17. The Board has formed an audit committee. It comprises of three members, all of whom are non-executive directors including the chairman of the committee.



18. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code of Corporate Governance. The terms of reference of the committee have been formed and advised to the committee for compliance.
19. The Board has formed an HR and Remuneration Committee. It comprises of five members, of whom four are non-executive directors and the chairman of the committee is a non-executive director.
20. The Board has set-up an effective internal audit function. This function has been outsourced to A.F. Ferguson & Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and conversant with the policies and procedures of the company.
21. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
22. 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.
23. The 'close 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).
24. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
25. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.

By Order of the Board

TOWFIQ H. CHINOY
Chairman

Karachi: February 14, 2013

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

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2012 prepared by the Board of Directors of Jubilee General Insurance Company Limited (the Company) to comply with the Listing Regulations of the respective Stock Exchanges, where Company is listed.

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

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

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

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



Chartered Accountants
Date: 14 February 2013
Karachi

PASSION

Financial Statements

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| Statement of cash flows | 60 |
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| Statement of premiums | 63 |
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| Statement of expenses | 65 |
| Statement of investment income | 66 |
| Notes to the financial statements | 67 |

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:

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

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

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

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

In our opinion:

- (a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied.
- (c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2012 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- (d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of the Ordinance.




Chartered Accountants
Audit Engagement Partner: Shabbir Yunus
Date: 14 February 2013
Karachi

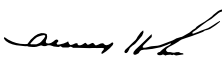
Balance Sheet

As at December 31, 2012

| | 2012 | 2011 |
|---|--------------------|------------------|
| Note | (Rupees in '000) | |
| Share capital and reserves | | |
| Authorised share capital: [150,000,000 Ordinary shares of Rs.10 each (December 31, 2011: 100,000,000 Ordinary shares of Rs.10 each)] | <u>1,500,000</u> | <u>1,000,000</u> |
| Paid-up share capital | 6 1,186,465 | 988,721 |
| Retained earnings | 876,979 | 874,764 |
| Reserves | 7 <u>2,009,384</u> | <u>1,679,384</u> |
| | 4,072,828 | 3,542,869 |
| Underwriting provisions | | |
| Provision for outstanding claims (including IBNR) | 2,275,743 | 1,832,124 |
| Provision for unearned premium | 2,246,077 | 1,832,586 |
| Commission Income unearned | 25 82,048 | 67,916 |
| Total underwriting provisions | 4,603,868 | 3,732,626 |
| Deferred liabilities | | |
| Staff retirement benefits | 619 | 900 |
| Creditors and accruals | | |
| Premiums received in advance | 35,975 | 54,237 |
| Amounts due to other insurers / reinsurers | 568,914 | 506,764 |
| Accrued expenses | 31,989 | 32,379 |
| Taxation-provision less payments | 8 134,569 | 114,769 |
| Other creditors and accruals | 9 426,720 | 394,535 |
| | 1,198,167 | 1,102,684 |
| Other liabilities | | |
| Deposits and other payables | 10 853,637 | 570,936 |
| Unclaimed dividend | 30,262 | 24,820 |
| | 883,899 | 595,756 |
| TOTAL LIABILITIES | <u>6,686,553</u> | <u>5,431,966</u> |
| TOTAL EQUITY AND LIABILITIES | <u>10,759,381</u> | <u>8,974,835</u> |
| CONTINGENCIES | 11 | |

The annexed notes from 1 to 43 form an integral part of these financial statements.


Towfiq H. Chinoy
Chairman


Akbarali Hashwani
Director

| | Note | 2012 | 2011 |
|---|------|-------------------|------------------|
| | | (Rupees in '000) | |
| Cash and bank deposits | 12 | | |
| Cash and other equivalents | | 3,515 | 4,348 |
| Current and other accounts | | 1,110,790 | 849,765 |
| Deposits maturing within 12 months | | 145,233 | 113,248 |
| | | 1,259,538 | 967,361 |
| Loans to employees | 13 | 757 | 849 |
| Investments | 14 | 5,927,293 | 4,937,313 |
| Investment properties | 15 | 149,017 | 144,765 |
| Deferred taxation | 16 | 31,207 | 36,233 |
| Current assets - others | | | |
| Premiums due but unpaid | 17 | 854,280 | 821,123 |
| Amounts due from other insurers / reinsurers | 18 | 76,910 | 76,994 |
| Reinsurance recoveries due but unpaid | | 16,203 | 50,504 |
| Salvage recoveries accrued | | 50,480 | 33,835 |
| Accrued investment income | | 15,577 | 10,460 |
| Reinsurance recoveries against outstanding claims | 19 | 1,008,212 | 746,168 |
| Deferred commission expense | | 175,365 | 155,739 |
| Prepayments | 20 | 992,212 | 863,001 |
| Sundry receivables | 21 | 63,697 | 30,566 |
| | | 3,252,936 | 2,788,390 |
| Fixed assets | 22 | | |
| Tangible and intangible | | | |
| Buildings | | 6,329 | 6,390 |
| Furniture, Fixtures and Equipments | | 99,649 | 86,541 |
| Vehicles | | 5,032 | 4,266 |
| Computer softwares | | 27,623 | 2,727 |
| | | 138,633 | 99,924 |
| TOTAL ASSETS | | 10,759,381 | 8,974,835 |



Aly Noormahomed Rattansey
Director



Tahir Ahmed
Managing Director
(Chief Executive)

Profit and Loss Account

For The Year Ended December 31, 2012


| | | | | | | | | 2012 | 2011 |
|--|-------------------|--------------------------------|---------|-----------|---------------------|----------|--------|-----------|-----------|
| | Fire and property | Marine, aviation and transport | Motor | Liability | Accident and health | Others | Treaty | Aggregate | Aggregate |
| Note | (Rupees in '000) | | | | | | | | |
| Revenue account | | | | | | | | | |
| Net premium revenue | 643,850 | 524,505 | 797,515 | 47,775 | 581,618 | 489,447 | 28 | 3,084,738 | 2,764,204 |
| Less: | | | | | | | | | |
| Net claims | 368,686 | 247,231 | 501,539 | 2,996 | 492,120 | 297,734 | 20 | 1,910,326 | 1,699,094 |
| Expenses | 24 153,108 | 124,728 | 189,650 | 11,361 | 138,309 | 116,391 | - | 733,547 | 652,483 |
| Net commission | 119,767 | 89,802 | 72,379 | (3,854) | 19,543 | (11,202) | 2 | 286,437 | 258,871 |
| Underwriting result | 2,289 | 62,744 | 33,947 | 37,272 | (68,354) | 86,524 | 6 | 154,428 | 153,756 |
| Investment income | | | | | | | | | |
| Rental income | 26 | | | | | | | 104,689 | 94,275 |
| Return on bank deposits | | | | | | | | 47,042 | 42,077 |
| Other income | 27 | | | | | | | 9,721 | 2,668 |
| General and administration expenses | 28 | | | | | | | (34,356) | (30,747) |
| Share in profit of an associate | 14.1.2 | | | | | | | 33,275 | 18,916 |
| Profit before tax | | | | | | | | 946,079 | 892,911 |
| Taxation - net | 29 | | | | | | | (119,503) | (95,722) |
| Profit after tax | | | | | | | | 826,576 | 797,189 |
| Profit and loss appropriation account: | | | | | | | | | |
| Balance at commencement of the year | | | | | | | | 874,764 | 533,514 |
| Profit after tax for the year | | | | | | | | 826,576 | 797,189 |
| Transfer to general reserve | | | | | | | | (230,000) | (100,000) |
| Transfer to special reserve | | | | | | | | (100,000) | - |
| Issuance of bonus shares 2012: Rs.2 per share (20%) for the year 2011 [2011: Rs.2.5 per share (25%) for the year 2010] | | | | | | | | (197,744) | (197,744) |
| Final cash dividend 2012: at Rs.3 per share (30%) for the year 2011 [2011: Rs.2 per share (20%) for the year 2010] | | | | | | | | (296,617) | (158,195) |
| | | | | | | | | 2,215 | 341,250 |
| Balance of unappropriated profit at end of the year | | | | | | | | 876,979 | 874,764 |
| Earnings per share of Rs.10 each - basic and diluted | | | | (note 39) | | | Rupees | 6.97 | 6.72 |

The annexed notes from 1 to 43 form an integral part of these financial statements.


Towfiq H. Chinoy
Chairman


Akbarali Hashwani
Director


Aly Noormahomed Rattansey
Director


Tahir Ahmed
Managing Director
(Chief Executive)

Statement of Comprehensive Income

For The Year Ended December 31, 2012

| | 2012 | 2011 |
|---|------------------|----------------|
| | (Rupees in '000) | |
| Net profit for the year | 826,576 | 797,189 |
| Other comprehensive income for the year | - | - |
| Total comprehensive income for the year | <u>826,576</u> | <u>797,189</u> |

The annexed notes from 1 to 43 form an integral part of these financial statements.



Towfiq H. Chinoy
Chairman



Akbarali Hashwani
Director



Aly Noormahomed Rattansey
Director



Tahir Ahmed
Managing Director
(Chief Executive)

Statement of Cash Flows

For The Year Ended December 31, 2012

| | 2012 | 2011 |
|---|------------------|-------------|
| | (Rupees in '000) | |
| Operating cash flows | | |
| (a) Underwriting activities | | |
| Premiums received | 5,956,489 | 5,162,099 |
| Reinsurance premiums paid | (2,566,251) | (2,164,930) |
| Claims paid | (2,404,381) | (2,137,331) |
| Reinsurance and other recoveries received | 693,370 | 563,261 |
| Commissions paid | (464,899) | (436,836) |
| Commissions received | 216,238 | 190,361 |
| Other underwriting payments (management expenses) | (717,818) | (621,196) |
| Net cash inflow from underwriting activities | 712,748 | 555,428 |
| (b) Other operating activities | | |
| Income tax paid | (112,535) | (114,015) |
| General expenses paid | (15,434) | (25,530) |
| Other operating payments | (862,941) | (747,492) |
| Other operating receipts | 1,127,615 | 930,954 |
| Loans advanced | (1,673) | (2,010) |
| Loans repayment received | 1,694 | 1,703 |
| Net cash inflow from other operating activities | 136,726 | 43,610 |
| Total cash inflow from all operating activities | 849,474 | 599,038 |
| Investment activities | | |
| Profit / return received | 108,479 | 99,040 |
| Dividends received | 107,414 | 105,362 |
| Rentals received - net of expenses | 93,427 | 100,831 |
| Payments for purchase of investments | (8,670,255) | (8,204,015) |
| Capital expenditure on investment property | (10,227) | (3,849) |
| Proceeds from disposal of investments | 8,104,936 | 7,477,580 |
| Fixed capital expenditure | (67,258) | (30,747) |
| Proceeds from disposal of fixed assets | 1,436 | 4,735 |
| Total cash outflow from investing activities | (332,048) | (451,063) |
| Financing activities | | |
| Dividends paid | (291,175) | (155,397) |
| Total cash outflow from financing activities | (291,175) | (155,397) |
| Net cash inflow / (outflow) from all activities | 226,251 | (7,422) |
| Cash at beginning of the year | 967,061 | 974,483 |
| Cash at end of the year | 1,193,312 | 967,061 |

Statement of Cash Flows

For The Year Ended December 31, 2012

| | 2012 | 2011 |
|--|------------------|----------------|
| | (Rupees in '000) | |
| Reconciliation to profit and loss account | | |
| Operating cash flows | 849,474 | 599,038 |
| Depreciation / amortisation expense | (26,608) | (23,694) |
| (Loss) / profit on sale of fixed assets | (505) | 94 |
| Profit on disposal of investments | 462,685 | 468,982 |
| Dividend income | 107,414 | 105,362 |
| Rental income | 104,689 | 94,275 |
| Other investment income | 141,498 | 98,615 |
| Increase in assets other than cash | 437,333 | 84,422 |
| Increase in liabilities other than running finance | (1,249,404) | (629,905) |
| Profit after taxation | <u>826,576</u> | <u>797,189</u> |

Definition of cash

Cash comprises of cash in hand, policy stamps, bond papers, cheques in hand, 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 purposes of the Statement of Cash Flows consists of:

Cash and bank deposits

Cash and other equivalents

| | | |
|---------------------------------------|-------|-------|
| Cash | 167 | 100 |
| Policy stamps and bond papers in hand | 3,348 | 4,248 |
| | 3,515 | 4,348 |

Current and other accounts


| | | |
|----------------------|-----------|---------|
| Current accounts | 206,818 | 204,120 |
| PLS savings accounts | 903,972 | 645,645 |
| | 1,110,790 | 849,765 |

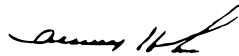
Deposits maturing within 3 months (encashable on demand)

| | | |
|-------------------------------------|------------------|----------------|
| Term deposits - Local Currency* | 50,000 | 26,100 |
| Term deposits - Foreign Currency* | 29,007 | 36,848 |
| | 79,007 | 62,948 |
| Deposit with State Bank of Pakistan | - | 50,000 |
| | <u>1,193,312</u> | <u>967,061</u> |


*This does not include term deposits amounting to Rs.0.80 million (2011: Rs.0.30 million) placed under lien and those deposits having maturity exceeding three months amounting to Rs.65.43 million (2011: Rs.Nil).

The annexed notes from 1 to 43 form an integral part of these financial statements.


Towfiq H. Chinoy
Chairman


Akbarali Hashwani
Director


Aly Noormahomed Rattansey
Director


Tahir Ahmed
Managing Director
(Chief Executive)

Statement of Cash Flows

For The Year Ended December 31, 2012

| | 2012 | 2011 |
|---|------------------|-------------|
| | (Rupees in '000) | |
| Operating cash flows | | |
| (a) Underwriting activities | | |
| Premiums received | 5,956,489 | 5,162,099 |
| Reinsurance premiums paid | (2,566,251) | (2,164,930) |
| Claims paid | (2,404,381) | (2,137,331) |
| Reinsurance and other recoveries received | 693,370 | 563,261 |
| Commissions paid | (464,899) | (436,836) |
| Commissions received | 216,238 | 190,361 |
| Other underwriting payments (management expenses) | (717,818) | (621,196) |
| Net cash inflow from underwriting activities | 712,748 | 555,428 |
| (b) Other operating activities | | |
| Income tax paid | (112,535) | (114,015) |
| General expenses paid | (15,434) | (25,530) |
| Other operating payments | (862,941) | (747,492) |
| Other operating receipts | 1,127,615 | 930,954 |
| Loans advanced | (1,673) | (2,010) |
| Loans repayment received | 1,694 | 1,703 |
| Net cash inflow from other operating activities | 136,726 | 43,610 |
| Total cash inflow from all operating activities | 849,474 | 599,038 |
| Investment activities | | |
| Profit / return received | 108,479 | 99,040 |
| Dividends received | 107,414 | 105,362 |
| Rentals received - net of expenses | 93,427 | 100,831 |
| Payments for purchase of investments | (8,670,255) | (8,204,015) |
| Capital expenditure on investment property | (10,227) | (3,849) |
| Proceeds from disposal of investments | 8,104,936 | 7,477,580 |
| Fixed capital expenditure | (67,258) | (30,747) |
| Proceeds from disposal of fixed assets | 1,436 | 4,735 |
| Total cash outflow from investing activities | (332,048) | (451,063) |
| Financing activities | | |
| Dividends paid | (291,175) | (155,397) |
| Total cash outflow from financing activities | (291,175) | (155,397) |
| Net cash inflow / (outflow) from all activities | 226,251 | (7,422) |
| Cash at beginning of the year | 967,061 | 974,483 |
| Cash at end of the year | 1,193,312 | 967,061 |

Statement of Cash Flows

For The Year Ended December 31, 2012

| | 2012 | 2011 |
|--|------------------|----------------|
| | (Rupees in '000) | |
| Reconciliation to profit and loss account | | |
| Operating cash flows | 849,474 | 599,038 |
| Depreciation / amortisation expense | (26,608) | (23,694) |
| (Loss) / profit on sale of fixed assets | (505) | 94 |
| Profit on disposal of investments | 462,685 | 468,982 |
| Dividend income | 107,414 | 105,362 |
| Rental income | 104,689 | 94,275 |
| Other investment income | 141,498 | 98,615 |
| Increase in assets other than cash | 437,333 | 84,422 |
| Increase in liabilities other than running finance | (1,249,404) | (629,905) |
| Profit after taxation | <u>826,576</u> | <u>797,189</u> |

Definition of cash

Cash comprises of cash in hand, policy stamps, bond papers, cheques in hand, 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 purposes of the Statement of Cash Flows consists of:

Cash and bank deposits

Cash and other equivalents

| | | |
|---------------------------------------|--------------|--------------|
| Cash | 167 | 100 |
| Policy stamps and bond papers in hand | 3,348 | 4,248 |
| | <u>3,515</u> | <u>4,348</u> |

Current and other accounts


| | | |
|----------------------|------------------|----------------|
| Current accounts | 206,818 | 204,120 |
| PLS savings accounts | 903,972 | 645,645 |
| | <u>1,110,790</u> | <u>849,765</u> |

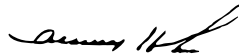
Deposits maturing within 3 months (encashable on demand)

| | | |
|-------------------------------------|------------------|----------------|
| Term deposits - Local Currency* | 50,000 | 26,100 |
| Term deposits - Foreign Currency* | 29,007 | 36,848 |
| | <u>79,007</u> | <u>62,948</u> |
| Deposit with State Bank of Pakistan | - | 50,000 |
| | <u>1,193,312</u> | <u>967,061</u> |

*This does not include term deposits amounting to Rs.0.80 million (2011: Rs.0.30 million) placed under lien and those deposits having maturity exceeding three months amounting to Rs.65.43 million (2011: Rs.Nil).

