

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:

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

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

It is the responsibility of the Company's Board of Directors / management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the 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 Auditing Standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2012 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved International Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- d) the apportionment of assets, liabilities, revenue and expenses between two or more funds has been performed in accordance with the advice of the appointed actuary; and
- e) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

KARACHI

DATED: 26 MAR 2013



 CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali Causer

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED
BALANCE SHEET AS AT DECEMBER 31, 2012

| | | | | (Rupees in '000) | |
|-----------------------------------|--|---------------------|-----------------------------|-----------------------------|----------------|
| Note | Shareholders' fund | Statutory fund | Aggregate December 31, 2012 | Aggregate December 31, 2011 | |
| | | Accident and health | | | |
| Share capital and reserves | | | | | |
| | Authorized share capital | | | | |
| | 80,000,000 ordinary shares of Rs. 10 each | 800,000 | - | 800,000 | 800,000 |
| | Issued, subscribed and paid up share capital | | | | |
| | 50,000,000 ordinary shares of Rs. 10 each | 500,000 | - | 500,000 | 500,000 |
| | Accumulated deficit | (186,369) | - | (186,369) | (72,951) |
| | Net shareholders' equity | 313,631 | - | 313,631 | 427,049 |
| | Balance of statutory fund (including policyholders' liabilities Rs. 153.665 million (December 31, 2011: 111.903 million)) | - | 283,179 | 283,179 | 118,132 |
| | Deferred liabilities | | | | |
| | Staff retirement benefits | 12,794 | - | 12,794 | 8,298 |
| | Creditors and accruals | | | | |
| | Outstanding claims | - | 78,943 | 78,943 | 44,447 |
| | Premium received in advance | - | 907 | 907 | 378 |
| | Amount due to other insurers/reinsurers | - | 1,108 | 1,108 | 1,111 |
| | Amounts due to agents | - | 4,264 | 4,264 | 2,739 |
| | Accrued expenses | 2,310 | - | 2,310 | 2,019 |
| | Other creditors | 1,074 | - | 1,074 | 1,074 |
| | | 3,384 | 85,222 | 88,606 | 51,768 |
| | Other liabilities | 566 | 48 | 614 | 44 |
| | Obligations under finance lease | 437 | - | 437 | 770 |
| | TOTAL LIABILITIES | 17,181 | 368,449 | 385,630 | 179,012 |
| | CONTINGENCIES AND COMMITMENTS | | | | |
| | TOTAL EQUITY AND LIABILITIES | 330,812 | 368,449 | 699,261 | 606,061 |

The annexed notes from 1 to 28 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED
BALANCE SHEET AS AT DECEMBER 31, 2012

| | | (Rupees in '000) | | | |
|-------------------------------|--|---------------------|-----------------------------|-----------------------------|--|
| Note | Shareholders' fund | Statutory fund | Aggregate December 31, 2012 | Aggregate December 31, 2011 | |
| | | Accident and health | | | |
| Cash and bank deposits | | | | | |
| 14 | | | | | |
| | Cash and others | 8 | 8 | 7 | |
| | Current and other accounts | 19,874 | 42,188 | 93,471 | |
| | | 19,874 | 42,196 | 93,478 | |
| Investments | | | | | |
| 15 | | | | | |
| | Government securities | 78,898 | 202,284 | 140,011 | |
| | Listed securities | - | 154,859 | 115,995 | |
| | Open end mutual funds | 111,512 | 118,079 | 158,718 | |
| | | 284,812 | 475,222 | 414,724 | |
| Other assets | | | | | |
| 16 | | | | | |
| | Premiums due but unpaid | 150,365 | 150,365 | 80,365 | |
| | Amounts due from other insurers/reinsurers | 1,472 | 1,472 | 1,772 | |
| | Investment income accrued | - | 537 | 269 | |
| 17 | | | | | |
| | Advances and deposits | 3,880 | 4,534 | 4,303 | |
| | Prepayments | - | 1,698 | 1,238 | |
| 18 | | | | | |
| | Taxation - payments less provision | - | 11,562 | 5,131 | |
| | | 14,451 | 170,168 | 93,078 | |
| Fixed assets | | | | | |
| 19 | | | | | |
| | Tangible assets | - | 9,135 | 4,108 | |
| | Intangible assets | - | 2,540 | 673 | |
| | | 11,675 | 11,675 | 4,781 | |
| TOTAL ASSETS | | | | | |
| | | 330,812 | 699,261 | 606,061 | |

The annexed notes from 1 to 28 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2012

| | | (Rupees in '000) | |
|--|------|----------------------|----------------------|
| | Note | December 31, 2012 | December 31, 2011 |
| Investment income not attributable to statutory funds | | | |
| Return on Government securities | | 13,095 | 15,982 |
| Return on other fixed income securities and deposits | | 3,205 | 2,976 |
| Amortization of discount relative to par | | - | 494 |
| Dividend income | | 11,340 | 9,731 |
| | | 27,640 | 29,183 |
| Gain on sale of investments | | 24,201 | 7,783 |
| Gain/(loss) on revaluation of investments | | | |
| Listed equities | | 38,864 | (12,459) |
| Open end mutual funds | | (15,489) | 9,661 |
| | | 23,375 | (2,798) |
| Total investment income | | 75,216 | 34,168 |
| Less: Investment related expenses | | 20 | 38 |
| Net investment income | | 75,196 | 34,130 |
| Gain / (loss) on disposal of assets | | 11 | (4) |
| Less: Expenses not attributable to statutory funds | 20 | 16,258 | 10,804 |
| Profit before tax | | 58,949 | 23,322 |
| Taxation | 21 | | |
| Current | | (1,231) | (3,101) |
| Prior | | 2,132 | - |
| | | 901 | (3,101) |
| Profit after tax | | 59,850 | 20,221 |
| Earnings per share - basic and diluted (rupees) | 23 | 1.20 | 0.40 |

The annexed notes from 1 to 28 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012

| | (Rupees in '000) | |
|---|----------------------|----------------------|
| | December 31, 2012 | December 31, 2011 |
| Profit after tax | 59,850 | 20,221 |
| Other comprehensive income | - | - |
| Total comprehensive income for the year | <u>59,850</u> | <u>20,221</u> |

The annexed notes from 1 to 28 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012

(Rupees in '000)

| | Issued, subscribed and paid-up capital | Accumulated surplus | Capital contribution to statutory fund | Net accumulated deficit | Total |
|---|---|--------------------------------|---|------------------------------------|----------------|
| Balance as at January 1, 2011 | 500,000 | 125,472 | 156,444 | (30,972) | 469,028 |
| Movement during the year | | | | | |
| Total comprehensive income for the year | - | 20,221 | - | 20,221 | 20,221 |
| Capital contributed during the year | - | - | 62,200 | (62,200) | (62,200) |
| Balance as at December 31, 2011 | 500,000 | 145,693 | 218,644 | (72,951) | 427,049 |
| Movement during the year | | | | | |
| Total comprehensive income for the year | - | 59,850 | - | 59,850 | 59,850 |
| Capital contributed during the year | - | - | 173,268 | (173,268) | (173,268) |
| Balance as at December 31, 2012 | 500,000 | 205,543 | 391,912 | (186,369) | 313,631 |

The annexed notes from 1 to 28 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

