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COMPANY INFORMATION

BOARD OF DIRECTORS

Air Marshal (R) Arif Pervaiz (Non-Executive)
Air Commodore (R) Zafar Iqbal Mir (Non-Executive)
Air Commodore (R) Zafar Yaseen (Non-Executive)
Shahid Hameed (Non-Executive)
Imran Hafeez (Non-Executive)
Aamna Taseer (Non-Executive)
Shaharyar Ali Taseer (Non-Executive)

CHIEF EXECUTIVE OFFICER

Faisal Jahangir Hassan (Executive Director)

CHIEF FINANCIAL OFFICER

Jamil Nasir

COMPANY SECRETARY

Jamil Nasir

AUDITORS

Anjum Asim Shahid Rehman
Chartered Accountants

LEGAL ADVISOR

Shaukat Law Associates

REGISTERED OFFICE

10th Floor, Shaheen Complex, M.R.Kayani Road, Karachi.

HEAD OFFICE

10th Floor, Shaheen Complex, M.R.Kayani Road, Karachi.

SHARE REGISTRAR

M/s Corplink (Pvt) Ltd
Wings Arcade, 1-K, Commercial, Model Town, Lahore.

OFFICES

Head Office

10th Floor, Shaheen Complex
M.R. Kayani Road, Karachi - 74200
Tel. # 32630370-75, 32213950-51, Fax # 32626674
E-mail: sihifc@cyber.net.pk
URI: www.shaheeninsurance.com
UAN: (021) 111-765-111

Lahore

Zonal Head - Mr. Naveed Butt

Office # 4, 6th floor, Shaheen Complex
opp: PTV Station 38, Abbott Road,
Lahore
Tel# 042-36376270, 36376274, 36376278, 36376279
Fax# 042-36376276
E-mail: lhr_zone@shaheeninsurance.com

Karachi

Progressive Plaza Branch

Branch Manager - Mr. Aijaz Tufail
705, 7th Floor, Progressive Plaza,
Beaumont Road, Near P.I.D.C
Tel. # (021) 35653041-2, 35658251-2
Fax # (021) 35653043
E-mail: ppb@shaheeninsurance.com

Lahore Corporate

Branch Manager Mr. Shoaib Ansar

Office # 6, 6th floor, Shaheen Complex
opp: PTV Station 38, Abbott Road,
Lahore
Tel# 042-36370384, 36370741, 36370742
Fax# 042-36370385
E-mail: lhr_corporate@shaheeninsurance.com

Islamabad

Zonal Head - Mr. Khalid Sarwar

H. # 46, Khayban-e-Suhurwardy, G-6/4, Islamabad
Tel. #(051)2829590, 2873204,2829552
Fax # (051) 2829515
E-mail: Isb@shaheeninsurance.com

Plaza Branch

Branch Manager-Mr. Mustufa Zafar Dada
Room No. 112, 1st Floor, Plot No. G-7, Block-9,
The Plaza Kehkashan Clifton Karachi.
Tel#(021)35308351-52,35308359
Fax# (021) 35308353

Faisalabad

Branch Manager - M. Akhtar Rao

2nd Floor, Sitara Towers, Bilal Chowk
Civil Lines, Faisalabad
Tel. # (041)2614112, 2621370, 2630644-5
Fax#(041)2631514
E-mail: fsd@shaheeninsurance.com

Peshawar

Branch Manager - Mr. Muhammad Shoaib Khan

6th Floor, State Life Building
34 - The Mall, Peshawar Cantt.
Tel. # (091) 5273122, Fax # (091) 5273106
E-mail: psw@shaheeninsurance.com

Rawalpindi Branch

Branch Manager - Mr. Mujahid Raza

House No. 02-A/2, Block 'A', Near 6th Road,
Satellite Town, Rawalpindi
Tel#(051)4581354,4581355,4580096
Fax # (051) 4581353
E-mail: rwp@shaheeninsurance.com

Sialkot

Branch Manager - Mr. Muhammad Mujahid Ali

104, First Floor, Kareem Plaza, Defence
Road, Near Allama Iqbal Town, Sialkot
Tel.# (052) 3250982, 3550131
Fax.# (052) 3257412
E-mail: sil@shaheeninsurance.com

Multan

Branch Manager - Mr. Arshad Mehmood Khan

Shalimar Colony near Madrasa Khair-ul-Muarif
Bosan Road Multan.
Tel # (061) 6750001-3
Fax# (061) 6750004
E-mail: mul@shaheeninsurance.com

Hyderabad

Branch Manager - Syed Shaukat Ali

Upper 2nd Floor
H # 75, Soldier Bazar
Tel. # (022) 2720487
Fax # (022) 2720489
E-mail: hyd@shaheeninsurance.com

MISSION STATEMENT

Our mission is to continuously improve our selves to become a leading, profitable Company, meeting the needs of our customers and enhancing the value of our shareholders' Investment.

We will accomplish this by using the strengths of our people and the application of innovative science for the development of new insurance products and services that are high in quality and competitive in price.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

The interest of the Policyholder is supreme. We shall endeavour our utmost to render the best possible services to our clients and shall give them no cause for complaint relating to claims settlement or otherwise.

It is because the reinsurers provide underwriting capacity to the Company, it shall be our endeavor to ensure that reinsurers make profit on our business ceded to them.

It is the officers and staff members who carry on with the day to day work load. It is they who are involved in running the affairs of the Company within the policy framework laid down by the Board of Directors. As far as permissible by the financial resources available to the Company they shall be duly recompensed.

Observance of business ethics and profit generation are only two sides of the same coin. One is complementary to the other. By observing business ethics to the utmost extent possible we hope to generate due margin of profit so as to pay dividend to the shareholders after having paid tax to the public exchequer and to build up free reserves for purpose of enhancing the financial strength of our Company.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 18th Annual General Meeting of the Shareholders of Shaheen Insurance Company Limited ("the Company") will be held on Friday, 31 May 2013 at 03:00 p.m. at Dream world Resort, Adjacent Block R, Gulshan-e-Maymar Super Highway, Karachi to transact the following business:

1. To confirm the minutes of Annual General Meeting held on 30 April 2012;
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended 31 December 2012 together with the Directors' and Auditors' reports thereon; and
3. To appoint the Auditors of the Company for the year ending 31 December 2013 and to fix their remuneration.

By the Order of Board

Faysal Jahangir
Chief Executive Officer

Karachi
09 May 2013

Notes :

- 1) The Members Register will remain closed from 24 May 2013 to 31 May 2013 (both days inclusive). Transfers received at Corlink (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore, the Registrar and Share Transfer Office of the Company, by the close of business on 23 May 2013 will be considered in time for the purpose of Annual General Meeting.
- 2) A member eligible to attend and vote at the meeting may appoint another member as proxy to attend and vote in the meeting. Proxies in order to be effective must be received by the Company at the Registered Office not later than 48 hours before the time for holding the meeting.
- 3) In order to be valid, an instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney, must be deposited at the registered office of the Company, 10th Floor, Shaheen Complex, M.R. Kiyani Road, Karachi, not less than 48 hours before the time of the meeting.
- 4) a) Individual beneficial owners of CDC entitled to attend and vote at the meeting must bring his/her participant ID and account/sub-account number along with original CNIC or passport to authenticate his/her identity. In case of Corporate entity, resolution of the Board of Directors/Power of attorney with specimen of nominees shall be produced (unless provided earlier) at the time of meeting.

b) For appointing of proxies, the individual beneficial owners of CDC shall submit the proxy form as per above requirement along with participant ID and account/sub-account number together with attested copy of their CNIC or Passport. The proxy form shall be witnessed by two witnesses with their names, addresses and CNIC numbers. The proxy shall produce his/her original CNIC or Passport at the time of meeting. In case of Corporate entity, resolution of the Board of Directors/Power of attorney along with specimen signatures shall be submitted (unless submitted earlier) along with the proxy form.
- 5) Members are requested to notify any change in their registered address immediately.

DIRECTORS' REPORT

DIRECTOR'S REPORT

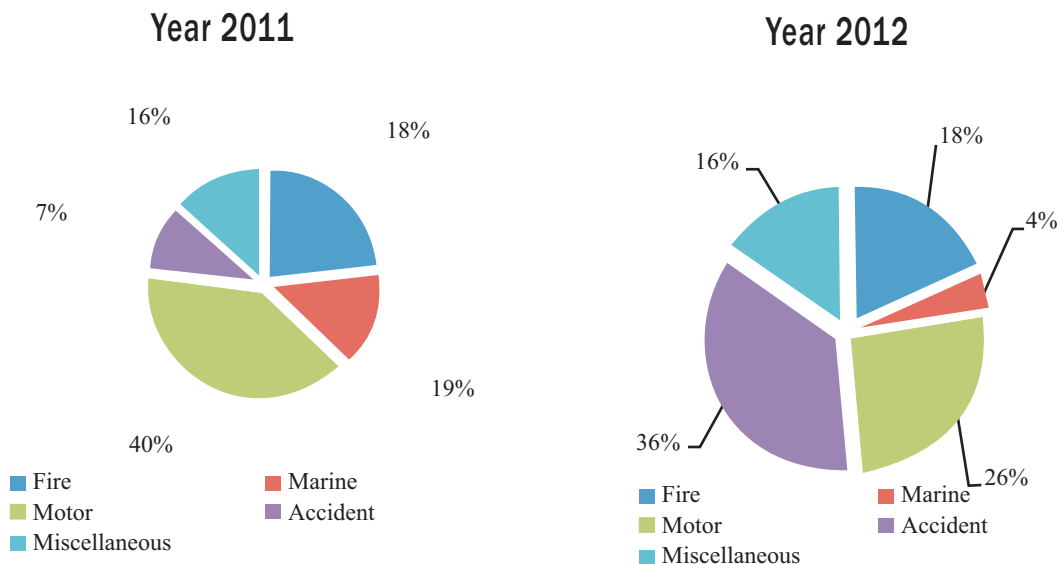
The Directors of your Company take pleasure in presenting to you the 18th Annual Report along with the audited financial statements for the year ended December 31, 2012.

GENERAL ECONOMIC REVIEW

The year 2012 remain burdened with challenges, which impacted the macroeconomic landscape of the country. During the year, law and order situation impacted the prevailing business conditions all over Pakistan including insurance sector and unfortunately, your company was impacted by the slump in economic conditions in the form of increased claims and management expenses. Further, continuing severe shortages of gas and power has worsened business conditions and caused damages to the economic prosperity and hit insurance sector indirectly. Consequently Government couldn't expect growth in GDP more than 3.5% with inflation over 11% making economy very challenging.

UNDERWRITING RESULTS

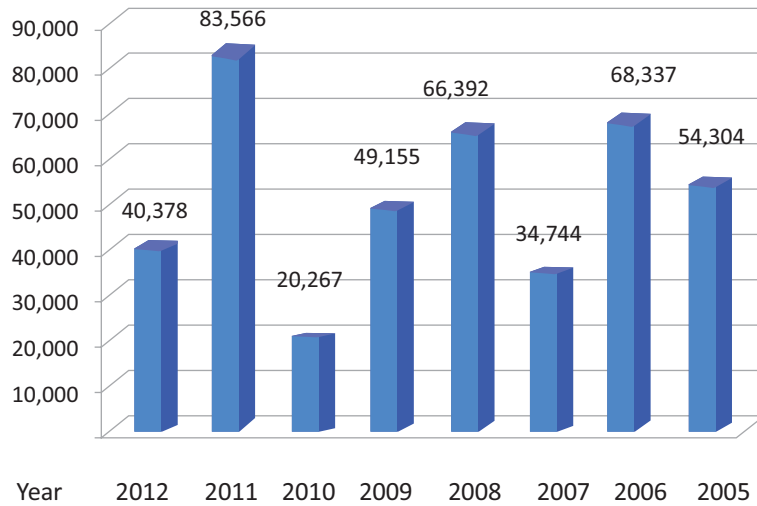
Due to the difficult economic and business conditions, your Company showed a significant decline in underwriting profits with heavy claims and increased costs due to inflationary trend also affecting adversely the operating results. During the year under review, the Company showed a decline in underwriting results up to 50% from the last year and amount of premium written reached to PKR 562.8 M as compared to PKR 644.3 M in 2011. As a strategic decision by the management, your Company continued to decrease its motor portfolio which stands 26% during the year and 40% in the corresponding year.



Underwriting profitability of your Company has decreased by almost 50% and fallen down to PKR 40.3M as compared to PKR 83.6 M during corresponding year. This decrease was caused due to increase in claims and related expenses.

Amounts in '000'

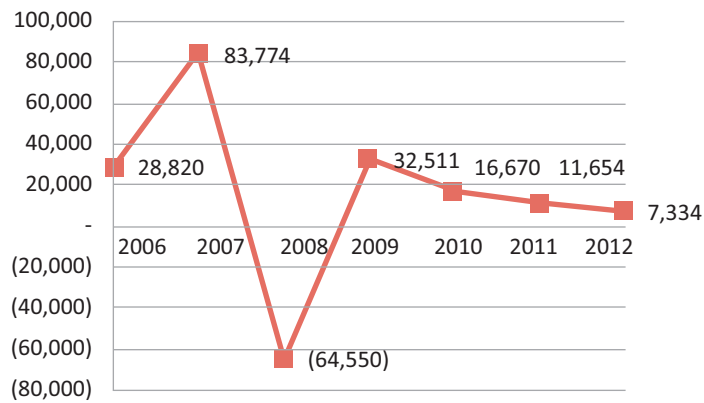
■ Underwriting Profitability



Segments at Glance

INVESTMENTS

During the year, investment income of your Company decreased by 37% to reach at PKT 7.3 M as compared to PKR 11.6 M during the previous year. This decline is mainly due to strategic shift of investment focus from short term markets into long term property markets and economic instability causing slow business at stock markets.



Market value of 'available for sale' investments of the Company stood at PKR 311.728 M as compared to the cost of PKR 220.063 M. However, this unrealized gain has not been recorded in the current period's financial statements.

CREDIT RATING

It's a matter of great satisfaction that the Pakistan Credit Rating Agency Limited (PACRA) has re-affirmed the Insurer Financial Strength Rating of your Company during the year under review at 'A'-(Single A minus).

DIVIDEND PAYMENT TO THE SHAREHOLDERS

Due to further increase in paid up capital requirements and losses suffered during the year, directors of your Company have not recommended payment of dividend.

EARNING PER SHARE

Basic and Diluted Loss per Share of the Company for the year ended December 31, 2012 is PKR (1.15) per share (December 31, 2011 Earning per Share PKR 0.79 per share).

CONTRIBUTORY PROVIDENT FUND

The value of investment including accrued income of provident fund on the basis of unaudited accounts as on December 31, 2012 is as follows:

Bank deposits in PLS Account Rupees 14.404 million

STATUTORY PAYMENTS ON ACCOUNT OF TAXES, DUTIES

There are no statutory payments on account of taxes, duties, levies, and charges which are outstanding except in the ordinary course of business and disclosed in the financial statements.

AUDIT COMMITTEE

During the year under review, four meetings of the audit committee were held which were attended by all members of the committee comprises of the following members:

1. Air Vice Marshal R. M. Ikramullah Bhatti
2. Mr. Shahid Hameed
3. Mr. Imran Hafeez

During the year four meetings of the Audit Committee Members were held and position of attendance by each member is explained below:

Name of Member	No. of meetings held during the tenure	No. of meetings attended
Air Vice Marshal R. M. Ikramullah Bhatti	4	4
Mr. Shahid Hameed	4	4
Mr. Imran Hafeez	4	3

Leave of absence was granted in case the member was not able to attend the Audit Meeting.