The annexed notes from 1 to 43 form an integral part of these financial statements.


Towfiq H. Chinoy
Chairman


Akbarali Hashwani
Director


Aly Noormahomed Rattansey
Director



Tahir Ahmed
Managing Director
(Chief Executive)


Statement of Changes in Equity

For The Year Ended December 31, 2012


| | Share capital | Reserves | | | | Total reserves | Total |
|--|--------------------------------|--------------------------------|------------------|-----------------|-------------------|------------------|------------------|
| | Issued, subscribed and paid-up | Capital reserves | Revenue reserves | | | | |
| | | Reserve for exceptional losses | General reserve | Special reserve | Retained earnings | | |
| (Rupees in '000) | | | | | | | |
| Balance as at 01 January 2011 | 790,977 | 9,384 | 1,570,000 | - | 533,514 | 2,112,898 | 2,903,875 |
| Changes in equity for the year ended December 31, 2011 | | | | | | | |
| Profit after tax for the year | - | - | - | - | 797,189 | 797,189 | 797,189 |
| Other comprehensive income | - | - | - | - | - | - | - |
| Total comprehensive income | - | - | - | - | 797,189 | 797,189 | 797,189 |
| Final cash dividend at Rs.2 per share (20%) for the year 2010 | | | | | (158,195) | (158,195) | (158,195) |
| Issuance of bonus shares @ Rs. 2.5 per share 25% for the year 2010 | 197,744 | - | - | - | (197,744) | (197,744) | - |
| Transfer to general reserve | - | - | 100,000 | - | (100,000) | - | - |
| Balance as at December 31, 2011 | <u>988,721</u> | <u>9,384</u> | <u>1,670,000</u> | <u>-</u> | <u>874,764</u> | <u>2,554,148</u> | <u>3,542,869</u> |
| Balance as at 01 January 2012 | 988,721 | 9,384 | 1,670,000 | - | 874,764 | 2,554,148 | 3,542,869 |
| Changes in equity for the year ended December 31, 2012 | | | | | | | |
| Profit after tax for the year | - | - | - | - | 826,576 | 826,576 | 826,576 |
| Other comprehensive income | - | - | - | - | - | - | - |
| Total comprehensive income | - | - | - | - | 826,576 | 826,576 | 826,576 |
| Final cash dividend at Rs.3 per (30%) share for the year 2011 | - | - | - | - | (296,617) | (296,617) | (296,617) |
| Issuance of bonus share @ Rs. 2 per share 20% for the year 2011 | 197,744 | - | - | - | (197,744) | (197,744) | - |
| Transfer to general reserve | - | - | 230,000 | - | (230,000) | - | - |
| Transfer to special reserve | - | - | - | 100,000 | (100,000) | - | - |
| Balance as at December 31, 2012 | <u>1,186,465</u> | <u>9,384</u> | <u>1,900,000</u> | <u>100,000</u> | <u>876,979</u> | <u>2,886,363</u> | <u>4,072,828</u> |

The annexed notes from 1 to 43 form an integral part of these financial statements.


Towfiq H. Chinoy
Chairman


Akbarali Hashwani
Director


Aly Noormahomed Rattansey
Director


Tahir Ahmed
Managing Director
(Chief Executive)

Statement of Premiums


For The Year Ended December 31, 2012

Business underwritten inside Pakistan


| Class | Premiums written (note 23) | Unearned premium reserve | | Premium earned | Reinsurance ceded | Prepaid reinsurance premium | | Reinsurance expenses | 2012 Net premium revenue | 2011 Net premium revenue |
|------------------------------------|----------------------------|--------------------------|-----------|----------------|-------------------|-----------------------------|---------|----------------------|--------------------------|--------------------------|
| | | Opening | Closing | | | Opening | Closing | | | |
| (Rupees in '000) | | | | | | | | | | |
| Direct and facultative | | | | | | | | | | |
| 1. Fire and property damage | 1,560,555 | 541,229 | 627,819 | 1,473,965 | 848,790 | 295,591 | 314,266 | 830,115 | 643,850 | 672,873 |
| 2. Marine, aviation and transport | 617,904 | 54,798 | 71,351 | 601,351 | 80,044 | 10,479 | 13,677 | 76,846 | 524,505 | 515,597 |
| 3. Motor | 879,859 | 314,329 | 371,546 | 822,642 | 23,999 | 12,253 | 11,125 | 25,127 | 797,515 | 695,982 |
| 4. Liability | 350,562 | 69,816 | 92,720 | 327,658 | 301,360 | 48,206 | 69,683 | 279,883 | 47,775 | 47,345 |
| 5. Accident and health | 692,438 | 217,769 | 328,589 | 581,618 | - | - | - | - | 581,618 | 478,649 |
| 6. Miscellaneous | 1,906,562 | 634,645 | 754,052 | 1,787,155 | 1,374,208 | 483,286 | 559,786 | 1,297,708 | 489,447 | 353,759 |
| Total | 6,007,880 | 1,832,586 | 2,246,077 | 5,594,389 | 2,628,401 | 849,815 | 968,537 | 2,509,679 | 3,084,710 | 2,764,205 |
| Treaty | | | | | | | | | | |
| 7. Proportional / non-proportional | 28 | - | - | 28 | - | - | - | - | 28 | (1) |
| Grand total | 6,007,908 | 1,832,586 | 2,246,077 | 5,594,417 | 2,628,401 | 849,815 | 968,537 | 2,509,679 | 3,084,738 | 2,764,204 |

The annexed notes from 1 to 43 form an integral part of these financial statements.


Towfiq H. Chinoy
Chairman


Akbarali Hashwani
Director


Aly Noormahomed Rattansey
Director


Tahir Ahmed
Managing Director
(Chief Executive)

Statement of Claims


For The Year Ended December 31, 2012

Business underwritten inside Pakistan


| Class | Claims paid | Outstanding claims | | Claims expenses | Reinsurance and other recoveries received | Reinsurance and other recoveries in respect of outstanding claims | | Reinsurance and other recoveries revenue | 2012 Net claims expense | 2011 Net claims expense |
|------------------------------------|------------------|--------------------|------------------|------------------|---|---|------------------|--|-------------------------|-------------------------|
| | | Opening | Closing | | | Opening | Closing | | | |
| (Rupees in '000) | | | | | | | | | | |
| Direct and facultative | | | | | | | | | | |
| 1. Fire and property damage | 678,458 | 437,454 | 627,521 | 868,525 | 301,163 | 79,699 | 278,375 | 499,839 | 368,686 | 351,161 |
| 2. Marine, aviation and transport | 222,169 | 293,415 | 311,874 | 240,628 | 36,067 | 98,828 | 56,158 | (6,603) | 247,231 | 261,609 |
| 3. Motor | 518,124 | 248,230 | 258,476 | 528,370 | 10,111 | 39,526 | 56,246 | 26,831 | 501,539 | 423,637 |
| 4. Liability | 2,137 | 9,782 | 211,793 | 204,148 | 1,233 | 6,461 | 206,380 | 201,152 | 2,996 | 1,212 |
| 5. Accident and health | 469,185 | 61,410 | 84,345 | 492,120 | - | - | - | - | 492,120 | 375,271 |
| 6. Miscellaneous | 514,288 | 781,833 | 781,734 | 514,189 | 310,411 | 555,489 | 461,533 | 216,455 | 297,734 | 286,203 |
| Total | <u>2,404,361</u> | <u>1,832,124</u> | <u>2,275,743</u> | <u>2,847,980</u> | <u>658,985</u> | <u>780,003</u> | <u>1,058,692</u> | <u>937,674</u> | <u>1,910,306</u> | <u>1,699,093</u> |
| Treaty | | | | | | | | | | |
| 7. Proportional / non-proportional | 20 | - | - | 20 | - | - | - | - | 20 | 1 |
| Grand total | <u>2,404,381</u> | <u>1,832,124</u> | <u>2,275,743</u> | <u>2,848,000</u> | <u>658,985</u> | <u>780,003</u> | <u>1,058,692</u> | <u>937,674</u> | <u>1,910,326</u> | <u>1,699,094</u> |

The annexed notes from 1 to 43 form an integral part of these financial statements.


Towfiq H. Chinoy
Chairman


Akbarali Hashwani
Director


Aly Noormahomed Rattansey
Director


Tahir Ahmed
Managing Director
(Chief Executive)

Statement of Expenses


For The Year Ended December 31, 2012

Business underwritten inside Pakistan


| Class | Commission paid or payable | Deferred commission | | Net commission expense | Other management expenses (note 24) | Underwriting expense | Commission from reinsurers (note 25) | 2012 Net underwriting expense | 2011 Net underwriting expense |
|------------------------------------|----------------------------|---------------------|---------|------------------------|-------------------------------------|----------------------|--------------------------------------|-------------------------------|-------------------------------|
| | | Opening | Closing | | | | | | |
| (Rupees in '000) | | | | | | | | | |
| Direct and facultative | | | | | | | | | |
| 1. Fire and property damage | 189,004 | 65,688 | 70,103 | 184,589 | 153,108 | 337,697 | 64,822 | 272,875 | 278,922 |
| 2. Marine, aviation and transport | 95,103 | 8,956 | 11,477 | 92,582 | 124,728 | 217,310 | 2,780 | 214,530 | 209,207 |
| 3. Motor | 78,850 | 29,016 | 34,265 | 73,601 | 189,650 | 263,251 | 1,222 | 262,029 | 225,900 |
| 4. Liability | 9,701 | 3,738 | 3,770 | 9,669 | 11,361 | 21,030 | 13,523 | 7,507 | 10,078 |
| 5. Accident and health | 22,974 | 6,076 | 9,507 | 19,543 | 138,309 | 157,852 | - | 157,852 | 127,448 |
| 6. Miscellaneous | 112,535 | 42,265 | 46,243 | 108,557 | 116,391 | 224,948 | 119,759 | 105,189 | 59,799 |
| Total | 508,167 | 155,739 | 175,365 | 488,541 | 733,547 | 1,222,088 | 202,106 | 1,019,982 | 911,354 |
| Treaty | | | | | | | | | |
| 7. Proportional / non-proportional | 2 | - | - | 2 | - | 2 | - | 2 | - |
| Grand Total | 508,169 | 155,739 | 175,365 | 488,543 | 733,547 | 1,222,090 | 202,106 | 1,019,984 | 911,354 |

The annexed notes from 1 to 43 form an integral part of these financial statements.


Towfiq H. Chinoy
Chairman


Akbarali Hashwani
Director


Aly Noormahomed Rattansey
Director


Tahir Ahmed
Managing Director
(Chief Executive)


Statement of Investment Income

For The Year Ended December 31, 2012


| | 2012 | 2011 |
|--|------------------|----------|
| | (Rupees in '000) | |
| Income from non-trading investments | | |
| Held to maturity | | |
| Return on government securities | 57,948 | 51,222 |
| Return on other fixed income securities and Term finance certificates | 15,555 | 12,324 |
| Amortisation of discount / (premium) | 496 | (2,233) |
| | 73,999 | 61,313 |
| Available-for-sale | | |
| Dividend income | | |
| Related parties | 8,234 | 11,314 |
| Others | 99,180 | 94,048 |
| | 107,414 | 105,362 |
| Gain on sale of non-trading investments | 462,685 | 468,982 |
| Impairment in value of available for sale securities | (5,869) | (16,880) |
| Investment related expenses | (6,949) | (6,811) |
| Net investment income | 631,280 | 611,966 |

The annexed notes from 1 to 43 form an integral part of these financial statements.


Towfiq H. Chinoy
Chairman


Akbarali Hashwani
Director


Aly Noormahomed Rattansey
Director


Tahir Ahmed
Managing Director
(Chief Executive)

Notes to the Financial Statements

For The Year Ended December 31, 2012

1. STATUS AND NATURE OF BUSINESS

Jubilee General Insurance Company Limited (the Company) is a public limited company incorporated in Pakistan on May 16, 1953. The Company is listed on the Karachi and Lahore Stock Exchanges and is engaged in general insurance business. The registered office of the Company is situated at 2nd Floor, Jubilee Insurance House, II Chundrigar Road, Karachi.

2. BASIS OF PREPARATION

2.1 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.

2.2 These financial statements have been prepared under the historical cost convention.

3. STATEMENT OF COMPLIANCE

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

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

3.2 ACCOUNTING STANDARDS 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:

| Standard | Effective date (accounting periods beginning on or after) |
|---|---|
| IFRS 7 – Financial Instruments : Disclosures – (Amendments) | |
| - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities | January 01, 2013 |
| IAS 1 – Presentation of Financial Statements – Presentation of items of comprehensive income | July 01, 2012 |
| IAS 27 – Separate Financial Statements | January 01, 2013 |
| IAS 28 – Investments in Associates and Joint Ventures | January 01, 2013 |
| IAS 32 – Financial Instruments :Presentation (Amendment) | January 01, 2014 |
| IAS 19 – Employee Benefits – (Amendment) | January 01, 2013 |

The Company expects that the adoption of the above revisions and amendments of the standards will not materially affect the Company's financial statements in the period of initial application other than the amendments to IAS-19 'Employee Benefits'. The significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e. the corridor approach) has been removed. As revised, actuarial gains and losses are recognised in other comprehensive income when they occur. Amounts recorded in profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognised in other comprehensive income with no subsequent recycling to profit and loss account.
- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

The adoption of the said amendments will result in change in the Company's accounting policy related to recognition of actuarial gains and losses as referred to in note 5.8.1 to the financial statements. The unrecognised actuarial gain as at December 31, 2012 is Rs.2.0 million. The actuarial gains / (losses) for the year 2013 will only be determined at the year end.