(Rupees in '000)

| | Shareholders' fund | Statutory fund Accident and health | Aggregate December 31, 2012 | Aggregate December 31, 2011 |
|---|-----------------------------|---------------------------------------|-----------------------------------|-----------------------------------|
| | Operating cash flows | | | |
| a) Underwriting activities | | | | |
| Premiums received | - | 599,738 | 599,738 | 190,173 |
| Reinsurance premiums paid | - | (1,388) | (1,388) | (1,388) |
| Claims paid | - | (559,027) | (559,027) | (160,285) |
| Commission paid | - | (17,948) | (17,948) | (6,795) |
| Net cash flow from underwriting activities | - | 21,375 | 21,375 | 21,705 |
| b) Operating activities | | | | |
| Income tax paid | (5,530) | - | (5,530) | (3,998) |
| General management expenses paid | (7,392) | (97,951) | (105,343) | (77,232) |
| Other operating payments | (274) | (130) | (404) | (672) |
| Other operating receipts | 461 | 98 | 559 | 117 |
| Net cash flow from other operating activities | (12,735) | (97,983) | (110,718) | (81,785) |
| Total cash flow from all operating activities | (12,735) | (76,608) | (89,343) | (60,080) |
| Investment activities | | | | |
| Profit/return received | 40,501 | 31,413 | 71,914 | 37,153 |
| Dividends received | 11,072 | 189 | 11,261 | 9,477 |
| Payments for investments | (193,500) | (829,187) | (1,022,687) | (318,157) |
| Proceeds from disposal of investments | 340,852 | 648,312 | 989,164 | 332,730 |
| Fixed capital expenditure | (11,235) | - | (11,235) | (750) |
| Proceeds from disposal of assets | 39 | - | 39 | 47 |
| Total cash flow from investing activities | 187,729 | (149,273) | 38,456 | 60,500 |
| Financing activities | | | | |
| Capital payments received by statutory fund | (173,268) | 173,268 | - | - |
| Payments on finance leases | (395) | - | (395) | (395) |
| Total cash flow from financing activities | (173,663) | 173,268 | (395) | (395) |
| Net cash inflow / (outflow) from all activities | 1,331 | (52,613) | (51,282) | 25 |
| Cash at beginning of the year | 18,543 | 74,935 | 93,478 | 93,453 |
| Cash at end of the year | 19,874 | 22,322 | 42,196 | 93,478 |
| Reconciliation to profit and loss account | | | | |
| Operating cash flows | | | (89,343) | (60,080) |
| Depreciation expense | | | (3,376) | (3,254) |
| Gain / (loss) on disposal of fixed assets | | | 11 | (4) |
| Amortization expense | | | (977) | (2,193) |
| Financial charges | | | (62) | (104) |
| Profit on disposal of investment | | | 33,454 | 8,392 |
| Increase in assets other than cash | | | 76,821 | 26,256 |
| Increase in liabilities other than running finance | | | (83,625) | (47,912) |
| Dividend and other investment income | | | 49,989 | 36,466 |
| Unrealized gain/(loss) on held for trading investment | | | 26,975 | (2,148) |
| Deficit of statutory fund | | | 49,983 | 64,802 |
| Profit after taxation | | | 59,850 | 20,221 |

The annexed notes from 1 to 28 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED
REVENUE ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2012

(Rupees in '000)

| | Statutory fund | December 31, | December 31, |
|---|-----------------------|-----------------------|-----------------------|
| | Accident and | 2012 | 2011 |
| | health | | |
| Income | | | |
| Premium less reinsurances | 668,518 | 668,518 | 211,232 |
| Net investment income | 35,202 | 35,202 | 8,542 |
| Total net income | <u>703,720</u> | <u>703,720</u> | <u>219,774</u> |
| Claims and expenditure | | | |
| Claims, including bonuses, net of reinsurance recoveries | 593,522 | 593,522 | 178,482 |
| Management expenses less recoveries | 118,419 | 118,419 | 81,337 |
| Total claims and expenditure | <u>711,941</u> | <u>711,941</u> | <u>259,819</u> |
| Deficit of income over claims and expenditure | (8,221) | (8,221) | (40,045) |
| Add: Policyholders' liabilities at beginning of the year | 111,903 | 111,903 | 87,146 |
| Less: Policyholders' liabilities at end of the year | 153,665 | 153,665 | 111,903 |
| Deficit | <u>(49,983)</u> | <u>(49,983)</u> | <u>(64,802)</u> |
| Movement in policyholders' liabilities | 41,762 | 41,762 | 24,757 |
| Transfers from shareholders' fund | | | |
| - Capital contributions from shareholders' fund | 173,268 | 173,268 | 62,200 |
| Net transfer from shareholders' fund | 173,268 | 173,268 | 62,200 |
| Balance of statutory fund at beginning of the year | <u>118,132</u> | <u>118,132</u> | <u>95,977</u> |
| Balance of statutory fund at end of the year | <u><u>283,179</u></u> | <u><u>283,179</u></u> | <u><u>118,132</u></u> |
| Represented by: | | | |
| Capital contributed by shareholders' fund | 391,912 | 391,912 | 218,644 |
| Policyholders' liabilities | 153,665 | 153,665 | 111,903 |
| Retained earnings on other than participating business | (262,398) | (262,398) | (212,415) |
| Balance of statutory fund at end of the year | <u><u>283,179</u></u> | <u><u>283,179</u></u> | <u><u>118,132</u></u> |

The annexed notes from 1 to 28 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED
STATEMENT OF PREMIUMS
FOR THE YEAR ENDED DECEMBER 31, 2012

(Rupees in '000)

| | Statutory fund | December 31, 2012 | December 31, 2011 |
|---|--------------------------------|------------------------------|------------------------------|
| | Accident and health | | |
| Gross premiums | | | |
| Single premium individual policies | 32,935 | 32,935 | 7,816 |
| Group policies without cash value | 636,971 | 636,971 | 204,804 |
| Total gross premiums | 669,906 | 669,906 | 212,620 |
| Less: Reinsurance premiums ceded | | | |
| On group policies | 1,388 | 1,388 | 1,388 |
| | 668,518 | 668,518 | 211,232 |

The annexed notes from 1 to 28 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED
STATEMENT OF CLAIMS
FOR THE YEAR ENDED DECEMBER 31, 2012

(Rupees in '000)

| Statutory fund | December 31, | December 31, | |
|---|---------------------|---------------------|-------------|
| Accident and health | | | 2012 |
| Gross claims | | | |
| Claims under individual policies | | | |
| by insured event other than death | 3,421 | 3,421 | 2,036 |
| Total gross individual policy claims | 3,421 | 3,421 | 2,036 |
| Claims under group policies | | | |
| by insured event other than death | 590,101 | 590,101 | 176,446 |
| Total gross group policy claims | 590,101 | 590,101 | 176,446 |
| Total gross claims | 593,522 | 593,522 | 178,482 |
| Less: Reinsurance recoveries | | | |
| On group policies | - | - | - |
| Total reinsurance | - | - | - |
| Net claims | 593,522 | 593,522 | 178,482 |

The annexed notes from 1 to 28 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED
STATEMENT OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

(Rupees in '000)

| Statutory fund | December 31, 2012 | December 31, 2011 |
|---------------------|----------------------|----------------------|
| Accident and health | | |

Acquisition costs

Remuneration to insurance intermediaries on individual policies:

Commission on single premiums 5,252 5,252 1,400

Remuneration to insurance intermediaries on group policies

Commission 14,625 14,625 3,616

Total acquisition cost

19,877 19,877 5,016

Administration expenses

Salaries, allowances and other benefits

60,983 60,983 47,786

Travelling and conveyance

3,398 3,398 2,070

Communication

3,535 3,535 3,208

Utilities

1,359 1,359 1,260

Auditors' remuneration

444 444 364

Legal and professional

2,086 2,086 2,371

Printing and stationery

2,610 2,610 1,753

Advertisement

2,219 2,219 364

Vehicle running and maintenance

5,399 5,399 3,513

Fees, subscription and periodicals

61 61 95

Rent, rates and taxes

5,167 5,167 3,469

Repair and maintenance

2,680 2,680 1,363

Entertainment

1,139 1,139 388

Depreciation/amortization

3,466 3,466 4,476

Insurance

3,000 3,000 1,894

Bank charges

72 72 -

Interest on leased vehicle

46 46 83

Provision for doubtful debts

590 590 1,559

Other expenses

288 288 305

98,542 98,542 76,321

Gross management expenses

118,419 118,419 81,337

Commission from reinsurers

- - -

Net management expenses

118,419 118,419 81,337

The annexed notes from 1 to 28 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED
STATEMENT OF INVESTMENT INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012

(Rupees in '000)

| | Statutory fund | | |
|---|----------------------------|--------------------------|--------------------------|
| | Accident and health | December 31, 2012 | December 31, 2011 |
| Investment income | | | |
| On Government securities | | 12,233 | 12,233 |
| On other fixed income securities and deposits | | 9,927 | 9,927 |
| Dividend income | | 189 | 189 |
| Total | | 22,349 | 22,349 |
| Gain on sale of investments | | 9,253 | 9,253 |
| Gain on revaluation of investments | | | |
| Open end mutual funds | | 3,600 | 3,600 |
| Less: Investment related expenses | | - | - |
| Net investment income | | 35,202 | 35,202 |
| | | | 8,542 |

The annexed notes from 1 to 28 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

1. STATUS AND NATURE OF BUSINESS

- 1.1 Asia Care Health & Life Insurance Company Limited (the Company) was incorporated on March 19, 2008 under the Companies Ordinance, 1984 as public limited company and is registered as a life insurance company by the Securities and Exchange Commission of Pakistan (SECP) under the Insurance Ordinance, 2000. The Company obtained license to carry on life and related lines of insurance business on March 02, 2009. The registered office of the Company is situated at 15-17C, 2nd Floor, Commercial Lane No. 5, Zamzama Phase 5, DHA, Karachi.
- 1.2 The Company is engaged in life insurance business carrying on ordinary accident and health business and has established "accident and health business" statutory fund, as required by the Insurance Ordinance, 2000.
- 1.3 The Company is a subsidiary of Noorsehat Health Systems Limited, Cayman Islands, which is managed by Noorsehat Health Systems Management LLC based in New York, USA.

2 BASIS FOR PRESENTATION

These financial statements have been prepared in accordance with the format prescribed under Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 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 prevail.

2.2 Standards, interpretations and amendments to approved accounting standards that are not yet effective

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

**Effective date
(annual periods
beginning on or
after)**

Standard or Interpretation

| | |
|--|------------------|
| IAS 1 - Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income | July 01, 2012 |
| IAS 19 - Employee Benefits (Revised) | January 01, 2013 |
| IAS 32 - Offsetting Financial Assets and Financial Liabilities - (Amendment) | January 01, 2014 |

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application other than the revision to IAS 19 'Employee Benefits' as described below:

The significant changes to IAS 19 are as follows:

- For defined benefit plans, the option to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in the profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit obligation are recognized directly in other comprehensive income with no subsequent recycling through the profit and loss account.
- The distinction between short term and long term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.
- The revised standard has new or revised disclosure requirements. The disclosures now include quantitative information regarding the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

The Company is currently assessing the full impact of the above amendments to IAS 19 on its financial statements. It is expected that the adoption of the said amendments, which are effective only from January 1, 2013, will result in a change in the Company's accounting policy related to recognition of actuarial gains and losses and in the recognition of cumulative unrecognized actuarial loss amounting to Rs. 0.882 million in other comprehensive income in the period of initial application.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 1, 2013. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

The following new standards have been issued by the IASB, but have not yet been notified by the SECP for application in Pakistan.

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

2.3 Functional and presentation currency

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

3 BASIS OF MEASUREMENT

These financial statements have been prepared on the basis of the historical cost convention except revaluation of certain investments at fair values and valuation of policyholders' liabilities and staff retirement benefits on the basis of actuarial valuation.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of financial statements are as follows:

4.1 Insurance contracts

Insurance contracts are those contracts where the Company [the insurer] has accepted significant insurance risk from another party [the policyholders] by agreeing to compensate the policyholders if a specified uncertain future event [the insured event] adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

4.2 Statutory funds

The Company maintains statutory fund for accident and health business. Assets, liabilities, revenues and expenses are recorded in the fund, if referable or, on the basis of actuarial advice if not referable. Other assets, liabilities, revenue and expenses are allocated to shareholders' fund. Policyholders' liabilities have been included in statutory fund on the basis of actuarial valuation carried out by the appointed actuary of the Company on the balance sheet date as required by Section 50 of the Insurance Ordinance, 2000.

4.3 Policyholders' liabilities

Policyholders' liabilities are stated at a value determined by the appointed actuary through an actuarial valuation carried out as at each balance sheet date. In determining the value both acquired policy values (which forms the bulk of policyholders' liabilities) as well as estimated values are considered. The basis used are applied consistently from year to year.

Policyholders' liabilities mainly represent estimates for unearned premium, premium deficiency reserve and provision for liabilities incurred but not reported (IBNR).

4.4 Revenue recognition

Gross premiums

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods.

Unearned premium reserve

Unearned premiums are those proportions of premiums written in an accounting period that relate to periods of risk after the balance sheet date. The proportions attributable to subsequent periods is deferred as a provision for unearned premiums and is calculated by the actual method for all policies. A provision for unearned premiums is included in the policyholders' liabilities.

Reinsurance premiums

Gross reinsurance premiums written comprise the total premiums paid or payable for the whole cover provided by contracts entered into during the period and are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts commencing in prior accounting periods.

Reinsurance premium is recognised as expense after taking into account the proportion of deferred premium expense. The deferred portion premium expense is recognised as a prepayment.

Premium deficiency reserve

The Company maintains a provision in respect of premium deficiency for the 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 at the balance sheet date. The provision at the balance sheet date is determined by the appointed actuary and is included in the policyholders' liability, if any. The movement in the premium deficiency reserve is charged to income currently.

4.5 Claims

A liability for outstanding claims is recognized in respect of all claims incurred up to the balance sheet date, as soon as reliable estimates of the claim amount can be made. The liability for claims incurred but not reported at the year end is determined by the appointed actuary and are included in the policyholders' liabilities.

4.6 Claims recoveries

Claim recoveries receivable from the reinsurers are recognized at the same time as the claim which gives rise to the right of recovery and are measured at the amount expected to be recovered.

4.7 Liability adequacy test

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related deferred policy acquisition costs, if any. Any deficiency is immediately charged to profit or loss initially by writing off the deferred policy acquisition costs, if any, and by subsequently establishing a provision for losses arising from liability adequacy tests.

4.8 Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, insurance contract holders and insurance companies.

4.9 Other revenue recognition

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

Return on bank balances and deposits are recognized on accrual basis.

Gain / loss on sale of investments is included in profit and loss account in the period of sale.

4.10 Acquisition costs

These are costs incurred in acquiring insurance policies, and include, without limitation remuneration paid to insurance agents.

Commissions and other direct expenses are recognized as an expense in the earlier of the financial year in which they are paid and financial year in which they become due and payable, except that commission and other expenses which are directly referable to the acquisition or renewal of specific contracts are recognized not later than the period in which the premium to which they refer is recognized as revenue.