KEY OPERATIONAL AND FINANCIAL DATA

Following is the summary of key operational and financial data of the Company for last six years.

	Rupees In Millions					
	2012	2011	2010	2009	2008	2007
Reserve and earnings	283.373	265.464	196.295	225.253	207.787	279.540
Investment Income	7.335	11.654	20.162	32.511	(64.649)	83.774
Gross Premium Written	562.846	644.325	553.084	596.327	701.245	746.419
Net Premium Revenue	508.120	482.963	417.389	481.636	575.731	570.800
Net Claims	303.949	247.642	263.041	267.997	333.832	369.997
Profit after tax	(32.092)	19.244	(28.958)	17.466	(71.735)	60.207
Dividend Declared - Cash	-	-	-	-	-	-
Dividend Declared - Bonus	-	-	-	14.28%	-	75%

STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The corporate laws, rules and regulations framed here- under spelled out the overall functions of the Board of Directors of the Company. The Board is fully aware of its corporate responsibilities as envisaged under the Code of Corporate Governance, prescribed by the Securities and Exchange Commission of Pakistan and is pleased to certify that:

- 1) The financial statements, prepared by the Company, presents fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- 2) The Company has maintained proper books of accounts as required under the Companies Ordinance 1984 and Insurance Ordinance, 2000.
- 3) The Company has consistently followed appropriate accounting policies in preparation of the financial statements and accounting estimates are on the basis of prudent and reasonable judgment.
- 4) Financial statements have been prepared by the Company in accordance with the requirements of S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan in December 2002, Insurance Ordinance, 2000, Companies Ordinance 1984 and approved accounting standards as applicable to the insurance companies in Pakistan.
- 5) The Board has established a system of internal control, which is implemented at all levels within the Company. The Company is making efforts and arrangements to include all necessary aspects of internal control given in the code.
- 6) The fundamentals of the Company are strong and there is no doubt about its ability to continue as a going concern.
- 7) The Company has followed the best practices of Corporate Governance as laid down in the Listing Regulations of the stock exchanges, except for the matters highlighted by the auditors in their review report on statement of compliance with best practices of code of corporate governance, and there has been no material departure there from.
- 8) The Company has at all times in the year, except as otherwise stated in the annexed financial statements, complied with and as at the date of the statement, the Company continues to be in compliance with the provisions of the Insurance Ordinance, 2000 and rules framed there under.

AUDITORS REPORT

The auditors have added emphasis of matters paragraph in their report highlighting the following matters;

- 1) Investment in related party against the settlement of reverse repo and premium due but unpaid balances; and
- 2) Non-compliance with solvency requirements.

The directors are of the opinion that the Company will overcome deficiencies in solvency limits in upcoming year by improving recoveries of premium due but unpaid balances

CHANGES IN THE BOARD OF DIRECTORS

During the financial year, Mrs. Aamna Taseer and Mr. Shehryar Ali Taseer were appointed as director in places of Mr. Hammad Ahmed Butt and Mr. Syed Hamza Gilani. However, SECP approval for the appointment of Mrs. Aamna Taseer and Mr. Shehryar Ali Taseer are outstanding.

MEETING OF BOARD OF DIRECTOR DURING THE YEAR

During the year four meetings of the board of Directors were held and position of attendance by each director is explained below:

Name of Director	No. of meetings held during the tenure	No. of meetings attended
Air Vice Marshal R. M. Ikramullah Bhatti	4	4
Air Commodore R. Tanveer Muhammad Sheikh	4	3
Air Commodore R. Zafar Iqbal	4	4
ShahidHameed	4	4
Imran Hafeez	4	3
Syed HamzaGillani (Resigned)	4	1
Hammad Ahmed Butt (Resigned)	4	0
AamnaTaseer	0	0
Shehryar Ali Taseer	0	0

Leave of absence was granted in case the directors were not able to attend the Board Meeting.

PATTERN OF SHARE HOLDING

A statement of pattern of shareholding is separately shown in the report.

AUDITORS

The present auditors, Messrs Anjum Asim Shahid Rahman, Chartered Accountants, retire and being eligible, have offered themselves for re-appointment. The Board of Directors endorses recommendation of the Audit Committee for their re-appointment as the Auditors of the company for the financial year ending December 31, 2013, at a fee to be mutually agreed upon.

TRADING IN COMPANY'S SHARES

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

FUTURE OUTLOOK OF THE COMPANY

Going forward, achieving macroeconomic stability remains a key challenge for Pakistan. Continued power and gas shortages with high borrowing cost and worsening law and order situation are expected to place further pressure on business environment in Pakistan. Viewing difficult period ahead, your company is well geared up to increase its market share gradually year on year basis. Management of your Company will focus on steady top line growth in all segments of the current business as well working on innovative ideas to offer new value added products to its clients in personal line of business.

ACKNOWLEDGMENTS

We would like to record our appreciation for the continued guidance and support being extended by the regulators, namely Securities and Exchange Commission of Pakistan (SECP).

We also appreciate and acknowledge the role of our reinsurers for their valued support to us.

Most of all we are also grateful to our customers for their continued trust and confidence which made it possible for us to achieve these results. We would like to convey our profound gratitude to the management and staff at all levels for their loyalty, devotion and hard work.

For and on behalf of Board

M. ArifPervaiz
Air Marshal (Retd.)
Chairman

OPERATIONAL RESULTS AND FINANCIAL STRENGTH
From 2003 to 2012

Rupees in '000

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
1 Gross Direct Premium	562,845	664,326	553,084	596,327	701,245	746,419	671,328	670,609	641,164	395,302
Increase %	(15.28)	20.11	(7.25)	(14.96)	(6.05)	11.19	0.11	4.59	62.20	70.76
2 Net Premium	508,120	482,963	417,389	481,636	575,732	570,800	565,327	527,103	376,765	276,649
Increase %	5.21	15.71	(13.34)	(16.34)	0.86	0.97	7.25	39.90	36.19	115.47
% to 11	169.37	193.19	208.69	240.82	328.99	326.17	565.33	658.88	470.96	345.81
3 Claims Incurred	303,949	247,643	263,041	267,997	333,832	369,997	352,571	353,150	273,807	126,816
% to 2	59.82	51.28	63.02	55.64	57.98	64.82	62.37	67.00	72.67	45.84
4 Commission	70,163	64,419	68,272	104,711	115,711	105,860	87,891	69,613	33,430	12,523
% to 2	13.81	13.34	16.36	21.74	20.10	18.55	15.55	13.21	8.87	4.53
5 Management Expenses	90,351	87,336	65,809	59,773	62,105	59,303	56,488	49,623	49,093	23,741
% to 1	16.05	13.15	11.90	10.02	8.86	7.95	8.41	7.40	7.66	6.01
% to 2	17.78	18.08	15.77	12.41	10.79	10.39	9.99	9.41	13.03	8.58
6 Investment income / (Loss)	7,335	11,654	16,671	100,650	(64,649)	83,774	28,820	44,103	26,851	12,623
% to 22	2.53	14.92	5.70	32.44	(18.86)	18.06	7.06	13.46	10.84	7.80
7 Other Income	3,715	6,004	6,145	2,291	1,734	1,324	9,061	129	10,728	2,629
8 Provision for Taxation	2,846	5,954	5,557	3,536	7,906	2,854	8,371	2,464	5,456	11,135
9 Profit/(Loss) before Tax	29,245	25,199	(23,476)	21,002	(63,847)	63,061	59,350	57,852	17,326	31,780
10 Profit/(Loss) after Tax	(32,092)	19,245	(29,033)	17,466	(71,753)	60,207	50,979	55,388	11,870	20,645
% to 2	(6.32)	3.98	(6.96)	3.63	(12.46)	10.55	9.02	10.51	3.15	7.46
11 Paid-up Capital	300,000	250,000	200,000	200,000	175,000	175,000	100,000	80,000	80,000	80,000
12 General Reserve	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
13 Reserve for Unexpired Risks	174,492	225,848	187,664	169,764	221,456	267,567	225,820	212,175	211,456	73,306
14 Unappropriated Profit/(Loss)	(36,627)	(4,535)	(23,780)	5,253	12,787	84,540	99,333	48,354	12,966	1,095
15 Capital Available for Shares	283,373	265,465	196,220	225,252	207,787	279,540	219,333	148,354	112,966	101,095
16 Total Net Outstanding Claims	187,789	123,688	126,179	93,004	113,117	126,661	98,646	85,384	90,509	47,077
% to 2	36.96	25.61	30.23	19.31	19.65	22.19	17.45	16.20	24.02	17.02
17 Other Liabilities	133,560	125,882	78,010	89,947	78,628	84,593	61,251	96,287	78,053	64,558
18 Total Equity & Liabilities	879,077	832,521	717,706	729,670	755,242	871,716	674,977	635,735	614,669	447,918
19 Land & Properties	62,213	169,893	39,302	39,839	34,296	6,164	6,701	16,794	17,331	21,714
% to 2	12.24	35.18	9.42	8.27	5.96	1.08	1.19	3.19	4.60	7.85
20 Cash & Bank Balances	48,490	26,324	136,970	132,727	166,841	235,860	197,362	155,720	135,302	59,794
% to 2	9.54	5.45	32.82	27.56	28.98	41.32	34.91	29.54	35.91	21.61
21 Investment	240,948	51,782	155,721	177,520	175,907	227,940	211,114	172,032	112,466	102,059
22 Total Cash & Investment	289,439	78,106	292,691	310,247	342,748	463,800	408,476	327,752	247,768	161,853
23 O/S Premium	262,200	305,080	166,083	134,056	114,417	155,426	84,586	131,929	131,272	106,322
% to 1	46.58	45.92	30.03	22.48	16.32	20.82	12.60	19.67	20.47	26.90
24 Fixed Assets	38,050	43,721	25,741	16,468	24,277	39,422	24,084	21,995	27,540	14,759
% to 2	7.49	9.05	6.17	3.42	4.22	6.91	4.26	4.17	7.31	5.33
25 Total Assets	879,077	832,521	717,706	729,670	755,242	871,716	674,977	635,735	614,669	447,918
26 Break-up Value Per Share	9.45	10.62	9.81	11.26	11.87	15.97	21.93	18.54	14.12	12.64
27 Earning Per Share (After Tax)	(1.15)	(0.79)	(1.38)	0.87	(3.59)	3.44	5.10	6.92	1.46	2.58

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

- 1) The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Directors	None
Executive Directors	Faysal Jahangir
Non-Executive Directors	Air Marshal (R) Arif Pervaiz Air Commodore (R) Zafar Iqbal Mir Air Commodore (R) Zafar Yaseen Shahid Hameed Aamna Taseer Shehryar Ali Taseer Imran Hafeez

The independent director(s) will be appointed in upcoming election of Directors, who meet the criteria of independence under clause i (b) of the CCG.

- 2) The directors have confirmed that none of them is serving as a director in 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 DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- 4) A casual vacancy occurring on the Board was filled up by the directors within 90 days. Two non executive Directors have resigned from the Board in their meeting held on 31 August 2012.

The casual vacancies were filled on 03 September 2012. However, the approval of appointment from SECP, under sub regulation (3) of Insurance Companies (Sound and Prudent Management) Regulations 2012 is outstanding to date.

- 5) The Company has prepared a "Code of Conduct" and it will ensure that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
- 6) The board has developed a vision/mission statement, overall corporate strategy and is in process of formulation of significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they will be approved or amended will also be maintained.
- 7) All the powers of the board have been duly exercised and decisions on material transactions (except a memorandum of understanding in respect of settlement of outstanding premium with outstanding claims of Worldcall Group dated 29 February 2012 and 30 September 2012, which was not discussed in a Board meeting), including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non executive directors, have been taken by the board /shareholders.
- 8) The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings (except the for Board meeting held on 20 October 2012. The minutes of the meetings were appropriately recorded and circulated.
- 9) The Board could not arrange orientation courses/training programs for its directors during the year. However, subsequent to financial year one of the Directors has started such training programs will be completed by the close of May 2013.
- 10) The Board is in process of "appointment of CFO and Company Secretary, including their remuneration and terms and conditions of employment.
- 11) The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

- 12) The financial statements of the Company were duly endorsed by a CEO and a Director (in the absence of CFO) before approval of the Board.
- 13) The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding
- 14) The Company has complied with all the corporate and financial reporting requirements of the CCG.
- 15) The Board has formed an Audit Committee. It comprises three non-executive members, of whom all are non-executive director and chairman of the committee is an independent director.
- 16) The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
- 17) The Board of Directors of the Company has formed an HR and Remuneration Committee. It comprises 3 members, of whom 2 are non-executive directors and the chairman of the committee is a / an independent director.
- 18) The board has set up an effective internal audit function that is considered suitable qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
- 19) 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.
- 20) 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.

- 21) The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s)
- 22) Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
- 23) We confirm that all other material principles enshrined in the CCG have been complied with except for the matters whose status has been discussed in the above paragraphs.

For and on behalf of the Board



Faysal Jahangir
Chief Executive

Lahore
09 May 2013

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

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

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

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

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

We report that:

- i) two non-executive directors have resigned from the Board in their meeting held on August 31, 2012. The casual vacancies were filled on September 03, 2012. However, approval of appointment from SECP, under sub regulation (3) of the Insurance Companies (Sound and Prudent Management) Regulations, 2012 is outstanding to date (refer point no. 4 of the Statement).
- ii) Code of conduct has not been put on the Company's website (refer point no. 5 of the Statement).
- iii) The Company is in the process of formulation of significant policies as specified in clause (v) of the Code (refer point no. 6 of the Statement).

- iv) Significant matters relating to memorandum of understanding in respect of settlement of outstanding premium with outstanding claims of Worldcall group dated February 29, 2012 and September 30, 2012 have not been discussed in the Board meetings (refer point no. 7 of the Statement).
- v) Notice and agenda of the Board meeting held on October 20, 2012 have not been circulated to the directors prior to the meeting (refer point no. 8 of the Statement).
- vi) No directors training program held during the year (refer point no. 9 of the Statement).
- vii) The position of CFO and Company Secretary remained vacant during the year (refer point no. 10 of the Statement).

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

Date: 9th May 2013
Karachi

Anjum Asim Shahid Rahman
Chartered Accountants
Shahzada Saleem Chughtai

***INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
SHAHEEN INSURANCE COMPANY LIMITED***

We have audited the annexed financial statements comprising of:

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

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

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

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

In our opinion:

- (a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;

- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- (c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2012 and of its loss, its comprehensive loss, its cash flows and changes in equity for the year then ended in accordance with the International Accounting Standards as applicable in Pakistan, and the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- (d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Emphasis of matter

We draw attention to the following:

- i) note 10.1.2 and 32 to these financial statements, which fully explains the matter that the Company has not complied with solvency requirements as prescribed under Insurance Ordinance, 2000 as at December 31, 2011 and 2012; and
- ii) note 13.7 and 20.2.2 to these financial statements, which fully explain the matter that the Company through an agreement dated November 29, 2012 settled balance of reverse repo/capital work in progress and premium due but unpaid against 4.7 million shares of a related party.

Our opinion is not qualified on above matters.