In addition to the above, the 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 | IASB Effective date (annual periods beginning on or after) |
|--|--|
| 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 |

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognised 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.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- (a) classification of insurance contracts (note 5.2);
- (b) provision for premium due but unpaid (note 5.5 (iii));
- (c) provision for outstanding claims (including IBNR) (note 5.6);
- (d) premium deficiency reserve (note 5.7);
- (e) accounting for employee benefit plans (note 5.8);
- (f) classification of investments (note 5.9);
- (g) determining the residual values and useful lives of fixed assets and investment properties (note 5.10 and 5.11);
- (h) allocation of management expenses (note 5.17);
- (i) recognition of taxation and deferred tax (note 5.18);
- (j) segment reporting (note 5.19);
- (k) impairment (note 5.22); and
- (l) provision for obligations (note 5.23).

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year.

5.1 Adoption of new and amended International Financial Reporting Standards (IFRSs)

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

| Standard or Interpretation | Effective date (accounting periods beginning on or after) |
|---|---|
| IFRS 7 - Financial Instruments: Disclosures - (Amendment) | 01 July 2011 |
| IAS 12 - Income Taxes (Amendment) - Recovery of underlying Assets | 01 January 2012 |

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the financial statements.

5.2 Insurance contracts

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

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

- Fire and property
- Marine, aviation and transport
- Motor
- Liability
- Accident and health
- Miscellaneous

These contracts are normally one year insurance contracts except Marine and some contracts of Fire and property and miscellaneous class. Normally all marine insurance contracts and some fire and property contracts are of three months period. In miscellaneous class, some engineering insurance contracts are of more than one year period, whereas, normally travel insurance contracts expire within one month time.

These contracts are provided to all types of customers based on assessment of insurance risk by the Company. Normally personal insurance contracts e.g. vehicle, travel, personal accident, etc. are provided to individual customers, whereas, insurance contracts of fire and property, marine, aviation and transport, accident and health and other commercial line products are provided to commercial organizations.

Fire and property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities.

Marine Insurance covers the loss or damage of vessels, cargo, terminals, and any transport or property by which cargo is transferred, acquired, or held between the points of origin and final destination.

Motor insurance provides protection against losses incurred as a result of theft, traffic accidents and against third party liability that could be incurred in an accident.

Liability insurance contracts protects the insured against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events.

Accident and health insurance contract mainly compensate Hospitalisation and outpatient medical coverage to the insured.

Other various types of insurance are classified in miscellaneous category which includes mainly engineering, terrorism, personal accident, worker compensation, travel, products of financial institutions, livestock and crop insurance etc.

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

5.3 Reinsurance contracts held

These are contracts entered into by the Company with reinsurers for compensation of losses suffered on insurance contracts issued. These reinsurance contracts include both facultative and treaty arrangement contracts and are classified in same categories of insurance contracts for the purpose of these financial statements. The Company recognizes the entitled benefits under the contracts as various reinsurance assets.

5.4 Provision for unearned premium

The provision for unearned portion of premiums is calculated by applying twenty fourths' method as prescribed by SEC (Insurance) Rules, 2002. The unearned portion of Accident and Health insurance is calculated in accordance with the advice of the actuary.

The deferred portion of reinsurance premium is recognized as a prepayment. The deferred portion of reinsurance premium ceded is calculated by using twenty fourths' method.

5.5 Receivables and payables related to insurance contracts

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

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

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

5.6 Provision for outstanding claims including Incurred But Not Reported (IBNR)

A liability for outstanding claims is recognized in respect of all claims incurred as at the balance sheet date which represents the estimates of the claims intimated or assessed before the end of the accounting year and measured at the undiscounted value of expected future payments. Provision for outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates.

Provision for IBNR is made for the cost of settling claims incurred but not reported at the balance sheet date, on the basis of management's judgment and the Company's prior experience.

The Company takes advice from actuary for the determination of IBNR claims at the year end. The actuary recommends that month wise factor based on an analysis of the past claims reporting pattern be applied to estimation of provision for IBNR. The historic claim lag triangle method is used for determination of month wise factor for each class of business. Accordingly, provision has been made based on IBNR factors applied on incurred claims recommended by the actuary.

Reinsurance recoveries against outstanding claims and salvage recoveries are recognized as an asset and measured at the amount expected to be received.

5.7 Premium deficiency reserve

The Company is required as per SEC (Insurance) Rules, 2002, to maintain a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability, after reinsurance from claims, and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve is recorded as an expense in the profit and loss account.

No provision has been made as the unearned premium reserve for each class of business as at the year end is adequate to meet the expected future liability after reinsurance from claims and other expenses, expected to be incurred after the balance sheet date in respect of policies in force at balance sheet date.

The Company determines adequacy of liability of premium deficiency by carrying out analysis of its loss ratio of expired periods. For this purpose average loss ratio of last three years inclusive of claim settlement cost but excluding major exceptional claims are taken into consideration to determine ultimate loss ratio to be applied on unearned premium. The liability of premium deficiency in relation to Accident and Health insurance is calculated in accordance with the advice of the actuary.

5.8 Employee benefit plans

5.8.1 Defined benefit plan

The Company operates an approved defined gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. Contributions to the fund are made based on actuarial recommendations and in line with the provisions of the Income Tax Ordinance, 2001. The most recent actuarial valuation was carried out for the year ended December 31, 2012 using the Projected Unit Credit Method. Actuarial gains/losses in excess of corridor limit (10% of the higher of fair value of assets and present value of obligations) are recognized over the average remaining service life of the employees.

5.8.2 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 8.33 percent of basic salary.

5.8.3 Employees' compensated absences

The Company accounts for the liability in respect of eligible employees' compensated absences in the period in which they are earned.

5.9 Investments

5.9.1 Recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs, except for investment at fair value through profit 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 to maturity
- Available-for-sale

5.9.2 Measurement

5.9.2.1 Investment at fair value through profit or loss

- 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.

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

5.9.2.2 Held to maturity

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

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

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

5.9.2.3 Available-for-sale

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

Quoted

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

Had the Company adopted International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" in respect of recognition of gain / loss on remeasurement of available-for-sale securities directly into equity, the investments of the Company would have been higher by Rs.541.17 million and the net equity would have increased by the same amount.

Unquoted

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

5.9.2.4 Investment in associates - equity method

Investments in associates, where the Company has significant influence but not control, are accounted for by using the equity method of accounting. These investments are initially recognised at cost and the carrying amount with investor's share of the profit and loss, distribution received and change in the comprehensive income of the investee at the end of each reporting period. After application of the equity method, the Company determines whether it is necessary to recognize any impairment loss with respect to the Company's net investment in the associate.

5.9.2.5 Date of recognition

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

5.10 Investment property

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

- Leasehold land is stated at cost.
- Building on leasehold land is depreciated to its estimated salvage value on straight line basis over its useful life, which is estimated to be 40 - 80 years.
- Installations forming a part of building on leasehold land but having separate useful lives are depreciated at the rate of 10 percent under the straight line method.

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

5.11 Fixed assets

5.11.1 Tangibles

These are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 22 to the financial statements. The assets' residual values, useful lives and method are reviewed and adjusted if appropriate at each financial year end.

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

Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the items will flow to the company and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to profit and loss account currently.

An item of tangible fixed asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account in the year the asset is derecognized.

5.11.2 Intangibles

These are stated at cost less accumulated amortisation and impairment loss. Amortisation is charged over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 22 to the financial statements.

Amortisation is calculated from the month the assets are available for use. While on disposal, amortisation is charged up to the month in which the assets are disposed off.

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

5.12 Premium income

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

Revenue from premiums is determined after taking into account the unearned portion of premiums. The unearned portion of premium income is recognised as a liability.

Reinsurance premium is recognised as expense after taking into account the proportion of deferred premium expense which is calculated using twenty fourths method. The deferred portion of premium expense is recognised as a prepayment.

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

5.13 Commission

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

Commission and other forms of revenue (apart from recoveries) from reinsurers are deferred and recognised as liability and recognised in the profit and loss account as revenue in accordance with the pattern of recognition of the reinsurance premiums.

5.14 Rental income

Rental income from investment properties is recognised on accrual basis.

5.15 Investment income

- Income from held to maturity investments is recognised on a time proportion basis taking into account the effective yield on the investments. The difference between the redemption value and the purchase price of the held to maturity investments is amortised and taken to the profit and loss account over the term of the investment.
- Dividend income is recognised when the company's right to receive the payment is established.
- Gain / loss on sale of available-for-sale investments is included in income currently.
- Return on fixed income securities classified as available-for-sale is recognised on a time proportion basis taking into account the effective yield on the investments.
- Return on bank deposits is recognised on a time proportion basis taking into account the effective yield.

5.16 Dividend declaration and reserve appropriation

Dividend declaration and reserve appropriation are recognized when approved.

5.17 Expenses of management

Expenses of management have been allocated to various classes of business as deemed equitable by management. Expenses not allocable to the underwriting business are charged under general and administration expenses.

5.18 Taxation

5.18.1 Current

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

5.18.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax bases and carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized 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 assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

Deferred tax is provided on temporary differences arising on investments in associates stated under equity method of accounting.

5.19 Segment reporting

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

Based on its classification of insurance contracts issued, the Company has six primary business segments for reporting purposes namely fire, marine, motor, accident and health, liability and miscellaneous. The nature and business activities of these segments are disclosed in note 5.2.

Assets and liabilities are allocated to particular segments on the basis of premium earned. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities. Depreciation and amortisation are allocated to a particular segment on the basis of premium earned.

5.20 Currency transactions

5.20.1 Functional and presentational currency

The financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency.

5.20.2 Foreign currency translations

Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gains and losses on translation are taken to income currently. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

5.21 Offsetting of financial assets and liabilities

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

5.22 Impairment

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account. In addition impairment on available-for-sale investments, associates and reinsurance assets are recognised as follows:

Available-for-sale

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

Associates

The Company determines that a significant or prolonged decline in the fair value of its investments in associates below their cost is an objective evidence of impairment. The impairment loss is recognized when the carrying value exceeds higher of fair value less cost to sell or value in use.

Reinsurance assets

The Company determines the impairment of the reinsurance assets by looking at objective evidence, as a result of an event that occurred after initial recognition of the reinsurance assets, which indicates that the Company may not be able to recover amount due from reinsurer under the terms of reinsurance contract. In addition the Company also monitors the financial ratings of its reinsurers on each reporting date.

5.23 Provisions for obligation

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of past events, 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.

5.24 Financial instruments

Financial instruments carried on the balance sheet include cash and bank, loans to employees, premiums due but unpaid, amount due from other insurers / reinsurers, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, amount due to other insurers / reinsurers, accrued expenses, other creditors and accruals, deposits and other payables and unclaimed dividends.

All the financial assets and financial liabilities are recognised 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 comprises 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 currently.

6. SHARE CAPITAL

Issued, subscribed and paid-up

| 2012 | | 2011 | |
|----------------------------|---------------|------------------|----------------|
| (Number of shares in '000) | | (Rupees in '000) | |
| 210 | 210 | 2,100 | 2,100 |
| | | | |
| 118,437 | 98,662 | 1,184,365 | 986,621 |
| <u>118,647</u> | <u>98,872</u> | <u>1,186,465</u> | <u>988,721</u> |

Shares of the Company held by associated undertakings (including associates) amounted to Rs.837.44 million (83,743,587 shares of Rs.10 each) [2011: Rs.685.88 million (68,588,047 shares of Rs.10 each)].

7. RESERVES

| | | Note | 2012 | 2011 |
|--------------------------------|-----|------|------------------|------------------|
| | | | (Rupees in '000) | |
| Capital reserves | | | | |
| Reserve for exceptional losses | 7.1 | | 9,384 | 9,384 |
| Revenue reserves | | | | |
| General reserve | 7.2 | | 1,900,000 | 1,670,000 |
| Special reserve | 7.3 | | 100,000 | - |
| | | | <u>2,000,000</u> | <u>1,670,000</u> |
| | | | <u>2,009,384</u> | <u>1,679,384</u> |

7.1 Under the Income Tax Act, 1922 applicable to insurance companies, the Company set aside in prior years amounts upto 10 percent of premium earnings, net of reinsurances of the year as a reserve for exceptional losses, which was treated as an allowable deduction in arriving at the taxable income. This option was withdrawn by the Income Tax Ordinance, 1979 with retrospective effect upto the accounting year ended December 31, 1978. Accordingly, the Company has ceased to set aside such amounts, but has retained the reserve created upto December 31, 1978.

7.2 General reserve

| | | |
|----------------------------------|------------------|------------------|
| Balance at beginning of the year | 1,670,000 | 1,570,000 |
| Transfer from retained earnings | 230,000 | 100,000 |
| Balance at end of the year | <u>1,900,000</u> | <u>1,670,000</u> |

7.3 Special reserve

This represents special reserve created for meeting catastrophic losses and dividend equalisation in future.

8. TAXATION

8.1 The Company has filed returns upto tax year 2012. The income tax assessments of the Company have been finalised upto and including assessment year 2002-2003 and tax years 2004, 2008, 2009, 2010, 2011 and 2012. The returns filed for tax years 2005, 2006, 2007, 2011 and 2012 are deemed to be orders under the provisions of section 120 of the Income Tax Ordinance, 2001 unless any amendments have been made by the tax authorities.

- 8.2 In the assessment order for the assessment year 2002-2003, made in prior years, certain items have been disallowed and further additional tax has been levied. The appeal against the order filed before the Commissioner of Inland Revenue (Appeals) (CIRA) has been decided mostly in favour of the Company. The Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the disallowance of certain items amounting to Rs.31.7 million. The ATIR has set aside disallowances and referred to Taxation Officer for reassessment proceedings. The tax provision amounting to Rs.11.11 million in this respect has been recorded by the Company in prior years.
- 8.3 During prior years, the Taxation Officer had passed an assessment order in respect of tax year 2004 consequent to finalisation of tax audit proceedings wherein the disallowances have been made on account of bad debts written off, amortisation of negative goodwill and allocation of expenses against dividend income. Further, the claim of tax credits has also not been allowed in full. The Company filed an appeal before the CIRA who maintained the order passed by the Taxation Officer except allocation of expenses against dividend income. The ATIR also maintained the order of CIRA. The Company has filed petition with the Honorable High Court of Sindh against the said disallowances. Income tax charge amounting to Rs.54.4 million in this respect has been recorded by the Company in prior years.
- 8.4 During prior years, the Taxation Officer had passed an assessment order in respect of tax year 2009 consequent to finalisation of tax audit proceedings in which disallowances have been made on account of bad debts, amortisation of premium, loss on disposal of assets and impairment in the value of investments. This resulted in aggregate tax liability after adjustment of brought forward loss of Rs.43.96 million which is already accounted for in prior years. The Company filed an appeal before the CIRA who maintained the disallowances made by the Taxation Officer. The Company has now filed an appeal before the ATIR which is pending adjudication. The Company has also filed an appeal before the CIRA for tax refund of additional tax paid amounting to Rs.5.09 million, which has been decided in favour of the Company. The appeal effect order in this respect is still pending.
- 8.5 During prior years, the Taxation Officer had passed an assessment order in respect of tax year 2010 in which additions / disallowances were made on account of management expenses, rental income, provision for IBNR, etc. This has resulted in aggregate tax liability of Rs.165.73 million. The Company had made provision amounting to Rs.111.44 million against the same in prior years. The Company had filed an appeal before the CIRA against additions / disallowances. The CIRA has issued the appeal order by deleting the additions / disallowances made by the Taxation Officer in respect of management expenses and rental income. The CIRA has also set aside additions of provision for IBNR and contribution to provident fund for further verification of the Taxation Officer. This has resulted in a reduced tax liability of Rs.97.74 million. The tax department has filed an appeal with ATIR against the order issued by CIRA on certain disallowances amounting to Rs.81.15 million which is pending adjudication. The management, based on the advice of its tax consultants, is confident that the outcome of this matter will be favorable for the Company and, hence, no provision for the balance tax liability of Rs.14.7 million has been made in the current year's financial statements in this regard.

| | 2012 | 2011 |
|---|------------------|---------|
| | (Rupees in '000) | |
| 9. OTHER CREDITORS AND ACCRUALS | | |
| Federal excise duty and sales tax | 38,530 | 21,177 |
| Federal insurance fee | 2,251 | 1,242 |
| Workers' Welfare Fund | 18,922 | 17,858 |
| Tax deducted at source | 929 | 571 |
| Commissions payable | 323,864 | 280,704 |
| Premiums payable | 28,946 | 48,513 |
| Payable to Commercial General Union Insurance International | - | 7,428 |
| Claims payable | 6,605 | 10,430 |
| Miscellaneous | 6,673 | 6,612 |
| | 426,720 | 394,535 |

10. DEPOSITS AND OTHER PAYABLES

| Note | 2012 | 2011 |
|--|----------------|----------------|
| (Rupees in '000) | | |
| Advance rent | 29,475 | 29,734 |
| Security deposits against bond insurance | 824,070 | 541,110 |
| Other deposits | 92 | 92 |
| | <u>853,637</u> | <u>570,936</u> |

11. CONTINGENCIES

Contingencies in respect of income tax amounted to Rs.14.7 million (2011: Rs.14.7 million) at the year end (refer note 8.5).