4.11 Fixed assets

Owned assets

These are stated at cost less accumulated depreciation and any impairment in value. Maintenance and normal repairs are charged to income as and when incurred, whereas major renewals and replacements are capitalized.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. Depreciation on additions is charged for the full month in which an asset has been purchased and no depreciation is charged on the assets disposed off or retired during the month.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses on disposal of assets, if any, are included in income currently.

Assets subject to finance lease

The assets under finance lease are recorded at an amount equal to fair value of the leased assets at inception of the lease or, if lower, at the present value of minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor is the interest rate implicit in the lease or incremental borrowing rate of the Company, where appropriate.

Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on outstanding liability.

Depreciation is charged to income applying the straight-line method on a basis similar to owned assets.

Intangible assets

Costs incurred on the acquisition of intangible assets are capitalized and are amortized over the useful life of the related assets on straight line basis.

Impairment

The carrying values of the Company's fixed assets are reviewed at each financial year end for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

4.12 Investments

All investments are initially recognized at fair value and include transaction costs except for investments at fair value through profit and loss account in which case transaction costs are charged to 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 settlement date. These investments are classified upon initial recognition as follows:

Investments at fair value through profit and loss account

These include held-for-trading investments and those designated under this category upon initial recognition. Subsequent to initial recognition, these are carried at fair value. The fair value of investments is determined by reference to quoted market price or declared net asset value in case of open-end mutual funds with a resultant gain or loss being included in profit or loss for the period.

Held-to-maturity

Investments with fixed maturity, where management has both intent and the ability to hold to maturity, are classified as held-to-maturity. Subsequently, these are measured at amortized cost using effective interest rate method and taking into account any discount or premium on acquisition.

Available-for-sale

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity are classified as available for sale. Subsequent to initial recognition, these are measured at the lower of cost and market value (market value being taken as lower if the fall is other than temporary) in accordance with the requirement of the SEC (Insurance) Rules, 2002.

4.13 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 goods and / or services received, whether or not billed to the Company.

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events, when it is probable that an outflow of resources 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 estimate.

4.14 Staff retirement benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme for all its permanent employees and provision is made to cover the obligation under the law based on actuarial advice.

4.15 Taxation

Current

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account rebates and tax credits available, if any in accordance with the Income Tax Ordinance, 2001.

Deferred

Deferred tax is recognized using the liability method on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax losses and unused tax credits to the extent that it is probable that the taxable profits will be available against which these can be utilized.

4.16 Dividend

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved.

4.17 Financial instruments

Financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expire or is transferred along with the risks and rewards of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial assets and liabilities is recognised in the profit and loss account of the current period.

4.18 Off-setting of financial assets and financial liabilities

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

4.19 Foreign currencies

Transactions in foreign currencies are accounted for in Pak Rupees (functional currency) at the rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Rupees at the rates of exchange prevailing at the balance sheet date.

4.20 Transactions with related parties

All transactions with related parties are carried out by the Company on arm's length basis.

5 ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affects the application of policies and reported amount of assets and liabilities, income and expenses.

Actual results may differ from these estimates. The estimates and underlying assumption are reviewed on an on going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision effects only that period, or in the period and future periods if the revision effects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant impact on the amount recognized in the financial statements are:

a Policyholders' liabilities

Policyholders' liabilities are calculated by the appointed actuary on the basis of assumptions.

Calculation for premium deficiency reserve and claims incurred but not reported (IBNR) is calculated by the appointed actuary on the basis of assumptions that the claim lag patterns will follow the historical trend experience.

b Taxation

Provision for taxation is based on the assumption that tax assessments will be finalized in accordance with the historical experience of the Company.

c Retirements benefits

Certain actuarial assumptions have been adopted as disclosed in note 9 of these financial statements for valuation of present value of defined benefit obligation.

d Impairment

The Company assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceeds recoverable amount, assets are written down to the recoverable amounts and the resulting impairment loss is recognized as expense in the profit and loss account, unless the asset is carried at revalued amount. Any impairment loss of revalued assets is treated as revaluation decrease.

6 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

| Issued, subscribed and paid up capital | | | (Rupees in '000) | |
|---|------------|---|------------------|---------|
| 2012 | 2011 | | 2012 | 2011 |
| (No. of shares) | | | | |
| 50,000,000 | 50,000,000 | Issued, subscribed and paid up Ordinary shares of Rs. 10 each issued for cash | 500,000 | 500,000 |
| 49,999,997 | 49,999,997 | Shares held by holding company (M/s Noorsehat Health Systems Limited, Cayman Islands) | 499,999 | 499,999 |
| | | Percentage of holding | 99.99% | 99.99% |

7 POLICY HOLDERS' LIABILITIES

| | (Rupees in '000) | | |
|--|------------------------|----------------------|----------------------|
| | Statutory fund | December 31, 2012 | December 31, 2011 |
| | Accident and health | | |
| Gross of reinsurance | | | |
| Actuarial liability relating to future events | 135,818 | 135,818 | 106,961 |
| Provision for incurred but not reported claims | 18,425 | 18,425 | 5,520 |
| | 154,243 | 154,243 | 112,481 |
| Net of reinsurance | | | |
| Actuarial liability relating to future events | 135,240 | 135,240 | 106,383 |
| Provision for incurred but not reported claims | 18,425 | 18,425 | 5,520 |
| | 153,665 | 153,665 | 111,903 |

8 MOVEMENT OF STATUTORY FUND

Policyholder liabilities

| | | | |
|----------------------------------|---------|---------|---------|
| Balance at beginning of the year | 111,903 | 111,903 | 87,146 |
| Increase during the year | 41,762 | 41,762 | 24,757 |
| Balance at end of the year | 153,665 | 153,665 | 111,903 |

Retained earnings on other than participating business

| | | | |
|--|-----------|-----------|-----------|
| Balance at beginning of the year | (212,415) | (212,415) | (147,613) |
| Deficit allocated in respect of the year | (49,983) | (49,983) | (64,802) |
| Surplus appropriated to shareholders' fund | - | - | - |
| Balance at end of the year | (262,398) | (262,398) | (212,415) |

Capital contributed by shareholders' fund

| | | | |
|-------------------------------------|---------|---------|---------|
| Balance at beginning of the year | 218,644 | 218,644 | 156,444 |
| Capital contributed during the year | 173,268 | 173,268 | 62,200 |
| Capital withdrawn during the year | - | - | - |
| Balance at end of the year | 391,912 | 391,912 | 218,644 |
| Balance of statutory fund | 283,179 | 283,179 | 118,132 |

9 STAFF RETIREMENT BENEFITS

General description

The scheme provides for terminal benefits for all its permanent employees who attain the minimum qualifying period at varying percentages of last drawn gross salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at December 31, 2012, using the Projected Unit Credit Method.