Date: 9 May, 2013
Karachi

Anjum Asim Shahid Rahman
Chartered Accountants
Shahzada Saleem Chughtai

BALANCE SHEET

	Note	2012	2011
		----- Rupees -----	
Share Capital and Reserves			
Authorized share capital 30,000,000 (2011: 30,000,000) ordinary shares of Rs. 10 each	5.1	<u>300,000,000</u>	<u>300,000,000</u>
Issued, subscribed and paid-up capital	5.2	<u>300,000,000</u>	<u>250,000,000</u>
Accumulated loss		<u>(36,626,704)</u>	<u>(4,535,102)</u>
General reserve		<u>20,000,000</u>	<u>20,000,000</u>
Shareholders' equity		283,373,296	265,464,898
Underwriting provisions			
Provision for outstanding claims (including IBNR)	4.4	<u>236,223,065</u>	<u>146,407,523</u>
Provision for unearned premiums		<u>214,835,890</u>	<u>282,506,788</u>
Premium deficiency reserve		<u>3,278,626</u>	<u>-</u>
Commission income unearned		<u>7,806,009</u>	<u>12,260,024</u>
Total underwriting provisions		462,143,590	441,174,335
Creditors and accruals			
Premiums received in advance		<u>12,939,961</u>	<u>9,044,804</u>
Amounts due to other insurers / reinsurers	6	<u>53,309,193</u>	<u>46,792,721</u>
Accrued expenses	7	<u>3,848,390</u>	<u>2,250,243</u>
Agent balances		<u>33,443,746</u>	<u>35,112,971</u>
Taxation - provisions less payments		<u>1,544,203</u>	<u>402,025</u>
Other creditors and accruals	8	<u>25,079,625</u>	<u>28,162,722</u>
		130,165,118	121,765,486
Borrowings			
Liabilities against assets subject to finance lease	9	2,996,194	3,717,845
Other liabilities			
Unclaimed dividend		398,934	398,934
TOTAL LIABILITIES		<u>595,703,836</u>	<u>567,056,600</u>
TOTAL EQUITY AND LIABILITIES		<u>879,077,132</u>	<u>832,521,498</u>
CONTINGENCIES AND COMMITMENTS	10		

The annexed notes from 1 to 36 form an integral part of these financial statements.

AS AT 31 DECEMBER 2012

	Note	2012	2011
		----- Rupees -----	
Cash and bank deposits	11		
Cash and other equivalents		125,625	115,874
Current and saving accounts		48,364,552	26,207,941
		48,490,177	26,323,815
Loans - secured and considered good			
To employees	12	3,556,269	2,774,059
Investments	13	240,948,429	51,782,068
Investment properties	14	27,463,328	29,303,165
Other assets			
Premiums due but unpaid - net	15	262,200,458	305,080,051
Amounts due from other insurers / reinsurers	16	61,672,193	71,538,937
Accrued investment income	17	29,753	30,045
Reinsurance recoveries against outstanding claims		48,434,185	22,719,570
Deferred commission expense		34,314,746	47,749,478
Advances, deposits and prepayments	18	69,542,850	88,017,883
Other receivables	19	9,624,703	2,891,763
		485,818,888	538,027,727
Fixed assets - tangible and intangible	20		
Owned			
Furniture, fixtures and office equipment		11,138,726	12,591,694
Motor vehicles		18,890,819	26,546,696
Computer software		5,208,456	969,712
Capital work-in-progress		34,750,008	140,589,930
		69,988,009	180,698,032
Leased			
Motor vehicles		2,812,032	3,612,632
TOTAL ASSETS		879,077,132	832,521,498

The annexed notes from 1 to 36 form an integral part of these financial statements.



Chairman



Director



Director



Chief Executive Officer

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2012

Note	Fire and property damage	Marine, aviation and transport	Motor	Accident and Health	Miscellaneous	2012 Aggregate	2011 Aggregate
----- Rupees -----							
Revenue account							
Net premium revenue	59,894,600	25,808,981	254,464,064	120,053,063	47,899,634	508,120,342	482,963,432
Net claims	(9,008,540)	(7,957,451)	(136,180,286)	(137,957,728)	(12,845,454)	(303,949,459)	(247,642,725)
Premium deficiency expenses	-	-	-	(3,278,626)	-	(3,278,626)	-
Management expenses	21 (10,650,121)	(4,589,208)	(45,247,371)	(21,347,162)	(8,517,244)	(90,351,106)	(87,335,872)
Net commission	(13,844,359)	(7,212,127)	(35,042,237)	(9,755,502)	(4,308,511)	(70,162,736)	(64,419,156)
Underwriting result	<u>26,391,580</u>	<u>6,050,195</u>	<u>37,994,170</u>	<u>(52,285,954)</u>	<u>22,228,425</u>	40,378,415	83,565,679
Investment income						7,334,705	11,654,388
Rental income						2,125,038	2,095,272
Other income	22					3,715,267	6,003,739
General and administration expenses	21					(80,535,890)	(78,119,917)
Impairment of held to maturity investments	13.3					(545,000)	-
Workers Welfare Fund (WWF)	23					(1,717,641)	-
(Loss)/Profit before tax						(29,245,106)	25,199,161
Taxation	24					(2,846,496)	(5,954,256)
(Loss)/Profit after tax						(32,091,602)	19,244,905
Profit and loss appropriation account:							
Balance at commencement of the year						(4,535,102)	(23,780,007)
(Loss)/Profit after tax for the year						(32,091,602)	19,244,905
Balance of accumulated loss at end of the year						(36,626,704)	(4,535,102)
(Loss)/Earnings per share basic and diluted	25					(1.15)	0.79

The annexed notes from 1 to 36 form an integral part of these financial statements.



Chairman



Director



Director



Chief Executive Officer

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011
		----- Rupees -----	
(Loss)/Profit for the year		(32,091,602)	19,244,905
Other comprehensive income for the year		-	-
Total comprehensive (loss)/income for the year		<u><u>(32,091,602)</u></u>	<u><u>19,244,905</u></u>

The annexed notes from 1 to 36 form an integral part of these financial statements.



Chairman



Director



Director



Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	Paid-up share capital	Revenue reserves		Total
			General reserve	Accumulated loss	
----- Rupees -----					
Balance as at January 1, 2011		200,000,000	20,000,000	(23,780,007)	196,219,993
Changes in equity for the year ended December 31, 2011					
Profit for the year		-	-	19,244,905	19,244,905
Issue of right shares during the year	5.2	50,000,000	-	-	50,000,000
Balance as at December 31, 2011		250,000,000	20,000,000	(4,535,102)	265,464,898
Changes in equity for the year ended December 31, 2012					
Loss for the year		-	-	(32,091,602)	(32,091,602)
Issue of right shares during the year	5.2	50,000,000	-	-	50,000,000
Balance as at December 31, 2012		300,000,000	20,000,000	(36,626,704)	283,373,296

The annexed notes from 1 to 36 form an integral part of these financial statements.



Chairman



Director



Director



Chief Executive Officer

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
	Rupees	
OPERATING ACTIVITIES		
<i>a) Underwriting activities</i>		
Premiums received	522,660,231	507,915,119
Reinsurance premiums paid	(89,697,383)	(148,856,821)
Claims paid	(305,242,656)	(371,176,061)
Reinsurance and other recoveries received	65,394,124	121,042,401
Commissions paid	(85,793,715)	(84,846,103)
Commissions received	22,942,471	27,475,272
Other underwriting receipts	(6,019,447)	16,487,600
Net cash flows from underwriting activities	124,243,625	68,041,407
<i>b) Other operating activities</i>		
Income tax paid	(1,704,318)	(4,414,502)
Management and administrative expenses paid	(158,160,572)	(183,340,550)
Loans advanced - net	(782,210)	(637,386)
Net cash flows used in other operating activities	(160,647,100)	(188,392,438)
Total cash used in all operating activities	(36,403,475)	(120,351,031)
INVESTING ACTIVITIES		
Profit / Return received	4,820,847	19,796,588
Rentals received	2,153,868	2,095,266
Payments for investments	186,516,155	(37,105,195)
Proceeds from disposal of investments	(180,999,998)	104,000,578
Fixed capital expenditure	(4,938,366)	(132,841,308)
Proceeds from disposal of fixed assets	2,225,800	4,927,000
Total cash flows from / (used in) all investing activities	9,778,306	(39,127,071)
FINANCING ACTIVITIES		
Financial charges paid	(505,887)	(385,671)
Payments of finance lease liability	(721,651)	(795,470)
Issue of right shares	50,000,000	50,000,000
Total cash inflows from all financing activities	48,772,462	48,818,859
Net cash flows from / (used in) all activities	22,147,293	(110,659,243)
Exchange gain on cash and cash equivalents	19,069	12,839
Cash and cash equivalents at the beginning of year	26,323,815	136,970,219
Cash and cash equivalents at end of the year	48,490,177	26,323,815

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011
		----- Rupees -----	-----
Reconciliation to profit and loss account			
Operating cash flows		(36,403,475)	(120,351,031)
Exchange gain on cash and cash equivalents		19,069	-
Depreciation on fixed assets	20.1	(13,694,318)	(11,883,839)
Depreciation on investment property	13.8	(1,839,837)	(1,297,161)
Gain on disposal of fixed assets	22	551,051	3,785,940
Amortization of gains on assets under sale and lease back	22	-	183,048
Taxes paid		1,704,318	4,414,502
Financial charges	21	(505,887)	(385,671)
Increase in assets other than cash		45,894,857	181,819,852
Increase in liabilities		(29,368,887)	(42,523,514)
Investment and other income		4,398,003	11,437,035
Provision for tax	24	(2,846,496)	(5,954,256)
(Loss)/Profit after taxation		<u><u>(32,091,602)</u></u>	<u><u>19,244,905</u></u>

Definition of cash

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

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

	2012	2011
	----- Rupees -----	-----
Cash and other equivalents		
- Cash in hand	77,927	75,874
- Policy stamps in hand	47,698	40,000
	<u>125,625</u>	<u>115,874</u>
Current and saving accounts		
- Current accounts	18,890,443	9,212,736
- Savings accounts	29,474,109	16,995,205
	<u>48,364,552</u>	<u>26,207,941</u>
	<u><u>48,490,177</u></u>	<u><u>26,323,815</u></u>

The annexed notes from 1 to 36 form an integral part of these financial statements.



Chairman



Director



Director



Chief Executive Officer

STATEMENT OF PREMIUMS
FOR THE YEAR ENDED DECEMBER 31, 2012

Business underwritten inside Pakistan

Class	Premium written (Note 27)	Unearned premium reserve		*Premium earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	2012 Net premium revenue	2011 Net premium revenue
		Opening	Closing			Opening	Closing			
	a	b	c	d=a+b-c	e	f	g	h=e+f-g	i=d-h	
-----Rupees-----										
Direct and facultative										
Fire and property damage	95,352,675	57,352,764	40,308,289	112,397,150	50,503,276	26,333,282	24,334,008	52,502,550	59,894,600	54,224,662
Marine, aviation and transport	48,169,729	5,293,162	1,388,877	52,074,014	29,149,458	1,737,141	4,621,566	26,265,033	25,808,981	29,799,854
Motor	245,176,914	119,518,966	103,609,019	261,086,861	7,397,374	2,934,000	3,708,577	6,622,797	254,464,064	257,452,246
Accident and health	122,260,087	44,498,815	46,356,037	120,402,865	-	349,802	-	349,802	120,053,063	107,769,265
Miscellaneous	51,886,154	55,843,081	23,173,668	84,555,567	19,030,491	25,304,406	7,678,964	36,655,933	47,899,634	33,717,405
Total	562,845,559	282,506,788	214,835,890	630,516,457	106,080,599	56,658,631	40,343,116	122,396,114	508,120,342	482,963,432
Treaty - proportional	-	-	-	-	-	-	-	-	-	-
Grand total	562,845,559	282,506,788	214,835,890	630,516,457	106,080,599	56,658,631	40,343,116	122,396,114	508,120,342	482,963,432

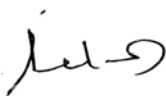
* This includes administrative surcharge collected from customers along with premium but have not been deferred as this surcharge is levied to recover the administrative cost relating to policies issued during the year.

Note: The Company does not underwrite business outside Pakistan.

The annexed notes from 1 to 36 form an integral part of these financial statements.



Chairman



Director



Director



Chief Executive Officer

STATEMENT OF CLAIMS
FOR THE YEAR ENDED DECEMBER 31, 2012

Business underwritten inside Pakistan

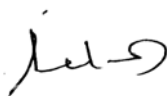
Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries	2012 Net claims expense	2011 Net claims expense
		Opening	Closing			Opening	Closing			
	a	b	c	d=a+c-b	e	f	g	h=e+g-f	i=d-h	
----- Rupees -----										
Direct and facultative										
Fire and property damage	23,596,294	14,283,747	23,035,127	32,347,674	15,733,318	9,895,658	17,501,474	23,339,134	9,008,540	2,422,476
Marine, aviation and transport	6,063,113	3,602,935	13,897,753	16,357,931	2,908,258	1,842,847	7,335,069	8,400,480	7,957,451	2,917,549
Motor	153,468,211	107,914,140	136,947,641	182,501,712	37,807,000	-	8,514,426	46,321,426	136,180,286	144,497,268
Accident and health	104,770,962	2,208,451	35,392,631	137,955,142	-	2,586	-	(2,586)	137,957,728	91,270,871
Miscellaneous	17,344,076	18,398,250	26,949,913	25,895,739	8,945,548	10,978,479	15,083,216	13,050,285	12,845,454	6,534,561
Total	305,242,656	146,407,523	236,223,065	395,058,198	65,394,124	22,719,570	48,434,185	91,108,739	303,949,459	247,642,725
Treaty - proportional	-	-	-	-	-	-	-	-	-	-
Grand total	305,242,656	146,407,523	236,223,065	395,058,198	65,394,124	22,719,570	48,434,185	91,108,739	303,949,459	247,642,725

Note: The Company does not underwrite business outside Pakistan.

The annexed notes from 1 to 36 form an integral part of these financial statements.



Chairman



Director



Director



Chief Executive Officer

STATEMENT OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

Business underwritten inside Pakistan

Class	Commissions paid or payable	Deferred Commission		Net commission expense	Other management expenses (Note 21)	Underwriting expense	*Commission from reinsurers	2012 Net underwriting expenses	2011 Net underwriting expenses
		Opening	Closing						
	a	b	c	d=a+b-c	e	f=d+e	g	h=f-g	
----- Rupees -----									
Direct and facultative									
Fire and property damage	21,575,768	17,147,051	10,894,859	27,827,960	10,650,121	38,478,081	13,983,601	24,494,480	28,435,877
Marine, aviation and transport	12,240,981	1,627,695	377,885	13,490,791	4,589,208	18,079,999	6,278,664	11,801,335	12,780,582
Motor	32,683,778	16,821,798	14,454,635	35,050,941	45,247,371	80,298,312	8,704	80,289,608	70,550,100
Accident and health	10,771,260	4,368,638	5,264,771	9,875,127	21,347,162	31,222,288	119,625	31,102,663	26,301,063
Miscellaneous	6,852,703	7,784,296	3,322,596	11,314,403	8,517,244	19,831,647	7,005,892	12,825,755	13,687,406
Total	84,124,490	47,749,478	34,314,746	97,559,222	90,351,106	187,910,328	27,396,486	160,513,842	151,755,028
Treaty - proportional									
Grand total	84,124,490	47,749,478	34,314,746	97,559,222	90,351,106	187,910,328	27,396,486	160,513,842	151,755,028

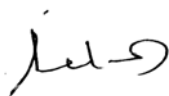
* Commission from reinsurers is arrived at after taking the impact of the opening and closing balances of unearned commission.

Note: The Company does not underwrite business outside Pakistan.

The annexed notes from 1 to 36 form an integral part of these financial statements.




Chairman



Director



Director



Chief Executive Officer

STATEMENT OF INVESTMENT INCOME

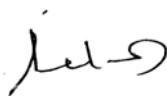
FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011
		----- Rupees -----	
Income from trading investments			
Capital loss on sale of held for trading investments - net		-	(8,425,341)
Dividend income		1,283,909	1,166,499
		1,283,909	(7,258,842)
Income from non-trading investments			
<i>Held-to-maturity</i>			
Return on other fixed income securities		663,115	159,873
<i>Available-for-sale</i>			
Dividend income		-	8,334,441
		663,115	8,494,314
Gain on sale of non-trading investments (available-for-sale)		-	310,915
Unrealized gain on revaluation of held-for-trading investments		7,376,686	4,238,644
Income from reverse repo transactions in listed equity securities	13.6	-	8,179,651
Investment related expenses	13.8	(1,989,005)	(2,310,294)
Net investment income		7,334,705	11,654,388

The annexed notes from 1 to 36 form an integral part of these financial statements.



Chairman



Director



Director



Chief Executive Officer

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

1 STATUS AND NATURE OF BUSINESS

Shaheen Insurance Company Limited (the Company) was incorporated under the Companies Ordinance, 1984, as a Public Company in March 1995 and obtained the certificate of commencement of business in July 1995. It was registered with the Controller of Insurance in November 1995 to carry out non-life insurance business comprising fire, marine, motor, aviation, engineering, transportation, etc. The Company is listed on all the stock exchanges in Pakistan. Its registered office is located at Shaheen Commercial Complex, Karachi.

2 BASIS OF PREPARATION

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

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board 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 insurance companies to defer application of International Accounting Standard 39 (IAS 39) "Financial Instruments, recognition and measurement" in respect of valuation of "available-for-sale" investments. Accordingly, the requirements of IAS 39, to the extent allowed by the SECP as aforesaid, have not been considered in the preparation of these financial statements.

2.2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.2.1 New / revised standards and interpretations to existing standards effective from current period or earlier adopted

Following standards, interpretations and amendments of approved standards became effective during the year. However, these amendments to IFRSs and interpretations did not have any material effect on the Company's financial statements.

- IFRS 2 (Amendments) "Share-based Payments - Group cash-settled share-based payment transactions".
- IFRS 7 "Financial Instruments: Disclosures"
- IFRS 8 "Operating Segments"
- IAS 29 "Financial Reporting in Hyperinflationary Economies"
- IAS 33 "Earnings Per Share"
- IFRIC 4 "Determining whether an Arrangement contains a Lease"
- IAS 33 "Earnings Per Share"
- IFRIC 4 "Determining whether an Arrangement contains a Lease"
- IFRIC12 "Service Concession Agreements"

The application of above standards, interpretations has no material effect on financial statements of the Company other than enhanced disclosures.

2.2.2 Following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after the dates specified below:

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after July 1, 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments are not likely to have an impact on financial statements of the Company.
- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after January 1, 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments are not likely to have an impact on financial statements of the Company.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after January 1, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective January 01, 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments are not likely to have an impact on financial statements of the Company.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after January 1, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments are not likely to have an impact on financial statements of the Company.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - (effective for annual periods beginning on or after January 1, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on financial statements of the Company.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) - (effective for annual periods beginning on or after January 1, 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendments are not likely to have an impact on financial statements of the Company.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after January 1, 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The interpretation is not relevant to the financial statements of the Company.

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except 'held-to-maturity' investments which are stated at amortised cost (refer note 13.2 and 13.3) and investment 'at fair value through profit or loss - held-for-trading investments' which are stated at fair value (refer note 13.4). These financial statements have been prepared on accrual basis of accounting except for cash flow information which has been prepared on cash basis.

3.1 Use of critical accounting estimates and judgments

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

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going 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.

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

- Classification of investments

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

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

The investments which are not classified as held-for-trading or held-to-maturity are classified as available-for-sale.

- Provision for outstanding claims (including IBNR)

The Company records claims based on the amount of claim lodged by the insured. However, the settlement of all the claims is made based on the surveyor's assessment appointed for ascertainment of the Company's liability. The surveyor's assessment could differ significantly with the claims lodged by the insured, and accordingly amount of claims settled could materially differ with the amount of liability accrued.

The provision of claims incurred but not reported (IBNR) is made on the basis of actuarial valuation. The actuarial valuation is made on the basis of past trend and pattern of reporting of claims. The actual amount of IBNR may materially differ from the actuarial estimates.

- **Additional provision for unexpired risks**

Additional provision for unexpired risks is based on actuarial valuation for class wise insurance business. The actuary considers the trends of gross and net loss ratio of the Company. Accordingly, the actual results may differ with the assumption (based on historical trend) used by the actuary.

- **Reinsurance recoveries against outstanding claims**

Reinsurance recoveries are accrued on the basis of share of reinsurers in outstanding claims including IBNR as stated above. The recoveries are finalized when the amounts of outstanding claims are finalized based on surveyor's assessment. Therefore, reinsurance recoveries booked against settled claims could proportionately differ with the amount of reinsurance recoveries accrued against outstanding claims at the balance sheet date.

- **Income taxes**

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

- **Impairment - (available-for-sale)**

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

- **Impairment of other assets, including premium due but unpaid**

The Company also considers the need for impairment provision against other assets, including the premium due but unpaid and the provision required there against. While assessing such a requirement, various factors including delinquency in the account and financial position of the insured are considered.

- **Fixed assets, investment properties and depreciation / amortization**

The Company carries investment properties at their respective costs. The fair values are determined by the independent valuation experts and such valuations are carried out every year to determine the recoverable amount.

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

The assets residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

The Company also reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of fixed assets with a corresponding effect on the charge for depreciation and impairment.

- **Premium deficiency reserve (refer note 4.12)**

3.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency and have been rounded off to the nearest rupees.

3.3 Foreign currency translations

Foreign currency transactions during the year are recorded at the exchange rate approximating those ruling on the date of transaction. Monetary assets and liabilities in foreign currencies are translated at the rate of exchange which approximates those prevailing on the balance sheet date. Gains and losses on translations 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 date of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Insurance Contracts

Insurance contracts are those contracts under which the Company as insurer has accepted insurance risk from the insurance contract holder (the 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
- Accident and health
- Miscellaneous

These contracts are normally one year insurance contracts except marine and some contracts of fire and property and miscellaneous class, where the coverage period varies. 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.

Accident and health insurance covers unforeseen cash flows and financial hardships arising due to ailments, accidents and other natural causes necessitating hospitalization.

Other various types of insurance are classified in miscellaneous category which includes mainly engineering, terrorism, worker compensation, and travel insurances, 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.

4.2 Premium income and provision for unearned premiums

Premium under a policy is recognized at the time of the issuance of insurance policy.

Revenue from premiums is recognized after taking into account the unearned portion of premium which is calculated using the 1/24th method except for premium revenue relating to marine which is calculated using the 1/6th method. The unearned portion of premium income is recognized as a liability. Under this method, the liability for above unearned premium is equal to 1/24 of the premiums relating to policies commencing in the first month of financial year, 3/24 of the premiums relating to policies commencing in the second month of the financial year, and so on.

4.3 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.

4.4 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 are 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 IBNR of Rs. 0.464 million (2011: Rs. 0.396 million) is made for the cost of settling claims incurred but not reported at the balance sheet date on the basis of actuarial valuation. The latest valuation was carried out as of December 31, 2012.

The actuary uses statistical methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The method used is the chain-ladder method which involves the analysis of historic claims development factors and the selection of estimated development factors based on the historic pattern. The selected development factors are then applied to cumulative claims data for each accident year. Study of claim lag pattern is conducted annually to account for any changes in experience. The development factors are based on these studies and are updated accordingly. Adequate margins are also built in to compensate for any adverse deviations in claims experience.

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 chain-ladder 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.

4.5 Reinsurance recoveries against outstanding claims

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

4.6 Commission expense and deferred commission expense

Commission incurred in obtaining and recording policies is recognized as expense after taking into account the proportion of deferred commission expense which is calculated using 1/24th method.

4.7 Claims expense

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

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

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. Provision for IBNR is based on the actuarial valuation which takes in to account the past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date.

4.8 Administrative surcharge

Administrative surcharge is included in the profit and loss account (as premium revenue) at the time the policies are issued.

4.9 Receivables and payables related to insurance contracts

Receivables and payables relating to insurance contracts are recognized when due. These include premiums due but unpaid, premiums received in advance 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 premiums due but unpaid is impaired, the Company reduces the carrying amount of the insurance receivable and recognizes the loss in the profit and loss account.

4.10 Reinsurance expense and prepaid reinsurance premium ceded

Reinsurance premium is recognized as expense after taking into account the proportion of deferred premium expense which is calculated using 1/24th method. The deferred portion of premium expense is recognized as a prepayment.

4.11 Commission income and unearned commission income

Commission from reinsurers is recognized as income after taking into account the unearned portion of commission which is calculated using the 1/24th method (in accordance with the pattern of recognition of reinsurance premium). The unearned portion of commission is recognized as liability.

4.12 Premium deficiency reserve

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

The requirement for additional provision for unexpired risks is determined on the basis of an actuarial valuation. The latest valuation was carried out as of December 31, 2012. Based on the actuarial valuation so carried out, the Company is required to make provision for PDR in respect of Accident and Health class amounting to Rs. 3.279 million. The actuary determines adequacy of liability of premium deficiency by carrying out analysis of the Company's loss ratio of expired periods. For this purpose average loss ratio of last six 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.

4.13 Claim and salvage recoveries

Claims recoveries receivable from the reinsurers are recognised as an asset at the same time as the claims which give rise to the right of recovery are recognised and are measured at the amount expected to be received. Claims expenses are reported net-off reinsurance in the profit and loss account.

Salvage value recoverable is recognised only if a firm and irrevocable contract and price thereon have been agreed with the buyer.

4.14 Creditors, accruals and provisions

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

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

4.15 Fixed assets

Tangibles

Owned

Operating fixed assets are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged over the estimated useful life of the asset on a systematic basis to income applying straight line method at rates given in note 20.1 to these financial statements.

Depreciation is charged from the month the asset is available for intended use. No depreciation is charged from the month of disposal of the asset.

The assets' residual value, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

Gains and losses on disposal of fixed assets are taken to profit and loss account currently.

Expenditure incurred subsequent to the initial acquisition of asset is capitalised only when it increases the future economic benefits embodied in the items of fixed assets. All other expenditure is recognised in the profit and loss account as an expense.

Leased

Assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception of lease less accumulated depreciation and impairment losses, if any. Finance charge on lease obligation is recognised in the profit and loss account over the lease term in a manner so as to provide a constant periodic rate of charge on the outstanding balance.

Depreciation on assets subject to finance lease is recognised in the same manner as owned assets.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortized over the lease term.

Intangibles

These are stated at cost less accumulated amortisation and impairment loss, if any. 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 20.1 to the financial statements.

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

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

Capital work in progress

Capital work in progress is stated at cost less any impairment in value (if any).

4.16 Investments

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs except for 'investments at fair value through profit or loss - held-for-trading investments' in which case the transaction costs are charged to the profit and loss account.

All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investments. These are recognised and classified as follows:

4.16.1 Investments at fair value through profit or loss - held-for-trading

Quoted investments which are acquired principally for the purpose of generating profit from short-term fluctuations in price or are part of the portfolio in which there is a recent actual pattern of short-term profit taking are classified as held-for-trading.

Subsequent to initial recognition these are re-measured at fair value by reference to quoted market prices with the resulting gain or loss being included in profit or loss of the period in which it arises.

4.16.2 Held-to-maturity

Investments with fixed maturity, where the 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. Premium paid or discount availed on the acquisition of held-to-maturity investment is deferred and amortised over the term of investment using the effective yield method.

Profit on held-to-maturity instruments is recognised on a time proportion basis taking into account the effective yield on the investments.

These are reviewed for impairment at each reporting period and losses arising, if any, are charged to the profit and loss account of the period in which they arise.

4.16.3 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 or equity prices are classified as available-for-sale. These are valued as follows:

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 requirement of the S.R.O. 938 issued by the SECP in December 2002. The Company uses Stock Exchange quotations at the balance sheet date to determine the market value of listed shares and closed-end mutual funds. Furthermore, market value of open-ended mutual funds is determined by using MUFAP rates at the balance sheet date.

Had the Company adopted International Accounting Standard (IAS) 39 "Financial instruments-recognition and measurement" in respect of recognition of gain / (loss) on measurement of available-for-sale securities directly into equity, the investments of the Company would have been higher by Rs. 87.482 million(2011: Rs. 0.937) million and the net equity would have increased by the same amount.

Unquoted

Unquoted investments are recorded at cost less impairment (if any) in accordance with the above requirement.

4.16.4 Recognition / de-recognition of investments

Investments are recognised / derecognised by the Company on the date it commits to purchase / sell the investments.

4.17 Securities under repurchase / resale agreements

Transactions of purchase under resale (reverse-repo) of marketable securities are entered into at contracted rates for specified periods of time. These securities are not recognized in the financial statements as investments, as the Company does not obtain control over the assets. Amounts paid under these agreements are included in the financial statements as balance receivables for securities purchased under resale arrangements in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from the date of reverse repurchase transaction and accrued over the period of the reverse-repo agreement.

Transactions of sale under repurchase (repo) of marketable securities are entered into at contracted rates for specified periods of time. These securities are not derecognized from the financial statements and continue to be recognized as investments and measured in accordance with accounting policies for investment securities. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the period of the repo agreement.

4.18 Investment properties

Investment properties are accounted for under the cost model in accordance with International Accounting Standard 40, Investment Property, and S.R.O. 938 issued by SECP. Accordingly:

- premises is depreciated so as to write-off the assets over their expected economic lives under the straight line method at rates given in note 14 to these financial statements; and

- subsequent capital expenditures on existing properties and gains or losses on disposals are accounted for in the same manner as operating fixed assets.

4.19 Other receivables

These are stated at cost less impairment losses, if any. Full provision is made against the impaired debts.

4.20 Retirement benefits

Defined Contribution Plan (Provident Fund)

The Company operates a contributory provident fund scheme for its permanent employees. Contribution to the fund is made by the employees and the Company at the rate of 10 % of their basic salaries.

4.21 Taxation

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.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts used for financial reporting purpose and amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets may be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date.

4.22 Financial instruments

Financial instruments carried on the balance sheet include cash and bank deposits, loans, premiums due but unpaid, amount due from other insurers / reinsurers, premium and claim reserves retained by cedants, accrued investment income, reinsurance recoveries against outstanding claims, security deposits, investments, sundry receivables, amount due to other insurers / reinsurers, accrued expenses, provision for outstanding claims including incurred but not reported, agent's balances, liabilities against assets subject to finance lease, other creditors and accruals and other payables.

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 derecognised 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 de-recognition of financial assets and financial liabilities are taken to income directly.

4.23 Revenue recognition

Underwriting result

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

Investment income

Profit on held-to-maturity instruments is recognised on a time proportion basis taking into account the effective yield on the instruments. 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 right to receive the same is established.

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

Gains / Losses on sale of investments are recognised in the profit and loss account at the time of sale.

Return on bank accounts, term finance certificates and certificates of investments

Return on bank accounts, term finance certificates and certificates of investments are accounted for on accrual basis.

Income from investment properties

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

4.24 Expenses of management

These are allocated to various classes of business in proportion to respective net premium revenue for the year. Expenses not allocable to the underwriting business are charged as general and administration expenses.

4.25 Off setting

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

4.26 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 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 financial cash flows.

- Reinsurance assets

The Company determines the impairment of the reinsurance assets by looking at objective evidence, as 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.

4.27 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.

The Company has five primary business segments for reporting purposes namely fire, marine, motor, accident health and miscellaneous.

Fire insurance segment provides insurance covers against damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and impact.

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

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

Accident and health insurance provides cover against loss due to accidental injury or sickness.

Miscellaneous insurance provides cover against loss of cash in safe and cash in transit, money, engineering losses and others coverage.

Assets and liabilities that are directly attributable to segments have been assigned to them while the assets and liabilities pertaining to two or more segments have been allocated to segments on a net premium revenue basis. 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.

4.28 Cash and cash equivalents

Cash and cash equivalents include cash, cheques and policy stamps in hand and balance with banks in current, saving and deposit accounts.

4.29 Amount due to other insurers / reinsurers

Liabilities for other insurers / reinsurers are carried at cost which is the fair value of consideration to be paid in the future for services.

4.30 Premiums due but unpaid

These are recognized at cost, which is the fair value of the consideration to be received less provision for impairment, if any.

4.31 Amount due from other insurers / reinsurers

Amount due from other insurers / reinsurers are carried at cost less provision for impairment, if any. Cost represents the fair value of consideration to be received in future for services rendered.

4.32 Dividend distributions and appropriations

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.

4.33 Earnings / (Loss) per share

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

4.34 Related parties transactions

All transactions with related parties are carried out by the Company at arm's length prices or as otherwise disclosed. The Company follows the "Comparable Uncontrolled Price Method" to measure and value the transactions with the related parties, without exceptions.

5 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

5.1 Authorized share capital

2012	2011		2012	2011
Number of shares			----- Rupees -----	
30,000,000	30,000,000	Ordinary shares of Rs. 10 each	300,000,000	300,000,000

5.2 Issued, subscribed and paid-up capital

8,000,000	8,000,000	Ordinary shares of Rs. 10 each fully paid in cash	80,000,000	80,000,000
12,000,000	12,000,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	120,000,000	120,000,000
		Ordinary shares of Rs. 10 each issued as right shares		
5,000,000	-	As at January 1	50,000,000	-
5,000,000	5,000,000	Issued during the year (Refer note 5.2.2)	50,000,000	50,000,000
10,000,000	5,000,000		100,000,000	50,000,000
30,000,000	25,000,000		300,000,000	250,000,000

5.2.1 The Company is required to maintain minimum paid-up capital requirement as disclosed in note 32.

5.2.2 During the year, the Board of Directors in its meeting held on February 7, 2012 resolved to issue right shares in the ratio of 1 right share for every 5 shares at Rs. 10 per share which has been fully subscribed by the shareholders and underwriters and the Company has issued the shares accordingly.

5.2.3 At December 31, 2012, 24.11 million (2011: 22.08 million) shares of the Company are held by associated companies / undertakings. Details of these holdings are as follows:

	2012	2011
	Number of shares	
Shaheen Foundation, Pakistan Air Force	7,904,374	6,586,979
Central Non Public Fund, Pakistan Air Force	2,500,000	2,500,000
The Hollard Company Limited, South Africa	6,345,296	6,345,296
First Capital Mutual Fund	2,062,318	1,216,794
First Capital Securities Corporation Limited	1,870,027	1,993,275
WorldCall Telecom Limited	3,136,963	3,136,963
Pace Pakistan Limited	294,037	294,037
WTL Services (Private) Limited	-	2,108
	24,113,015	22,075,452
Percentage of shareholding by associated companies / undertakings	80%	88%

First Capital Equities Limited was classified as associated undertaking last year. However, based on management assessment, this company has been classified as related party.

Shaheen Foundation, Pakistan Air Force (the Foundation) and First Capital Securities Corporation Limited (FCSC) entered into Share Purchase Agreement on February 28, 2011 with Hollard Insurance Company Limited for acquisition of Hollard's entire Shareholding of 6,345,296 shares of Rs. 10 each (21% of the total existing paid up capital of Shaheen Insurance Company Limited) in the following proportion:

	Number of shares
Shaheen Foundation, Pakistan Air Force	3,164,141
First Capital Securities Corporation Limited	3,181,155
	<u>6,345,296</u>

During the year, it was agreed between the above parties that Hollard's entire shareholding will be purchased by the Foundation exclusively. FCSC conveyed in writing that it has no objection to the proposed transaction and signed a waiver letter consenting to the transaction. However, the transaction did not materialize as at the year end due to non-issuance of necessary approvals by the SECP.

Hollard Insurance Company Limited, through its letter dated March 22, 2013, again offered to sell its shareholding to the Foundation and FCSC at Rs. 5.75 per share and also mentioned that if Hollard did not receive a written acceptance by April 30, 2013 then Hollard shall exercise its right to offer the shareholding to an alternative purchaser.

6 AMOUNTS DUE TO OTHER INSURERS / REINSURERS

	Note	2012 ----- Rupees -----	2011
Foreign companies		13,499,846	21,334,856
Local companies		39,809,347	25,457,865
		<u>53,309,193</u>	<u>46,792,721</u>

7 ACCRUED EXPENSES

Rent payable		2,387,119	415,227
Advisory fee payable to a related party	7.1	-	301,947
Accrual against utilities		488,928	693,069
Others		972,343	840,000
		<u>3,848,390</u>	<u>2,250,243</u>

7.1 This represents amount payable to First Capital Investment Limited.

8 OTHER CREDITORS AND ACCRUALS

Amount payable to policy holders in respect of cancelled policies		-	5,207,026
Federal excise duty payable		13,434,267	18,333,360
Withholding tax payable	8.1	2,421,086	1,891,592
Workers welfare fund payable		2,532,715	815,074
Unearned rental income		359,988	331,158
Payable to provident fund		2,166,952	418,976
Others		4,164,617	1,165,536
		<u>25,079,625</u>	<u>28,162,722</u>

8.1 Subsequent to the year-end, amount of Rs. 1.9 million (2011: Rs. 1.891 million) was paid by the Company.

9 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

9.1 Details are as follows:

	2012			2011		
	Minimum lease payments	Financial charges for future periods	Present value	Minimum lease payments	Financial charges for future periods	Present value
	----- Rupees -----					
Within one year	1,340,400	96,915	1,243,485	1,950,240	286,031	1,664,209
More than one year	2,215,251	462,542	1,752,709	2,832,411	778,775	2,053,636
	3,555,651	559,457	2,996,194	4,782,651	1,064,806	3,717,845

The total lease rentals due under the various lease agreements are Rs. 3.555 million (2011: Rs. 4.782 million) and are payable in equal monthly installments till 2015. Taxes, repairs and insurance costs are to be borne by the Company. Financing rate of 21% per annum (2011: 21% per annum) has been used as the discounting factor. Purchase option can be exercised by the Company, paying 20% to 30% of the leased amount of respective vehicles.

10 CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

10.1.1 The income tax assessments of the Company have been finalized up to and including the assessment year 2002-03 (financial year ended December 31, 2001), while returns have been filed for the financial years ended December 31, 2002 to December 31, 2010 which under the Income Tax Ordinance, 2001 are considered to be deemed assessments unless amended.

However, the assessment for tax year 2004, 2006 and 2007 had been amended by the taxation officer, against which the Company had preferred an appeal before the Commissioner Inland Revenue (Appeal). The demand raised was of Rs. 2.045 million for the tax year 2004, Rs. 9.993 million for the tax year 2006, and Rs. 14.486 million for tax year 2007 against the apportionment of expenses and reverse repo.

During the year 2010, Commissioner Inland Revenue (Appeals) has passed the order, in which the order of the taxation officer was confirmed for the tax year 2004, 2006 and 2007. Against the order of the Commissioner Inland Revenue (Appeal), the Company had preferred an appeal before the Appellate Tribunal Inland Revenue. The matters of the assessment of tax year 2004, 2006 and 2007 have been decided in favor of the Company through order of Appellate Tribunal Inland Revenue dated April 4, 2012.

The Additional Commissioner Inland Revenue revised the return for the tax year 2005 through order dated December 27, 2011. As per the order, the additional tax demanded from the Company amounted to Rs. 4.435 million. Against the order of the Commissioner Inland Revenue, the Company has preferred an appeal before the Commissioner Inland Revenue (Appeal). However, the management and tax advisor of the Company are confident of a favorable outcome from appellate proceedings and provisions already created in the financial statements are sufficient to accommodate the increase of this tax demand.

The Additional Commissioner Inland Revenue created a demand of Rs. 37.053 million for the tax year 2011 through order dated October 31, 2012. Against the order of the Commissioner Inland Revenue, the Company has preferred an appeal before the Commissioner Income Tax (Appeals III). However, the management and tax advisor of the Company are confident of a favorable outcome from appellate proceedings and provisions already created in the financial statements are sufficient to accommodate the increase of this tax demand.

10.1.2 The Company has filed an appeal before the Appellate Bench Securities and Exchange Commission of Pakistan in relation to order dated December 17, 2012 by the SECP with regards to non compliance of the minimum solvency requirements as at December 31, 2011.

The SECP order explains that the Company is in default of the minimum solvency requirements by Rs. 49.328 million as on December 31, 2011. On request of legal counsel of the Company, the SECP instructed the Company to provide revised solvency statement as at September 30, 2012. However, the new solvency statement showed a shortfall of Rs. 82.6 million.

Taking into consideration the new solvency statement, SECP imposed a fine of Rs. 0.3 million on the Company and Rs. 0.1 million each on the directors of the Company. The Company has filed an appeal against the order.

10.1.2 The Company repossessed salvage vehicles at its warehouse as at December 31, 2012, whose fair value as per the valuation report dated April 17, 2013 amounted to Rs. 18.325 million. The valuation was carried out by Nadeem Surveyor (Private) Limited. The Company has not recorded the salvage vehicles in its books of accounts due to the reason that the Company has not obtained relevant approvals from the Court as at the year end and consequently, the right to sell the vehicles. The Company is confident that the relevant approvals will be obtained from the Court in the subsequent period.

10.2 Commitments

	Note	2012 ----- Rupees -----	2011
Capital work in progress - intangible		-	1,700,000

11 CASH AND BANK DEPOSITS

Cash and other equivalents

- Cash in hand		77,927	75,874
- Policy stamps and bond papers in hand		47,698	40,000
		<u>125,625</u>	<u>115,874</u>

Current and saving accounts

- Current accounts		18,890,443	9,212,736
- Saving accounts	11.1	29,474,109	16,995,205
		<u>48,364,552</u>	<u>26,207,941</u>
		<u>48,490,177</u>	<u>26,323,815</u>

11.1 These carry profit rates ranging between 0.5% to 10% (2011: 0.5% to 8%) per annum.

12 LOANS - secured and considered good

Due from executive		-	201,667
Due from employees other than executive	12.1	3,556,269	2,572,392
		<u>3,556,269</u>	<u>2,774,059</u>

12.1 This represents mark-up free loans to the employees of the Company in accordance with the terms of their employment and are secured against their retirement benefits. These loans are recoverable in monthly installments over a period of less than two years.

13 INVESTMENTS

13.1 Type of investments	Note	2012	2011
		----- Rupees -----	
Held-to-maturity			
Certificates of Investments	13.2	712,646	644,068
Term Finance Certificates - listed	13.3	-	545,000
		<u>712,646</u>	<u>1,189,068</u>
At fair value through profit or loss - Held-for-trading	13.4	20,173,057	11,530,272
Available-for-sale investments	13.5 & 13.5.2	220,062,726	39,062,728
		<u>240,948,429</u>	<u>51,782,068</u>

13.2 This represents investment in Certificates of Investments issued by SME Leasing Limited carrying mark-up at the rate of 10.50% (2011: 11.5%) per annum maturing on May 23, 2013 (2011: May 23, 2012).

13.3 Term Finance Certificates - listed

2012	2011			2012	2011
Number of certificates					
		Invest Capital Investment Bank Limited (formerly Al-Zamin Leasing Corporation Limited)	13.3.1	545,000	545,000
109	109	Less: Impairment of non-performing TFC		<u>(545,000)</u>	-
				<u>-</u>	<u>545,000</u>

13.3.1 This represents listed term finance certificates (face value of Rs. 5,000 each) and carrying mark-up rate equal to five years Pakistan Investment Bond rate plus 2% per annum, receivable semi-annually in arrears with floor of 12% per annum and cap of 15.75% per annum. The principal amount is due on maturity in September 2013.

At December 31, 2012, the TFC was classified as non-performing (2011: market value of Rs. 0.409 million) as per the valuation report of debt securities by the Mutual Fund Association of Pakistan under SECP Circular 33 of 2012 dated October 24, 2012.

13.4 At fair value through profit or loss - Held-for-trading - quoted shares

The details of investments in ordinary shares of face value of Rs. 10 each is as follows:

2012	2011	Name of the investee entity	2012	2011
Number of shares			Carrying (market) value	
			----- Rupees -----	
		Chemicals		
420,000	420,000	Nimir Industrial Chemical Limited	1,604,400	978,600
		Banks		
860,000	860,000	KASB Bank Limited	2,089,800	946,000
40,250	35,000	Askari Bank Limited	693,105	351,050
500,885	500,885	Summit Bank Limited	1,487,628	861,522
393,376	393,376	Bank Alfalah Limited	6,616,584	4,425,480
		Financial Services		
546,000	-	First Capital Securities Corporation Limited 13.6	1,998,360	-
		Electricity		
85,000	85,000	Hub Power Company Limited	3,845,400	2,907,000
57,000	57,000	Pakgen Power Limited	1,199,280	641,820
		Personal Goods		
10,000	10,000	Nishat Mills Limited	638,500	418,800
			20,173,057	11,530,272

13.5 Available-for-sale investments

2012	2011		2012	2011
Number of shares			Cost	
			----- Rupees -----	
		Quoted shares		
4,700,000	-	First Capital Equities Limited 13.7	188,000,000	-
		Open-end mutual fund		
586,405	526,631	Pakistan Income Fund 13.5.1	27,131,960	27,131,960
5,008	44,165	Pakistan Cash Management Fund	233,929	2,233,928
5,295	4,783	Faysal Saving Growth Fund	493,676	493,677
92,622	83,180	ABL Income Fund	835,585	835,585
708	645	Atlas Islamic Income Fund	336,171	336,173
87,407	78,650	Pakistan Strategic Allocation Fund	616,012	616,012
15,218	13,806	PICIC Cash Fund	1,472,515	1,472,516
4,177	53,546	Lakson Money Market Fund	388,204	5,388,203
6,150	5,456	HBL Money Market Fund	554,674	554,674
			32,062,726	39,062,728
			220,062,726	39,062,728

13.5.1 These units are pledged with the State Bank of Pakistan under the provisions of Insurance Ordinance, 2000 (XXXIX of 2000).

13.5.2 Market value of available-for-sale securities is Rs. 311.728 million (2011: Rs. 40.0 million).

13.6 The Company has settled other receivables (refer note no. 19) from First Capital Equities Limited (a related party) against the shares of First Capital Securities Corporation Limited.

13.7 This represent investment in related parties (refer note 20.2.2).

13.8 Investment related expenses (refer statement of investment income)		2012	2011
Note		----- Rupees -----	
Brokerage commission	13.8.1	149,168	920,586
Federal Excise Duty, Capital Value Tax and other levies		-	92,547
Depreciation on investment properties	14	1,839,837	1,297,161
		<u>1,989,005</u>	<u>2,310,294</u>

13.8.1 This represents brokerage commission to First Capital Equities Limited (a related party).

14 INVESTMENT PROPERTIES - at cost less accumulated depreciation

		2012							
		Cost		Depreciation		Written down	Depreciation		
		As at	Additions/	As at	As at	For the	As at	value as at	rate
		January 1,	(Deletions)	December 31,	January 1,	year	December 31,	December 31,	%
		2012		2012	2012		2012	2012	
Note		----- Rupees -----							
Shop premises	14.1	33,948,414	-	33,948,414	5,499,745	1,697,421	7,197,166	26,751,248	5
Office premises	14.1	2,848,320	-	2,848,320	1,993,824	142,416	2,136,240	712,080	5
		<u>36,796,734</u>	<u>-</u>	<u>36,796,734</u>	<u>7,493,569</u>	<u>1,839,837</u>	<u>9,333,406</u>	<u>27,463,328</u>	
		2011							
		Cost		Depreciation		Written down	Depreciation		
		As at	Additions/	As at	As at	For the	As at	value as at	rate
		January 1,	(Deletions)	December 31,	January 1,	year	December 31,	December 31,	%
		2011		2011	2011		2011	2011	
		----- Rupees -----							
Shop premises		7,900,000	26,048,414	33,948,414	4,345,000	1,154,745	5,499,745	28,448,669	5
Office premises		2,848,320	-	2,848,320	1,851,408	142,416	1,993,824	854,496	5
		<u>10,748,320</u>	<u>26,048,414</u>	<u>36,796,734</u>	<u>6,196,408</u>	<u>1,297,161</u>	<u>7,493,569</u>	<u>29,303,165</u>	

14.1 Shops and office premises (leasehold properties) have been valued under the market value basis by Maqsood Ahmed (Private) Limited and M.J. Surveyors (Private) Limited. Market value of shop and office premises based on the valuations as of March 28, 2013 and March 25, 2013 amounted to Rs. 99.726 million, and 13 million (2011: March 1, 2012, May 25, 2011 and February 2, 2012 amounted to Rs. 55.3 million, 25.9 million and 13 million) respectively.

15 PREMIUMS DUE BUT UNPAID

		2012	2011
Note		----- Rupees -----	
Considered good	15.1	262,200,458	305,080,051
Considered doubtful		13,742,644	13,742,644
		<u>275,943,102</u>	<u>318,822,695</u>
Provision against doubtful receivables	15.2	(13,742,644)	(13,742,644)
		<u>262,200,458</u>	<u>305,080,051</u>

	Note	2012 ----- Rupees -----	2011
15.1 Premiums due but unpaid from related parties include:			
Ever Green Water Valley (Private) Limited		1,891,263	1,891,096
First Capital Investment (Private) Limited		114,846	199,544
First Capital Securities Corporation Limited		289,265	1,688,229
Media Times (Private) Limited		4,489,098	21,871,026
Northway Investments Limited		153,310	153,310
Pace Baraka Properties Limited		6,243,121	5,765,887
Pace Pakistan Limited		13,861,972	59,855,486
Pace Woodlands (Private) Limited		1,083,084	1,044,688
SAPS Cargo International		-	19,108
Shaheen Air Port Services (SAPS)		4,423,338	4,665,026
Shaheen Foundation, PAF		994,228	46,622
Shaheen Knitwear		38,930	10,922
Total Media Limited		28,625	28,605
Trident Construct (Private) Limited		9,948	3,347,730
World Press (Private) Limited		182,104	1,974,142
WorldCall Cable (Private) Limited		4,587	1,316
WorldCall Services (Private) Limited		12,007,085	6,752,841
WorldCall Telecom Limited		89,350,341	99,518,496
		<u>135,165,145</u>	<u>208,834,074</u>
Percentage of premium due but unpaid		<u>52%</u>	<u>68%</u>
15.2 Reconciliation of provision against doubtful receivables			
Balance as at beginning of the year		13,742,644	13,742,644
Charge for the year		-	-
Balance as at end of the year		<u>13,742,644</u>	<u>13,742,644</u>
16 AMOUNTS DUE FROM OTHER INSURERS \ REINSURERS			
Considered good - foreign		13,493,632	31,610,384
- local		48,178,561	39,928,553
		<u>61,672,193</u>	<u>71,538,937</u>
17 ACCRUED INVESTMENT INCOME			
Mark-up accrued on Term Finance Certificates		21,737	22,029
Profit accrued on Certificates of Investments		8,016	8,016
		<u>29,753</u>	<u>30,045</u>
18 ADVANCES, DEPOSITS AND PREPAYMENTS			
Security deposits	18.1	10,141,857	8,707,256
Advances		1,156,034	-
Prepaid reinsurance premium ceded		40,343,116	56,658,631
Prepayments	18.2	17,225,384	22,582,443
Others		676,459	69,553
		<u>69,542,850</u>	<u>88,017,883</u>

18.1 This includes Rs. 4.15 million (2011: 4.15 million) in respect of security deposits paid against rental properties to Shaheen Foundation, Pakistan Air Force - related party.

18.2 This includes Rs. 17.2 million (2011: 21.69 million) in respect of prepayment of rent to Shaheen Foundation, Pakistan Air Force - related party.

19 OTHER RECEIVABLES - unsecured, considered good

	Note	2012 ----- Rupees -----	2011 -----
Receivable:			
-against Federal Insurance Fee		731,266	478,071
- against trading in marketable securities	19.1 & 13.6	957,648	2,413,692
Others		7,935,789	-
		<u>9,624,703</u>	<u>2,891,763</u>

19.1 This represents amount receivable from First Capital Equities Limited.

20 FIXED ASSETS

	Note	2012 ----- Rupees -----	2011 -----
Operating fixed assets	20.1	38,050,033	43,720,734
Capital work-in-progress	20.2	34,750,008	140,589,930
		<u>72,800,041</u>	<u>184,310,664</u>

20.1 Operating fixed assets - at cost less accumulated depreciation

Particulars	2012							Written down value as at December 31, 2012	Depreciation/Amortization rate %
	COST			DEPRECIATION / AMORTIZATION					
	As at January 1, 2012	Additions/ (Deletions)	As at December 31, 2012	As at January 1, 2012	For the year	As at December 31, 2012			
Rupees									
Tangible									
<i>- Owned</i>									
Furniture and fixtures	14,999,882	575,000 (30,000)	15,544,882	9,092,411	963,200	10,055,611	5,489,271	10	
Office and electrical equipment	10,739,675	190,650 (355,000)	10,575,325	8,595,326	569,502 (339,250)	8,825,578	1,749,747	15 - 20	
Computer equipment	15,300,684	1,397,491	16,698,175	10,760,810	2,037,657	12,798,467	3,899,708	33.3	
Furniture, fixtures & office equipment	41,040,241	2,163,141 (385,000)	42,818,382	28,448,547	3,570,359 (339,250)	31,679,656	11,138,726		
Motor vehicles	50,458,572	670,795 (4,878,000)	46,251,367	23,911,876	6,657,673 (3,209,001)	27,360,548	18,890,819	20	
	91,498,813	2,833,936 (5,263,000)	89,069,749	52,360,423	10,228,032 (3,548,251)	59,040,204	30,029,545		
<i>- Leased</i>									
Motor vehicles	4,003,000	-	4,003,000	390,368	800,600	1,190,968	2,812,032	20	
Intangible									
Computer software	3,274,514	6,904,430	10,178,944	2,304,802	2,665,686	4,970,488	5,208,456	33.3	
	98,776,327	9,738,366 (5,263,000)	103,251,693	55,055,593	13,694,318 (3,548,251)	65,201,660	38,050,033		

Motor vehicles include nil (2011: 3) vehicles amounting to Rs. Nil (2011: 4.50 million) which have been transferred to owned from salvage recoveries during the year at market value after settlement of related claims.

Particulars	2011							Written down value as at December 31, 2011	Depreciation/Amortization rate %
	COST			DEPRECIATION / AMORTIZATION					
	As at January 1, 2011	Additions/ (Deletions)	As at December 31, 2011	As at January 1, 2011	For the year	As at December 31, 2011			
Rupees									
Tangible									
<i>- Owned</i>									
Furniture and fixtures	11,626,011	3,373,871	14,999,882	8,295,608	796,803	9,092,411	5,907,471	10	
Office and electrical equipment	9,503,310	1,305,365 (69,000)	10,739,675	7,875,271	789,055 (69,000)	8,595,326	2,144,349	15 - 20	
Computer equipment	11,021,548	4,279,136	15,300,684	9,155,370	1,605,440	10,760,810	4,539,874	33.3	
Furniture, fixtures & office equipment	32,150,869	8,958,372 (69,000)	41,040,241	25,326,249	3,191,298 (69,000)	28,448,547	12,591,694		
Motor vehicles	37,752,787	16,768,500 (4,062,715)	50,458,572	19,426,026	7,407,505 (2,921,655)	23,911,876	26,546,696	20	
	69,903,656	25,726,872 (4,131,715)	91,498,813	44,752,275	10,598,803 (2,990,655)	52,360,423	39,138,390		
<i>- Leased</i>									
Motor vehicles	3,538,706	4,003,000 (3,538,706)	4,003,000	2,948,840	980,234 (3,538,707)	390,368	3,612,632	20	
Intangible									
Computer software	2,000,000	1,274,514	3,274,514	2,000,000	304,802	2,304,802	969,712	33.3	
	75,442,362	31,004,386 (7,670,421)	98,776,327	49,701,115	11,883,839 (6,529,361)	55,055,593	43,720,734		

20.1.1 Disposal of operating fixed assets

Particulars of the assets	Cost	Written down value	Sale proceeds	Gain on disposal	Mode of disposal	Sold to	Address
Rupees							
Vehicles							
Suzuki Alto - ARA-415	590,000	167,167	250,000	82,833	Negotiation	Qadir Baksh Laghari	A-207, B/3, Gulistan-e-Jauhar, Karachi
Toyota Corolla - PY-071	1,455,000	679,000	650,000	(29,000)	Negotiation	Shoab Khan Mardan	Village Fazalabad, District Mardan
Suzuki Baleno - ACB-257	575,000	-	100,000	100,000	Negotiation	Imran Azeem	House # 1845, P.I.B. Colony, Karachi
Suzuki Mehran - AJK-955	380,000	183,667	225,000	41,333	Negotiation	Rizwan Idrees	A-8, Shafiq Arcade, Garden West, Karachi
Honda Civic - ALC-670	995,000	497,500	500,000	2,500	Negotiation	Muhammad Umair Imran	House # L-331, Sir Syed Town, North Karachi
Suzuki Cultus - AEJ-267	460,000	-	150,000	150,000	Negotiation	Adnan Niaz	House # 1819, P.I.B. Colony, Karachi
Other assets with book value less than Rs. 50,000	808,000	147,415	350,800	203,385	Negotiation	Various parties	
	5,263,000	1,674,749	2,225,800	551,051			
2011	7,670,422	1,141,060	4,927,000	3,785,940			

20.1.2 Fixed assets include fully depreciated items costing Rs. 28.363 (2011: Rs. 37.053) million.

20.2 CAPITAL WORK IN PROGRESS

Note	2012			2011
	Tangible	Intangible	Total	Total
	Rupees			
Balance as on January 1	135,789,930	4,800,000	140,589,930	34,750,008
Additions during the year	-	-	-	105,839,922
Transferred to fixed assets	-	(4,800,000)	(4,800,000)	-
Settled against shares	(101,039,922)	-	(101,039,922)	-
Balance as on December 31	34,750,008	-	34,750,008	140,589,930

20.2.1 Tangible represents property acquired from Pace Pakistan Limited - related party. These properties are not held in the name of the Company.

20.2.2 During the year ended December 31, 2011, the Company carried out reverse repo transactions with a related party, against shares of another related party. However, upon maturity, the transaction was settled through acquisition of property under construction at a value of Rs. 101.04 million, which was classified under 'capital work in progress'. However, during the year, the Company reversed the settlement and classified the amount of reverse repo of Rs. 95.643 million in 'loans - others' and associated mark-up of Rs. 4.244 million in 'sundry receivable' in condensed interim financial information for the period ended June 30, 2012.

On November 29, 2012, the Company through an agreement settled balance of 'reverse repo' and 'premium due but unpaid' amounting to Rs. 99.89 million (reverse repo and associated mark-up) and Rs. 88.859 million of FCSC Group and Pace (Pakistan) Limited respectively against 4.7 million shares of First Capital Equities Limited (a related party) at Rs. 40 per share against the market value of Rs. 69 per share as at that date. The agreement was subsequently amended on March 7, 2013 to make the clause of "restriction on holding period" and "SWAP against property" null and void.

21 MANAGEMENT AND GENERAL AND ADMINISTRATION EXPENSES

Note	2012			2011		
	Management expenses	General and administration expenses	Total	Management expenses	General and administration expenses	Total
	Rupees					
Salaries and other benefits	58,917,513	30,786,887	89,704,400	55,992,005	27,625,793	83,617,798
Provident fund contribution	1,823,916	771,831	2,595,747	-	3,192,755	3,192,755
Rent	10,183,509	5,421,593	15,605,102	9,175,137	4,795,572	13,970,709
Utilities	6,207,969	6,480,223	12,688,192	6,722,323	5,775,305	12,497,628
Repair and maintenance	1,399,750	1,783,488	3,183,238	2,386,174	1,588,898	3,975,072
Legal and professional charges	583,055	1,877,535	2,460,590	372,000	2,312,158	2,684,158
Auditors' remuneration	-	915,000	915,000	-	840,000	840,000
Depreciation and amortisation	-	13,694,318	13,694,318	-	11,883,839	11,883,839
Insurance expenses	-	369,164	369,164	30,325	228,650	258,975
Bank charges	55,783	32,295	88,078	84,044	110,226	194,270
Financial charges on assets subject to finance lease	-	505,887	505,887	-	385,671	385,671
Advertisement and sales promotion	100,150	1,061,211	1,161,361	12,950	2,058,785	2,071,735
Travelling and entertainment	7,691,468	6,698,828	14,390,296	8,850,175	7,941,909	16,792,084
Printing and stationery	2,206,735	4,805,709	7,012,444	2,915,974	4,044,705	6,960,679
Newspaper and periodicals	58,191	134,708	192,899	80,835	244,955	325,790
Fee and subscription	700	3,170,925	3,171,625	76,400	3,399,156	3,475,556
Miscellaneous	1,122,367	2,026,288	3,148,655	637,530	1,691,539	2,329,070
	90,351,106	80,535,890	170,886,996	87,335,872	78,119,917	165,455,789

21.1 This amount includes Rs. 4.96 million (2011: 4.05 million) rent expense to Shaheen Foundation, Pakistan Air Force - related party.

21.2 Auditors' remuneration

	Note	2012 ----- Rupees -----	2011
Annual audit fee		550,000	475,000
Interim review fee		150,000	150,000
Certification fees and review of statement of compliance with the Code of Corporate Governance		125,000	125,000
Out of pocket expenses		90,000	90,000
		<u>915,000</u>	<u>840,000</u>

22 OTHER INCOME

Gain on sale of fixed assets	20.1.1	551,051	3,785,940
Other administrative expenses recovered from policy holders		271,616	436,575
Exchange gain		19,069	12,839
Return on saving accounts	22.1	2,873,531	1,585,337
Amortization of gain on disposal of assets under sale and lease back		-	183,048
		<u>3,715,267</u>	<u>6,003,739</u>

22.1 This amount has been reclassified from income on held-to-maturity investments for better presentation purposes.

23 WORKERS WELFARE FUND (WWF)

For prior year	23.1	503,983	-
For current year		1,213,658	-
		<u>1,717,641</u>	<u>-</u>

23.1 On March 1, 2013, the Honorable Sindh High Court pronounced the verdict holding WWF a “tax” rather than “fee”. This decision resulted in the applicability of amendments made in the Workers Welfare Ordinance 1971 (the Ordinance) through Finance Acts 2006 and 2008. As per the amended Ordinance, the Company has recorded WWF liability for the current and prior year.

24 TAXATION

Current		<u>2,846,496</u>	<u>5,954,256</u>
Relationship between tax expense and accounting (loss)/profit is as follows:			
(Loss)/Profit before taxation		<u>(29,245,106)</u>	<u>25,199,161</u>
Tax charge at enacted tax rate of 35% (2011: 35%)		(10,235,787)	8,819,706
Tax effect of expense that are not allowable in determining taxable income		(719,674)	56,688
Tax effect of dividend and rental income taxable at lower tax rate		(887,237)	(2,934,053)
Tax effect of application of minimum tax rate		(2,540,602)	(4,829,634)
Deferred tax asset on losses not recognized	24.1	10,311,519	4,986,766
Others		6,918,277	(145,218)
		<u>2,846,496</u>	<u>5,954,256</u>

24.1 Deferred tax asset on deductible temporary differences amounting to Rs. 14.054 million (2011: Rs. 10.134 million) has not been recognized in view of the uncertainty about its realization.

25 (LOSS)/EARNINGS PER SHARE - basic and diluted

(Loss)/Profit after tax for the year - Rupees		<u>(32,091,602)</u>	<u>19,244,905</u>
Weighted average of number of ordinary shares		<u>27,916,667</u>	<u>24,246,940</u>
(Loss)/Earnings per share - Rupees	25.2	<u>(1.15)</u>	<u>0.79</u>

25.1 Diluted (loss)/earnings per share has not been presented as the Company does not have any convertible instruments as at December 31, 2012 and December 31, 2011 which would have any effect on the (loss)/earnings per share if the option to convert is exercised.

25.2 There is no bonus element in the right shares issued by the Company during the year, therefore, there is no adjustment effects on (loss)/earnings per share for the prior period presented.

26 REMUNERATION TO THE CHIEF EXECUTIVE OFFICER AND EXECUTIVES

	<u>Chief Executive Officer</u>		<u>Executives</u>		<u>Total</u>	<u>Total</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>Rupees</u>					
Managerial remuneration	<u>2,687,950</u>	2,550,284	<u>13,918,776</u>	16,282,818	<u>16,606,726</u>	18,833,102
Provident fund	<u>159,996</u>	159,996	<u>319,848</u>	700,857	<u>479,844</u>	860,853
	<u>2,847,946</u>	<u>2,710,280</u>	<u>14,238,624</u>	<u>16,983,675</u>	<u>17,086,570</u>	<u>19,693,955</u>
Number of persons	<u>1</u>	<u>1</u>	<u>10</u>	<u>12</u>	<u>11</u>	<u>13</u>

No performance bonuses were granted to employees during the year. In addition to the above, the CEO and executives have been provided with company maintained vehicles.

The Company does not have any other employee whose annual basic salary exceeds Rs. 0.5 million. No amounts have been paid by the Company to its directors other than Chief Executive Officer.

27 PREMIUM WRITTEN

Premium written constitute direct and facultative business and administrative surcharge (which is also included in net premium revenue), class-wise details of which are as follows:-

	<u>2012</u>					
	<u>Fire and property damage</u>	<u>Marine, aviation and transport</u>	<u>Motor</u>	<u>Accident and Health</u>	<u>Miscellaneous</u>	<u>Total</u>
	<u>Rupees</u>					
Direct	<u>75,939,871</u>	<u>46,185,331</u>	<u>231,631,664</u>	<u>122,019,282</u>	<u>47,901,955</u>	<u>523,678,103</u>
Facultative	<u>18,110,638</u>	<u>82,499</u>	<u>3,702,862</u>	<u>-</u>	<u>3,150,539</u>	<u>25,046,538</u>
Administrative surcharge	<u>1,302,166</u>	<u>1,901,899</u>	<u>9,842,388</u>	<u>240,805</u>	<u>833,660</u>	<u>14,120,918</u>
	<u>95,352,675</u>	<u>48,169,729</u>	<u>245,176,914</u>	<u>122,260,087</u>	<u>51,886,154</u>	<u>562,845,559</u>

2011						
	Fire and property damage	Marine, aviation and transport	Motor	Accident and Health	Miscellaneous	Total
Direct	100,370,544	39,753,815	247,364,202	125,378,651	94,350,753	607,217,965
Facultative	12,652,576	1,289,507	1,995,378	-	5,116,177	21,053,638
Administrative surcharge	1,295,386	1,379,238	11,072,252	286,301	2,020,868	16,054,045
	<u>114,318,506</u>	<u>42,422,560</u>	<u>260,431,832</u>	<u>125,664,952</u>	<u>101,487,798</u>	<u>644,325,648</u>

28 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 expenditures and non-cash expenses during the current and last year:

	Fire & Property Damage		Marine, Aviation & Transport		Motor		Accident and Health		Miscellaneous		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
SEGMENT ASSETS												
Segment assets	109,068,455	122,755,402	36,610,989	43,326,201	266,031,861	349,107,212	118,189,194	141,984,410	71,140,174	87,140,967	601,040,673	744,314,192
Unallocated corporate assets											278,036,460	88,207,306
Total assets											<u>879,077,132</u>	<u>832,521,498</u>
SEGMENT LIABILITIES												
Segment liabilities	82,923,663	92,425,223	21,360,396	16,464,680	297,220,452	289,667,800	112,978,362	72,752,211	60,787,885	86,605,545	575,270,757	557,915,459
Unallocated corporate liabilities											20,433,079	9,141,141
Total liabilities	1,147,908	3,481,793	494,641	1,912,971	4,876,924	16,528,438	2,300,874	6,917,079	918,019	2,164,106	9,738,366	31,004,386
Capital expenditure												
Depreciation / Amortisation	1,831,086	1,334,555	789,027	733,233	7,779,425	6,335,275	3,670,239	2,651,284	1,464,378	829,492	15,534,155	11,883,839

29 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Company is exposed to a variety of financial risks: market risk (comprising interest rate risk, currency 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 program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The Board of Directors has overall responsibility for 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.

29.1 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.

29.1.1 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 Company's interest / mark-up sensitivity and liquidity positions based on the contractual and maturity dates, whichever is earlier are as follows:

		2012						
		Interest / mark-up bearing financial instruments				Non-interest / mark-up bearing financial instruments		Total
Note	Effective interest % per annum	Maturity up to one year	Maturity over one year to five years	Maturity more than five years	Sub total			
Rupees								
Financial assets								
		29,474,109	-	-	29,474,109	19,016,068		48,490,177
		-	-	-	-	3,556,269		3,556,269
		712,646	-	-	712,646	240,235,783		240,948,429
		-	-	-	-	262,200,458		262,200,458
		-	-	-	-	61,672,193		61,672,193
		-	-	-	-	29,753		29,753
		-	-	-	-	48,434,185		48,434,185
		-	-	-	-	10,141,857		10,141,857
		-	-	-	-	9,624,703		9,624,703
		30,186,755	-	-	30,186,755	654,911,269		685,098,024
Financial liabilities								
		-	-	-	-	236,223,065		236,223,065
		-	-	-	-	53,309,193		53,309,193
		-	-	-	-	3,848,390		3,848,390
		-	-	-	-	33,443,746		33,443,746
		-	-	-	-	25,079,625		25,079,625
		1,243,485	1,752,709	-	2,996,194	-		2,996,194
		1,243,485	1,752,709	-	2,996,194	351,904,019		354,900,213
Interest risk sensitivity gap		28,943,270	(1,752,709)	-	27,190,561	303,007,250		330,197,811
Cumulative interest risk sensitivity gap		28,943,270	27,190,561	27,190,561				
Off balance sheet item								
Commitments for capital expenditure								
-								
		2011						
		Interest / mark-up bearing financial instruments				Non-interest / mark-up bearing financial instruments		Total
Note	Effective Interest % per annum	Maturity up to one year	Maturity over one year to five years	Maturity more than five years	Sub total			
Rupees								
Financial assets								
		16,995,205	-	-	16,995,205	9,328,610		26,323,815
		-	-	-	-	2,774,059		2,774,059
		644,068	545,000	-	1,189,068	50,593,000		51,782,068
		-	-	-	-	305,080,051		305,080,051
		-	-	-	-	71,538,937		71,538,937
		-	-	-	-	30,045		30,045
		-	-	-	-	22,719,570		22,719,570
		-	-	-	-	8,707,256		8,707,256
		-	-	-	-	2,891,763		2,891,763
		17,639,273	545,000	-	18,184,273	473,663,291		491,847,564
Financial liabilities								
		-	-	-	-	146,407,523		146,407,523
		-	-	-	-	46,792,721		46,792,721
		-	-	-	-	2,250,243		2,250,243
		-	-	-	-	35,112,971		35,112,971
		-	-	-	-	27,831,564		27,831,564
		1,664,209	2,053,636	-	3,717,845	-		3,717,845
		1,664,209	2,053,636	-	3,717,845	258,395,022		262,112,867
Interest risk sensitivity gap		15,975,064	(1,508,636)	-	14,466,428	215,268,269		229,734,697
Cumulative interest risk sensitivity gap		15,975,064	14,466,428	14,466,428				
Off balance sheet item								
Commitments for capital expenditure								
1,700,000								

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

	Increase / (decrease) in basis points	Effect on	
		Profit before tax	Equity
----- Rupees -----			
December 31, 2012	100	271,906	176,739
	(100)	(271,906)	(176,739)
December 31, 2011	100	144,664	94,032
	(100)	(144,664)	(94,032)

29.1.2 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.

29.1.3 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 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 profit and equity of the Company in a similar but opposite manner.

	Fair value	Price change	Effect on fair value
December 31, 2012	35,650,198	+5%	1,782,510
		- 5%	(1,782,510)
December 31, 2011	40,409,437	+5%	2,020,472
		- 5%	(2,020,472)

29.2 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 summarizes 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.

FINANCIAL LIABILITIES	Note	2012				2011			
		Carrying amount	Contracted cash flows	Upto one year	More than one year	Carrying amount	Contracted cash flows	Upto one year	More than one year
Rupees									
Provision for outstanding claims		236,223,065	236,223,065	236,223,065	-	146,407,523	146,407,523	146,407,523	-
Amounts due to other insurers / reinsurers	6	53,309,193	53,309,193	53,309,193	-	46,792,721	46,792,721	46,792,721	-
Accrued expenses	7	3,848,390	3,848,390	3,848,390	-	2,250,243	2,250,243	2,250,243	-
Agent balances		33,443,746	33,443,746	33,443,746	-	35,112,971	35,112,971	35,112,971	-
Other creditors and accruals	8	25,079,625	25,079,625	25,079,625	-	27,831,564	27,831,564	27,831,564	-
Obligation under finance lease	9	2,996,194	2,996,194	1,243,485	1,752,709	3,717,845	4,782,651	1,950,240	2,832,411
		354,900,213	354,900,213	353,147,504	1,752,709	262,112,867	263,177,673	260,345,262	2,832,411

29.3 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 counterparties in various industries and by continually assessing the credit worthiness of counterparties.

29.3.1 Concentration of credit risk

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, certificate of investments, premiums receivable from customers and co-insurers, sundry receivables and on commission and claim recoveries from re-insurers, etc.

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

	Note	2012	2011
-----Rupees-----			
Bank deposits	11	48,364,552	26,207,941
Investments	13	712,646	1,189,068
Premiums due but unpaid	15	262,200,458	305,080,051
Amounts due from other insurers / reinsurers	16	61,672,193	71,538,937
Accrued investment income	17	29,753	30,045
Reinsurance recoveries against outstanding claims		48,434,185	22,719,570
Other receivables	19	9,624,703	2,891,763
		431,038,490	429,657,375

The Company did not hold any collateral against the above during the year.

The age analysis of receivables (net off provision) is as follows:

Upto 1 year	208,030,301	268,559,731
1 - 2 years	70,089,247	80,058,553
2 - 3 years	31,343,092	27,004,721
Over 3 years	14,410,011	995,983
	323,872,651	376,618,988

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

Bank	Rating	Rating agency	2012	2011
			----- Rupees -----	
Standard Chartered Bank (Pakistan) Limited	AAA/A1+	PACRA	538,625	545,432
Allied Bank Limited	AA/A1+	PACRA	60,603	60,603
Bank Al Falah Limited	AA/A1+	PACRA	1,673,760	521,935
NIB Bank Limited	AA-/A1+	PACRA	-	2,503
Silk Bank Limited	A - 2 / A-	JCR-VIS	331,311	167,472
MCB Bank Limited	AA+/A1+	PACRA	1,034,953	950,998
Faysal Bank Limited	AA/A1+	PACRA	155,334	63,093
Bank Al Habib Limited	AA+/A1+	PACRA	28,331	438,937
SAMBA Bank Limited	A- 1 A+	JCR-VIS	-	304,217
HSBC Bank Middle East Limited	P - 1 / A1	MOODY'S	3,511	243,914
JS Bank Limited	A/A1	PACRA	44,252,470	22,269,292
National Bank of Pakistan	AAA/A1+	JCR-VIS	249,410	-
The Punjab Provincial Co-operative Bank	N/A	N/A	25,980	629,545
Habib Metropolitan Bank Limited	AA+/A1+	PACRA	10,264	10,000
			48,364,552	26,207,941

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

	Rating	Rating agency	2012	2011
			----- Rupees -----	
Invest Capital Investment Bank Limited (formerly Al-Zamin Leasing Corporation Limited)	A		-	545,000
SME Leasing Limited	BBB-/A-3	JCR-VIS	712,646	644,068
			712,646	1,189,068

The management monitors exposure to credit risk in premium receivable from customers through regular review of credit exposure and prudent estimates of provisions for doubtful receivables as disclosed in note 15.

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 31.

30 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

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.

Geographical concentration of insurance risk

To optimize benefits from the principle of average and law of large numbers, geographical spread of risk is of extreme importance. There are a number of parameters which are significant in assessing the accumulation of risks with reference to the geographical location, the most important of which is risk

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the commercial / industrial / residential occupation of the insured. Details regarding the fire separation / segregation with respect to the manufacturing processes, storage, utilities, etc. are extracted from the layout plan of the insured facility. Such details are formed part of the reports which are made available to the underwriters / reinsurance personnel for their evaluation. Reference is made to the standard construction specifications as laid down by Insurance Association of Pakistan (IAP). For instance, the presence of Perfect Party Walls, Double Fire Proof Iron Doors, physical separation between the buildings within an insured's premises. It is basically the property contained within an area which is separated by another property by sufficient distance to confine insured damage from uncontrolled fire and explosion under the most adverse conditions to that one area.

Address look-up and geocoding is the essential field of the policy data interphase of IT systems. It provides instant location which is dependent on data collection provided under the policy schedule. All critical underwriting information is entered into the IT system/application through which a number of MIS reports can be generated to assess the concentration of risk.

The ability to manage catastrophic risk is tied to managing the density of risk within a particular area. A risk management solution is implemented to help assess and plan for risk in catastrophic scenarios. It provides a way to better visualize the risk exposures so the Company determines the appropriate amount of reinsurance coverage to protect the business portfolio.

For marine risks, complete underwriting details, besides sums insured and premiums, like vessel identification, voyage input (sea / air / inland transit), sailing dates, origin and destination of the shipments, per carry limits, etc. are entered into the IT system. The reinsurance module of the IT system is designed to satisfy the requirements as laid down in the proportional treaty agreement.

Shipment declarations are also endorsed on the policies. Respective reinsurance cessions are automatically made upon the posting of policy documents.

The voyage cards so maintained for the particular set of policies for a single vessel voyage are automatically logged into the system showing actual gross, treaty and net exposure, both in terms of sums insured and premiums.

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 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 the Company's net retentions. As the motor reinsurance arrangements are on excess of loss basis, therefore the reinsurance coverage against the Company's risk exposures on motor business is not quantifiable.

The concentration of risk by type of contract is summarized below by reference to liabilities:

Class	2012	2011	2012	2011	2012	2011
	Gross sum insured		Reinsurance		Net exposure of risk	
----- Rupees -----						
Fire and property damage	51,877,044,717	50,522,688,414	25,442,626,597	36,518,831,284	26,434,418,120	14,003,857,130
Marine and transport	24,465,610,113	30,858,604,339	12,305,656,884	17,474,351,271	12,159,953,229	13,384,253,068
Aviation	473,500,000	431,700,000	449,825,000	408,500,000	23,675,000	23,200,000
Miscellaneous	11,437,091,466	21,421,226,200	5,258,401,918	11,235,383,424	6,178,689,548	10,185,842,776
	88,253,246,296	103,234,218,953	43,456,510,399	65,637,065,979	44,796,735,897	37,597,152,974

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 incurred but not reported (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 chain-ladder method is used for each class of business. The month wise factor is applied on claims incurred to determine the amount of IBNR.

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 IBNR is based on historic reporting pattern of the claims; hence, actual amount of IBNR may differ from the amount estimated.

Key assumptions

The principal assumption underlying the liability estimation of IBNR and PDR 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 off reinsurance loss ratios for each class of business are as follows:

Class	2012	2011
	Assumed net loss ratio	
Fire and property	28%	24%
Marine, aviation and transport	43%	32%
Motor	77%	79%
Accident and health	100%	93%
Miscellaneous	58%	57%

Sensitivities

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

	Pre-tax loss		Shareholders' equity	
	2012	2011	2012	2011
10% increase in loss	Rupees			
Fire and property damage	(900,854)	(242,248)	(585,555)	(157,461)
Marine, aviation and transport	(795,745)	(291,755)	(517,234)	(189,641)
Motor	(13,618,029)	(14,449,727)	(8,851,719)	(9,392,322)
Accident and health	(13,795,773)	(9,127,087)	(8,967,252)	(5,932,607)
Miscellaneous	(1,284,545)	(653,456)	(834,955)	(424,746)
	(30,394,946)	(24,764,273)	(19,756,715)	(16,096,777)
10% decrease in loss				
Fire and property damage	900,854	242,248	585,555	157,461
Marine, aviation and transport	795,745	291,755	517,234	189,641
Motor	13,618,029	14,449,727	8,851,719	9,392,322
Accident and health	13,795,773	9,127,087	8,967,252	5,932,607
Miscellaneous	1,284,545	653,456	834,955	424,746
	30,394,946	24,764,273	19,756,715	16,096,777

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 a year.

31 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 minimize 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	
A- or above including Pakistan Reinsurance Company Limited	55,955,024	45,212,918	40,343,116	141,511,058	136,776,700
BBB	4,182,682	3,221,267	-	7,403,949	13,527,729
Others	1,534,487	-	-	1,534,487	612,709
	61,672,193	48,434,185	40,343,116	150,449,494	150,917,138

32 CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is, to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to the shareholders and benefits to other stakeholders and to maintain a strong capital base to support the sustained development of its businesses. The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares. The Securities and Exchange Commission of Pakistan (SECP) through its Circular No. 03 dated April 4, 2007 required the minimum paid up capital for Insurance Companies to be raised to Rs. 300 million by the year ended December 31, 2011. The Company has complied with the requirements as at December 31, 2012.

	2009	2010	2011	2012
	Rupees			
Minimum paid-up capital	200,000,000	250,000,000	300,000,000	300,000,000

Furthermore, the Company has not complied with the minimum solvency requirements as at December 31, 2011 (refer note 10.1.2) and as at December 31, 2012 as against the requirements of section 36 of the Insurance Ordinance, 2000. Management is considering various options to improve its liquidity and expects to overcome the solvency issue in near future.

33 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 transactions. Consequently, difference may arise between the carrying values and the fair value estimates.

The fair value of all the financial instruments are estimated to be not significantly different from their carrying values except for the following investments:

	Carrying value		Market value	
	2012	2011	2012	2011
	----- Rupees -----			
Available-for-sale investments				
- quoted shares (FCEL)	188,000,000	-	271,895,000	-
- mutual funds	32,062,726	39,062,728	35,650,198	40,000,687
(Based on the quoted redemption rates)				
Held-to-maturity investments				
- Term Finance Certificates	-	545,000	-	408,750
(As mentioned by MUFAP on its website, the security has been classified as non-performing)				

34 TRANSACTIONS WITH RELATED PARTIES

The Company has related party relationship with its employee provident fund, key management personnel, entities indicated in note 5 to the financial statements and companies with common directors.

Transactions with related parties during the year and balances with them as at the year-end are as follows:

<i>Transactions and balances with associated companies</i>	Note	2012	2011
		----- Rupees -----	
Insurance premium			
Balance at beginning of the year		215,612,173	136,592,081
Gross insurance premium written (including government levies, administrative surcharge and policies stamps)		86,031,289	149,871,643
Received / Adjusted during the year		(158,036,678)	(70,851,551)
Balance at end of the year	15.1	<u>143,606,784</u>	<u>215,612,173</u>
Insurance claim expense			
Outstanding claims at beginning of the year		16,297,522	16,799,137
Gross claim expense for the year		63,707,990	69,925,805
Claims paid during the year		(58,774,913)	(70,427,420)
Outstanding claims at end of the year	34.1	<u>21,230,599</u>	<u>16,297,522</u>

	Note	2012 ----- Rupees -----	2011
<i>Other transactions during the year with associated companies</i>			
Rental expense	21.1	<u>5,357,059</u>	4,050,461
Income from reverse repo transaction in listed equity securities	13.6	<u>-</u>	8,179,651
Brokerage, commission and advisory expenses	13.8	<u>149,168</u>	920,586
Purchase of investment property	14	<u>-</u>	26,048,414
Advertisement expenses		<u>671,166</u>	1,774,585
Addition to investments - held-for-trading	13.4	<u>1,998,360</u>	-
Addition to investments - available-for-sale	13.5	<u>188,000,000</u>	-
<i>Other balances with associated companies</i>			
Other receivables	19.1	<u>957,648</u>	2,413,692
Premiums received in advance	34.3	<u>2,319,180</u>	917,676
Rent paid in advance	18.2	<u>17,180,191</u>	21,690,272
Security deposits	18.1	<u>4,147,200</u>	4,147,200
Advisory fee payable	7	<u>-</u>	301,947
Purchase of office premises under construction	20.2	<u>34,750,008</u>	135,789,930
<i>Transactions during the year with other related parties (key management personnel)</i>			
Contribution to the Provident Fund	34.4	<u>2,595,747</u>	3,192,755
Remuneration of key management personnel	34.5	<u>17,086,570</u>	19,693,955
<i>Balances with other related parties (key management personnel)</i>			
Payable to the Provident Fund	8	<u>2,166,952</u>	418,976
34.1 Outstanding claims - related parties			
Ever Green Water Valley (Private) Limited		429,888	42,500
First Capital Investment (Private) Limited		-	10,500
First Capital Securities Corporation Limited		-	12,000
Hawk Advertising		15,000	35,000
Media Times (Private) Limited		356,117	909,150
Pace Baraka Properties Limited		29,000	48,500
Pace Pakistan Limited		338,310	1,743,000
Shaheen Aero Traders		-	12,000
Shaheen Air Port Services (SAPS)		238,100	133,499
Shaheen Foundation, PAF		312,214	134,101
Shaheen Knitwear		30,709	37,000
Trident Construct (Private) Limited		5,000	167,000
World Press (Private) Limited		350,000	429,999
WorldCall Services (Private) Limited		1,150,865	35,000
WorldCall Telecom Limited		17,803,013	12,110,274
WorldCall Multimedia		172,383	-
		<u>21,230,599</u>	<u>15,859,523</u>

34.2 Insurance and claim related transactions with related parties are carried in normal course of business.

34.3 Premium received in advance - related parties

	2012	2011
	----- Rupees -----	
Media Times (Private) Limited	2,100,380	58,376
Pace Pakistan Limited	160,424	395,430
Worldcall Telecom Limited	58,376	459,176
Others	-	4,694
	<u>2,319,180</u>	<u>917,676</u>

34.4 Contribution to the Provident Fund is in accordance with the Company's staff services rules.

34.5 Remuneration to the key management personnel are in accordance with the terms of their employment.

34.6 Other transactions are at agreed terms.

35 SUBSEQUENT EVENTS

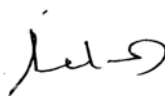
On March 16, 2013, one of the customers of the Company, Lal Enterprises, suffered a loss of stock and spares due to fire at one its warehouses, as a result of which, the Company may suffer a claim expense which is still under the surveyor's assessment. The Company has a reinsurance arrangement in relation to the policy, however, the reinsurance recovery depends on the surveyor's investigation report and clauses of the respective treaty arrangement. The claim is expected to be settled in the subsequent period. However, Company is unable to ascertain the estimated amount of the claim expense due to absence of the surveyor's report.

36 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Company in its meeting held on May 09, 2013.




Chairman



Director



Director



Chief Executive Officer

PATTERN OF SHARE HOLDING
HELD BY THE SHARE HOLDERS AS AT 31ST DECEMBER, 2012

No. Of Share Holders	Share Holding		Total Shares Held
	From	To	
186	1	100	2,962
111	101	500	28,429
70	501	1000	48,929
104	1001	5000	178,560
9	5001	10000	61,011
4	10001	15000	46,133
1	15001	20000	15,500
3	20001	25000	67,249
1	35001	40000	39,824
1	290001	295000	294,037
1	1720001	1725000	1,721,963
1	1870001	1875000	1,870,027
1	2060001	2065000	2,062,318
1	2495001	2500000	2,500,000
1	3135001	3140000	3,136,963
1	3675001	3680000	3,676,425
1	6345001	6350000	6,345,296
1	7900001	7905000	7,904,374
498			30,000,000

CATEGORIES OF SHARE HOLDERS AS REQUIRED UNDER C.C.G
AS ON 31ST DECEMBER, 2012

Name	Holding	% AGE
Associated Companies	25,835,226	86.1174
Directors,CEO their Spouse & Minor Children	4,476	0.0149
Share Held by the General Public	424,241	1.4141
Share Holders Holding 10% or more of Total Capital	21,063,058	70.2102
Joint Stock Companies	3,696,358	12.3212
Banks,Development Finance Institutions, Non Banking Financial Institutions	39,824	0.01327

NAME OF SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL
As on 31st December, 2011

Name	Holding	% AGE
Shaheen Foundation, Pakistan Air Force	7,904,374	26%
The Hollard Company Limited, South Africa	6,345,296	21%
Ensign Communique (PVT) Limited	3,676,425	12%
Worldcall Telecom Limited	3,136,963	10%

Information as required under Code of Corporate Governance Categories of Shareholders as at December 31, 2012

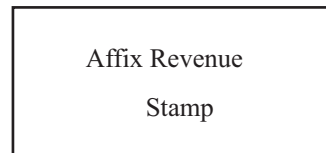
Name	Holding	% AGE
<u>Directors, CEO, their Spouse & Minor Children</u>		
Mr. Arif Pervaiz	713	0.0024
Mr.Zafar Iqbal Mir	625	0.0021
Mr. Zafar Yaseen	625	0.0021
Mr.Shahid Hameed	713	0.0024
Mr. Imran Hafeez	600	0.0020
Mrs. Aamna Taseer	600	0.0020
Mr. Shehary Ali Taseer	600	0.0020
Mr.Faysal Jahangir (CEO)	Nil	Nil
	<u>4,476</u>	<u>0.0149</u>
<u>Associated Companies</u>		
Shaheen Foundation, Pakistan Air Force	7,904,374	26.35
Central Non Public Fund, Pakistan Air Force	2,500,000	8.33
The Hollard Company Limited, South Africa	6,345,296	21.15
First Capital Mutual Fund	2,062,318	6.87
First Capital Securities Corporation Limited	1,870,027	6.23
(H) First Capital Securities Corporation Limited	248	0.00080
Worldcall Telecom Limited	3,136,963	10.46
Pace Pakistan Limited	294,037	0.98
	<u>24,113,263</u>	<u>80.38</u>

PROXY FORM

I/ We _____ of _____
being a
Member(s) of Shaheen Insurance Company Limited, and holders of _____
Ordinary shares as per Registered Folio No. _____ and / or CDC
Participant I.D. No. _____ and Sub Account No. _____ do
hereby appoint _____ of _____ or
Failing him/her _____ of _____
who is also a member of Shaheen Insurance Registered Folio No. _____ to
attend and vote for me / us and on my / our behalf at the 17th Annual General Meeting of the Company to be held
at Dreamworld Resort, Adjacent Block R, Gulshan-e-Maymar Super Highway, Karachi on May 31, 2013 at 3:00 P.M.
and at any adjournment thereof

Signed by : _____

Witness : _____



Date : _____

Note:

1. A member entitled to attend and vote at the meeting may appoint in writing another member as his / her proxy to attend and vote instead of him / her at the meeting. If the member is a corporation, its common seal should be affixed on the instrument.

2. This form of proxy in order to be effective, must be deposited duly completed, at 10th Floor Shaheen Complex M.R. Kayani Road, Karachi not less than 48 hours before the time of holding of the meeting.

3. CDC shareholders and their Proxies are each requested to attach an attested photocopy of their National Identity Card or Passport with this proxy form before submission to the Company.

4. A proxy must be a member of the Company. Signature should agree with the specimen registered with the Company.