12. CASH AND BANK DEPOSITS

Cash and other equivalents

| | | | |
|---------------------------------------|--|--------------|--------------|
| Cash | | 167 | 100 |
| Policy stamps and bond papers in hand | | 3,348 | 4,248 |
| | | <u>3,515</u> | <u>4,348</u> |

Current and other accounts

| | | | |
|----------------------|------|------------------|----------------|
| Current accounts | | 206,818 | 204,120 |
| PLS savings accounts | 12.1 | 903,972 | 645,645 |
| | | <u>1,110,790</u> | <u>849,765</u> |

Deposits maturing within 12 months

| | | | |
|-------------------------------------|-------------|------------------|----------------|
| Term deposits - local currency | 12.2 & 12.3 | 77,550 | 26,400 |
| Term deposits - foreign currency | 12.4 | 67,683 | 36,848 |
| | | <u>145,233</u> | <u>63,248</u> |
| Deposit with State Bank of Pakistan | | - | 50,000 |
| | | <u>1,259,538</u> | <u>967,361</u> |

12.1 The rate of return on PLS Saving accounts maintained at various banks range from 6.0% to 9.10% per annum (2011: 5.0% to 10.50% per annum).

12.2 The rate of return on term deposits with various banks range from 8.30% to 11.10% per annum (2011: 11.25% to 12.75% per annum) due on maturity. These term deposits have maturities upto August 14, 2013.

12.3 Included herein is a sum of Rs.0.80 million (2011: Rs.0.30 million) placed under lien with a commercial bank against bank guarantee.

12.4 The rate of return on these term deposits is 1.25% (2011:1.25%) per annum due on maturity. These term deposits have maturities upto February 25, 2013.

13. LOANS TO EMPLOYEES

Considered good

| | | | |
|-----------------------|------|--------------|--------------|
| Secured | 13.1 | 1,401 | 1,390 |
| Unsecured | 13.2 | 393 | 426 |
| | | <u>1,794</u> | <u>1,816</u> |
| Less: Current portion | 21 | 1,037 | 967 |
| | | <u>757</u> | <u>849</u> |

13.1 These represent loans provided to employees for the purchase of motor vehicles at the mark-up rate of 6% per annum (2011: 6% per annum) and are recoverable in four to five years. These are secured against motor vehicles.

13.2 These represent interest free loans to employees for general purposes in accordance with the terms of their employment and are recoverable within one year.

13.3 The maximum amount due from executives calculated with reference to month-end balances was Rs.Nil (2011: Rs.Nil).

14. INVESTMENTS

| | Note | 2012 | 2011 |
|--|--------|------------------|------------------|
| (Rupees in '000) | | | |
| In related parties | | | |
| Investment in an associate under equity method | 14.1 | 103,084 | 81,907 |
| Available-for-sale - quoted equity securities / mutual funds | 14.4.1 | 554,079 | 554,079 |
| | | <u>657,163</u> | <u>635,986</u> |
| Others | | | |
| Held to maturity | | | |
| Government securities | 14.2 | 467,352 | 298,633 |
| Term finance certificates - quoted | 14.3 | 128,221 | 83,479 |
| Available-for-sale | | | |
| Quoted equity securities / mutual funds | 14.4.2 | 4,672,057 | 3,916,715 |
| Unquoted equity securities | | | |
| - Matiar Sugar Mills Limited | | | |
| [715,000 shares (2011: 715,000 shares)] | | 2,500 | 2,500 |
| | | <u>5,270,130</u> | <u>4,301,327</u> |
| | | <u>5,927,293</u> | <u>4,937,313</u> |

14.1 Investment in an associate under equity method

14.1.1 Particulars of investment in associate - listed

| Number of shares | | Face value per share | Name of associate | 2012 | 2011 |
|------------------|-----------|----------------------|--|------------------|--------|
| 2012 | 2011 | (Rupees) | | (Rupees in '000) | |
| 4,032,766 | 4,032,766 | 10 | Jubilee Life Insurance Company Limited (Incorporated in Pakistan) (Chief Executive: Javed Ahmed) | 103,084 | 81,907 |

Market value of investment and percentage of holding in associate are Rs.374.85 million and 6.43% respectively (2011: Rs.251.60 million and 6.43%).

14.1.2 Movement of investment in associate

| | | |
|-----------------------------------|----------------|---------------|
| Beginning of the year | 81,907 | 69,041 |
| Share in profit upto September 30 | 33,275 | 18,916 |
| Less: Dividend received | (12,098) | (6,050) |
| | <u>21,177</u> | <u>12,866</u> |
| Closing balance | <u>103,084</u> | <u>81,907</u> |

14.1.3 Following information has been summarised based on financial statements as at September 30, 2012 (2011: September 30, 2011) of the associate:

| | 2012 | 2011 |
|---------------------|------------------|------------|
| | (Rupees in '000) | |
| Total assets | 21,001,275 | 14,455,998 |
| Total liabilities | 19,408,222 | 13,182,256 |
| Net assets | 1,593,053 | 1,273,742 |
| Share of net assets | 103,084 | 81,907 |
| Revenue | 8,194,775 | 5,763,167 |
| Profit after tax | 360,791 | 217,937 |

14.2 Government securities

| Face value (Rupees) | Profit Rate % | Profit Payment | Type of Security | Maturity Date | 2012 | 2011 |
|------------------------|------------------|-------------------|------------------|------------------|------------------|----------------|
| | | | | | (Rupees in '000) | |
| Pakistan Investment | | | | | | |
| 50,000,000 | 10 | Semi annually | Bond - 20 years | 20-01-2024 | 57,081 | 57,467 |
| Pakistan Investment | | | | | | |
| 50,000,000 | 11.5 | Semi annually | Bond - 5 years | 18-08-2016 | 50,673 | 48,268 |
| Pakistan Investment | | | | | | |
| 50,000,000 | 12 | Semi annually | Bond - 3 years | 18-08-2014 | 20,420 | - |
| 100,000,000 | 10.29 | On maturity | Treasury Bills | 07-03-2013 | 95,120 | - |
| 125,000,000 | 9.10 | On maturity | Treasury Bills | 07-02-2013 | 123,705 | - |
| 125,000,000 | 9.15 | On maturity | Treasury Bills | 30-05-2013 | 120,353 | - |
| 40,000,000 | 11.83 | On maturity | Treasury Bills | 23-08-2012 | - | 37,138 |
| 160,000,000 | 11.82 | On maturity | Treasury Bills | 22-03-2012 | - | 155,760 |
| | | | | | <u>467,352</u> | <u>298,633</u> |

14.2.1 Market value of Pakistan Investment Bonds is Rs.118.69 million (2011: Rs.88.41 million) and of Treasury Bills is Rs.342.63 million (2011: Rs.192.89 million).

14.2.2 Pakistan Investment Bonds with face value of Rs.122.7 million (2011: Rs.100.00 million) are placed with State Bank of Pakistan under Section 29 of the Insurance Ordinance, 2000.

14.3 Term Finance Certificates - quoted

| Number of certificates | | Face value per certificates | Name of entity | 2012 | 2011 |
|------------------------|--------|--------------------------------|---|------------------|---------------|
| 2012 | 2011 | (Rupees) | | (Rupees in '000) | |
| 10,000 | 10,000 | 5,000 | Bank Al Habib Limited | 49,890 | 49,910 |
| 5,056 | 5,056 | 5,000 | United Bank Limited | 23,835 | 23,569 |
| 2,000 | 2,000 | 5,000 | ORIX Leasing Pakistan Limited | 6,000 | 10,000 |
| 6,000 | - | 5,000 | Pakistan Mobile Communications Limited | 28,500 | - |
| 4,000 | - | 5,000 | Karachi Electric Supply Company Limited | 19,996 | - |
| | | | | <u>128,221</u> | <u>83,479</u> |

14.3.1 Market value of quoted term finance certificates is Rs.129.61 million (2011: Rs.86.96 million). The market values are determined as per rates quoted by Mutual Funds Association of Pakistan as on December 31, 2012.

14.3.2 Details of term finance certificates are as follows:

| Particulars | Profit rate per annum | Profit Payment | Maturity Date |
|---|-------------------------------------|-------------------|------------------|
| Bank Al Habib Limited | 6 months KIBOR plus 1.95% per annum | Semi-annually | 06-02-2015 |
| United Bank Limited | 6 months KIBOR plus 0.85% per annum | Semi-annually | 14-02-2018 |
| ORIX Leasing Pakistan Limited | 3 months KIBOR plus 2.15% per annum | Quarterly | 30-06-2014 |
| Pakistan Mobile Communications Limited | 6 months KIBOR plus 2.65% per annum | Quarterly | 30-06-2015 |
| Karachi Electric Supply Company Limited | 14.75% per annum | Quarterly | 30-06-2015 |

14.4 Available-for-sale securities / mutual funds - quoted

14.4.1 In related parties

| Number of shares / certificates / units | | Face value per share / certificate / unit | Name of entity | 2012 | 2011 |
|--|-----------|---|-----------------------|------------------|----------------|
| 2012 | 2011 | (Rupees) | | (Rupees in '000) | |
| Open-end mutual funds | | | | | |
| 5,004,021 | 4,847,343 | 100 | HBL Money Market Fund | 500,000 | 500,000 |
| Commercial Banks | | | | | |
| 1,153,816 | 1,048,924 | 10 | Habib Bank Limited | 54,079 | 54,079 |
| | | | | <u>554,079</u> | <u>554,079</u> |

14.4.2 Others

| | | | | | |
|-------------------------------|------------|-----|--|---------|---------|
| Open-end mutual funds | | | | | |
| 166,742 | 166,742 | 100 | JS Large Capital Fund | 2,300 | 2,300 |
| 49,949,052 | 50,685,369 | 10 | ABL Cash Fund | 500,000 | 500,000 |
| 519,494 | 419,991 | 500 | Atlas Money Market Fund | 250,000 | 198,365 |
| 4,979,266 | 4,994,661 | 100 | Askari Sovereign Cash Fund | 500,000 | 500,000 |
| 2,243,163 | 2,033,117 | 10 | BMA Empress Cash Fund | 20,000 | 20,000 |
| 1,052,213 | - | 100 | First Habib Cash Fund | 100,000 | - |
| 2,549,914 | - | 100 | Faysal Money Market Fund | 250,000 | - |
| - | 998,001 | 100 | Faysal Savings Growth Fund | - | 100,000 |
| 2,113,714 | 3,777,718 | 100 | IGI Money Market Fund | 200,000 | 370,000 |
| 867,294 | 505,387 | 100 | Lakson Income Fund | 80,000 | 50,000 |
| 33,989 | 30,894 | 100 | Lakson Money Market Fund | 2,613 | 2,613 |
| 2,046,252 | - | 50 | MetroBank Pakistan Sovereign Fund | 100,000 | - |
| 3,062,358 | 3,906,771 | 100 | MCB Cash Management Optimizer | 300,000 | 400,000 |
| 4,152,293 | 1,997,881 | 50 | Meezan Sovereign Fund | 200,000 | 100,000 |
| 2,738,836 | 2,490,387 | 10 | NAFA Financial Securities Income Fund | 25,000 | 25,000 |
| 39,053,659 | 35,969,386 | 10 | NAFA Government Securities Liquid Fund | 375,000 | 350,000 |
| 29,008,989 | - | 10 | NIT Government Bond Fund | 300,000 | - |
| 2,302,870 | 2,223,882 | 50 | Pakistan Cash Management Fund | 110,000 | 110,000 |
| 634,150 | 421,035 | 100 | PICIC Cash Fund | 60,000 | 40,000 |
| 445,461 | 400,353 | 100 | PICIC Income Fund | 40,000 | 40,000 |
| - | 1,048,673 | 10 | Pakistan Strategic Allocation Fund | - | 2,280 |
| 5,131,297 | 5,055,057 | 100 | UBL Liquidity Plus Fund | 500,000 | 500,000 |
| Equity investment instruments | | | | | |
| 500,000 | 500,000 | 10 | PICIC Growth Fund (ICP SEMF) | 2,797 | 2,797 |
| 1,881,379 | 1,881,379 | 10 | PICIC Investment Fund | 3,825 | 3,825 |
| 1,297,972 | 1,297,972 | 10 | Standard Chartered Modaraba | 8,839 | 8,839 |
| 3,969,000 | 3,969,000 | 5 | First Habib Modaraba | 22,515 | 22,515 |
| Financial services | | | | | |
| 362,323 | 362,323 | 10 | ORIX Leasing Pakistan Limited | 2,300 | 2,300 |

| Number of shares / certificates / units | | Face value per share / certificate / unit | Name of entity | 2012 | 2011 |
|--|-----------|---|---|------------------|------------------|
| 2012 | 2011 | (Rupees) | | (Rupees in '000) | |
| | | | Commercial Banks | | |
| - | 212,700 | 10 | Allied Bank Limited | - | 9,404 |
| 1,162,454 | 402,134 | 10 | Bank Al Habib Limited | 31,594 | 12,032 |
| - | 616,537 | 10 | Faysal Bank Limited | - | 4,570 |
| 611,905 | 692,187 | 10 | National Bank of Pakistan Limited | 21,501 | 20,223 |
| - | 2,290,486 | 10 | NIB Bank Limited | - | 3,963 |
| - | 329,400 | 10 | Soneri Bank Limited | - | 1,285 |
| 427,500 | 270,000 | 10 | United Bank Limited | 28,639 | 13,073 |
| 1,163,000 | - | 10 | Bank Al Falah Limited | 18,747 | - |
| | | | Personal Goods (textiles) | | |
| - | 31,566 | 10 | Dewan Khalid Textile Mills Limited | - | 124 |
| 38,889 | 68,889 | 10 | Nishat Mills Limited | 1,194 | 2,116 |
| 199,420 | 199,420 | 10 | Services Textiles Limited | 100 | 100 |
| 62,106 | 62,106 | 10 | Crescent Jute Products Limited | 34 | 34 |
| | | | General Industrials | | |
| 320,639 | 291,490 | 5 | Thal Limited | 16,458 | 16,458 |
| | | | Construction and materials (cement) | | |
| 2,000,000 | - | 10 | Fauji Cement Company Limited | 13,411 | - |
| | | | Tobacco | | |
| 234,909 | 234,909 | 10 | Pakistan Tobacco Company Limited | 24,081 | 24,081 |
| | | | Electricity | | |
| 3,546,710 | 3,246,710 | 10 | The Hub Power Company Limited | 119,637 | 106,165 |
| 1,133,893 | 933,893 | 10 | Kot Addu Power Company Limited | 42,668 | 33,454 |
| | | | Oil and gas | | |
| 270,000 | 225,000 | 10 | Pakistan State Oil Company Limited | 66,942 | 66,942 |
| 137,099 | 32,274 | 10 | Pakistan Oil Fields Limited | 50,656 | 5,936 |
| 318,877 | 165,602 | 10 | Pakistan Petroleum Limited | 42,257 | 19,364 |
| | | | Industrial metal and mining | | |
| 2,912,706 | 2,312,706 | 10 | International Industries Limited | 88,773 | 71,951 |
| | | | Engineering | | |
| 42,160 | 42,160 | 10 | Hinopak Motors Limited | 3,699 | 9,568 |
| 225,000 | 300,000 | 10 | Millat Tractors Limited | 11,589 | 15,452 |
| | | | Fixed line telecommunication | | |
| 1,717,400 | 2,322,400 | 10 | Pakistan Telecommunication Company Limited (A) | 27,011 | 35,777 |
| | | | Chemicals | | |
| 1,100,330 | 924,820 | 10 | Fauji Fertilizer Company Limited | 78,986 | 73,446 |
| 149,374 | 72,596 | 10 | Engro Corporation Limited | 15,931 | 10,399 |
| 12,322 | - | 10 | ICI Pakistan Limited | 2,141 | - |
| 500,000 | 400,000 | 10 | Lotte Pakistan PTA Limited | 6,855 | 6,000 |
| | | | Forestry (Paper and board) | | |
| 365,880 | 304,900 | 10 | Century Paper & Board Mills Limited | 3,964 | 3,964 |
| | | | | <u>4,672,057</u> | <u>3,916,715</u> |

14.4.3 Market value of quoted available-for-sale investments is Rs.5,767.31 million (2011: Rs.4,796.17 million) at the year end.