Principal actuarial assumptions

Following are a few important actuarial assumptions used in the valuation:

| | 2012 | 2011 |
|--|--------|--------|
| Annual discount rate | 12.50% | 13.00% |
| Annual expected rate of increase in salary | 12.50% | 13.00% |

(Rupees in '000)

| | Aggregate December 31, 2012 | Aggregate December 31, 2011 |
|--|-----------------------------------|-----------------------------------|
| Reconciliation of due to defined benefit plan | | |
| Present value of defined benefit obligation | 13,676 | 8,983 |
| Fair value of plan assets | - | - |
| | <u>13,676</u> | <u>8,983</u> |
| Net actuarial (loss) to be recognized in later periods | (882) | (685) |
| Closing net liability | <u><u>12,794</u></u> | <u><u>8,298</u></u> |

Movement of the liability recognized in the balance sheet

| | | |
|---|----------------------|---------------------|
| Opening net liability | 8,298 | 4,799 |
| Charge for the year | 5,130 | 3,675 |
| Contribution to fund made during the year | (634) | (176) |
| Closing net liability | <u><u>12,794</u></u> | <u><u>8,298</u></u> |

Charge for the year

| | | |
|---|---------------------|---------------------|
| Current service cost | 3,747 | 2,724 |
| Interest cost | 1,383 | 949 |
| Expected return on plan assets | - | - |
| Actuarial losses recognized during the year | - | 2 |
| Charge for the year | <u><u>5,130</u></u> | <u><u>3,675</u></u> |

(Rupees in '000)

2012 2011 2010

Historical information of Staff Gratuity Fund:**a) Present value of Defined Benefit Obligation**

| | | | |
|---|-----------------|----------------|----------------|
| Present value of defined benefit obligation | (13,676) | (8,983) | (5,352) |
| Fair value of plan assets | - | - | - |
| Funded status | <u>(13,676)</u> | <u>(8,983)</u> | <u>(5,352)</u> |

b) Experience Adjustments

| | | | |
|---------------------------------------|-----|-----|-------|
| Experience (gain)/loss on obligation | 196 | 133 | (499) |
| Experience gain/(loss) on plan assets | - | - | - |

Based on actuarial advice, the management estimates that the charge in respect of defined benefit plan for the year ending December 31, 2013 would be Rs. 6.432 million.

10 ACCRUED EXPENSES

(Rupees in '000)

| Note | Shareholders' fund | Statutory fund | Aggregate December 31, 2012 | Aggregate December 31, 2011 | |
|------|--------------------|---------------------|-----------------------------|-----------------------------|--------------|
| | | Accident and health | | | |
| | Audit fee | 382 | - | 382 | 300 |
| | Other expenses | 1,928 | - | 1,928 | 1,719 |
| | | <u>2,310</u> | <u>-</u> | <u>2,310</u> | <u>2,019</u> |

11 OTHER CREDITORS

| | | | | | |
|------------------|------|--------------|----------|--------------|--------------|
| Sundry creditors | 11.1 | 1,074 | - | 1,074 | 1,074 |
| | | <u>1,074</u> | <u>-</u> | <u>1,074</u> | <u>1,074</u> |

11.1 This includes an amount of Rs. 0.274 million (2011: Rs. 0.274 million) payable to the Holding Company.

12 OBLIGATIONS UNDER FINANCE LEASE

(Rupees in '000)

| | December 31, 2012 | | December 31, 2011 | |
|--|------------------------|---------------|------------------------|---------------|
| | Minimum lease payments | Present value | Minimum lease payments | Present value |
| Within one year | 453 | 437 | 395 | 333 |
| After one year but not more than five year | - | - | 453 | 437 |
| Total minimum lease payments | 453 | 437 | 848 | 770 |
| Less: Amount representing finance charges | 16 | - | 78 | - |
| Present value of minimum lease | 437 | 437 | 770 | 770 |
| Less: Current portion | 437 | 437 | 333 | 333 |
| | - | - | 437 | 437 |

The total lease rentals due under the lease agreements aggregate to Rs. 0.453 million (2011: Rs. 0.848 million) and are payable in equal monthly installments till September, 2013. Taxes, repairs and insurance costs are to be borne by the Company. Financing rate approximately 13.42% (2011: 13.42%) per annum have been used as the discounting factor. Purchase options can be exercised by the Company by paying 10% of the leased amount.

13 CONTINGENCIES AND COMMITMENTS

There were no significant contingencies and commitments as at the balance sheet date.

14 CASH AND BANK DEPOSITS

(Rupees in '000)

| | Shareholders' fund | Statutory fund | Aggregate December 31, 2012 | Aggregate December 31, 2011 |
|----------------------------|--------------------|---------------------|-----------------------------|-----------------------------|
| | | Accident and health | | |
| Cash and others | - | 8 | 8 | 7 |
| Current and other accounts | | | | |
| Current account | 11 | 2,126 | 2,137 | 473 |
| Saving account | 19,863 | 20,188 | 40,051 | 92,998 |
| | 19,874 | 22,322 | 42,196 | 93,478 |

14.1 These carry profit at rates ranging from 5% to 10.5% per annum (2011: 5% to 10.5% per annum).

15 INVESTMENTS

(Rupees in '000)

| | Note | Shareholders' fund | Statutory fund | Aggregate December 31, 2012 | Aggregate December 31, 2011 |
|-----------------------|------|--------------------|---------------------|-----------------------------|-----------------------------|
| | | | Accident and health | | |
| Held to maturity | | | | | |
| Government securities | 15.1 | 123,386 | 78,898 | 202,284 | 140,011 |
| Held for trading | | | | | |
| Listed equities | 15.2 | 154,859 | - | 154,859 | 115,995 |
| Open end mutual funds | 15.3 | 6,567 | 111,512 | 118,079 | 158,718 |
| | | <u>284,812</u> | <u>190,410</u> | <u>475,222</u> | <u>414,724</u> |

15.1 Government securities

| | | | | | |
|-------------------------|--------|----------------|---------------|----------------|----------------|
| 1 year Treasury bills | 15.1.1 | 54,530 | - | 54,530 | 140,011 |
| 3 months Treasury bills | | 68,856 | 78,898 | 147,754 | - |
| | | <u>123,386</u> | <u>78,898</u> | <u>202,284</u> | <u>140,011</u> |

15.1.1 The Company has deposited 1 year Treasury Bill having face value of Rs.58 million (2011: 1 year treasury bill having face value Rs. 56 million) with State Bank of Pakistan under Section 29 of Insurance Ordinance, 2000.

15.2 Listed securities

| 2012 | 2011 | | December 31, 2012 | December 31, 2011 |
|---------------|---------|---|-------------------|-------------------|
| No. of shares | | | | |
| 6,500 | 6,500 | Al-Ghazi Tractors Limited | 1,549 | 1,253 |
| 300 | 300 | Siemens Pakistan Limited | 232 | 317 |
| 163,280 | 148,437 | National Bank of Pakistan Limited | 8,064 | 6,094 |
| 78,540 | 78,540 | United Bank Limited | 6,571 | 4,115 |
| 62,557 | 56,870 | MCB Bank Limited | 13,122 | 7,655 |
| 111,937 | 101,761 | Habib Bank Limited | 13,187 | 10,795 |
| 52,308 | 47,553 | Allied Bank Limited | 3,844 | 2,562 |
| 27,000 | 27,000 | Lucky Cement Limited | 4,091 | 2,026 |
| 7,200 | 7,200 | DG Khan Cement Limited | 393 | 137 |
| 4,657 | 7,000 | ICI Pakistan Limited | 810 | 842 |
| 2,342 | - | AKZO Nobel Pakistan Limited | 203 | - |
| 5,400 | 5,400 | International Industries Limited | 178 | 205 |
| 40,000 | 40,000 | Fauji Fertilizer Bin Qasim Limited | 1,544 | 1,697 |
| 71,250 | 47,500 | Fauji Fertilizer Company Limited | 8,346 | 7,103 |
| 60,060 | 46,200 | Engro Pakistan Limited | 5,528 | 4,283 |
| 1,800 | 1,800 | Nestle Pakistan Limited | 8,520 | 6,475 |
| 200 | 200 | Rafhan Maize Products Company Limited | 800 | 503 |
| 8,383 | 8,383 | IGI Insurance Limited | 807 | 371 |
| 32,000 | 32,000 | Pakistan Reinsurance Company Limited | 782 | 496 |
| 28,000 | 28,000 | Jahangir Siddiqui & Company Limited | 452 | 113 |
| 136,000 | 136,000 | Oil & Gas Development Corporation Limited | 26,195 | 20,620 |
| 50,000 | 50,000 | Pakistan Oil Fields Limited | 21,877 | 17,323 |