15. INVESTMENT PROPERTIES

| | 2012 | | | | | | | Useful life |
|-------------------------------|------------------------|---------------|-------------------------|------------------------|--------------|-------------------------|--|-------------|
| | Cost | | | Depreciation | | | Written down value as at December 31, 2012 | |
| | As at January 01, 2012 | Additions | As at December 31, 2012 | As at January 01, 2012 | For the year | As at December 31, 2012 | | |
| | (Rupees in '000) | | | | | | | |
| Leasehold land | 34,164 | - | 34,164 | - | - | - | 34,164 | - |
| Building on leasehold land | 111,051 | 8,177 | 119,228 | 13,363 | 3,221 | 16,584 | 102,644 | 40-80 years |
| Lifts and other installations | 25,830 | 2,050 | 27,880 | 12,917 | 2,754 | 15,671 | 12,209 | 10 years |
| | <u>171,045</u> | <u>10,227</u> | <u>181,272</u> | <u>26,280</u> | <u>5,975</u> | <u>32,255</u> | <u>149,017</u> | |

| | 2011 | | | | | | | Useful life |
|-------------------------------|------------------------|--------------|-------------------------|------------------------|--------------|-------------------------|--|-------------|
| | Cost | | | Depreciation | | | Written down value as at December 31, 2011 | |
| | As at January 01, 2011 | Additions | As at December 31, 2011 | As at January 01, 2011 | For the year | As at December 31, 2011 | | |
| | (Rupees in '000) | | | | | | | |
| Leasehold land | 34,164 | - | 34,164 | - | - | - | 34,164 | - |
| Building on leasehold land | 107,202 | 3,849 | 111,051 | 10,344 | 3,019 | 13,363 | 97,688 | 40-80 years |
| Lifts and other installations | 25,830 | - | 25,830 | 10,405 | 2,512 | 12,917 | 12,913 | 10 years |
| | <u>167,196</u> | <u>3,849</u> | <u>171,045</u> | <u>20,749</u> | <u>5,531</u> | <u>26,280</u> | <u>144,765</u> | |

15.1 The market value of the investment properties as per valuations carried out by professional valuers in 2011 is Rs.1,591.09 million. The management of the Company has ascertained that there is no material change in the valuation of the investment properties upto December 31, 2012.

16. DEFERRED TAXATION

| | 2012 | 2011 |
|--|------------------|---------------|
| | (Rupees in '000) | |
| Deferred tax debits / (credits) arising in respect of: | | |
| Accelerated depreciation | (11,600) | (10,313) |
| Provision for doubtful debts | 48,286 | 49,907 |
| Share of profit from associate | (5,479) | (3,361) |
| | <u>31,207</u> | <u>36,233</u> |

17. PREMIUMS DUE BUT UNPAID

| | | |
|---------------------------------------|----------------|----------------|
| Unsecured | | |
| Considered good | 854,280 | 821,123 |
| Considered doubtful | 137,961 | 137,961 |
| | <u>992,241</u> | <u>959,084</u> |
| Less: Provision for doubtful balances | <u>137,961</u> | <u>137,961</u> |
| | <u>854,280</u> | <u>821,123</u> |

17.1 Premium due but unpaid include amount of Rs.55.99 million (2011: Rs.32.74 million) due from related parties.

18. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS

| | | 2012 | 2011 |
|---|------|------------------|--------|
| | Note | (Rupees in '000) | |
| Unsecured | | | |
| Considered good | | 76,910 | 76,994 |
| Considered doubtful | | - | 4,631 |
| | | 76,910 | 81,625 |
| Less: Provision against doubtful balances | 18.1 | - | 4,631 |
| | | 76,910 | 76,994 |

18.1 Provision against doubtful balances

| | | |
|--------------------------|---------|-------|
| Opening balance | 4,631 | 4,631 |
| Less: Amount written off | (4,631) | - |
| | - | 4,631 |

19. REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS

These are unsecured and considered good.

20. PREPAYMENTS

| | | |
|-----------------------------------|---------|---------|
| Prepaid reinsurance premium ceded | 968,537 | 849,815 |
| Rent | 13,684 | 10,450 |
| Computer software maintenance fee | 5,230 | - |
| Miscellaneous expenses | 4,761 | 2,736 |
| | 992,212 | 863,001 |

21. SUNDRY RECEIVABLES

| | | | |
|---|----|--------|--------|
| Current portion of long-term loans | 13 | 1,037 | 967 |
| Advances to suppliers and contractors - considered good | | 21,520 | 9,127 |
| Rent receivable | | 18,636 | 1,658 |
| Security deposits | | 8,037 | 7,342 |
| Sales tax recoverable | | 3,259 | 2,183 |
| Medical claim recoverable | | 6,102 | 5,365 |
| Other advances - considered good | | 5,106 | 3,924 |
| | | 63,697 | 30,566 |

22. FIXED ASSETS - Tangible and intangible

| 2012 | Building | Furniture, fixtures and equipment | | | | Sub total | Motor vehicles | Computer software | Total |
|--|--------------|-----------------------------------|------------------|-------------------|--------------------|---------------|----------------|-------------------|----------------|
| | | Furniture and fixtures | Office equipment | Trakker equipment | Computer equipment | | | | |
| (Rupees in '000) | | | | | | | | | |
| As at January 01, 2012 | | | | | | | | | |
| Cost | 6,875 | 60,416 | 67,845 | 34,776 | 39,873 | 202,910 | 8,298 | 11,051 | 229,134 |
| Accumulated depreciation | (485) | (33,483) | (41,578) | (10,506) | (30,802) | (116,369) | (4,032) | (8,324) | (129,210) |
| Net book value as at January 01, 2012 | <u>6,390</u> | <u>26,933</u> | <u>26,267</u> | <u>24,270</u> | <u>9,071</u> | <u>86,541</u> | <u>4,266</u> | <u>2,727</u> | <u>99,924</u> |
| For the year ended December 31, 2012 | | | | | | | | | |
| Opening net book value | 6,390 | 26,933 | 26,267 | 24,270 | 9,071 | 86,541 | 4,266 | 2,727 | 99,924 |
| Additions | 194 | 9,874 | 4,747 | 17,703 | 6,381 | 38,705 | 1,436 | 26,923 | 67,258 |
| Disposals | | | | | | | | | |
| - Cost | - | (2,870) | (2,329) | (604) | (1,747) | (7,550) | (523) | - | (8,073) |
| - Accumulated depreciation | - | 2,290 | 1,841 | 195 | 1,488 | 5,814 | 318 | - | 6,132 |
| | - | (580) | (488) | (409) | (259) | (1,736) | (205) | - | (1,941) |
| Adjustment | | | | | | | | | |
| - Cost | - | (1,966) | 1,828 | - | 138 | - | - | - | - |
| - Accumulated depreciation | - | - | - | - | - | - | - | - | - |
| | - | (1,966) | 1,828 | - | 138 | - | - | - | - |
| Depreciation charge | (255) | (6,811) | (7,828) | (6,190) | (3,032) | (23,861) | (465) | (2,027) | (26,608) |
| Net book value as at December 31, 2012 | <u>6,329</u> | <u>27,450</u> | <u>24,526</u> | <u>35,374</u> | <u>12,299</u> | <u>99,649</u> | <u>5,032</u> | <u>27,623</u> | <u>138,633</u> |
| As at December 31, 2012 | | | | | | | | | |
| Cost | 7,069 | 65,454 | 72,091 | 51,875 | 44,645 | 234,065 | 9,211 | 37,974 | 288,319 |
| Accumulated depreciation | (740) | (38,004) | (47,565) | (16,501) | (32,346) | (134,416) | (4,179) | (10,351) | (149,686) |
| Net book value as at December 31, 2012 | <u>6,329</u> | <u>27,450</u> | <u>24,526</u> | <u>35,374</u> | <u>12,299</u> | <u>99,649</u> | <u>5,032</u> | <u>27,623</u> | <u>138,633</u> |
| Annual rate of depreciation | <u>3%</u> | <u>17%</u> | <u>17% - 25%</u> | <u>20%</u> | <u>25%</u> | | <u>20%</u> | <u>20%</u> | |

| 2011 | Building | Furniture, fixtures and equipment | | | | Sub total | Motor vehicles | Computer software | Total |
|--|--------------|-----------------------------------|------------------|-------------------|--------------------|---------------|----------------|-------------------|---------------|
| | | Furniture and fixtures | Office equipment | Trakker equipment | Computer equipment | | | | |
| (Rupees in '000) | | | | | | | | | |
| As at January 01, 2011 | | | | | | | | | |
| Cost | 6,875 | 55,678 | 67,011 | 29,616 | 35,968 | 188,273 | 8,454 | 9,852 | 213,454 |
| Accumulated depreciation | (250) | (29,444) | (36,083) | (11,607) | (27,818) | (104,952) | (3,542) | (7,198) | (115,942) |
| Net book value as at January 01, 2011 | <u>6,625</u> | <u>26,234</u> | <u>30,928</u> | <u>18,009</u> | <u>8,150</u> | <u>83,321</u> | <u>4,912</u> | <u>2,654</u> | <u>97,512</u> |
| For the year ended December 31, 2011 | | | | | | | | | |
| Opening net book value | 6,625 | 26,234 | 30,928 | 18,009 | 8,150 | 83,321 | 4,912 | 2,654 | 97,512 |
| Additions | - | 7,720 | 3,350 | 12,979 | 3,936 | 27,985 | 1,563 | 1,199 | 30,747 |
| Disposals | | | | | | | | | |
| - Cost | - | (2,982) | (2,518) | (7,817) | (32) | (13,349) | (1,722) | - | (15,071) |
| - Accumulated depreciation | - | 2,578 | 2,080 | 5,498 | 9 | 10,165 | 265 | - | 10,430 |
| | - | (404) | (438) | (2,319) | (23) | (3,184) | (1,457) | - | (4,641) |
| Depreciation charge | (235) | (6,617) | (7,576) | (4,396) | (2,992) | (21,581) | (752) | (1,126) | (23,694) |
| Net book value as at December 31, 2011 | <u>6,390</u> | <u>26,933</u> | <u>26,264</u> | <u>24,273</u> | <u>9,071</u> | <u>86,541</u> | <u>4,266</u> | <u>2,727</u> | <u>99,924</u> |
| As at December 31, 2011 | | | | | | | | | |
| Cost | 6,875 | 60,416 | 67,843 | 34,778 | 39,872 | 202,909 | 8,295 | 11,051 | 229,130 |
| Accumulated depreciation | (485) | (33,483) | (41,579) | (10,505) | (30,801) | (116,368) | (4,029) | (8,324) | (129,206) |
| Net book value as at December 31, 2011 | <u>6,390</u> | <u>26,933</u> | <u>26,264</u> | <u>24,273</u> | <u>9,071</u> | <u>86,541</u> | <u>4,266</u> | <u>2,727</u> | <u>99,924</u> |
| Annual rate of depreciation | <u>3%</u> | <u>17%</u> | <u>17% - 25%</u> | <u>20%</u> | <u>25%</u> | | <u>20%</u> | <u>20%</u> | |

22.1 Disposal of tangible assets

| | Cost | Accumulated depreciation | Net book value | Sale proceeds | Gain / (loss) | Mode of disposal | Particulars of buyers |
|---|------------------|--------------------------|----------------|---------------|---------------|------------------|--------------------------------|
| | (Rupees in '000) | | | | | | |
| Disposal of tangible assets during the year having book value exceeding Rs.50,000 | | | | | | | |
| Motor vehicles | 409 | 250 | 159 | 265 | 106 | Negotiation | Mr. Naveed Akhtar Alvi Karachi |
| Disposal of tangible assets during the year having book value upto Rs.50,000 | | | | | | | |
| Furniture and fixtures | 2,870 | 2,290 | 580 | 342 | (238) | Negotiation | Various |
| Office equipment, electrical installations, trakter and computers | 4,680 | 3,524 | 1,156 | 790 | (366) | Negotiation | Various |
| Motor vehicles | | | | | | | |
| Motor cycle | 40 | 24 | 16 | 17 | 1 | Negotiation | Muhammad Ajmal Karachi |
| Motor cycle | 71 | 43 | 28 | 22 | (6) | Negotiation | Muhammad Ayub Karachi |
| Cycle | 4 | 2 | 2 | - | (2) | Write-off | - |
| | <u>8,074</u> | <u>6,133</u> | <u>1,941</u> | <u>1,436</u> | <u>(505)</u> | | |

23. ADMINISTRATIVE SURCHARGE

Premium written and net premium revenue include administrative surcharge, class wise detail of which is given below:

| | 2012 | 2011 |
|--------------------------------|------------------|---------------|
| | (Rupees in '000) | |
| Fire and property damage | 9,761 | 9,712 |
| Marine, aviation and transport | 14,395 | 13,746 |
| Motor | 23,319 | 21,220 |
| Liability | 22 | 12 |
| Miscellaneous | 11,778 | 10,097 |
| | <u>59,275</u> | <u>54,787</u> |

24. MANAGEMENT EXPENSES

| | Note | 2012 | 2011 |
|--|------|----------------|----------------|
| (Rupees in '000) | | | |
| Salaries, wages and benefits | 24.1 | 492,854 | 438,468 |
| Rent, taxes and electricity | | 46,036 | 39,176 |
| Communications | | 15,433 | 14,222 |
| Directors' fee and expenses | | 2,680 | 1,360 |
| Printing and stationery | | 18,909 | 16,342 |
| Travelling and entertainment | | 25,356 | 22,474 |
| Auditors' remuneration | 28.3 | 278 | 260 |
| Legal and professional charges | | 5,179 | 8,785 |
| Statutory levies | | 10,013 | 9,463 |
| Annual monitoring fee for vehicle tracking devices | | 19,835 | 13,660 |
| Inspection fee | | 4,207 | 6,564 |
| Repairs and maintenance | | 7,090 | 5,021 |
| Advertisement and sales promotion | | 32,583 | 27,403 |
| Depreciation | 22 | 24,581 | 22,568 |
| Amortisation | 22 | 2,027 | 1,126 |
| Bad debts written off | | 5,620 | 6,305 |
| Insurance expense | | 4,625 | 4,376 |
| Motor vehicle running expenses | | 1,837 | 2,290 |
| Other expenses | | 14,404 | 12,620 |
| | | <u>733,547</u> | <u>652,483</u> |

24.1 These include Rs.11.37 million (2011: Rs.10.47 million) being contribution for employees' provident fund and Rs.8.71 million (2011: Rs.12.71 million) in respect of defined benefit plan.

25. COMMISSION FROM REINSURERS

| | | | | 2012 | 2011 |
|------------------------------------|---------------------|---------------|----------------------------|----------------------------|----------------|
| Commission received or receivables | Unearned Commission | | Commission from reinsurers | Commission from reinsurers | |
| | Opening | Closing | | | |
| (Rupees in '000) | | | | | |
| Fire and property damage | 67,936 | 18,506 | 21,620 | 64,822 | 44,549 |
| Marine, aviation and transport | 3,087 | 328 | 635 | 2,780 | 1,381 |
| Motor | 1,042 | 653 | 473 | 1,222 | 1,047 |
| Liability | 14,515 | 3,281 | 4,273 | 13,523 | 11,040 |
| Miscellaneous | 129,658 | 45,148 | 55,047 | 119,759 | 119,074 |
| | <u>216,238</u> | <u>67,916</u> | <u>82,048</u> | <u>202,106</u> | <u>177,091</u> |

26. RENTAL INCOME

| | 2012 | 2011 |
|---|----------------|---------------|
| (Rupees in '000) | | |
| Rental revenue | 125,724 | 112,780 |
| Investment property related expenditure | (21,035) | (18,505) |
| | <u>104,689</u> | <u>94,275</u> |

27. OTHER INCOME

| | Note | 2012 | 2011 |
|---|------|------------------|--------------|
| | | (Rupees in '000) | |
| Income from financial assets / liabilities | | | |
| Exchange gain | | 7,997 | 961 |
| Return on loans to employees | | 97 | 89 |
| Creditors no longer considered payable written back | | 1,863 | 1,407 |
| Others | | 269 | 117 |
| Income from non-financial assets | | | |
| (Loss) / gain on sale of fixed assets | | (505) | 94 |
| | | <u>9,721</u> | <u>2,668</u> |

28. GENERAL AND ADMINISTRATION EXPENSES

| | | | |
|------------------------|------|---------------|---------------|
| Legal and professional | | 3,659 | 4,327 |
| Subscription | | 314 | 493 |
| Registration fee | | 281 | 276 |
| Insurance ombudsman | | 509 | 392 |
| Workers' Welfare Fund | 28.1 | 18,922 | 16,149 |
| Charity and donations | 28.2 | 8,089 | 6,850 |
| Auditors' remuneration | 28.3 | 1,088 | 1,058 |
| Others | | 1,494 | 1,202 |
| | | <u>34,356</u> | <u>30,747</u> |

28.1 Workers' Welfare Fund

| | | | |
|-------------------|--|---------------|---------------|
| - for the year | | 18,922 | 17,858 |
| - for prior years | | - | (1,709) |
| | | <u>18,922</u> | <u>16,149</u> |

28.2 Donations made include the following in which a Director or spouse of a Director is interested.

| Name and address of donee | Interested Director | Interest in donee | 2012 | 2011 |
|---|---------------------|-------------------|------------|------------|
| Pakistan Centre of Philanthropy ST-14, F8/3, Islamabad, Pakistan | Towfiq H. Chinoy | Director | 150 | 834 |
| Aga Khan Cultural Service, Pakistan Shahrah-e-Quaid-e-Azam Gilgit, Pakistan | Akbarali Pesnani | Chairman | 305 | - |
| | | | <u>455</u> | <u>834</u> |

28.3 Auditors' remuneration

| | | | |
|---|----|--------------|--------------|
| Audit fee | | 400 | 400 |
| Interim review fee | | 100 | 100 |
| Special reports and certificates for various government agencies and sundry advisory services | | 455 | 455 |
| Out of pocket expenses | | 133 | 103 |
| | 28 | 1,088 | 1,058 |
| Federal excise duty / sales tax advisory services | 24 | 278 | 260 |
| | | <u>1,366</u> | <u>1,318</u> |

| 29. TAXATION - NET | 2012 | 2011 |
|--------------------|------------------|---------------|
| | (Rupees in '000) | |
| Current | | |
| - for the year | 114,477 | 107,556 |
| - for prior years | - | (11,984) |
| | 114,477 | 95,572 |
| Deferred | 5,026 | 150 |
| | <u>119,503</u> | <u>95,722</u> |

| 29.1 Relationship between tax expense and accounting profit | 2012 | 2011 | 2012 | 2011 |
|---|--------------------------------------|--------------|------------------|---------------|
| | (Effective tax rate) (Percentage) | | (Rupees in '000) | |
| Profit before taxation | | | 946,079 | 892,911 |
| Tax at the applicable rate of 35% (2011: 35%) | 35.00 | 35.00 | 331,127 | 312,519 |
| Tax effect of income subject to lower rate | (6.81) | (5.75) | (64,395) | (51,358) |
| Tax effect of expenses that are not allowable in determining taxable income | 1.55 | 1.20 | 14,711 | 10,689 |
| Tax effect of income exempt from tax | (17.12) | (18.38) | (161,940) | (164,144) |
| Effect of change in prior years tax | - | (1.34) | - | (11,984) |
| | <u>12.63</u> | <u>10.72</u> | <u>119,503</u> | <u>95,722</u> |

30. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise companies having common directorship, associates, directors, key management personnel and retirement benefit funds. Investment in related parties have been disclosed in the relevant notes. Directors' fees and remuneration to the key management personnel are included in note 32 to these financial statements and are determined in accordance with the terms of their appointment.

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

| | 2012 | 2011 |
|--|------------------|-----------|
| | (Rupees in '000) | |
| Companies having common directorship | | |
| Insurance premium written (including government levies administrative surcharge and policy stamps) | 459,197 | 354,594 |
| Insurance premium received / adjusted during the year | 520,073 | 297,673 |
| Insurance commission paid | 666 | 733 |
| Insurance claims paid | 138,496 | 180,356 |
| Purchases of goods and services | 5,440 | 5,705 |
| Dividend received | 8,234 | 9,345 |
| Dividend received from an associate | 12,098 | 6,050 |
| Dividend paid | 189,544 | 102,396 |
| Rental income | 31,848 | 28,209 |
| Investment in shares / mutual funds other than associate | 1,000,000 | 1,550,000 |
| Disposal of shares / mutual funds other than associate | 1,044,803 | 1,400,000 |
| Donations | 455 | 834 |
| Others | | |
| Insurance premium written (including government levies administrative surcharge and policy stamps) | 45 | 198 |
| Insurance premium received / adjusted during the year | 98 | 149 |
| Insurance claims paid | 107 | - |
| Dividend paid | 6,456 | 5,927 |
| Contributions for staff retirement benefit plans | 20,081 | 21,474 |

31. EMPLOYEE BENEFITS

Defined benefit plan

The actuarial valuations are carried out annually and contributions are made accordingly. Following were the significant assumptions used for valuation of the plan:

- Discount rate 11% (2011: 12.50%) per annum.
- Expected rate of increase in the salaries of the employees 11% (2011: 12.50%) per annum.
- Expected interest rate on plan assets 12.50% (2011: 13%) per annum.
- Expected service length of the employees 14 years (2011: 14 years).

| 31.1 Asset / (liability) in balance sheet | Note | 2012 | 2011 |
|--|------|----------|----------|
| (Rupees in '000) | | | |
| Present value of defined benefit obligation | 31.3 | 90,954 | 78,727 |
| Fair value of plan assets | 31.4 | (92,962) | (88,688) |
| Net actuarial gain not recognised | | 2,008 | 9,961 |
| | | - | - |
| 31.2 Movement in asset / (liability) during the year | | | |
| Opening balance | | - | - |
| Charge to profit and loss account | | 8,710 | 11,006 |
| Contributions to the Fund during the year | | (8,710) | (11,006) |
| Closing balance | | - | - |
| 31.3 Reconciliation of the present value of the defined benefit obligations | | | |
| Present value of obligation as at January 01 | | 78,727 | 71,169 |
| Current service cost | | 10,033 | 10,888 |
| Interest cost | | 9,841 | 9,252 |
| Benefits paid | | (5,959) | (3,194) |
| Actuarial gain | | (1,688) | (9,388) |
| Present value of obligation as at December 31 | | 90,954 | 78,727 |
| 31.4 Changes in fair value of plan assets | | | |
| Fair value of plan assets as at January 01 | | 88,688 | 70,258 |
| Expected return on plan assets | | 11,086 | 9,134 |
| Contribution to the Fund | | 8,710 | 11,006 |
| Benefits paid | | (5,959) | (3,194) |
| Actuarial (loss) / gain | | (9,563) | 1,484 |
| Fair value of plan assets as at December 31 | | 92,962 | 88,688 |
| 31.5 Charge for the defined benefit plan | | | |
| Current service cost | | 10,033 | 10,888 |
| Interest cost | | 9,841 | 9,252 |
| Expected return on plan assets | | (11,086) | (9,134) |
| Actuarial gains recognised | | (78) | - |
| | | 8,710 | 11,006 |

| | | | | | |
|------|------------------------------|--|--|------------------|--------|
| 31.6 | Actual return on plan assets | | | 2012 | 2011 |
| | | | | (Rupees in '000) | |
| | Expected return on assets | | | 11,086 | 9,134 |
| | Actuarial (gain) / loss | | | (9,563) | 1,484 |
| | | | | 1,523 | 10,618 |

| | | | | | |
|------|--|-----------------------------------|------------|-----------------------------------|------------|
| 31.7 | Composition of fair value of plan assets | 2012 | | 2011 | |
| | | Fair value (Rupees in '000) | Percentage | Fair value (Rupees in '000) | Percentage |
| | Debt instruments | 1,500 | 1.61% | 1,500 | 1.69% |
| | Equity instruments | 1,615 | 1.74% | 1,204 | 1.36% |
| | Government securities | 89,473 | 96.25% | 74,158 | 83.62% |
| | Others | 374 | 0.40% | 11,826 | 13.33% |
| | Fair value of plan assets | 92,962 | | 88,688 | |

| | | | | | | |
|------|---|------------------|----------|----------|----------|----------|
| 31.8 | Historical data | 2012 | 2011 | 2010 | 2009 | 2008 |
| | | (Rupees in '000) | | | | |
| | Present value of defined benefit obligations | 90,954 | 78,727 | 71,169 | 60,817 | 52,504 |
| | Fair value of plan assets (Surplus) / deficit | (92,962) | (88,688) | (70,258) | (55,445) | (43,503) |
| | | (2,008) | (9,961) | 911 | 5,372 | 9,001 |
| | Experience adjustments | | | | | |
| | - Actuarial (gain) / loss on obligation | (1,688) | (9,388) | (4,908) | (9,290) | 4,783 |
| | - Actuarial (loss) / gain on assets | (9,563) | 1,484 | (446) | 5,910 | (723) |

31.9 The estimated contribution to the Fund for the year ending December 31, 2013 is Rs.10.17 million.

32. REMUNERATION OF MANAGING DIRECTOR, DIRECTORS AND EXECUTIVES

| | Managing Director | | Directors | | Executives | | Total | |
|------------------------------|-------------------|--------|-----------|-------|------------|---------|---------|---------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| | (Rupees in '000) | | | | | | | |
| Directors' fees | - | - | 2,680 | 1,360 | - | - | 2,680 | 1,360 |
| Managerial remuneration | | | | | | | | |
| - including bonus | 11,126 | 10,454 | - | - | 74,465 | 64,654 | 85,591 | 75,108 |
| Staff retirement benefits | 754 | 710 | - | - | 3,591 | 2,962 | 4,345 | 3,672 |
| House rent allowance | 2,715 | 2,557 | - | - | 26,899 | 23,607 | 29,614 | 26,164 |
| Utilities allowance | 905 | 852 | - | - | 6,145 | 5,388 | 7,050 | 6,240 |
| Medical expenses | 17 | 37 | - | - | 1,991 | 2,096 | 2,008 | 2,133 |
| Leave passage / assistanc | 1,223 | - | - | - | 3,091 | 308 | 4,314 | 308 |
| Vehicle allowance | 1,591 | 1,591 | - | - | 28,080 | 26,341 | 29,671 | 27,932 |
| Others | 953 | 618 | - | - | 19,503 | 12,941 | 20,456 | 13,559 |
| | 19,284 | 16,819 | 2,680 | 1,360 | 163,765 | 138,297 | 185,729 | 156,476 |
| Number of persons | 1 | 1 | 8 | 8 | 60 | 55 | 68 | 64 |

In addition, the managing director and some of the executives are provided with certain items of household furniture, fixtures and equipment in accordance with their entitlements.