| | | (Rupees in '000) | | |
|---------------|--------|--------------------------------------|----------------------|--------|
| 2012 | 2011 | December 31, 2012 | December 31, 2011 | |
| No. of shares | | | | |
| 96,360 | 70,080 | Pakistan Petroleum Limited | 17,036 | 12,975 |
| 3,000 | 3,000 | Attock Refinery Limited | 503 | 323 |
| 2,000 | 2,000 | National Refinery Limited | 423 | 485 |
| 12,000 | 10,000 | Pakistan State Oil Limited | 2,787 | 2,272 |
| 5,000 | 5,000 | Packages Limited | 756 | 413 |
| 3,795 | 3,000 | Glaxosmithkline Pakistan Limited | 278 | 231 |
| 4,500 | 4,500 | Abbott Laboratories Pakistan Limited | 1,033 | 449 |
| 45,000 | 45,000 | Kot Addu Power Company Limited | 2,223 | 1,859 |
| 50,000 | 50,000 | Hub Power Company Limited | 2,262 | 1,710 |
| 7,250 | 7,250 | Nishat Mills Limited | 463 | 293 |
| | | 154,859 | 115,995 | |

15.3 Open end mutual funds

| (Rupees in '000) | | | | |
|--------------------------------|----------------------|----------------------|---------|----------------------|
| | No. of units 2012 | No. of units 2011 | Cost | Market value 2012 |
| Shareholder fund | | | | |
| ABL Cash Fund | - | 2,953,695 | - | - |
| IGI Money Market Fund | 8,272 | 294,658 | 684 | 832 |
| NIT Govt. Bond Fund | 545,359 | 3,744,094 | 4,588 | 5,735 |
| Meezan Sovereign Fund | - | 589,308 | - | - |
| Pakistan Cash Management Fund | - | 474,185 | - | - |
| | | | 5,272 | 6,567 |
| Statutory fund | | | | |
| KASB Cash Fund | - | 55,918 | - | - |
| Faysal Money Market Fund | 173,474 | - | 16,890 | 17,854 |
| IGI Money Market Fund | 207,780 | - | 19,924 | 20,908 |
| NIT Govt. Bond Fund | 1,708,274 | - | 17,820 | 17,964 |
| ABL Government Securities Fund | 1,974,849 | - | 19,043 | 19,860 |
| UBL Liquidity Plus Fund | 97,251 | - | 9,293 | 9,752 |
| Pakistan Cash Management Fund | 114,490 | - | 5,470 | 5,740 |
| Meezan Sovereign Fund | 239,528 | - | 11,431 | 12,008 |
| PICIC Cash Fund | 186 | - | 18 | 19 |
| UBL Government Securities Fund | 73,510 | - | 7,088 | 7,407 |
| | | | 106,977 | 111,512 |

16 PREMIUM DUE BUT UNPAID

| (Rupees in '000) | | |
|------------------------------------|-----------------------------------|-----------------------------------|
| Statutory fund | Aggregate December 31, 2012 | Aggregate December 31, 2011 |
| Accident and health | | |
| Gross premium due but unpaid | 154,073 | 83,483 |
| Less: Provision for doubtful debts | 3,708 | 3,118 |
| | 150,365 | 80,365 |

17 ADVANCES AND DEPOSITS

(Rupees in '000)

| | Shareholders' fund | Statutory fund | Aggregate December 31, 2012 | Aggregate December 31, 2011 |
|----------------|--------------------|---------------------|-----------------------------|-----------------------------|
| | | Accident and health | | |
| Advances | 71 | - | 71 | 122 |
| Lease deposits | 158 | - | 158 | 158 |
| Other deposits | 425 | 3,880 | 4,305 | 4,023 |
| | 654 | 3,880 | 4,534 | 4,303 |

18 TAXATION-NET

| | | | | |
|------------------------|--------|---|--------|---------|
| Opening balance | 5,131 | - | 5,131 | 4,234 |
| Advance tax | 5,530 | - | 5,530 | 3,998 |
| Provision for taxation | 901 | - | 901 | (3,101) |
| | 11,562 | - | 11,562 | 5,131 |

19 FIXED ASSETS

TANGIBLE ASSETS

| Description | Cost | | | | | Depreciation | | | (Rupees in '000) | | |
|---------------------------------|------------------|--------------|--------------|------------------|--------|------------------|--------------|--------------|------------------|-------------------------------------|-------------------------------------|
| | As at 01-01-2012 | Additions | (Disposals) | As at 31-12-2012 | Rate % | As at 01-01-2012 | For the year | (Adjustment) | As at 31-12-2012 | Written down value as at 31-12-2012 | Written down value as at 31-12-2011 |
| | | | | | | | | | | | |
| Owned | | | | | | | | | | | |
| Furniture and fixture | 2,779 | 3,558 | - | 6,337 | 20 | 1,605 | 935 | - | 2,540 | 3,797 | 1,174 |
| Office and electrical equipment | 3,081 | 3,172 | (55) | 6,198 | 20 | 1,970 | 972 | (47) | 2,895 | 3,303 | 1,111 |
| Computer equipment | 5,421 | 1,701 | (64) | 7,058 | 33.33 | 4,528 | 884 | (44) | 5,368 | 1,690 | 893 |
| Motor vehicles | 1,350 | - | - | 1,350 | 20 | 945 | 270 | - | 1,215 | 135 | 405 |
| | 12,631 | 8,431 | (119) | 20,943 | | 9,048 | 3,061 | (91) | 12,018 | 8,925 | 3,583 |
| Leased | | | | | | | | | | | |
| Motor vehicles | 1,575 | - | - | 1,575 | 20 | 1,050 | 315 | - | 1,365 | 210 | 525 |
| Total Tangible 2012 | 14,206 | 8,431 | (119) | 22,518 | | 10,098 | 3,376 | (91) | 13,383 | 9,135 | 4,108 |

INTANGIBLE ASSETS

| Description | Cost | | | | | Depreciation | | | (Rupees in '000) | | |
|------------------------------|------------------|--------------|-------------|------------------|--------|------------------|--------------|--------------|------------------|-------------------------------------|-------------------------------------|
| | As at 01-01-2012 | Additions | (Disposals) | As at 31-12-2012 | Rate % | As at 01-01-2012 | For the year | (Adjustment) | As at 31-12-2012 | Written down value as at 31-12-2012 | Written down value as at 31-12-2011 |
| | | | | | | | | | | | |
| Software | 7,702 | 2,844 | - | 10,546 | 33.33 | 7,029 | 977 | - | 8,006 | 2,540 | 673 |
| Total Intangible 2012 | 7,702 | 2,844 | - | 10,546 | | 7,029 | 977 | - | 8,006 | 2,540 | 673 |

Disposal of fixed assets

| | Cost | Accumulated depreciation | Book value | Sales proceeds | Gain/(loss) | Mode of disposal |
|---------------------------------|------|--------------------------|------------|----------------|-------------|----------------------|
| Computer equipment | 64 | 44 | 20 | 30 | 10 | Insurance settlement |
| Office and electrical equipment | 55 | 47 | 8 | 9 | 1 | Exchange |