33. SEGMENT REPORTING

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

| | Fire | | Marine | | Motor | | Liability | | Accident and health | | Miscellaneous | | Total | |
|--|-----------|-----------|---------|---------|---------|---------|-----------|---------|---------------------|---------|---------------|-----------|-------------------|------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| (Rupees in '000) | | | | | | | | | | | | | | |
| SEGMENT ASSETS | | | | | | | | | | | | | | |
| Segment assets | 912,356 | 681,071 | 183,149 | 236,269 | 240,948 | 220,322 | 335,321 | 110,501 | 108,002 | 99,324 | 1,370,212 | 1,386,690 | 3,149,988 | 2,734,177 |
| Unallocated corporate assets | | | | | | | | | | | | | 7,609,393 | 6,240,658 |
| Consolidated total assets | | | | | | | | | | | | | <u>10,759,381</u> | <u>8,974,835</u> |
| SEGMENT LIABILITIES | | | | | | | | | | | | | | |
| Segment liabilities | 1,557,190 | 1,249,994 | 498,189 | 472,795 | 786,896 | 710,126 | 371,080 | 137,734 | 523,511 | 377,364 | 1,930,607 | 1,783,460 | 5,667,473 | 4,731,473 |
| Unallocated corporate liabilities | | | | | | | | | | | | | 1,019,080 | 700,493 |
| Consolidated total liabilities | | | | | | | | | | | | | <u>6,686,553</u> | <u>5,431,966</u> |
| Depreciation / amortisation | 5,554 | 5,768 | 4,524 | 4,420 | 6,879 | 5,966 | 412 | 406 | 5,017 | 4,103 | 4,222 | 3,031 | 26,608 | 23,694 |
| Non-cash expenses other than depreciation / amortisation | 1,173 | 1,535 | 956 | 1,176 | 1,453 | 1,587 | 87 | 108 | 1,060 | 1,092 | 891 | 807 | 5,620 | 6,305 |
| Unallocated capital expenditure | | | | | | | | | | | | | <u>77,485</u> | <u>34,596</u> |

34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

34.1 Financial risk management objectives and policies

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

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

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

34.1.1 Market risk

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

34.1.1.1 Interest rate risk exposure

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company invests in securities and has deposits that are subject to interest / mark-up rate risk. 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 information about Company's exposure to interest rate risk based on contractual repricing or maturity dates whichever is earlier is as follows:

| | Effective rate % per annum | 2012 | | | | | Non-interest / mark-up bearing financial instruments | Total |
|---|----------------------------|--|--------------------------------------|-------------------------------|------------------|------------------|--|-------|
| | | Interest / mark-up bearing financial instruments | | | | Sub total | | |
| | | Maturity upto one year | Maturity over one year to five years | Maturity more than five years | | | | |
| (Rupees in '000) | | | | | | | | |
| Financial assets | | | | | | | | |
| Cash and bank deposits | 1.25 to 11.10 | 1,049,205 | - | - | 1,049,205 | 210,333 | 1,259,538 | |
| Loans to employees | 6 | - | 757 | - | 757 | - | 757 | |
| Investments | 9.1 to 14.75 | 339,178 | 175,479 | 80,916 | 595,573 | 5,331,720 | 5,927,293 | |
| Premiums due but unpaid | | - | - | - | - | 854,280 | 854,280 | |
| Amounts due from other insurers / reinsurers | | - | - | - | - | 76,910 | 76,910 | |
| Reinsurance recoveries due but unpaid | | - | - | - | - | 16,203 | 16,203 | |
| Accrued investment income | | - | - | - | - | 15,577 | 15,577 | |
| Reinsurance recoveries against outstanding claims | | - | - | - | - | 1,008,212 | 1,008,212 | |
| Sundry receivables | 6 | 644 | - | - | 644 | 42,177 | 42,821 | |
| | | <u>1,389,027</u> | <u>176,236</u> | <u>80,916</u> | <u>1,646,179</u> | <u>7,555,412</u> | <u>9,201,591</u> | |
| Financial liabilities | | | | | | | | |
| Provision for outstanding claims | | - | - | - | - | 2,275,743 | 2,275,743 | |
| Amounts due to other insurers / reinsurers | | - | - | - | - | 568,914 | 568,914 | |
| Accrued expenses | | - | - | - | - | 27,000 | 27,000 | |
| Other creditors and accruals | | - | - | - | - | 366,088 | 366,088 | |
| Deposits and other payables | | - | - | - | - | 824,162 | 824,162 | |
| Unclaimed dividend | | - | - | - | - | 30,262 | 30,262 | |
| | | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,092,169</u> | <u>4,092,169</u> | |
| Interest risk sensitivity gap | | <u>1,389,027</u> | <u>176,236</u> | <u>80,916</u> | <u>1,646,179</u> | <u>3,463,243</u> | <u>5,109,422</u> | |
| Cumulative interest risk sensitivity gap | | <u>1,389,027</u> | <u>1,565,263</u> | <u>1,646,179</u> | | | | |

| Effective rate % per annum | 2011 | | | | | | Total |
|---|--|--------------------------------------|-------------------------------|------------------|--|------------------|------------------|
| | Interest / mark-up bearing financial instruments | | | | Non-interest / mark-up bearing financial instruments | | |
| | Maturity upto one year | Maturity over one year to five years | Maturity more than five years | Sub total | | | |
| (Rupees in '000) | | | | | | | |
| Financial assets | | | | | | | |
| Cash and bank deposits | 1.25 to 12.75 | 722,045 | - | - | 722,045 | 208,468 | 930,513 |
| Loans to employees | 6 | - | 849 | - | 849 | - | 849 |
| Investments | 10 to 15.64 | 192,898 | 108,178 | 81,036 | 382,112 | 4,555,201 | 4,937,313 |
| Premiums due but unpaid | | - | - | - | - | 821,123 | 821,123 |
| Amounts due from other insurers / reinsurers | | - | - | - | - | 76,994 | 76,994 |
| Reinsurance recoveries due but unpaid | | - | - | - | - | 50,504 | 50,504 |
| Accrued investment income | | - | - | - | - | 10,460 | 10,460 |
| Reinsurance recoveries against outstanding claims | | - | - | - | - | 746,168 | 746,168 |
| Sundry receivables | 6 | 541 | - | - | 541 | 21,439 | 21,980 |
| | | <u>915,484</u> | <u>109,027</u> | <u>81,036</u> | <u>1,105,547</u> | <u>6,490,357</u> | <u>7,595,904</u> |
| Financial liabilities | | | | | | | |
| Provision for outstanding claims | | - | - | - | - | 1,832,124 | 1,832,124 |
| Amounts due to other insurers / reinsurers | | - | - | - | - | 506,764 | 506,764 |
| Accrued expenses | | - | - | - | - | 27,951 | 27,951 |
| Other creditors and accruals | | - | - | - | - | 353,687 | 353,687 |
| Deposits and other payables | | - | - | - | - | 541,202 | 541,202 |
| Unclaimed dividend | | - | - | - | - | 24,820 | 24,820 |
| | | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,286,548</u> | <u>3,286,548</u> |
| Interest risk sensitivity gap | | <u>915,484</u> | <u>109,027</u> | <u>81,036</u> | <u>1,105,547</u> | <u>3,203,809</u> | <u>4,309,356</u> |
| Cumulative interest risk sensitivity gap | | <u>915,484</u> | <u>1,024,511</u> | <u>1,105,547</u> | | | |

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

| | Increase / (decrease) in basis points | Effect on profit before tax | Effect on equity |
|-------------------|---------------------------------------|-----------------------------|------------------|
| | | (Rupees in '000) | |
| December 31, 2012 | 100 | 11,981 | 7,788 |
| | (100) | (11,981) | (7,788) |
| December 31, 2011 | 100 | 12,488 | 8,117 |
| | (100) | (12,488) | (8,117) |

34.1.1.2 Foreign currency risk

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

34.1.1.3 Other price risk

Other price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's listed securities are susceptible to market price risk arising from uncertainties about the future value of investment securities. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity, money market fund and term finance certificates (TFCs). In addition, the Company actively monitors the key factors that affect stock, money market and TFCs market.

The following table summarizes the Company's other price risk as of December 31, 2012 and 2011. It shows the effects of an estimated increase of 5% in the market prices as on those dates. A decrease of 5% in the fair values of the quoted securities would affect it in a similar but opposite manner.

| | Fair Value (Rupees in '000) | Price Change | Effect on fair value (Rupees in '000) |
|-------------------|--------------------------------|--------------|--|
| December 31, 2012 | 5,896,920 | +5% -5% | 294,846 (294,846) |
| December 31, 2011 | 4,883,136 | +5% -5% | 244,157 (244,157) |

34.1.2 Liquidity risk

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

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

| | 2012 | | | |
|--|------------------|-----------------------------|-----------------|------------------|
| | With in one year | Over one year to five years | Over five years | Total |
| | (Rupees in '000) | | | |
| Financial liabilities | | | | |
| Provision for outstanding claims | 2,275,743 | - | - | 2,275,743 |
| Amounts due to other insurers / reinsurers | 568,914 | - | - | 568,914 |
| Accrued expenses | 27,000 | - | - | 27,000 |
| Other creditors and accruals | 366,088 | - | - | 366,088 |
| Deposits and other payables | 824,162 | - | - | 824,162 |
| Unclaimed dividend | 30,262 | - | - | 30,262 |
| | <u>4,092,169</u> | <u>-</u> | <u>-</u> | <u>4,092,169</u> |

| | 2011 | | | |
|--|------------------|-----------------------------|-----------------|------------------|
| | With in one year | Over one year to five years | Over five years | Total |
| | (Rupees in '000) | | | |
| Financial liabilities | | | | |
| Provision for outstanding claims | 1,832,124 | - | - | 1,832,124 |
| Amounts due to other insurers / reinsurers | 506,764 | - | - | 506,764 |
| Accrued expenses | 27,951 | - | - | 27,951 |
| Other creditors and accruals | 353,687 | - | - | 353,687 |
| Deposits and other payables | 541,202 | - | - | 541,202 |
| Unclaimed dividend | 24,820 | - | - | 24,820 |
| | <u>3,286,548</u> | <u>-</u> | <u>-</u> | <u>3,286,548</u> |

34.1.3 Credit Risk

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

34.1.3.1 Concentration of credit risk and credit exposure of the financial instruments

Concentration of credit risk arises when a number of counter parties have a similar type of business activities. As a result any change in economic, political or other conditions would affect their ability to meet contractual obligations in a similar manner. The Company manages concentration of credit risk through diversification of activities among individuals, groups and industry segment.

The Company is exposed to major credit risk on bank balances and deposits, Term Finance Certificates, premiums receivable from customers and co-insurers; and on commission and claim recoveries from re-insurers.

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

| Bank | Rating | Rating Agency | 2012 | 2011 |
|--|--------|-----------------|------------------|----------------|
| | | | (Rupees in '000) | |
| Soneri Bank Limited | AA- | PACRA | 426,925 | 254,316 |
| Standard Chartered Bank (Pakistan) Limited | AAA | PACRA | 426,611 | 346,495 |
| Habib Bank Limited | AAA | JCR-VIS | 298,928 | 242,718 |
| Barclays Bank (plc) | A- | Standard & Poor | 50,000 | - |
| The First Micro Finance Bank Limited | A | JCR-VIS | 25,000 | 25,000 |
| United Bank Limited | AA+ | JCR-VIS | 21,891 | 23,696 |
| Pak Oman MicroFinance Bank Limited | BBB+ | JCR-VIS | 1,750 | 1,100 |
| NIB Bank Limited | AA- | PACRA | 1,395 | 1,348 |
| MCB Bank Limited | AA+ | PACRA | 731 | 2,625 |
| Samba Bank Limited | AA- | JCR-VIS | 62 | 188 |
| Faysal Bank Limited | AA | PACRA /JCR-VIS | 42 | 10,411 |
| Bank Al-Falah Limited | AA | PACRA | - | 756 |
| Habib Metropolitan Bank Limited | AA+ | PACRA | - | 74 |
| Silk Bank Limited | A- | JCR-VIS | - | 795 |
| Dubai Islamic Bank Limited | A | JCR-VIS | - | 3,491 |
| | | | <u>1,253,335</u> | <u>913,013</u> |

The credit quality of Company's quoted equity securities and mutual funds can be assessed as follows:

| | | | |
|------------|--|------------------|------------------|
| Rating | | | |
| A or above | | 4,963,169 | 4,238,209 |
| others | | 366,051 | 314,493 |
| | | <u>5,329,220</u> | <u>4,552,702</u> |

The credit quality of Company's exposure in TFCs can be assessed as follows:

| | | | | |
|---------------------------------------|-----|---------|----------------|---------------|
| Rating | | | | |
| Bank Al-Habib Limited | AA | PACRA | 49,890 | 49,910 |
| United Bank Limited | AA | JCR-VIS | 23,835 | 23,569 |
| Orix Leasing Pakistan Limited | AA+ | PACRA | 6,000 | 10,000 |
| Pakistan Mobile Communication Limited | AA- | PACRA | 28,500 | - |
| Karachi Electric Supply Corporation | AA | PACRA | 19,996 | - |
| | | | <u>128,221</u> | <u>83,479</u> |

The management monitors exposure to credit risk in premium receivable from customers through regular review of credit exposure and prudent estimates of provision for doubtful receivables as disclosed in note 17.

The credit quality of premium receivable from co-insurer, and for commission and claim recoveries from reinsurer can be assessed from external ratings disclosed in note 36.

35. INSURANCE RISK

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

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

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

Frequency and severity of claims

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

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

| Class | Maximum Gross Risk Exposure | |
|--------------------------------|-----------------------------|------------|
| | 2012 | 2011 |
| (Rupees in '000) | | |
| Fire and property | 30,910,457 | 33,717,650 |
| Marine, aviation and transport | 2,978,486 | 2,241,068 |
| Motor | 39,390 | 39,390 |
| Liability | 5,722,617 | 4,454,800 |
| Accident and health | 7,990,484 | 7,692,686 |
| Miscellaneous | 3,678,250 | 3,678,250 |

The reinsurance arrangements against major risk exposure include excess of loss, surplus arrangements, stop loss and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on Company's net retentions. As the major reinsurance arrangements are on excess of loss basis, therefore the reinsurance coverage against Company's risk exposures is not quantifiable.

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. For the estimation of provision of claims IBNR, the Company follows the recommendation of actuary to apply month wise factor based on analysis of the past claim reporting pattern. For this purpose, the claim lag triangle method is used for each class of business. The month wise factor is applied on claims incurred to determine the amount of claims incurred but not reported.

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

Key assumptions

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

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

| Class | Assumed net loss ratio 2012 | Assumed net loss ratio 2011 |
|--------------------------------|-----------------------------|-----------------------------|
| | 2012 | 2011 |
| Fire and property | 48% | 48% |
| Marine, aviation and transport | 48% | 47% |
| Motor | 62% | 61% |
| Liability | 4% | 3% |
| Accident and health | 82% | 80% |
| Miscellaneous | 69% | 76% |

Sensitivities

The insurance claim liabilities are sensitive to the incidence of insured events and severity/size of claims. The impact of variation in incidence of insured events on gross claim liabilities, net claim liabilities, profit before tax and equity is as follows:

| Average claim cost | Change in assumption | Impact on gross liabilities | Impact on net liabilities | Impact on profit before tax | Impact on equity |
|--------------------|----------------------|-----------------------------|---------------------------|-----------------------------|------------------|
| (Rupees in '000) | | | | | |
| 2012 | + 10% | 284,798 | 190,118 | 186,390 | 121,154 |
| 2011 | + 10% | 208,988 | 169,775 | 166,446 | 108,190 |

Claim 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.

36. REINSURANCE RISK

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

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

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

| Rating | Amount due from other insurers / reinsurers | Reinsurance recoveries against outstanding claims | Other reinsurance assets | 2012 | 2011 |
|-------------------------------|---|---|--------------------------|------------------|----------------|
| (Rupees in '000) | | | | | |
| A or above including Pakistan | | | | | |
| Reinsurance Company Limited | 49,868 | 912,723 | 14,850 | 977,441 | 769,076 |
| BBB | 21,230 | 70,493 | 643 | 92,366 | 44,713 |
| Others | 5,812 | 24,996 | 710 | 31,518 | 59,877 |
| | <u>76,910</u> | <u>1,008,212</u> | <u>16,203</u> | <u>1,101,325</u> | <u>873,666</u> |

37. CAPITAL MANAGEMENT

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

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair value of all the financial instruments are estimated to be not significantly different from their carrying values except for investments in associate, held to maturity and available-for-sale securities having fair value of Rs.6,733.09 million (December 31, 2011: Rs.5,416.03 million).

39. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares as at the year end as follows:

| | 2012 | 2011 |
|--|----------------------------|---------|
| | (Rupees in '000) | |
| Profit after tax for the year | 826,576 | 797,189 |
| | (Number of shares in '000) | |
| Weighted average number of shares of Rs.10 each | 118,647 | 118,647 |
| | (Rupees) | |
| Earnings per share of Rs.10 each - basic and diluted | 6.97 | 6.72 |

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

39.2 The number of shares for the last year has also been adjusted for the effect of bonus shares issued during the current period.

40. SUBSEQUENT EVENT - NON ADJUSTING

The Board of Directors in its meeting held on 14 February 2013 has announced a final cash dividend in respect of the year ended December 31, 2012 of Rs. 3.0 per share of Rs.10 each (30 %) [December 31, 2011: Rs.3.0 per share of Rs.10 each (30%)] and bonus shares @ 15 % (December 31, 2011: 20%). In addition, the Board of Directors has approved the transfer of Rs. 100 million (December 31, 2011: Rs.100 million) to special reserve and Rs. 230 million (December 31, 2011: Rs.230 million) to general reserve from unappropriated profit. These financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

| | 2012 | 2011 |
|-------------------------|-----------|------|
| | (Numbers) | |
| 41. NUMBER OF EMPLOYEES | 630 | 631 |

42. AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue in accordance with a resolution of the Board of Directors on 14 February 2013.

43. GENERAL

All figures have been rounded off to the nearest thousand of rupees.



Towfiq H. Chinoy
Chairman



Akbarali Hashwani
Director



Aly Noormahomed Rattansey
Director



Tahir Ahmed
Managing Director
(Chief Executive)



نئے خواب - نیا جوش
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Glossary

- **Actuary** Qualified expert who analyses problems from the area of insurance, investments and pensions using methods of probability theory and financial mathematics, and develops solutions with due regard to legal and economic parameters.
- **Actuarial Valuations** A determination by an actuary at a special date of the value of a insurance Company's assets and its liabilities.
- **Amortisation** The reduction of the value of an asset by prorating its cost over a period of years.
- **Associate** is a company in which the investor has significant influence and which is neither a subsidiary nor a joint venture of the investor.
- **Authorised Share Capital** The maximum value of share that a Company can legally issue
- **Bonus Shares** Free shares given to current shareholders out of profit.
- **Book Value** The value of a asset as entered in a company's books.
- **BRIC Countries** The rapidly developing group of countries that are Brazil, Russia, India and China.
- **Budget** An estimate of income and expenditure for a set period of time.
- **Business Process Re-Engineering** The analysis and design of workflows and processes within an organization.
- **Capital Expenditure** The cost of long-term improvements and fixed assets.
- **Capital Gain** Portion of the total gain recognized on the sale or exchange of a non inventory asset.
- **Capital Reserves** Any reserve not regarded free for distribution by way of dividends.
- **Cedant** Client of a reinsurance company.
- **Combined Ratio** Percentage ratio of the sum of net claims plus management expenses and net commission to net earned premiums. It corresponds to the sum of the loss ratio, commission ratio and the expense ratio.
- **Commission** Remuneration to an intermediary for services such as selling and servicing an insurer's products.
- **Claims** The amount payable under a contract of insurance arising from occurrence of an insured event.
- **Claims Incurred** The aggregate of all claims paid during the accounting period together with attributable claims handling expenses, where appropriate, adjusted by the gross claims reserve at the beginning and end of the accounting period.
- **Corporate Social Responsibility** Is a process with the aim to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, and all other members of the public who may also be considered as stakeholders.
- **Deferred Commission** Expenses which vary with and are primarily related to the acquisition of new insurance contracts and renewal of existing contracts, which are deferred as they relate to a period of risk subsequent to the Balance Sheet date.
- **Deferred Tax** An accounting concept (also known as future income taxes), meaning a future tax liability or asset in respect of taxable temporary differences.
- **Defined benefit Plans** Are post-employment benefit plans other than defined contribution plans.
- **Depreciation** Is the systematic allocation of the cost of an asset over its useful life.
- **Dividend cover** Profit after tax divided by Dividend measures the number of times dividends are covered by distributable profit for the period.
- **Doubtful debts** Is a debt where circumstances have rendered its ultimate recovery uncertain.
- **Earning per share** Amounts for profit or loss attributable to ordinary shareholders of the entity.

| | | |
|---|-----------------------------------|--|
| - | Energy Conservation | Refers to efforts made to reduce energy consumption. |
| - | Equity method | Method of accounting whereby the investment is initially recognized at cost and adjusted hereafter for the post-acquisition change in the investor's share of net assets of the investee. |
| - | Exchange Gain (Loss) | Difference resulting from translating a given number of units of one currency into another currency at different exchange rates. |
| - | Facultative reinsurance | The reinsurer assumes a share of selected individual risks. the primary insurer can offer an individual risk in reinsurance, which the reinsurer for its part can either accept or decline. |
| - | Fair Value | The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing business partners in an arm's length transaction. |
| - | Fiscal Deficit | When a government's total expenditures exceed the revenue that it generates. |
| - | G-7 Countries | Canada, France, Germany, United Kingdom, Italy, Japan and the United States of America. |
| - | G-20 Countries | The Group of 20 major economies of the world. |
| - | General Insurance | All kind of Insurance except Life Insurance. i-e, Fire, Marine, Motor and Other Insurance. |
| - | Gross Domestic Product | The total value of goods produced and services provided in a country during one year. |
| - | Gross Premium | Premium which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance |
| - | Group Health Insurance | A single health policy covering a group of individuals, usually employees of the same company or members of the same association and their dependents. |
| - | Human Resource Development | A framework for the expansion of within an organization through the development of both the organization and the individual to achieve performance improvement. |
| - | Impairment | The amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. |
| - | Incurred but not reported (IBNR) | Claim incurred but not reported to the insurer until the financial statements reporting date. |
| - | Inflation | A general increase in prices and fall in the purchasing value of money. |
| - | Insurance Contracts | A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder for a specified uncertain future event. |
| - | Insurer Financial Strength Rating | Provides an assessment of the financial strength of an insurance company. |
| - | Intangibles | An identifiable non-monetary asset without physical substance. |
| - | Internal Control | An accounting procedure or system designed to promote efficiency or assure the implementation of a policy or safeguard assets or avoid fraud and error etc. |
| - | Loss Ratio | Percentage ratio of claims expenses to net premium. |
| - | Knowledge Base Products | Product produces using knowledge-based systems. |
| - | Market Share | The portion of a market controlled by a particular company or product. |
| - | Market Value | The highest estimated price that a buyer would pay and a seller would accept for an item in an open and competitive market . |
| - | National Exchequer | The account into which tax funds and other public funds are deposited. |
| - | NATO | North Atlantic Treaty Organization, an international organization composed of the US, Canada, Britain, and a number of European countries. |
| - | Net Asset Value | The value of all tangible and intangible assets of a company minus its liabilities. |
| - | Net Premium Revenue | Gross written premium less Reinsurance expense. |

| | |
|-----------------------------------|---|
| - Non-Life Insurance | Non Life Insurance and General Insurance have the identical meaning. |
| - Outstanding Claims | A type of technical reserve or accounting provision in the financial statements of an insurer to provide for the future liability for claims |
| - Paid up Capital | The amount paid or contributed by shareholders in exchange for shares of a company's Stock. |
| - Premium | The amount that has to be paid for the insurance cover provided by an insurer. |
| - Present Value | Future amounts that have been discounted to the present. |
| - Proxy | Power of attorney by which the shareholder transfers the voting rights to another shareholder. |
| - Quoted | Being listed on a Stock Exchange. |
| - Registered Office | The registered office is an address which is registered with the government registrar as the official address of a company. |
| - Reinsurance | A method of insurance arranged by insurers to share the exposure of risks accepted. |
| - Reinsurance Commission | Commission received or receivable in respect of premium paid or payable to a reinsurer. |
| - Reinsurance Premium | The premium payable to the reinsurer in respect of reinsurance contract. |
| - Related Party | Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. |
| - Retrocession | Transfer of risk from a reinsurer to another reinsurer. |
| - Revenue Reserves | Reserve that is normally regarded as available for distribution through the profit and loss account, including general reserves and other specific reserves created out of profit and un-appropriated profit. |
| - Risk | Condition in which there is a possibility of loss. |
| - Risk Management | Includes analyzing all exposures to gauge the likelihood of loss and choosing options to better manage or minimize loss. |
| - Statutory levies | Fee charged (levied) by a government on a product, income, or activity. |
| - Strategic Objectives | A broadly defined objective that an organization must achieve to make its strategy succeed. |
| - Subsequent Event- Non Adjusting | Are events concerning conditions which arose after the balance sheet date, but which may be of such materiality that their disclosure is required to ensure that the financial statements are not misleading. |
| - Takaful | An Islamic concept of insurance. |
| - Tangibles | An asset whose value depends on particular physical properties. |
| - Term Finance Certificate | A debt instrument issued by a entity to raise funds. |
| - Underwriting Profit | This is the profit generated purely from the General Insurance business without taking into account the investment income and other non- technical income and expenses. |
| - Unearned Premium | It represents the portion of premium already entered in the accounts as due but which relates to a period of risk subsequent to the Balance Sheet date. |

Executives

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Tahir Ahmed, BE (MET), MBA, ACII,
Chartered Insurer

Executive Director
Atiq A Mahmudi, B Com, LLB, FCA

Executive Vice Presidents

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Karachi- 74000.

Email: info.nu@jubileegeneral.com.pk

Tel: (9221) 32463006-15

Fax: (9221) 32463010

COMMERCIAL UNIT – I

3rd Floor, Jubilee Insurance House,
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P. O. Box 4795,

Karachi- 74000.

Email: info.cu1@jubileegeneral.com.pk

Tel: (9221) 32420393, 32422012

Fax: (9221) 32420940, 32426654

BUSINESS & FINANCE CENTRE

3rd Floor, Jubilee Insurance House,
I I Chundrigar Road,

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Karachi- 74000.

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Tel: (9221) 32472004-06, 32461714

Fax: (9221) 32471716

JODIA BAZAR

3rd Floor, Jubilee Insurance House,
I I Chundrigar Road,

P. O. Box 4795,

Karachi- 74000.

Email: info.jb@jubileegeneral.com.pk

Tel: (9221) 32422215-16

Fax: (9221) 32420451

SHAHRAH-E-FAISAL

302-303, 3rd Floor, Park Avenue,
Block 6, PECHS, Shahrah-e-Faisal,

Karachi-75400.

Email: info.sf@jubileegeneral.com.pk

Tel: (9221) 34524147, 34391172

Fax: (9221) 34541548

PLAZA

SF-3, 2nd Floor, APWA Complex,

Opp. Anklesaria Hospital,

Garden Road, Karachi.

Email: info.plz@jubileegeneral.com.pk

Tel: (9221) 32241703, 32241719

Fax: (9221) 32241731

SADDAR

1st Floor, POF Complex,

252-A, Sarwar Shaheed Road,

Near Press Club, Karachi.

Email: info.sdr@jubileegeneral.com.pk

Tel: (9221) 35650428-30

Fax: (9221) 35650426

CLIFTON

Suit No. 201-202, 2nd Floor,

Shaheen Centre, Schon Circle,

Kehkashan, Clifton

Karachi.

Email: info.clb@jubileegeneral.com.pk

Tel: (9221) 35862451-3

Fax: (9221) 35862454

KEPZ BRANCH

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Karachi Export Processing Zone,

Landhi Industrial Area,

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Karachi-75150.

Email: info.kepz@jubileegeneral.com.pk

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Fax: (9221) 35080117

HYDERABAD

Mezzanine Floor,

Sakhi Wahab Medical Centre,

Doctor Line, Saddar,

Hyderabad.

Email: info.hyd@jubileegeneral.com.pk

Tel: (9222) 2787362 – 2781982

Fax: (9222) 2729624

SUKKUR

C-470/ A-3, Queens Road,
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Sukkur-65200.
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MULTAN ZONE

MULTAN (Main Branch)
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ChenOne Tower, 74 – Abdali Road,
Multan.
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BAHAWALPUR

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P. O. Box 113, Stadium Road,
Farid Gate, Bahawalpur.
Email: info.bwp@jubileegeneral.com.pk
Tel: (9262) 2877568
Fax: (9262) 2877868

BAHAWALNAGAR

Khan Baba Road,
Bahawalnagar.
Email: info.bwn@jubileegeneral.com.pk
Tel: (9263) 2272762

RAHIMYAR KHAN

Upper Story,
First Women Bank Ltd,
Shahi Road, P. O. Box 243,
Rahimyar Khan-64200.
Email: info.ryk@jubileegeneral.com.pk
Tel: (9268) 5874442
Fax: (9268) 5872243

LAHORE ZONE

Main Branch, (Sales Unit-I)
2nd Floor, 1 Capt. Anwarul Haq,
Shaheed (Montgomery) Road, P.O. Box 368,
Lahore-54000.
Email: info.lzo@jubileegeneral.com.pk
Tel: (9242) 36283661-63
Fax: (9242) 36283660

Sales Unit – II

1st Floor, 1 Capt. Anwarul Haq,
Shaheed (Montgomery) Road, P.O. Box 368,
Lahore-54000.
Email: info.su2@jubileegeneral.com.pk
Tel: (9242) 36283527-29
Fax: (9242) 36283292

Sales Unit – III

1st Floor, 1 Capt. Anwarul Haq
Shaheed (Montgomery) Road, P.O. Box 368,
Lahore-54000.
Email: info.su3@jubileegeneral.com.pk
Tel: (9242) 36283871-2 & 36283691-2
Fax: (9242) 36283285

MALL MANSIONS

(Sales Unit-IV)
4th Floor, Cricket House,
Canal Bank, 20 Jail Road,
Lahore.
Email: info.mall@jubileegeneral.com.pk
Tel: (9242) 37550370-3
Fax: (9242) 37550374

Sales Unit – V

1st Floor, 1 Capt. Anwarul Haq
Shaheed (Montgomery) Road, P.O. Box 368,
Lahore-54000.
Email: info.su5@jubileegeneral.com.pk
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Fax: (9242) 36283285

COMMERCIAL UNIT – II

6 Mall Mansion,
Shahrah-e-Quaid-e-Azam
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Email: info.cu2@jubileegeneral.com.pk
Tel: (9242) 37211300-4
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FAISALABAD

P – 68, 2nd Floor,
Above National Bank of Pakistan
Kotwali Road,
Faisalabad.
Email: info.fsd@jubileegeneral.com.pk
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Fax: (9241) 2638782

ISLAMABAD

1st Floor, Kashmir Plaza, Jinnah Avenue,
Blue Area, Islamabad.
Email: info.isb@jubileegeneral.com.pk
Tel: (9251) 2270365-7
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MARGALLA

42, Aga Khan Road, Super Market,
Sector F-6/4,
Islamabad.
Email: info.mrg@jubileegeneral.com.pk
Tel: (9251) 2528512-4
Fax: (9251) 2828600

PESHAWAR

TF : 9 & 10, 3rd Floor
Deans Trade Centre
Peshawar
Email: info.pw@jubileegeneral.com.pk
Tel: (9291) 5253132-5
Fax: (9291) 5274698

Proxy Form

JUBILEE GENERAL INSURANCE COMPANY LIMITED
JUBILEE INSURANCE HOUSE
I.I. CHUNDRIGAR ROAD,
KARACHI

I / We _____ of _____
being a member of Jubilee General Insurance Company Limited and a holder of _____
ordinary shares, as per Share Register Folio No. _____ and / or CDC
Participant ID. No. _____ and sub Account No. _____

hereby appoint _____ of _____
(Name)

failing him _____ of _____
(Name)

who are also members of Jubilee General Insurance Company Limited, as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on April 10, 2013 at 11:30 a.m and at any adjournment thereof.

Signed this _____ day of _____ 2013.

WITNESS:

1. Signature: _____

Name: _____

Address: _____

CNIC No: _____

Signature

Revenue
Stamp

2. Signature: _____

Name: _____

Address: _____

CNIC No: _____

- Note:
1. Signature should agree with the specimen signature registered with the company.
 2. The Proxy Form must be deposited at the Registered Office of the Company not later than 48 hours before the time of holding the Meeting.
 3. No person shall act as proxy unless he/she is a member of the company.
 4. CDC Shareholders and their proxies are each requested to attach an attested Photocopy of their Computerised National Identity Card or Passport with this proxy form before submission to the Company.

WWW.JUBILEEGENERAL.COM.PK

2nd Floor, Jubilee Insurance House,
I.I. Chundrigar Road,
Karachi 74000, Pakistan

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