(Rupees in '000)

December 31, 2012 December 31, 2011

20 EXPENSES NOT ATTRIBUTABLE TO STATUTORY FUND

| | | |
|---|-------|-------|
| Salaries, allowances and other benefits | 8,296 | 5,720 |
| Travelling and conveyance | 500 | 148 |
| Communication | 818 | 624 |
| Utilities | 337 | 262 |
| Audit fee | 111 | 91 |
| Legal and professional | 1,888 | 1,473 |
| Printing and stationery | 170 | 61 |

(Rupees in '000)

| | Note | December 31, 2012 | December 31, 2011 |
|------------------------------------|------|----------------------|----------------------|
| Advertising and promotion | | 23 | - |
| Vehicle running and maintenance | | 457 | 228 |
| Fees, subscription and periodicals | | 16 | 23 |
| Rent, rates and taxes | | 302 | 174 |
| Repair and maintenance | | 1,108 | 288 |
| Entertainment | | 154 | 71 |
| Depreciation | | 692 | 533 |
| Amortization | | 195 | 438 |
| Insurance | | 796 | 473 |
| Interest on leased vehicle | | 16 | 21 |
| Charity and donation | | 100 | 100 |
| Workers' welfare fund | | 183 | - |
| Other expenses | | 96 | 76 |
| | | <u>16,258</u> | <u>10,804</u> |

21 TAXATION - PAYMENTS LESS PROVISION

| | | | |
|----------|------|------------|----------------|
| Current | 21.1 | (1,231) | (3,101) |
| Prior | | 2,132 | - |
| Deferred | 21.2 | - | - |
| | | <u>901</u> | <u>(3,101)</u> |

21.1 Reconciliation of tax expense and accounting profit is not presented as income of the Company falls under the minimum tax regime and final tax regime.

21.2 Deferred tax arising due to timing differences calculated at the current rate of taxation amounts to Rs. 81.414 million debit (2011: Rs. 72.734 million debit). Deferred tax asset has not been recognised in these financial statements due to uncertainty of realizability of the amount.

22 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration, including all benefits, to the Directors, Chief Executive and Executives of the Company are as follows:

(Rupees in '000)

| | Chief Executive | Directors | Executives | Chief Executive | Directors | Executives |
|-------------------------|--------------------|--------------|---------------|--------------------|--------------|---------------|
| | December 31, 2012 | | | December 31, 2011 | | |
| Fee | - | 1,675 | - | - | 1,350 | - |
| Managerial remuneration | 12,308 | - | 28,123 | 11,088 | - | 22,730 |
| Others | 481 | - | 3,641 | 445 | - | 2,530 |
| | <u>12,789</u> | <u>1,675</u> | <u>31,764</u> | <u>11,533</u> | <u>1,350</u> | <u>25,260</u> |
| Number of persons | <u>1</u> | <u>7</u> | <u>13</u> | <u>1</u> | <u>7</u> | <u>11</u> |

The Company also provides some of the Executives with Company maintained cars.

| 23 | EARNINGS PER SHARE - basic and diluted | December 31, 2012 | December 31, 2011 |
|----|--|------------------------------|------------------------------|
| | Profit after tax (Rupees in '000) | 59,850 | 20,221 |
| | Weighted average number of ordinary shares (Number in '000) | 50,000 | 50,000 |
| | Earnings per share - basic and diluted (Rupees) | 1.20 | 0.40 |

24 FINANCIAL INSTRUMENTS

(Rupees in '000)

| | Interest/mark-up bearing | | | Non-interest bearing | | | Total December 31, 2012 | Total December 31, 2011 |
|---|---------------------------|-------------------------------|-----------|--------------------------------|-------------------------------|-----------|-------------------------------|-------------------------------|
| | Maturity upto one year | Maturity after one year | Sub Total | Maturity within one year | Maturity after one year | Sub Total | | |
| On balance sheet financial instruments | | | | | | | | |
| Financial assets | | | | | | | | |
| Cash and others | 8 | - | 8 | - | - | - | 8 | 7 |
| Current and other accounts | 40,051 | - | 40,051 | 2,137 | - | 2,137 | 42,188 | 93,471 |
| Investments | 202,284 | - | 202,284 | 272,938 | - | 272,938 | 475,222 | 414,725 |
| Premiums due but unpaid | - | - | - | 150,365 | - | 150,365 | 150,365 | 80,365 |
| Amounts due from other insurers/reinsurers | - | - | - | 1,472 | - | 1,472 | 1,472 | 1,772 |
| Investment income accrued | - | - | - | 537 | - | 537 | 537 | 269 |
| Advances and deposits | - | - | - | 4,534 | - | 4,534 | 4,534 | 4,303 |
| | 242,343 | - | 242,343 | 431,983 | - | 431,983 | 674,326 | 594,912 |
| Financial liabilities | | | | | | | | |
| Outstanding claims | - | - | - | 78,943 | - | 78,943 | 78,943 | 44,447 |
| Premium received in advance | - | - | - | 907 | - | 907 | 907 | 378 |
| Amount due to other insurers/reinsurers | - | - | - | 1,108 | - | 1,108 | 1,108 | 1,111 |
| Amounts due to agents | - | - | - | 4,264 | - | 4,264 | 4,264 | 2,739 |
| Accrued expenses | - | - | - | 2,310 | - | 2,310 | 2,310 | 2,019 |
| Other creditors | - | - | - | 1,074 | - | 1,074 | 1,074 | 1,074 |
| Other liabilities | - | - | - | 614 | - | 614 | 614 | 44 |
| Obligations under finance lease | 437 | - | 437 | - | - | - | 437 | 770 |
| | 437 | - | 437 | 89,220 | - | 89,220 | 89,657 | 52,582 |
| On balance sheet gap | 241,906 | - | 241,906 | 342,763 | - | 342,763 | 584,669 | 542,330 |

Effective markup rates

Effective rates are mentioned in the respective notes to the financial statements.

25 RISK MANAGEMENT

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Company include cash and cash equivalents, deposits, investments and receivables. Financial liabilities of the Company include payables, accrued liabilities (to policyholders, insurance and reinsurance companies and other parties) and dividends payable.

The risks involved with financial instruments and the Company's approach to managing such risks are discussed below.

25.1 Insurance risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The principal risk that the Company faces under such contracts is that the occurrence of the insured events and the severity of reported claims. The Company's risk profile is improved by diversification of these risks of losses to a large portfolio of contracts as a diversified portfolio is less likely to be affected by an unexpected event in single subset.

The Company principally issues the health insurance cover. Risks under these policies usually cover a twelve month duration. For health insurance contracts the most significant risks arise from hospitalization activities.

Underwriting and retention policies and procedures and limits precisely regulate who is authorized and accountable for concluding insurance and reinsurance contracts and at what conditions. Compliance with these guidelines is regularly checked and developments in the global, regional and local markets are closely observed, reacting where necessary with appropriate measures that are translated without delay into underwriting guidelines if required.

One of the control measure in respect of the insurance risk is the transfer of the risks to third parties via reinsurance. The reinsurance business ceded is placed on a proportional and non proportional basis with retention limits varying by lines of business.

Reinsurance is used to manage insurance risk. Although the Company has reinsurance arrangements, it does not, however, discharge the Company's liability as primary insurer and thus a credit risk exposure remains with respect to reinsurance ceded to the extent that any reinsurer may be unable to meet its obligations under such reinsurance arrangements. The Company minimizes such credit risk by entering into reinsurance arrangements with reinsurers having good credit ratings, which are reviewed on a regular basis. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. Reserve risks are controlled by constantly monitoring the provisions for insurance claims that have been submitted but not yet settled and by amending the provisions, if deemed necessary.

Due to the nature of business, uncertainty about the amount and timing of claims payment is typically resolved within one year.

Sensitivity analysis

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

| | (Rupees in '000) | | |
|--------------------------|-----------------------------------|-----------------------------------|---------------------------------|
| | Change in claims assumption | Impact on gross liabilities | Impact on revenue account |
| December 31, 2012 | | | |
| Current claims | +10% | 59,352 | (59,352) |
| | -10% | (59,352) | 59,352 |
| December 31, 2011 | | | |
| Current claims | +10% | 17,848 | (17,848) |
| | -10% | (17,848) | 17,848 |

25.2 Reinsurance risk

In order to minimize the financial exposure arising from large claims, the Company in the normal course of business, enters into agreement with other parties for reinsurance purposes. Reinsurance ceded does not relieve the Company from its obligation to policy holders and as a result the Company remains liable for the portion of outstanding claim reinsured to the extent that reinsurer fails to meet the obligation under reinsurance agreements.

In order to manage this risk, the company obtains reinsurance cover only from companies with sound financial health.

| | (Rupees in '000) |
|---------------|--------------------------------|
| Rating | Other reinsurance asset |
| A or above | 578 |

25.3 Credit risk

Credit risk is the risk that the counter party to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation. The Company's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulator requirements.

Exposure to credit risk

The maximum exposure to credit risk before any credit enhancements as at December 31, 2012 is the carrying amount of the financial assets as set out below:

| | (Rupees in '000) | |
|--|--------------------------|--------------------------|
| Nature of financial assets | December 31, 2012 | December 31, 2011 |
| Cash and bank deposits | 42,188 | 93,471 |
| Investments | | |
| - Listed equity securities | 154,859 | 115,996 |
| - Open end mutual funds | 118,079 | 158,718 |
| Premiums due but unpaid | 150,365 | 80,365 |
| Amounts due from other insurers/reinsurers | 1,472 | 1,772 |
| Investment income accrued | 537 | 269 |
| Deposits | 4,463 | 4,181 |
| | <u>471,963</u> | <u>454,772</u> |

Concentration of credit risk

Concentration is the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Company's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

Bank balances

The Company maintained its funds with banks having strong credit rating. Currently the funds are kept with banks having rating ranging from BBB to AAA.

25.4 Impaired assets

During the year no assets have been impaired, other than premium due but unpaid against which a provision amounting to Rs. 0.590 million (2011: Rs. 1.559 million) has been recorded.

25.5 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

In the case of the Company, the liquidity level of Company remained on satisfactory level during the year and the Company did not face any difficulty for generation of liquidity.

| | (Rupees) | | | | | |
|--------------------------------|-------------------|------------------------|--------------------|----------------------|-------------------|----------------------|
| | December 31, 2012 | | | | | |
| | Carrying amount | Contractual cash flows | Six months or less | Six to twelve months | Two to five years | More than five years |
| Non-derivative | | | | | | |
| Financial liabilities | | | | | | |
| Creditors and accruals | 3,384 | 3,384 | 3,384 | - | - | |
| Obligation under finance lease | 437 | 453 | 197 | 99 | - | |
| Other liabilities | 614 | - | - | - | - | |
| | 4,435 | 3,837 | 3,581 | 99 | - | |

(Rupees in '000)

December 31, 2011

| | Carrying amount | Contractual cash flows | Six months or less | Six to twelve months | Two to five years | More than five years |
|--------------------------------|-----------------|------------------------|--------------------|----------------------|-------------------|----------------------|
| Non-derivative | | | | | | |
| Financial liabilities | | | | | | |
| Creditors and accruals | 3,093 | 3,093 | 3,093 | - | - | - |
| Obligation under finance lease | 770 | 847 | 197 | 198 | 296 | - |
| Other liabilities | 44 | - | - | - | - | - |
| | <u>3,907</u> | <u>3,940</u> | <u>3,290</u> | <u>198</u> | <u>296</u> | <u>-</u> |

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at December 31.

25.6 Market risk

Market price risk

Market risk arises where the value of a financial instrument fluctuates due to changes in market prices. Equity price risk is the risk that value of equity instruments will fluctuate due to changes in the equity prices of these instruments. The Company is exposed to equity price risk with respect to its investments in quoted securities. Change of 10% in equity prices will result in change in prices of respective equity instruments by Rs. 27,938 million (2011: Rs. 27,471 million).

Assets and liabilities with respect to assets-liability matching

| | Shareholder Fund | Statutory fund Accident and health |
|---------------------------------------|------------------|---------------------------------------|
| Equity securities - listed securities | 161,426 | 111,512 |
| Insurance receivables | - | 151,837 |
| Cash and cash equivalent | 19,874 | 22,322 |
| Other assets | 1,191 | 3,880 |
| Total assets | <u>182,491</u> | <u>289,551</u> |
| Short term insurance contracts | - | 85,222 |
| Other liabilities | 17,181 | 48 |
| Total liabilities | <u>17,181</u> | <u>85,270</u> |

Risk management / mitigation

The Company's policy is to manage price risk through diversification and selection of financial instruments within specified limits.

25.7 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short term deposits and deposits in profit and loss sharing accounts with banks. At the balance sheet date the interest rate profile of the Company's interest - bearing financial instruments is:

| | (Rupees in '000) | |
|----------------------------------|------------------------------|------------------------------|
| | Carrying amount | |
| | December 31, 2012 | December 31, 2011 |
| Fixed rate instruments | | |
| Financial assets | - | - |
| Variable rate instruments | | |
| Financial assets | 40,051 | 92,998 |
| Financial liabilities | 437 | 770 |

Fair value sensitivity analysis for fixed rate instruments

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

Fair value sensitivity analysis for variable rate instruments

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

| | Profit and 100 bp increase |
|--------------------------------|---|
| As at December 31, 2012 | |
| Cash flow sensitivity | <u>396</u> |
| As at December 31, 2011 | |
| Cash flow sensitivity | <u>922</u> |

*Above sensitivities are calculated on the assumption that all factors remain constant except interest rates and resulting variation in fair values of the subjugated investments and impact on the profit and loss.

Risk management / mitigation

The Company monitors the interest rate environment on a regular basis and alters the portfolio mix of fixed and floating rate securities.

The Company's policy requires the management to manage this risk by measuring the mismatch of the interest rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed interest securities.

The average effective duration of the Company's portfolio is a measure of the sensitivity of the fair value of the Company's fixed interest securities to changes in market interest rates.

The Company's policy does not allow holding interest bearing instruments that induce the average effective duration of the fixed interest portfolio to pass the benchmark of the average duration.

26 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of related group companies, local associated companies, staff retirement fund, Directors and key management personnel. Transactions with related parties other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

Relation with

Associated undertaking
Associated undertaking
Associated undertaking
Associated undertaking
Employees
Directors

Transactions

Dividend income
Premiums written
Claims incurred
Commission expense
Remuneration
Fee

Balances

Associated undertaking
Associated undertaking
Associated undertaking
Associated undertaking
Associated undertaking
Associated undertaking

Investments
Premiums due but unpaid
Claims payable
Commission payable
Bank deposits
Other creditors

27 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors on March 26, 2013.

28 GENERAL

Figures have been rounded off to the nearest thousands of rupees.

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison, the effect of which is not material.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR