



54TH Year of Continuous Services

Annual Report 2013



BIBOJEE GROUP



The Universal Insurance Co. Ltd.

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vision statement



We, at Universal Insurance Company Limited recognize the importance of satisfying our customers by consistently providing quality insurance services in accordance with their needs and expectations. We strive to be competent partner of our customers against insured perils.

Mission Statement

Quality Policy



We strive to provide our customers cost effective insurance cover by continually increasing the productivity of our employees. To increase productivity, we conduct regular training programs during which employees are assessed and allocated a career path in accordance with their performance.

We diligently follow the applicable laws and ensure strict compliance by conducting regular internal audits and educating our employees about the law.

We try to improve our services by continually assessing our systems and procedures based on customers and team feedback. We strive to maintain a customer focused approach by ensuring that our service is delivered to the customer on time, according to the customer required specifications and within our stipulated cost.

Corporate Information



Board of Directors

Mr. Raza Kuli Khan Khattak (Chairman)

Lt. GEN (R) Ali Kuli Khan Khattak

Begum Zeb Gohar Ayub Khan (Chief Executive)

Mrs. Shahnaz Sajjad Ahmed

Dr. Shaheen Kuli Khan Khattak

Mr. Mushtaq Ahmed Khan F.C.A.

Ch. Sher Mohammad

Mr. Pervez Iftikhar Ahmed Khan

Mr. Amir Raza (Principal Officer)

Chief Operating Officer Mr. Omar Ayub Khan

C.F.O / Company Secretary Mr. Khurram Javed

Internal Auditor Mr. Abdul Waheed Chaudhry

Auditors M/S. Riaz Ahmed & Company
Chartered Accountants

Legal Advisor Mr. Maqsood Hasan Advocate

Share Registrar M/S Hameed Majeed Associates (Pvt) Ltd.
H.M House, 7-Bank Square, Lahore
Phone # 042-37235081-82 Fax: # 042-37358817

Registered Office: Universal Insurance House
63-Shahrah-e-Quaid-e-Azam Lahore, 54000
Pakistan.
Ph: 042-37353453-37353458
Fax: 042-37230326
Web: www.uic.com.pk
Email: info@uic.com.pk



BOARD & MANAGEMENT COMMITTEES

- 1- Directors Executive Board:-**
 Begum Zeb Gohar Ayub Khan
 Lt. Gen (R) Ali Kuli Khan Khattak
 Mr. Mushtaq Ahmed Khan F.C.A.

Chairperson
 Member
 Member
- 2- Audit Committee:-**
 Lt. Gen (R) Ali Kuli Khan Khattak
 Mr. Mushtaq Ahmed Khan F.C.A.
 Ch. Sher Mohammad

Chairman
 Member
 Member
- 3- Investment Committee:-**
 Mr. Mushtaq Ahmed Khan F.C.A.
 Ch. Sher Mohammad
 Dr. Shaheen Kuli Khan Khattak

Chairman
 Member
 Member
- 4- Underwriting Committee:-**
 Mr. Mushtaq Ahmed Khan F.C.A.
 Mr. Amir Raza
 Mr. Ghulam Qamber Naqvi

Chairman
 Member
 Member
- 5- Claim Settlement Committee:-**
 Lt. Gen (R) Ali Kuli Khan Khattak
 Mr. Mushtaq Ahmed Khan F.C.A.
 Mr. Ghulam Qamber Naqvi

Chairman
 Member
 Member
- 6- Re-Insurance & Co-Insurance Committee:-**
 Lt. Gen (R) Ali Kuli Khan Khattak
 Mr. Mushtaq Ahmed Khan F.C.A.
 Mr. Amir Raza

Chairman
 Member
 Member
- 7- Human Resource & Remuneration Committee:-**
 Lt. Gen (R) Ali Kuli Khan Khattak
 Begum Zeb Gohar Ayub Khan
 Mr. Mushtaq Ahmed Khan F.C.A.

Chairman
 Member
 Member
- 8- MANAGEMENT COMMITTEE:-**
 Mr. Mushtaq Ahmed Khan F.C.A.
 Mr. Amir Raza
 Mr. Ghulam Qamber Naqvi
 Mr. Khurram Javed
 Mr. Abdul Waheed Ch.
 Mr. Muhammad Qasim

Chairman
 Member
 Member
 Member
 Member
 Member



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 54th Annual General Meeting of the Shareholders of the Universal Insurance Company Limited will be held on Tuesday April 29, 2014 at 10:30 A.M. at the registered office of the Company at Universal Insurance House, 63-Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:-

A. ORDINARY BUSINESS

1. To confirm the minutes of the Extra Ordinary General Meeting held on January 27, 2014 at Lahore.
2. To elect Ten (10) Directors in accordance with the provision of Section 178 of the Companies' Ordinance 1984, as fixed by the Board in its meeting held on March 11, 2014 for a period of three (3) years commencing April 30, 2014 in place of the following retiring directors.

1- Mr. Raza Kuli Khan Khattak	6- Mr. Mushtaq Ahmed Khan F.C.A
2- Lt. Gen. (R) Ali Kuli Khan Khattak	7- Ch. Sher Mohammad
3- Begum Zeb Gohar Ayub Khan`	8- Mr. Pervez Iftikhar Ahmed Khan
4- Dr. Shaheen Kuli Khan Khattak	9- Mr. Amir Raza
5- Mrs. Shahnaz Sajjad Ahmed	
3. To receive, consider and adopt the audited accounts of the Company for the year ended December 31, 2013 and reports of the directors and auditors thereon.
4. To appoint auditors for the year 2014 and to fix their remuneration. The Board on recommendation of Audit Committee of the company has proposed the appointment of M/s. Riaz Ahmed & Company Chartered Accountants as external auditor for the year 2014 being eligible, have offered themselves for re-appointment.

B. SPECIAL BUSINESS

5. To consider and if thought fit, to pass the following resolution with or without modification as Special resolution:

to pass a special resolution under the provisions of section 86(1) of the Companies Ordinance 1984, for issuance of 7,000,000 ordinary shares of the company at Rs. 10 each, total amounting to Rs. 70,000,000 (Rupees 70 million) by way of otherwise than right to "Biboojee Services (Pvt.) Ltd." to fulfill the requirements of minimum solvency margin as required under Section 36 read with section 11(1)(C) of the Insurance Ordinance 2000."

"Further resolved that the Company Secretary is hereby authorized to complete all the necessary legal and corporate formalities with regard to the above resolution and take such actions as he may consider necessary or expedient to complete the process. Further resolved that in case of any omission or mistake if pointed out by the SECP or any other competent authority in the aforesaid resolutions the company secretary be and is hereby authorized to make necessary corrections as permitted under the law in letter & spirit".

C. ANY OTHER BUSINESS

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

By Order of the Board

(Khurram Javed)
Company Secretary

Dated: April 01, 2014



NOTES:

- 1- Any member who seeks to contest election to the office of Directors shall, whether he/she is retiring or otherwise, file at the registered office of the company not later than 14 days before the date of the Annual General Meeting notice of his/ her intension to offer himself/ herself for election as a director together with his/ her consent to act as a director as required under section 178/(3) of the companies ordinance 1984 together with the relevant declarations as required under the Code of Corporate Governance.
- 2- The Share Transfer Books of the Company will remain closed from April 22, 2014 to April 30, 2014 (both days inclusive).
- 3- A member entitled to vote at the meeting may appoint another member as his/ her proxy to attend and vote instead of him/ her. Proxies, in order to be effective, must be received at the Registered Office of the Company duly stamped, signed and witnessed not later than 48 hours before the meeting. A member shall not be entitled to appoint more than one proxy.
- 4- CDC shareholders are requested to bring their original CNIC card, Account, Sub account numbers and participant's Number in Central Depository Company (CDC) for identification purpose for attending the meeting. In case of Corporate entity, the Board of Director's resolution/ Power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
- 5- A proxy must be a member of the Company.
- 6- Shareholders are requested to immediately notify shares registrar of the company promptly of any change in their addresses, if any.
- 7- Members who have not yet submitted photocopies of their valid computerized national identity cards to the Company are requested to send the same at earliest directly to our share registrar M/s. Hameed Majeed Associates (Pvt) Ltd, 7- Bank Square, Lahore.
- 8- Form of proxy is appended to the annual report.

STATEMENT UNDER SECTION 160 (1)(B) OF THE COMPANIES' ORDINANCE, 1984 REGARDING SPECIAL BUSINESS VIDE PARAB (5) ABOVE AS UNDER;

This statement sets out the material facts concerning the Special Business, given in Agenda No. 5 of the Notice, to be transacted at the 54th Annual General Meeting of the Company to be held on April 29, 2014 at 10:30 A.M. at registered office of the Company, Universal Insurance House, 63-Shahrah-e-Quaid-e-Azam, Lahore.

Issuance of further Shares by way of otherwise than right U/s 86(1) of Companies Ordinance 1984

The Insurance Ordinance 2000 U/s 36 read with section 11(1)(C) has required the Insurance Companies to have a minimum solvency margin at all time that is why the Board of Directors of the Company have decided in their meeting held on December 30, 2013 at Rawalpindi to enhance the paid-up capital of the company by way of otherwise than right U/s 86(1) of companies ordinance 1984 to meet the solvency margin requirements. The Karachi Stock Exchange rates remained between Rs. 6.95 to Rs. 2.86 during July 2013 to March 10, 2014.

Due to low stock market rates it was decided by the Board to issue further shares at par by way of otherwise than right to holding company "Bibojee Services (Pvt.) Ltd." on its written consent to purchase of such shares. Existing shareholding of the holding company Bibojee Services (Pvt.) Ltd is 24,158,326 (80.528%) and the shareholding of Bibojee Services (pvt.) Ltd. will be 31,158,326 (84.212%) after proposed issuance of shares. This inflow of fund will be utilized for short term investment in TDR to earn interest income and the shareholder & the company will be benefited accordingly. Partly these funds will be utilized toward the establishment of more branches and to enhance the liquidity position of the company in order to request the Rating Agency for review. A review in rating of course will give benefits to both the shareholders and the company. Further resolved that new shares shall rank pari passu in all respect with the existing shares of the company.

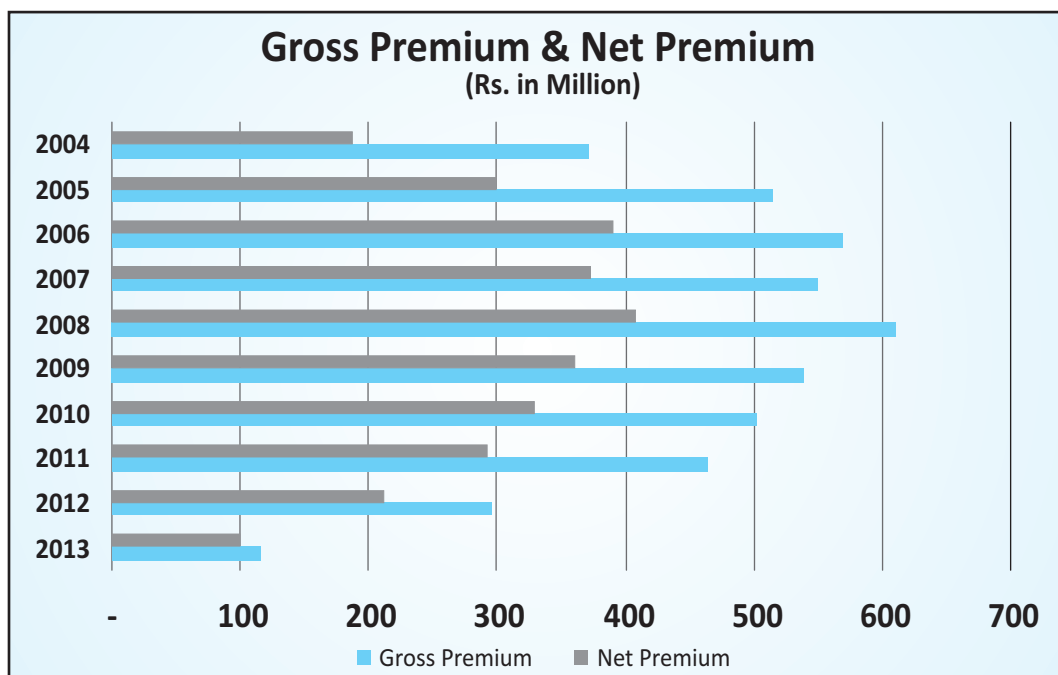
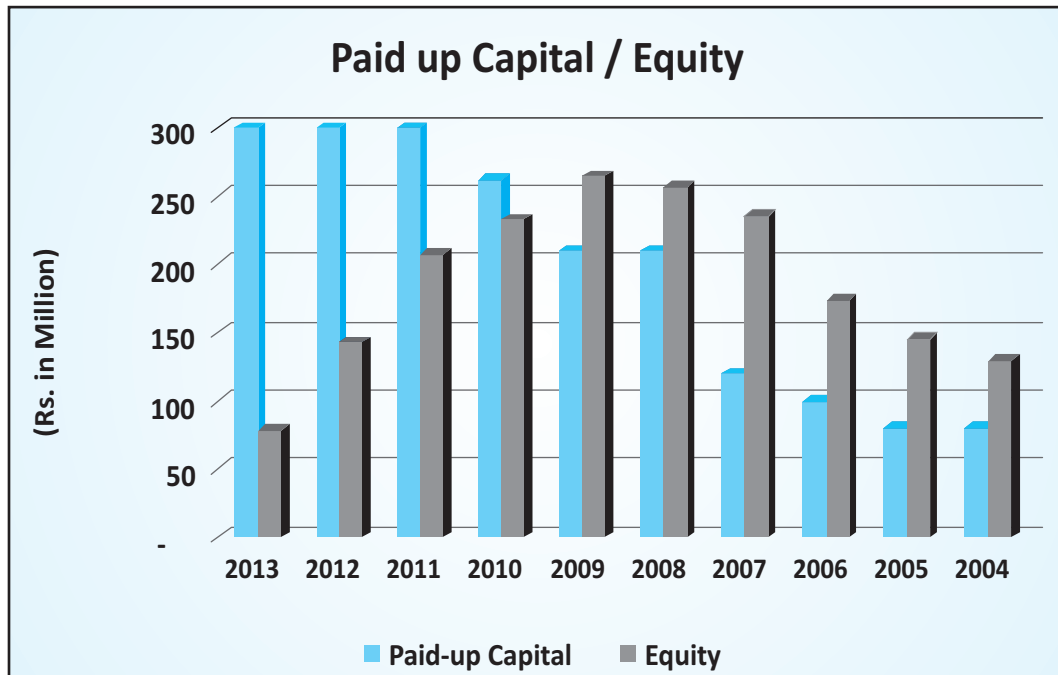
"Further Resolved that the Paid-up Capital of the Company, currently amount to Rs. 300 million (Rupees Three Hundred Million Only) divided into 30,000,000 Ordinary Shares of Rs. 10/- each, be increased to Rs. 370 million (Rupees Three Hundred Million) divided into 37,000,000 Ordinary Shares of Rs. 10/- each by offering 7,000,000 Ordinary Shares of Rs. 10/- each"



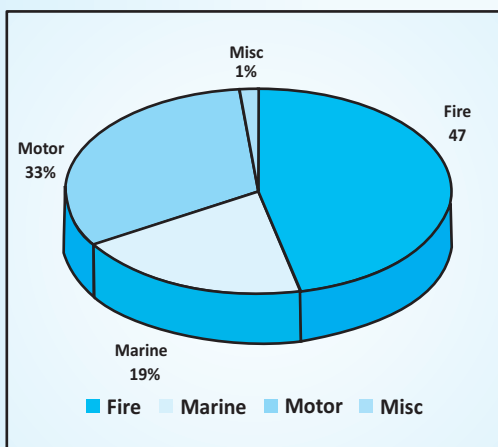
TEN YEARS KEY FINANCIAL DATA

(Rupees in million)

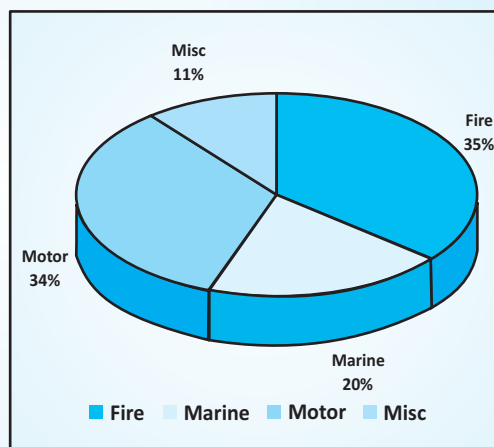
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Gross Premium	115	295	464	503	539	611	550	568	514	371
Net Premium	99	211	292	329	361	407	372	391	300	188
Net Claim	54	102	143	177	182	197	187	203	147	86
Investment	138	135	135	160	115	145	89	46	39	23
Underwriting (Loss)/ Profit	(18)	1.4	(2)	(17)	58	96	75	80	75	54
(Loss)/ Profit Before Tax	(87)	(66)	(110)	(103)	11	34	63	35	41	26
(Loss)/ Profit After Tax	(89)	(66)	(65)	(86)	8	21	50	24	27	17
Paid-up Capital	300	300	300	262.50	210	210	120	100	80	80
Cash and Banks	160	62	130	88	159	152	143	212	239	171
Total Property & Assets	935	913	1069	1164	1066	922	788	753	663	547
Equity	78	143	208	233	265	257	236	174	145	130
EPS (Rs)	(2.97)	(2.21)	(4.20)	(4.58)	0.48	1.00	4.15	2.00	2.68	3.27



Gross Premium Class Wise

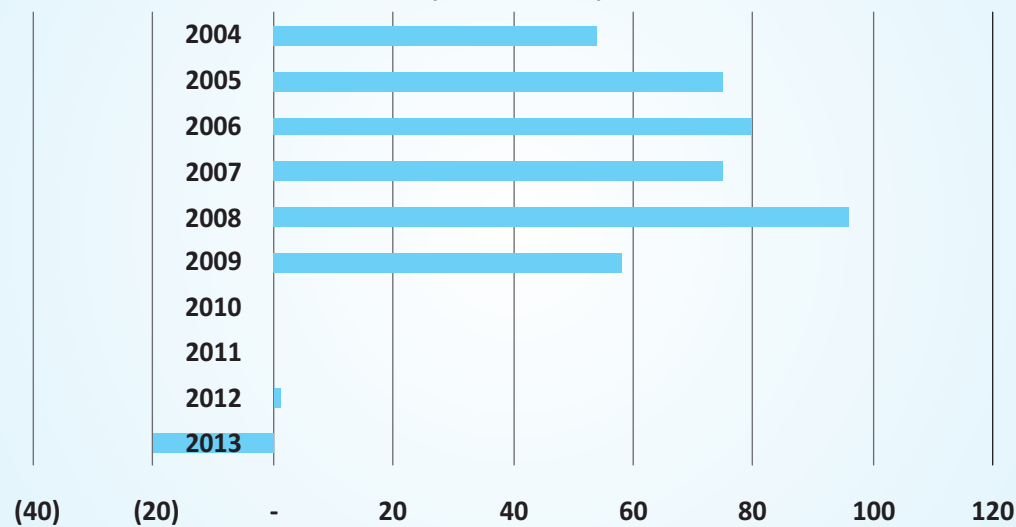


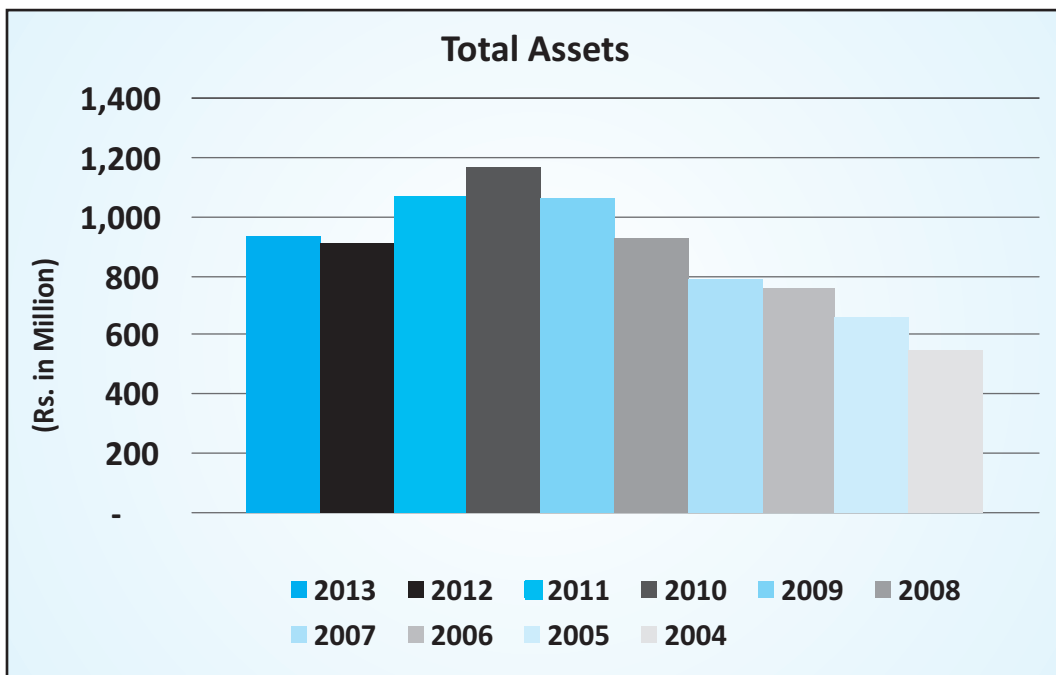
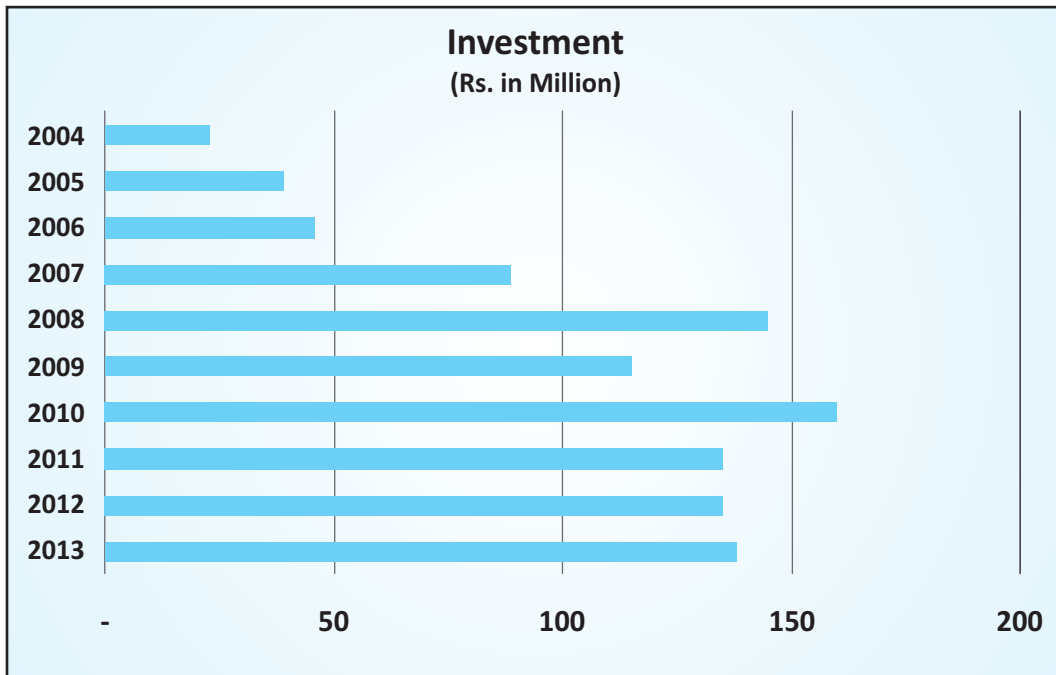
2013



2012

Underwriting Profit (Rs. in Million)







DIRECTORS' REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors, it gives me great pleasure to present the **54th Annual Report** and the audited account of the company for the year ended December 31, 2013.

OPERATING RESULTS:

The operating results for the year ended 31 December, 2013 are given below.

	<u>2013</u>	<u>2012</u>
	(RUPEES IN THOUSAND)	
Gross premium	115,104	295,135
Net premium	98,957	210,671
Profit/(Loss)from underwriting business	(17,774)	1,439
Net claims	53,644	101,608
Management / administrative expenses	146,953	178,568
Capital and reserves	77,886	143,380
Loss before taxation	(87,403)	(65,672)

PROFIT AND LOSS APPROPRIATION ACCOUNT

Balance of accumulated loss at the commencement of the year	(170,980)	(106,484)
Loss after taxation for the year	(89,097)	(66,256)
Other comprehensive loss for the year	(34)	(561)
Items directly recognized in statement of changes in equity	23,508	2,321
Balance of accumulated loss at the end of the year	(236,603)	(170,980)
EPS	(2.97)	(2.21)

REVIEW OF OPERATING RESULTS:

The Gross premium of the company has reduced by Rs. 180.031 Million. The key reason for this significant fall in business was downward revision of credit rating to BBB (Negative out look). Business of corporate clients, and bank business is usually placed in a insurance company having credit rating of at least A. On this account we have lost business to the tune of at least Rs. 200.000 Million.

IFS Rating

Realizing the main reasons for the change of credit rating in September 2011 the management during the year of 2013 took many corrective measures comprising of rightsizing the staff strength and merger / closure of financially unviable branches and opening of new branches where as it was considered viable. So it is hoped that rating agency may review its decision in near future.

INFORMATION TECHNOLOGY (IT)

Development of Re-insurance module is expected to be completed by September 2014. As the result of this all the modules will be integrated including underwriting, Account, Claim & Re-insurance which will deliver MIS Report promptly and accurately. Further we have improved the existing IT Module with the objective to enhance the standard of services.



ISO Certification

The Company received ISO 9001:2008 certification from M/s. Lloyd's Register-EMEA, Karachi since May 17, 2003. M/s. Lloyd's Register-EMEA, Karachi has renewed Company's certification ISO 9001:2000 on May 27, 2012 for next 3 years which exhibits that Company meets the requirement of standard and maintains satisfactory level of implementation of ISO-Quality System.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The corporate laws, rules and regulations framed there under spell 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:

- (a) The financial statements, prepared by the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- (b) The company has maintained proper books of account as required under the companies Ordinance, 1984.
- (c) The company has applied consistently appropriate accounting policies in preparation of the financial statements and accounting estimates are on the basis of prudent and reasonable judgment.
- (d) Financial statements have been prepared by the company in accordance with the International Financial Reporting Standards (IFRS) as applicable in Pakistan. The departure there from, if any, is disclosed adequately.
- (e) The system of internal control is sound in design and has been effectively implemented and monitored.
- (f) There are no significant doubts upon Company's ability to continue as a going concern.
- (g) The company has followed the best practices of the Corporate Governance as laid down in the Listing Regulations of the stock exchanges and there has been no material departure there from except for the matters qualified in the Auditors' Review Report to the members on statement of compliance with best practices of code of corporate governance.
- (h) Key operating and financial data for the last ten years in summarized form is annexed to this annual report.

Outstanding Taxes and Duties

Details of outstanding taxes and duties are given in the financial statements.

Related Party Transactions

The related parties transactions are approved or ratified by the Board Audit Committee and the Board of Directors.

AUDIT COMMITTEE

The Board of Directors, in compliance with the Code, has constituted an Audit Committee comprising of the following non-executive directors:

- | | |
|--------------------------------------|----------|
| - Lt. Gen. (R) Ali Kuli Khan Khattak | Chairman |
| - Mr. Mushtaq Ahmad Khan - F.C.A | Member |
| - Ch. Sher Mohammad | Member |



Major responsibilities of the Audit Committee include reviewing reports of the Company's financials, monitoring internal audit functions and to ensure compliance with the relevant statutory requirements of relevant rules and laws, assisting the Board in discharging its responsibilities for safeguarding the Company's assets, and development & implementation of an effective internal control system for efficient and transparent operations of the Company with the requirement of Companies Ordinance, 1984 and Insurance Ordinance, 2000.

BOARD OF DIRECTOR'S MEETINGS.

During the year, Six (6) Board meetings were held. The number of meetings attended by each Director is given hereunder :

<u>Name of Directors</u>	<u>No. of Meetings Attended</u>
Mr. Raza Kuli Khan Khattak	6
Lt. Gen. (R) Ali Kuli Khan Khattak	4
Mr. Ahmed Kuli Khan Khattak	4
Begum Zeb Gohar Ayub Khan	5
Mrs. Shahnaz Sajjad Ahmad	4
Dr. Shaheen Kuli Khan Khattak	2
Mr. Mushtaq Ahmad Khan - F.C.A	5
Ch. Sher Mohammad	2
Mr. Pervez Iftikhar Ahmed Khan	1
Mr. Amir Raza	3

Leave of absence was granted to the Directors who could not attend some of the Board meetings due to their other engagements.

Pattern of Shareholding

The pattern of shareholding is separately annexed in the report.

Trading in Company's Shares

No trading in the shares of the Company was carried out by the Directors, CEO and their spouses and minor children except Mr. Amir Raza Director has purchased 2,500 shares during the financial year ended December 31, 2013.

Appointment of Auditors

The Auditors M/s. Riaz Ahmad & Co, Chartered Accountants retire at the conclusion of Annual General Meeting, given their consent for re-appointment for the year ending December 31, 2014.

Future Outlook

We are of the opinion that the financial impact of these measures will start coming in the next financial year starting from 1st January 2014. Further management has decided to review the business performance of each branch at the end of each quarter so that appropriate decision could be taken at the beginning of next quarter. In the next financial year we are very hopeful that our credit rating will improve which would certainly be helpful to re-capture the lost business on this account. The existing marketing team is being motivated to generate quality business through the application of risk assessment policy. Further we are considering for the opening of new branches in the different cities and the expected branch network would be around of 40 branches.

Acknowledgement

We would like to thank the Insurance Division - Securities & Exchange Commission of Pakistan, Pakistan Reinsurance Company Ltd., State Bank of Pakistan, Other Reinsurers and Co-insurers for their continued cooperation and guidance through-out the year and our valued clients for their continued patronage extended to us.

For & on behalf of the Board of Directors

Raza Kuli Khan Khattak
Chairman

Date: April 01, 2014
Place: Lahore



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2013

The statement is being presented to comply with the Code of Corporate Governance (CCG) contained in the listing regulation No. 35 of the Karachi and Lahore stock exchanges respectively 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. At present the Board includes:

Category	Names
Independent Directors	-
Executive Directors	Begum Zeb Gohar Ayub Khan Mr. Amir Raza
Non-Executive Directors	Mr. Raza Kuli Khan Khattak Mr. Ali Kuli Khan Khattak Mrs. Shahnaz Sajjad Ahmed Mrs. Shaheen Kuli Khan Khattak Mr. Mushtaq Ahmad Khan F.C.A Chaudhry Sher Mohammad Mr. Pervez Iftikhar Ahmed Khan

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company. However, after next election of directors, in line with requirements of CCG 2012, maximum number of directorship to be held by a director will be seven.
3. All the directors of the Company have confirmed that they are registered as taxpayer and none of them has defaulted in payment of any loan to a banking company, a Development Finance Institution or a Non Banking Finance Company and none of them is a member of any of the stock exchange.
4. Two casual vacancies occurred during the year and filled with in time frame as required under Code of Corporate Governance 2012.
5. The Company has prepared a "Code of conduct", and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board / shareholders.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meeting, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Orientation Course:

All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The directors were apprised of their duties and responsibilities through orientation courses.



Directors' Training Programs:

Seven directors of the Company are exempt due to 14 years of education and 15 years of experience on the Board of a listed company and two directors appointed current year will attend Directors' Training Program in 2014.

- 10 The Board has approved appointment of CFO and Company Secretary including his remuneration and terms and conditions of employment. The remuneration of Head of Internal Audit was revised during the year after due approval of the Board.
11. The directors' report 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 CEO and 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 Underwriting, Claim Settlement and Coinsurance and Reinsurance Committee.
16. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors.
17. 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 term of references of the Committee have been formed and advised to the Committee for compliance.
18. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members, two of whom are non-executive directors and the chairman of the Committee is non-executive director.
19. The Company has an internal audit department and is headed by an experienced person, who is fully conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.
20. 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.
21. 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.
22. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and stock exchanges.
23. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

BEGUM ZEB GOHAR AYUB KHAN
CHIEF EXECUTIVE

Date: April 01, 2014

Place: Lahore



STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING FOR THE YEAR ENDED 31 DECEMBER 2013

The Company has fully complied with the best practices on transfer pricing as contained in the listing regulations of the respective stock exchange where the Company is listed.

For & on behalf of the Board of Directors

Raza Kuli Khan Khattak
CHAIRMAN

Begum Zeb Gohar Ayub Khan
CHIEF EXECUTIVE



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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of THE UNIVERSAL INSURANCE COMPANY LIMITED ("the Company") for the year ended 31 December 2013 to comply with the requirements of Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges where the Company is listed, and the Code of Corporate Governance applicable to listed insurance companies issued under SRO 68(1)/2003, by the Securities and Exchange Commission of Pakistan.

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

As a part of our audit of the 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 of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Following instances of non-compliance with the requirements of the Code were observed which are not stated in the Statement of Compliance:

- (i) Minutes of meetings of the Underwriting Committee, Claim Settlement Committee, Re-insurance and Co-insurance Committee, Investment Committee and Human Resource and Remuneration Committee held during the year were not readily available.
- (ii) One casual vacancy occurred on the board of directors during the last year was filled during current year after a considerable delay of more than 90 days.

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

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Syed Mustafa Ali

Date: April 01, 2014

LAHORE



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) cash flow statement;
- (vi) statement of premiums;
- (vii) statement of claims;
- (viii) statement of expenses; and
- (ix) statement of investment income

of THE UNIVERSAL INSURANCE COMPANY LIMITED ("the Company") as at 31 December 2013 together with the notes forming part thereof, for the year then ended.

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

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. 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 account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2013 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

RIAZ AHMAD & COMPANY

Chartered Accountants

Name of engagement partner:

Syed Mustafa Ali

Date: April 01, 2014

LAHORE



BALANCE SHEET AS AT 31 DECEMBER 2013

	Note	2013 (RUPEES IN THOUSAND)	2012
SHARE CAPITAL AND RESERVES			
Authorized share capital 50,000,000 (2012: 50,000,000) ordinary shares of Rupees 10 each		500,000	500,000
Issued, subscribed and paid-up share capital	3	300,000	300,000
Accumulated loss		(236,603)	(170,980)
Reserves	4	14,489	14,360
		(222,114)	(156,620)
TOTAL EQUITY		77,886	143,380
Share deposit money		70,000	-
Surplus on revaluation of fixed assets	5	240,332	247,442
UNDERWRITING PROVISIONS			
Provision for outstanding claims (including IBNR)		353,735	296,614
Premium deficiency reserve	6	620	2,134
Provision for unearned premium		23,297	81,272
Commission income unearned		2,232	6,584
Total underwriting provisions		379,884	386,604
DEFERRED LIABILITY			
Employee benefit - unfunded	7	6,052	5,516
CREDITORS AND ACCRUALS			
Premiums received in advance		365	353
Amounts due to other insurers / reinsurers	8	52,018	30,977
Accrued expenses	9	43,683	34,050
Other creditors and accruals	10	61,464	61,076
		157,530	126,456
OTHER LIABILITIES			
Deposits against performance bonds		2,826	2,826
Unclaimed dividends		610	610
TOTAL LIABILITIES		546,902	522,012
CONTINGENCIES AND COMMITMENTS			
	11		
TOTAL EQUITY AND LIABILITIES		935,120	912,834

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


Raza Kuli Khan Khattak
CHAIRMAN


Begum Zeb Gohar Ayub Khan
CHIEF EXECUTIVE


Ch. Sher Mohammad
DIRECTOR


Pervez Iftikhar Ahmed Khan
DIRECTOR


Amir Raza
PRINCIPAL OFFICER



BALANCE SHEET AS AT 31 DECEMBER 2013

	Note	2013 (RUPEES IN THOUSAND)	2012
CASH AND BANK DEPOSITS			
Cash and other equivalents	12	8	32
Current and other accounts	13	18,790	21,688
Deposits maturing within 12 months	14	141,200	40,155
		<u>159,998</u>	<u>61,875</u>
INVESTMENTS	15	138,297	134,967
DEFERRED TAXATION	16	33,191	33,191
CURRENT ASSETS - OTHERS			
Premiums due but unpaid - unsecured	17	59,984	93,948
Amounts due from other insurers / reinsurers - unsecured	18	118,349	119,405
Salvage recoveries accrued		-	1,050
Accrued investment income	19	3,513	2,494
Reinsurance recoveries against outstanding claims		182,884	148,759
Taxation - payment less provision	20	7,258	6,452
Deferred commission expense		3,761	12,649
Prepayments	21	9,278	31,589
Loans to employees - unsecured considered good	22	396	926
Sundry receivables	23	17,049	9,178
		<u>402,472</u>	<u>426,450</u>
FIXED ASSETS - TANGIBLE	24		
OWNED			
Land and buildings		176,167	221,482
Furniture, fixtures and office equipment		6,842	9,244
Computer equipment		3,328	5,039
Motor vehicles		14,825	19,219
		<u>201,162</u>	<u>254,984</u>
LEASED			
Motor vehicles		-	1,367
		<u>201,162</u>	<u>256,351</u>
TOTAL ASSETS		<u><u>935,120</u></u>	<u><u>912,834</u></u>

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


Raza Kuli Khan Khattak
CHAIRMAN


Begum Zeb Gohar Ayub Khan
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Amir Raza
PRINCIPAL OFFICER



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

Fire and Property Damage	Marine and Transport	Motor	Others	Treaty	Aggregate 2013	Aggregate 2012
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(RUPEES IN THOUSAND)

Note

Revenue account

Net premium revenue		32,371	13,336	51,608	1,642	-	98,957	210,671
Net claims		(7,123)	(6,146)	(34,661)	(5,714)	-	(53,644)	(101,608)
Change in premium deficiency reserve	6	-	-	398	1,116	-	1,514	(892)
Expenses	25	(24,879)	(10,428)	(17,385)	(792)	-	(53,484)	(82,248)
Net commission		(4,286)	(645)	(6,780)	594	-	(11,117)	(24,484)
		(29,165)	(11,073)	(24,165)	(198)	-	(64,601)	(106,732)
Underwriting result		(3,917)	(3,883)	(6,820)	(3,154)	-	(17,774)	1,439

Investment income						6,012	6,817
Rental income						1,418	1,400
Other income	26					13,020	17,762
						2,676	27,418
General and administration expenses	27					(93,076)	(95,870)
Financial charges						(393)	(450)
Share of profits from associates - net of tax						3,390	3,230
Loss before taxation						(87,403)	(65,672)
Taxation	28					(1,694)	(584)
Loss after taxation						(89,097)	(66,256)

PROFIT AND LOSS APPROPRIATION ACCOUNT

Balance of accumulated loss at the commencement of the year		(170,980)	(106,484)
Loss after taxation for the year		(89,097)	(66,256)
Other comprehensive loss for the year		(34)	(561)
Items directly recognised in statement of changes in equity		23,508	2,321
Balance of accumulated loss at the end of the year		(236,603)	(170,980)
Loss per share - basic and diluted - Rupees (Note 29)		(2.97)	(2.21)

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


Raza Kuli Khan Khattak
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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 (RUPEES IN THOUSAND)	2012
Loss after taxation	(89,097)	(66,256)
Other comprehensive loss for the year		
Items that will not be reclassified to profit or loss:		
Remeasurement loss on employee benefit	(34)	(561)
Items that may be reclassified subsequently to profit or loss	-	-
Total comprehensive loss for the year	(89,131)	(66,817)

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


Raza Kuli Khan Khattak
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Amir Raza
PRINCIPAL OFFICER



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

	SHARE CAPITAL	CAPITAL RESERVES		REVENUE RESERVE	ACCUMULATED LOSS	TOTAL EQUITY
		SHARE PREMIUM RESERVE	CAPITAL RESERVE			
----- (RUPEES IN THOUSAND) -----						
Balance as at 31 December 2011	300,000	4	18	14,227	(106,484)	207,765
Transfer of incremental depreciation from surplus on revaluation of buildings	-	-	-	-	2,108	2,108
Share of associates accounted for under equity method	-	-	-	111	213	324
Loss for the year ended 31 December 2012	-	-	-	-	(66,256)	(66,256)
Other comprehensive loss for the year ended 31 December 2012	-	-	-	-	(561)	(561)
Total comprehensive loss for the year ended 31 December 2012	-	-	-	-	(66,817)	(66,817)
Balance as at 31 December 2012	300,000	4	18	14,338	(170,980)	143,380
Transfer of incremental depreciation from surplus on revaluation of buildings	-	-	-	-	2,224	2,224
Surplus on revaluation of fixed assets realised on disposal	-	-	-	-	20,425	20,425
Share of associates accounted for under equity method	-	-	-	129	124	253
Share of surplus on revaluation of fixed assets realised on disposal of investments in associates	-	-	-	-	735	735
Loss for the year ended 31 December 2013	-	-	-	-	(89,097)	(89,097)
Other comprehensive loss for the year ended 31 December 2013	-	-	-	-	(34)	(34)
Total comprehensive loss for the year ended 31 December 2013	-	-	-	-	(89,131)	(89,131)
Balance as at 31 December 2013	300,000	4	18	14,467	(236,603)	77,886

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


Raza Kuli Khan Khattak
CHAIRMAN


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Amir Raza
PRINCIPAL OFFICER



CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

2013 2012
(RUPEES IN THOUSAND)

OPERATING CASH FLOWS

a) Underwriting activities

Premiums received	115,560	295,783
Reinsurance premiums paid	(52,581)	(122,960)
Claims paid	(71,182)	(155,301)
Reinsurance and other recoveries received	41,584	61,444
Commissions paid	(21,666)	(50,032)
Commissions received	15,085	32,008
Net cash inflow from underwriting activities	26,800	60,942

b) Other operating activities

Income tax paid	(1,136)	(1,188)
Management expenses paid	(36,842)	(77,996)
Other operating payments	(52,551)	(66,955)
Other operating receipts	2,246	2,495
Loans to employees repaid	530	170
Other receipts / (payments) - net	13,324	(14,398)
Net cash outflow from other operating activities	(74,429)	(157,872)
Total cash outflow from all operating activities	(47,629)	(96,930)

INVESTMENT ACTIVITIES

Profit / return received	5,784	6,822
Dividends received	640	463
Rental income received	782	444
Payments for purchase of investments	(5,096)	-
Proceeds from redemption / disposal of investments	19,891	6,323
Fixed capital expenditure	(2,360)	(3,567)
Proceeds from disposal of fixed assets	56,504	19,475
Net cash inflow from investing activities	76,145	29,960

FINANCING ACTIVITIES

Share deposit money received	70,000	-
Financial charges paid	(393)	(450)
Payments on finance leases	-	(357)
Net cash inflow / (outflow) from financing activities	69,607	(807)
Net cash inflow / (outflow) from all activities	98,123	(67,777)
Cash at the beginning of the year	61,875	129,652
Cash at the end of the year	159,998	61,875



CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

2013 2012
(RUPEES IN THOUSAND)

Operating cash flows	(47,629)	(96,930)
Depreciation	(9,793)	(12,731)
Provisions for doubtful receivables	(37,261)	(22,635)
Gratuity	(3,509)	(4,534)
Fixed assets written off	-	(36)
Reversal / (provision for) Impairment loss on fixed assets	1,273	(2,000)
Financial charges	(393)	(450)
Gain on disposal of fixed assets	5,177	9,057
Increase / (decrease) in assets other than cash	11,955	(65,451)
(Increase) / decrease in liabilities	(24,538)	113,625
	<u>(104,718)</u>	<u>(82,085)</u>

OTHER ADJUSTMENTS

Profit on investments and deposits	6,016	6,830
Share of profits from associates - net of tax	3,390	3,230
Change in premium deficiency reserve	1,514	(892)
Rental income	1,418	1,400
Profit on term deposit receipts	3,283	5,261
	<u>15,621</u>	<u>15,829</u>
Loss after taxation	<u><u>(89,097)</u></u>	<u><u>(66,256)</u></u>

Definition of cash:

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

Cash for the purposes of the Cash Flow Statement consists of:

Cash and other equivalent

Cash in hand (stamps in hand)	8	32
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Current and other accounts

Current accounts	6,774	13,978
Saving accounts	2,016	7,710
Deposit with State Bank of Pakistan	10,000	-
	<u>18,790</u>	<u>21,688</u>

Deposits maturing within 12 months

Fixed and term deposits accounts	141,200	40,155
Total cash and cash equivalents	<u><u>159,998</u></u>	<u><u>61,875</u></u>

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


Raza Kuli Khan Khattak
CHAIRMAN


Begum Zeb Gohar Ayub Khan
CHIEF EXECUTIVE


Ch. Sher Mohammad
DIRECTOR


Pervez Iftikhar Ahmed Khan
DIRECTOR


Amir Raza
PRINCIPAL OFFICER

THE UNIVERSAL INSURANCE COMPANY LIMITED

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SECURITY - SERVICE - PROSPERITY

				
Raza Kuli Khan	Begum Zeb Gohar Ayub Khan	Ch. Sher Mohammad	Pervaz Ifkhar Ahmed Khan	Amir Raza
CHAIRMAN	CHIEF EXECUTIVE	DIRECTOR	DIRECTOR	PRINCIPAL OFFICER




STATEMENT OF CLAIMS FOR THE YEAR ENDED 31 DECEMBER 2013

Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing			Opening	Closing		2013	2012
----- (RUPEES IN THOUSAND) -----										
Direct and facultative										
Fire and property damage	29,438	129,474	120,931	20,895	27,440	103,637	89,969	13,772	7,123	10,108
Marine and transport	6,285	36,684	93,625	63,226	2,689	21,669	76,060	57,080	6,146	8,208
Motor	32,277	98,533	107,262	41,006	9,548	12,951	9,748	6,345	34,661	69,477
Others	4,232	30,954	30,948	4,226	1,907	10,502	7,107	(1,488)	5,714	13,815
Total	72,232	295,645	352,766	129,353	41,584	148,759	182,884	75,709	53,644	101,608
Treaty - proportional	-	969	969	-	-	-	-	-	-	-
Grand total	72,232	296,614	353,735	129,353	41,584	148,759	182,884	75,709	53,644	101,608

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


Raza Kuli Khan Khattak
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STATEMENT OF EXPENSES FOR THE YEAR ENDED 31 DECEMBER 2013

Business underwritten inside Pakistan

Class	Commissions paid or payable	Deferred commission		Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing					2013	2012
(RUPEES IN THOUSAND)									
Direct and facultative									
Fire and property damage	12,678	6,430	2,155	16,953	24,879	41,832	12,667	29,165	40,332
Marine and transport	4,560	1,343	456	5,447	10,428	15,875	4,802	11,073	15,556
Motor	3,682	4,175	1,068	6,789	17,385	24,174	9	24,165	41,572
Others	746	701	82	1,365	792	2,157	1,959	198	9,272
Total	21,666	12,649	3,761	30,554	53,484	84,038	19,437	64,601	106,732
Treaty - proportional									
Grand total	21,666	12,649	3,761	30,554	53,484	84,038	19,437	64,601	106,732

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

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


Raza Kuli Khan Khattak
CHAIRMAN


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STATEMENT OF INVESTMENT INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

2013 2012
(RUPEES IN THOUSAND)

INCOME FROM TRADING INVESTMENTS

Dividend income

From related parties

From others

-	-
563	442
563	442

INCOME FROM NON - TRADING INVESTMENTS

Held to maturity

Return on fixed income securities and deposits

3,970 4,347

Available for sale

Dividend income

From related parties

From others

-	-
77	-
77	-

Gain on sale of investments at fair value through profit or loss

1,058 1,161

Gain on sale of investments - available for sale

463 -

Loss on sale of investments in associates

(678) -

Gain on revaluation of investments at fair value through profit or loss

571 963

Provision for impairment in value of available for sale investments - net

(8) (83)

Less: Investment related expenses

(4) (13)

Net investment income

6,012 6,817

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


Raza Kuli Khan Khattak
CHAIRMAN


Begum Zeb Gohar Ayub Khan
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DIRECTOR


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DIRECTOR


Amir Raza
PRINCIPAL OFFICER



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1 THE COMPANY AND ITS OPERATIONS

The Universal Insurance Company Limited ("the Company") is a public limited company incorporated in Pakistan on 09 May 1958 under the Companies Act, 1913 (now the Companies Ordinance, 1984). The Company is listed on Karachi and Lahore Stock Exchanges and is engaged in the non-life insurance business. The registered office of the Company is situated at Universal Insurance House, 63 Shahrah-e-Quaid-e-Azam, Lahore. The Company operates through 19 (2012 : 19) branches in Pakistan.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

a) Statement of compliance

These financial statements are 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 the Securities and Exchange Commission (SEC) (Insurance) Rules, 2002. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002 shall prevail.

Securities and Exchange Commission of Pakistan (SECP) has allowed insurance companies to defer the application of International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement' in respect of "available-for-sale investments" until suitable amendments have been made in the laws. Accordingly, the requirements of IAS 39, to the extent allowed by SECP, have not been considered in the preparation of these financial statements.

b) Basis of presentation

These financial statements are prepared in accordance with format prescribed under the SEC (Insurance) Rules, 2002.

c) Accounting convention

These financial statements have been prepared under the historical cost convention except for investments at fair value through profit or loss which are stated at fair value, available for sale investments which are stated at lower of cost and market value, held to maturity investments which are stated at amortized cost, land and buildings which are stated at revalued amounts and the obligation under employee benefit which is measured at present value.

d) Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these financial statements or judgment was exercised in application of accounting policies are as follows:

- Provision for outstanding claims (including IBNR)
- Provision for doubtful receivables
- Useful lives, pattern of economic benefits of fixed assets



- Provision for unearned premiums
- Premium deficiency reserve
- Impairment of assets
- Provision for taxation
- Defined benefit plan
- Classification of investments

e) Amendments to published approved standards that are effective in current year and are relevant to the Company

The following amendments to published approved standards are mandatory for the Company's accounting periods beginning on or after 01 January 2013:

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2013). The International Accounting Standards Board (IASB) has amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7. These amendments are the result of IASB and US Financial Accounting Standard Board undertaking a joint project to address the differences in their respective accounting standards regarding offsetting of financial instruments. The clarifying amendments to IAS 32 are effective for annual periods beginning on or after 01 January 2014. However, this amendment does not have a material impact on the Company's financial statements.

IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). The main change resulting from these amendments is a requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

IAS 16 (Amendment), 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2013). This amendment requires that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. However, this amendment does not have an impact on the Company's financial statements.

IAS 19 (Amendment), 'Employee Benefits' (effective for periods beginning on or after 01 January 2013). The amendments eliminate the corridor approach and recognize all actuarial gains and losses in other comprehensive income as they occur and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / (asset). However, this amendment does not have an impact on the Company's financial statements as the Company has already adopted this amendment.

On 17 May 2012, IASB issued Annual Improvements to IFRSs: 2009 – 2011 Cycle, incorporating amendments to five IFRSs more specifically in IAS 1 'Presentation of Financial Statements', IAS 32 'Financial instruments: Presentation' and IAS 34 'Interim Financial Reporting' that are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 January 2013. These amendments do not have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

f) Standards that are issued and effective in current year and relevant to the Company but not notified by SECP for applicability in Pakistan.

IFRS 12 'Disclosures of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2013). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. However, this standard is not expected to have a material impact on the Company's financial statements.



IFRS 13 'Fair value Measurement' (effective for annual periods beginning on or after 01 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. However, this standard is not expected to have a material impact on the Company's financial statements.

There are other new issued standards not adopted by SECP that are mandatory for accounting periods beginning on or after 01 January 2013 and are considered not to be relevant or do not have any significant impact on the Company's financial statements therefore not detailed in these financial statements.

g) Interpretations and amendments to published approved accounting standards that are effective in current year but not relevant to the Company

There are other new interpretations and amendments to the published approved accounting standards that are mandatory for accounting periods beginning on or after 01 January 2013 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

h) Standard and amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following standard and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 January 2014 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2015). It addresses the classification, measurement and recognition of financial assets and financial liabilities. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that shall replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change shall mainly affect financial institutions. There shall be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Company does not have any such liabilities.

IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made in IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. However, these amendments are not expected to have a material impact on the Company's financial statements.

i) Standards, interpretations and amendments to published approved accounting standards that are not effective in current year and not considered relevant to the Company

There are other accounting standards, amendments to published approved accounting standards and new interpretation that are mandatory for accounting periods beginning on or after 01 January 2014 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.



2.2 Insurance contracts

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

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

Insurance contracts issued by the Company are generally classified in four basic categories i.e. Fire and Property, Marine and transport, Motor and Miscellaneous and are issued to multiple types of clients with business in engineering, automobiles, cement, power, textile, paper, agriculture, services and trading sectors, etc. and individuals as well. The tenure of these insurance contracts depends upon terms of the policies written and vary accordingly.

- Fire and property insurance contracts generally cover the assets of the policy holders against damages by fire, earthquake, riots and strike, explosion, atmospheric disturbance, flood, electric fluctuation and impact and burglary, etc. and loss of profit followed by the incident of fire.

- Marine and transport insurance contracts generally provide cover for loss or damage to cargo while in transit to and from foreign land and inland transit due to various insured perils including loss of or damage to carrying vessel, etc.

- Motor insurance contracts provide indemnity for accidental damage to or loss of insured vehicle including loss of or damage to third party and other comprehensive car coverage.

- Miscellaneous insurance contracts provide variety of coverage including cover against burglary, loss of cash in safe, cash in transit and cash on counter, fidelity guarantee, personal accident, workmen compensation, contractor's all risk, erection all risk, machinery breakdown, boiler damage, crop and health, etc.

In addition to direct insurance, the Company also participates in risks under co-insurance contracts from other companies and also accepts risks through re-insurance inward by way of facultative acceptance on case to case basis provided such risks are within the underwriting policies of the Company. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

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

2.3 Premium

Premium written under a policy is recognized as income over the period of insurance from the date of issuance of the policy to which it relates to its expiry. Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk. The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the Company.

2.4 Reinsurance ceded

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

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

Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contract are not offset against expenses or income from related insurance assets.



Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired.

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

2.5 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 previous years.

The Company recognizes liability in respect of all claims incurred upto the balance sheet date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in the 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 except for claims pertaining to Accident and Health insurance is based on the management's best estimate which takes into account the past trends, expected future patterns of reporting of claims and claims actually reported subsequent to the reporting period. Provision for IBNR claims pertaining to Accident and Health insurance, that is included in Other category, is determined on actuary's advice.

2.6 Premium deficiency reserve

Premium deficiency reserve is maintained where the unearned premium for any class of business is not sufficient to cover the net liability expected to be incurred after the balance sheet date in respect of the policies in that class of business, to comply with the requirements of section 34 (2)(d) of the Insurance Ordinance, 2000. Any movement in the reserve is charged to the profit and loss account.

For this purpose, loss ratios for each class except for Accident and Health insurance business are estimated based on historical claim development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, premium deficiency is determined. Provision for premium deficiency pertaining to Accident and Health insurance business included in Other category is determined on actuary's advice.

2.7 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash in hand, cash at banks on current and saving accounts and bank deposits.

2.8 Loans to employees and agents

These are recognized at cost, which is the fair value of the consideration given.

2.9 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "Investment at fair value through profit or loss" which is measured initially at fair value.



All "regular way" purchases and sales of investments are recognized on the trade date which is the date that the Company commits to purchase or sell the investment.

The Company assesses at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments, except investments in associates accounted for under equity method, which are tested for impairment in accordance with the provisions of IAS 36 'Impairment of Assets'.

a) Investments in associates

Associates are the entities over which the Company has significant influence but not control. Investments in these associates are accounted for using the equity method of accounting and are initially recognized at cost. The Company's share of its associates' post acquisition profits or losses, movement in other comprehensive income, and its share of post acquisition movement in reserves is recognized in the profit and loss account, statement of comprehensive income and reserves respectively. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. Distributions received from an associate reduce the carrying amount of the investment.

b) Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held to maturity are subsequently measured at amortized cost using the effective yield method. Any premium paid or discount availed on the acquisition of held to maturity investment is deferred and included in the income for the period on a straight line basis over the term of investment. For investments carried at amortized cost, gains and losses are recognized in profit and loss account when the investments are de-recognized or impaired, as well as through the amortization process.

c) Available for sale

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

Subsequent to initial recognition at cost, these are stated at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002. The Company uses stock exchange quotations at the balance sheet date to determine the market value of its quoted investments whereas fair value of investments in delisted / unlisted companies is determined by reference to the net assets and financial position of the investee on the basis of the latest available audited financial statements.

d) Investments at fair value through profit or loss

Investment classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if these are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in profit and loss account.

2.10 Premiums due but unpaid

These are recognized when due, at the fair value of the consideration receivable less provision for doubtful receivables, if any. Provision for impairment on premium receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to original terms of receivable. Receivables are also analyzed as per their aging and accordingly provision is maintained on a systematic basis.

2.11 Amounts due to / from other insurers / reinsurers

Amounts due to / from other insurers / reinsurers are carried at cost which is the fair value of the consideration to be received / paid in the future for services. However, an assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for the difference between the recoverable amount and the carrying amount.



2.12 Claim recoveries

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

2.13 Taxation

a) Current

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

b) Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.14 Deferred commission expense

Commission costs incurred in obtaining and recording policies of insurance and reinsurance are being deferred and recognized as an asset in correlation with unearned premium that will be recognized in the subsequent reporting periods.

2.15 Prepaid reinsurance expense

Premium for reinsurance contracts operative on a proportional and non-proportional basis is recorded as a liability on attachment of the underlying risks reinsured or on inception of the reinsurance contract respectively. For proportional reinsurance contracts, the reinsurance expense is recognized in accordance with the pattern of recognition of premium income to which they relate. For non-proportional reinsurance contracts, the reinsurance expense is recognized evenly in the period of indemnity. The portion of reinsurance premium not recognized as an expense is shown as a prepayment.

2.16 Fixed assets

Fixed assets except freehold land, buildings on freehold land and capital work in progress are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Freehold land is stated at revalued amount, buildings on freehold land are stated at revalued amounts less accumulated depreciation and accumulated impairment losses, if any, while capital work in progress is stated at cost less accumulated impairment losses (if any).

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.



a) Depreciation

Depreciation on fixed assets is charged to profit and loss account applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 24.1. The Company charges the depreciation on additions from the date when the asset is available for use and on deletions upto the date when the asset is de-recognized. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

b) De-recognition

An item of fixed assets is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

2.17 Assets subject to finance lease

Assets held under finance leases are initially recorded at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the leases less financial charges allocated to future periods are shown as a liability. Depreciation on leased assets is charged applying the reducing balance method at the rates used for similar owned assets, so as to depreciate the assets over their estimated useful lives in view of the certainty of ownership of the assets at the end of the lease term.

The financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

2.18 Provision for unearned premium

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage.

Provision for unearned premium is being calculated as a proportion of the gross premium of each policy, determined as the ratio of the unexpired period of the policy and the total period, both measured to the nearest day as specified in Accounting Regulation 8(4)(a) of the SEC (Insurance) Rules, 2002 for non-life insurance.

2.19 Commission income unearned

Commission income receivable from reinsurers is taken to profit and loss account in accordance with the pattern of recognition of the reinsurance premium to which they relate.

2.20 Employee benefits

a) Gratuity

The Company operates an unfunded gratuity scheme for all permanent employees who are entitled to gratuity equivalent to last drawn gross salary multiplied by the number of years of service upto the date of leaving the Company. The latest actuarial valuation was carried out as at 31 December 2013, using the "Projected Unit Credit Method" to determine the liability on the reporting date. Actuarial gains or losses are recognized in statement of comprehensive income in the year in which they arise.

b) Compensated absences

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

2.21 Creditors, accruals and provisions

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

2.22 Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.



2.23 Provisions

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

2.24 Revenue recognition

a) Premium income earned

Premium written under a policy is recognized as income over the period of insurance from the date of issuance of the policy to which it relates to its expiry as follows:

- for direct business evenly over the period of the policy
- for proportional re-insurance business evenly over the period of the underlying insurance policies

Where the pattern of incidence of risk varies over the period of the policy, the premium is recognized as revenue in accordance with the pattern of the incidence of risk.

b) Administrative surcharge

This represents documentation and other charges recovered by the Company from policyholders in respect of policies issued, at a rate of 5% of the premium restricted to a maximum of Rupees 2,000 per policy. Administrative surcharge is recognized as revenue at the time, the policies are written.

c) Commission income

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

d) Dividend income and bonus shares

Dividend income is recognized when the right of receipt is established. Bonus shares are accounted for by increase in number of shares without any change in the value of investments.

e) Investment income

Income from held-to-maturity investments

Income from held-to-maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments.

Income from available-for-sale investments

- Return on fixed income investments

Return on fixed income securities classified as available-for-sale is recognized on a time proportion basis.

- Gain / loss on sale of available-for-sale investments

Gain / loss on sale of available-for-sale investments is included in income currently.

Income from investments at fair value through profit or loss

Gain / loss on sale of investments at fair value through profit or loss is included in income currently.



f) Rental and other income

Rental and other income is recognized on accrual basis.

2.25 Expenses

Management expenses which are directly attributable to the underwriting business are allocated in accordance with the volume of each class of business and portion of management expenses which are not allocable to the underwriting business are charged as general and administration expenses. These expenses are charged to profit and loss account at the time the policies are accepted.

2.26 Impairment

a) Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non - financial assets

The carrying amounts of the Company's non financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

2.27 Financial instruments

Financial instruments carried on the balance sheet include cash and other equivalents, current and other accounts, deposits maturing within 12 months, loans to employees, investments, premiums due but unpaid, amounts due from other insurers / reinsurers, salvage recoveries accrued, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other insurers / reinsurers, accrued expenses, unclaimed dividends, other creditors and accruals, deposits against performance bonds. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instrument at fair value through profit or loss" which is measured initially at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.



2.28 Off setting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.29 Earnings / (loss) per share

The Company presents basic earnings / (loss) per share for its shareholders. Basic earnings / (loss) per share is calculated by dividing the profit / (loss) attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

2.30 Borrowing cost

Interest, mark-up and other charges on long-term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long-term finances. All other interest, mark-up and other charges are recognized in profit and loss account.

2.31 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

2.32 Dividend and appropriation to reserves

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

2.33 Foreign currencies

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are included in the income currently.

2.34 Segment reporting

The Company accounts for segment reporting using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002 as the primary reporting format based on the Company's practice of reporting to the management on the same basis.

As the operations of the Company are predominantly carried out in Pakistan, information relating to geographical segment is not considered relevant.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amount of certain assets used jointly by two or more segments have been allocated to segments on a reasonable 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.



3. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2013 (NUMBER OF SHARES)	2012		2013 (RUPEES IN THOUSAND)	2012 (RUPEES IN THOUSAND)
14,720,000	14,720,000	Ordinary shares of Rupees 10 each fully paid in cash	147,200	147,200
15,280,000	15,280,000	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	152,800	152,800
<u>30,000,000</u>	<u>30,000,000</u>		<u>300,000</u>	<u>300,000</u>

3.1 Bibojee Services (Private) Limited (the Holding Company) holds 24,158,326 (2012: 24,158,326) ordinary shares of the Company.

4. RESERVES

Composition of reserves is as follows:

Capital reserves:

Share premium reserve	4	4
Capital reserve	18	18
	<u>22</u>	<u>22</u>
Revenue reserve	14,467	14,338
	<u>14,489</u>	<u>14,360</u>

5. SURPLUS ON REVALUATION OF FIXED ASSETS

Balance as at 01 January	183,259	164,004
Add: Surplus arising during the year on:		
Freehold land	4,540	13,400
Buildings on freehold land	1,533	7,963
	<u>6,073</u>	<u>21,363</u>
Less: Surplus on revaluation realised during the year on disposal	(20,425)	-
Less: Impairment loss (Note 24.1)	(3,775)	-
Less: Incremental depreciation on surplus on revaluation	(2,224)	(2,108)
Balance as at 31 December	<u>162,908</u>	<u>183,259</u>
Less: Related deferred tax liability	(16,159)	(17,505)
	<u>146,749</u>	<u>165,754</u>
Share of surplus on revaluation of fixed assets of associates accounted for under equity method	93,583	81,688
	<u>240,332</u>	<u>247,442</u>



2013 2012
(RUPEES IN THOUSAND)

6. PREMIUM DEFICIENCY RESERVE

Balance as at 01 January	2,134	1,242
Change in premium deficiency reserve	(1,514)	892
Balance as at 31 December	620	2,134

7. EMPLOYEE BENEFIT - Unfunded

Gratuity

The amount recognized in the balance sheet is as follows:

Liability for gratuity (Note 7.1)	6,052	5,516
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7.1 Net movement in liability for gratuity

Liability as at 01 January	5,516	3,359
Amounts recognized in profit and loss account (Note 7.3)	3,509	4,534
Benefits paid during the year	(814)	(2,681)
Payable to outgoing employees	(2,211)	(257)
Remeasurement loss recognized in Statement of Comprehensive Income	52	561
Liability as at 31 December	6,052	5,516

7.2 Reconciliation of changes in present value of defined benefit obligation

Present value of defined benefit obligation as at 01 January	5,516	3,359
Current service cost	2,735	3,878
Interest cost	774	656
Benefits paid during the year	(814)	(2,681)
Payable to outgoing employees (Note 10)	(2,211)	(257)
Remeasurement loss recognized in Statement of Comprehensive Income	52	561
Present value of defined benefit obligation as at 31 December	6,052	5,516

7.3 Amounts recognized in profit and loss account

Current service cost	2,735	3,878
Interest cost	774	656
	3,509	4,534



7.4 Assumptions used for valuation of the defined benefit scheme are as under:

	Per annum	
	2013	2012
Discount rate	12.75%	12.00%
Expected rate of increase in salary	11.75%	11.00%

2013	2012	2011
----- (RUPEES IN THOUSAND) -----		

7.5 Historical information

Liability for defined benefit obligation	6,052	5,516	3,359
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7.6 The expected charge for the year ending 31 December 2014 is Rupees 3.269 million.

2013	2012
(RUPEES IN THOUSAND)	

8. AMOUNTS DUE TO OTHER INSURERS / REINSURERS

Amounts due to coinsurers	16,492	15,544
Amounts due to reinsurers	35,526	15,433
	52,018	30,977

9. ACCRUED EXPENSES

Salaries payable	9,450	5,865
Audit fee payable	390	345
Expenses payable	2,986	2,013
Commission payable	30,857	25,827
	43,683	34,050

10. OTHER CREDITORS AND ACCRUALS

Federal excise duty	25,106	28,401
Federal insurance fee	1,018	1,239
Sundry creditors	20,512	17,886
Leave encashment payable	7,382	7,711
Gratuity payable to outgoing employees (Note 7.2)	2,211	257
Income tax deducted at source	541	992
Others	4,694	4,590
	61,464	61,076



11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

11.1.1 The insured has filed a petition against the Company in Lahore High Court, Lahore for alleged claim of Rupees 7.30 million. The petition is still pending before the court. The Company is confident that the outcome of the petition will be in its favour, hence, no provision for claim has been recognized in these financial statements.

11.1.2 The Company issued a performance bond on behalf of a contractor in favour of National Highway Authority (NHA). Owing to subsequent developments, NHA instituted a civil suit for recovery of Rupees 2.621 million against the contractor and the Company. This suit was dismissed and subsequently on appeal in the District Court the said appeal was also dismissed. Now, NHA has filed a Civil Revision Application in Honourable High Court of Sindh at Karachi. No provision against claim of NHA has been made in these financial statements, as the management is confident of a favourable outcome of the litigation.

11.1.3 During the year ended 31 December 2012, the Company made payment of Rupees 12.600 million to Messrs Bibojee Services (Private) Limited ("the Holding Company"), which actually was payable to Mr. Sardar Khan, Ex-Managing Director of the Company on account of gratuity. The Holding Company was of the view that the Ex-Managing Director is required to adjust the certain claim against him. Therefore, payment received on account of gratuity payable will be settled with mutual consent otherwise the amount will be refunded to the Company. However, during the year, Mr. Sardar Khan has filed a suit against the Company in the Court of Learned Senior Civil Judge, Lahore for recovery of Rupees 20.090 million on account of gratuity along with profits, mark-up, costs, etc. The Company moved an application for dismissal of the suit being not competent under the law. The decision of the case is still pending before the Court of Learned Senior Civil Judge. No provision against this claim has been made in these financial statements, as the management is confident of a favourable outcome of the litigation.

11.2 Commitments

As at 31 December 2013, commitments for revolving letters of credits, other than for capital expenditure, were outstanding for Rupees 0.747 million (2012: Rupees 0.747 million).

12. CASH AND OTHER EQUIVALENTS

Stamps-in-hand

2013	2012
(RUPEES IN THOUSAND)	
8	32

13. CURRENT AND OTHER ACCOUNTS

Saving accounts (Note 13.1)

Current accounts

Deposit with State Bank of Pakistan (Note 13.2)

2,016	7,710
6,774	13,978
10,000	-
18,790	21,688

13.1 These include balance of Rupees 0.747 million (2012: Rupees 0.747 million) kept with a bank as security against letters of credit. Rate of profit on bank balances ranges from 6.00% to 6.17% (2012: 6.00% to 7.00%) per annum.

13.2 This deposit is made to meet the statutory requirement as required by section 29(2)(a) of the Insurance Ordinance, 2000.

14. DEPOSITS MATURING WITHIN 12 MONTHS

Term deposit receipts

Provision for impairment (Note 14.1)

Term deposit receipts - considered good (Note 14.2)

142,457	41,357
(1,257)	(1,202)
141,200	40,155

14.1 Provision for impairment

Balance as at 01 January

Provision made during the year (Note 27.2)

Balance as at 31 December

1,202	1,202
55	-
1,257	1,202

14.2 These represent term deposit receipts issued by financial institutions and carry interest at the rates ranging from 9.20% to 10.00% (2012: 10.00% to 11.20%) per annum.



	2013 (RUPEES IN THOUSAND)	2012 (RUPEES IN THOUSAND)
15. INVESTMENTS		
In related parties		
Investments in associates (Note 15.1)	110,549	95,180
Others		
Held-to-maturity (Note 15.2)	25,509	34,967
Available for sale (Note 15.3)	159	752
Investments at fair value through profit or loss (Note 15.4)	2,080	4,068
	<u>138,297</u>	<u>134,967</u>

15.1 Investments in associates

NUMBER OF SHARES		FACE VALUE	NAME OF ENTITY	2013	2012
2013	2012				
RUPEES			(RUPEES IN THOUSAND)		
Quoted					
Personal Goods					
8,940	7,152	10	Bannu Woollen Mills Limited		
			Equity held 0.09% (2012: 0.09%)		
			Cost	32	32
			Share of post acquisition reserves:		
			As at 01 January	1,143	1,040
			Share of profit after income tax	154	108
			Share of items directly recognised in equity	1	6
			Dividend received	-	(21)
			Impact of change in accounting policy of associate	(31)	-
			Share of surplus on revaluation of fixed assets recognized during the year	-	10
			As at 31 December	1,267	1,143
				1,299	1,175
Industrial Engineering					
1,184,148	1,192,148	10	Ghandhara Industries Limited		
			Equity held 5.56% (2012: 5.60%)		
			Cost	12,078	12,160
			Share of post acquisition reserves:		
			As at 01 January	81,687	78,563
			Share of profit after income tax	3,228	3,124
			Impact of change in accounting policy of associate	(89)	-
			Share of surplus on revaluation of fixed assets recognized during the year	13,003	-
			Partial disposal of investment	(657)	-
			As at 31 December	97,172	81,687
				109,250	93,847
Automobile and Parts					
-	5,000	10	Ghandhara Nissan Limited		
			Equity held : Nil (2012: 0.01%)		
			Cost	-	103
			Share of post acquisition reserves:		
			As at 01 January	55	57
			Share of profit / (loss) after income tax	8	(2)
			Disposal of investment	(63)	-
			As at 31 December	-	55
				-	158
				110,549	95,180



- 15.1.1** Summarized un-audited financial statements of associates, including the aggregated amounts of assets, liabilities, revenues and profits / (losses) are as follows:

NAME	ASSETS	LIABILITIES	REVENUE	PROFIT
	As at 31 December 2013		From 01 January 2013 to 31 December 2013	

------(RUPEES IN THOUSAND)-----

Bannu Woollen Mills Limited	1,802,846	354,643	819,453	171,479
Ghandhara Industries Limited	3,994,513	2,028,841	2,693,304	57,693

NAME	ASSETS	LIABILITIES	REVENUE	PROFIT / (LOSS)
	As at 31 December 2012		From 01 January 2012 to 31 December 2012	

------(RUPEES IN THOUSAND)-----

Bannu Woollen Mills Limited	1,625,831	315,891	737,701	119,814
Ghandhara Industries Limited	4,275,494	2,599,630	2,572,937	55,791
Ghandhara Nissan Limited	2,665,483	1,082,376	1,628,435	(20,398)

2013 **2012**
(RUPEES IN THOUSAND)

- 15.1.2** Fair value of investments in associates is as follows:

Bannu Woollen Mills Limited	653	390
Ghandhara Industries Limited	20,865	15,069
Ghandhara Nissan Limited	-	30

The management, in accordance with provisions of IAS 36 "Impairment of Assets" has determined the recoverable amount of its investments in associates accounted for under equity method i.e. higher of fair value less cost to sell and value in use. Based on value in use calculations as at 31 December 2013, the management concluded that the carrying amount of investments in associates does not exceed the recoverable amount. Based on favourable value in use, there was no impairment loss on investments in associates with significant influence (tested for impairment) under IAS 36 "Impairment of Assets".

2013 **2012**
(RUPEES IN THOUSAND)

15.2 Held-to-maturity

	Maturity	Coupon rate (%)		
Pakistan Investment Bond	06-10-2013	8.00	-	14,762
Pakistan Investment Bond	18-08-2016	11.50	15,463	15,395
Pakistan Investment Bond	18-07-2018	11.50	5,175	-
Pakistan Investment Bond	22-07-2020	12.00	4,871	4,810
			<u>25,509</u>	<u>34,967</u>

- 15.2.1** Market value of these PIBs as on 31 December 2013 is Rupees 22.007 million (2012: Rupees 31.390 million). Profit on PIBs is received bi-annually.

- 15.2.2** These investments are made to meet the statutory requirement as required by section 29(2)(a) of the Insurance Ordinance, 2000.



15.3 Available for sale

NUMBER OF SHARES / UNITS		FACE VALUE	NAME OF ENTITY	2013	2012
2013	2012				
		RUPEES		(RUPEES IN THOUSAND)	
Quoted					
Ordinary shares					
Personal goods					
49,000	49,000	10	Hamid Textile Mills Limited	490	490
Industrial transportation					
888	888	10	Pakistan National Shipping Corporation	24	24
				514	514
Mutual funds					
Open-ended mutual fund					
-	1,880	500	Atlas Stock Market Fund	-	500
2,324	23,245	100	JS Growth Fund	135	135
Close-ended mutual fund					
-	6,391	10	PICIC Investment Fund	-	85
				135	720
Un-Quoted					
Ordinary shares					
1,106	1,106	10	Nowshera Engineering Works Limited	11	11
26,740	26,740	10	Fawad Textile Mills Limited	268	268
				279	279
				928	1,513
Provision for impairment in value of investments (Note 15.3.1)				(769)	(761)
				159	752
Provision for impairment in value of investments					
Balance as at 01 January				761	678
Provision made during the year				48	132
Provision reversed during the year				(40)	(49)
				8	83
Balance as at 31 December				769	761

15.3.2 At 31 December 2013, the fair value of available for sale securities was Rupees 0.442 million (2012: Rupees 1.118 million). As per the Company's accounting policy, available for sale investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary). However, International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurements" dealing with the recognition and measurement of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as at 31 December 2013 would have been higher by Rupees 0.283 million (2012: Rupees 0.366 million).



15.4 Investments at fair value through profit or loss

NUMBER OF SHARES / UNITS		FACE VALUE	NAME OF ENTITY	2013	2012
2013	2012			(RUPEES IN THOUSAND)	
RUPEES					
Quoted					
Ordinary shares					
Bank					
30,002	26,089	10	National Bank of Pakistan	3,097	3,097
Electricity					
-	40,000	10	The Hub Power Company Limited	-	1,198
				3,097	4,295
Mutual funds					
Close-ended mutual fund					
13,500	13,500	10	PICIC Growth Fund	509	509
Open-ended mutual fund					
-	1,445	500	Atlas Income Fund	-	500
				509	1,009
				3,606	5,304
Unrealized loss on remeasurement of investments				(1,526)	(1,236)
				2,080	4,068

16. DEFERRED TAXATION

The (liability) / asset for deferred taxation comprises temporary differences arising due to:

Taxable temporary differences

Accelerated tax depreciation	2,432	4,726
Surplus on revaluation of buildings	16,159	17,505
Liabilities against assets subject to finance lease	-	478
	18,591	22,709

Deductible temporary differences

Tax losses	76,688	62,494
Provision for doubtful receivables	23,387	10,594
Employee benefits	5,319	4,720
	105,394	77,808
Deferred income tax asset - net	86,803	55,099
Less: Deferred income tax asset not recognized	53,612	21,908
Net deferred income tax asset recognized (Note 16.1)	33,191	33,191



- 16.1 The net deferred income tax asset recognized in these financial statements is restricted upto Rupees 33.191 million (2012: Rupees 33.191 million) as the temporary differences are not expected to reverse in foreseeable future because taxable profits in near future will not be probably available against which the temporary differences can be utilized.

	2013	2012
	(RUPEES IN THOUSAND)	
17. PREMIUMS DUE BUT UNPAID - Unsecured		
Considered good		
Due from associates (Note 17.1)	15,965	22,267
Others	44,019	71,681
	<u>59,984</u>	<u>93,948</u>
Considered doubtful		
Due from associates (Note 17.1)	4,568	-
Others	66,185	37,245
	<u>70,753</u>	<u>37,245</u>
Provision for doubtful receivables (Note 17.2)	<u>(70,753)</u>	<u>(37,245)</u>
	<u>59,984</u>	<u>93,948</u>
17.1 Due from associates:		
Janana De Malucho Textile Mills Limited	2,042	2,619
Babri Cotton Mills Limited	1,288	458
Rahman Cotton Mills Limited	6,825	3,750
Gandhara Nissan Limited	5,877	4,930
Gandhara Industries Limited	4,416	10,425
The General Tyre and Rubber Company of Pakistan Limited	13	11
Gammon Pakistan Limited	24	74
Bannu Woollen Mills Limited	12	-
Bibojee Services (Private) Limited	36	-
	<u>20,533</u>	<u>22,267</u>

- 17.1.1 Maximum aggregate balance due from associates at the end of any month was Rupees 27.903 million (2012: Rupees 31.210 million).

	2013	2012
	(RUPEES IN THOUSAND)	
17.2 Provision for doubtful receivables		
Balance as at 01 January	37,245	21,521
Provision made during the year (Note 27.2)	33,508	19,916
	<u>70,753</u>	<u>41,437</u>
Bad debts written off	-	(4,192)
Balance as at 31 December	<u>70,753</u>	<u>37,245</u>
18. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS - Unsecured		
Amounts due from coinsurers	117,912	127,361
Amounts due from reinsurers	12,653	1,506
	<u>130,565</u>	<u>128,867</u>
Provision for doubtful receivables (Note 18.1)	<u>(12,216)</u>	<u>(9,462)</u>
Amounts due from other insurers / reinsurers - considered good	<u>118,349</u>	<u>119,405</u>



2013 2012
(RUPEES IN THOUSAND)

18.1 Provision for doubtful receivables

Balance as at 01 January	9,462	6,743
Provision made during the year (Note 27.2)	2,754	2,719
Balance as at 31 December	12,216	9,462

19. ACCRUED INVESTMENT INCOME

This represents profit accrued on term deposit receipts.

20. TAXATION - Payment less provision

Advance income tax	7,571	6,557
Provision for taxation	(313)	(105)
	7,258	6,452

21. PREPAYMENTS

Prepaid reinsurance premium ceded	8,893	30,434
Others	385	1,155
	9,278	31,589

22. LOANS TO EMPLOYEES - Unsecured considered good

Executives	150	338
Others	246	588
	396	926

22.1 These represent interest free loans given to employees in accordance with the policy of the Company. These are recoverable in equal monthly instalments.

2013 2012
(RUPEES IN THOUSAND)

23. SUNDRY RECEIVABLES

Advances to employees against expenses - unsecured considered good	901	894
Security deposits	2,404	2,963
Recoverable from holding company	11,456	1,820
Sales tax receivable	123	122
Others	2,165	3,379
	17,049	9,178

24. FIXED ASSETS - TANGIBLE
Owned assets (Note 24.1)
Leased assets (Note 24.1)

24.1

	2013						2012					
	(RUPEES IN THOUSAND)						(RUPEES IN THOUSAND)					
	2013						2012					
	OWNED						LEASED					
	Freehold land	Buildings on freehold land	Furniture, fixtures and office equipment	Computer equipment	Motor vehicles	Sub total	Motor vehicles	Total				
As at 01 January 2012												
Cost / revalued amount	129,000	95,255	25,003	14,656	87,221	351,135	3,480	354,615				
Accumulated depreciation	-	(18,393)	(14,024)	(9,041)	(64,780)	(96,238)	(1,771)	(98,009)				
Net book value	129,000	76,862	10,979	5,615	32,441	254,897	1,709	256,606				
Year ended 31 December 2012												
Opening net book value	129,000	76,862	10,979	5,615	32,441	254,897	1,709	256,606				
Additions	-	-	184	1,797	1,586	3,567	-	3,567				
Disposals:												
Cost	-	-	(2,073)	(2,221)	(29,107)	(33,401)	-	(33,401)				
Accumulated depreciation	-	-	1,363	1,811	19,809	22,983	-	22,983				
Written-off (Note 27)	-	-	(710)	(410)	(9,298)	(10,418)	-	(10,418)				
Cost	-	-	(26)	(50)	-	(76)	-	(76)				
Accumulated depreciation	-	-	16	24	40	(36)	-	(36)				
Depreciation charge	-	(3,743)	(1,199)	(1,937)	(5,510)	(12,389)	(342)	(12,731)				
Impairment loss (Note 27)	-	(2,000)	-	-	(2,000)	(2,000)	-	(2,000)				
Surplus on revaluation (Note 5)	13,400	7,963	-	-	-	21,363	-	21,363				
Closing net book value	142,400	79,082	9,244	5,039	19,219	254,984	1,367	256,351				
As at 31 December 2012												
Cost / revalued amount	142,400	103,218	23,088	14,182	59,700	342,588	3,480	346,068				
Accumulated depreciation	-	(22,136)	(13,844)	(9,143)	(40,481)	(85,604)	(2,113)	(87,717)				
Accumulated impairment loss	-	(2,000)	-	-	-	(2,000)	-	(2,000)				
Net book value	142,400	79,082	9,244	5,039	19,219	254,984	1,367	256,351				
Year ended 31 December 2013												
Opening net book value	142,400	79,082	9,244	5,039	19,219	254,984	1,367	256,351				
Additions	-	-	15	29	2,316	2,360	-	2,360				
Transferred from leased assets:												
Cost	-	-	-	-	3,480	3,480	(3,480)	-				
Accumulated depreciation	-	-	-	-	(2,217)	(2,217)	2,217	-				
Disposals:												
Cost / revalued amount	(31,500)	(25,267)	(3,702)	(1,589)	(17,250)	(79,308)	-	(79,308)				
Accumulated depreciation	-	7,705	2,235	1,355	12,911	24,206	-	24,206				
Accumulated impairment loss (Note 5)	(31,500)	(13,787)	(1,467)	(234)	(4,339)	(51,327)	-	(51,327)				
Impairment loss (Note 5)	-	(3,775)	-	-	(3,775)	(3,775)	-	(3,775)				
Reversal of impairment loss (Note 26)	-	1,273	-	-	1,273	1,273	-	1,273				
Depreciation charge	-	(3,599)	(950)	(1,506)	(3,634)	(9,689)	(104)	(9,793)				
Surplus on revaluation (Note 5)	4,540	1,533	-	-	-	6,073	-	6,073				
Closing net book value	115,440	60,727	6,842	3,328	14,825	201,162	-	201,162				
As at 31 December 2013												
Cost / revalued amount	115,440	79,484	19,401	12,622	48,246	275,193	-	275,193				
Accumulated depreciation	-	(18,030)	(12,559)	(9,294)	(33,421)	(73,304)	-	(73,304)				
Accumulated impairment loss	-	(727)	-	-	-	(727)	-	(727)				
Net book value	115,440	60,727	6,842	3,328	14,825	201,162	-	201,162				
Annual rate of depreciation (%)	-	5%	10-30%	30%	20%	-	20%	-				
Surplus on revaluation												

Latest revaluation of land and buildings was carried out by Messrs Dimensions (PBA approved valuer) as on 31 December 2013. Had there been no revaluation, carrying values of land and buildings as on 31 December 2013 would have been lower by Rupees 115,383 million (2012: Rupees 133,243 million) and Rupees 47,525 million (2012: Rupees 50,016 million) respectively.



24.3 The depreciation charge for the year has been allocated as follows:

	2013	2012
	(RUPEES IN THOUSAND)	
Expenses (Note 25)	6,529	8,487
General and administration expenses (Note 27)	3,264	4,244
	<u>9,793</u>	<u>12,731</u>

24.4 Detail of fixed assets, having book value exceeding Rupees 50,000, disposed of during the year is as follows:

DESCRIPTION	COST / REVALUED AMOUNT	ACCUMULATED DEPRECIATION	NET BOOK VALUE	SALE PROCEEDS	GAIN / (LOSS)	MODE OF DISPOSAL	PARTICULARS OF PURCHASERS
	------(RUPEES IN THOUSAND)-----						
Land	31,500	-	31,500	31,555	55	Negotiation	M/s Bibojee Services (Private) Limited - (the Holding Company)
Buildings							
SE-36-R-140/5 Shahzadi Rafiqat Market, Lahore	4,629	1,772	2,857	2,857	-	Negotiation	Mr. Kamran Mehmood, Lahore
Akbar Manzil, 2nd Floor, Plot 424, Faisalabad	3,241	741	2,500	2,500	-	Negotiation	Mr. Adnan Shahzad, Mr. Zeeshan Shahzad, Mr. Abdul Hanan, Faisalabad
624-E, Street E-11/4, Islamabad	13,622	5,192	8,430	8,445	15	Negotiation	M/s Bibojee Services (Private) Limited - (the Holding Company)
Motor vehicles	21,492	7,705	13,787	13,802	15		
Suzuki Baleno LRP-7542	801	708	93	495	402	Negotiation	Mr. Amir Aziz, Lahore
Nissan Sunny ALW-820	1,102	842	260	680	420	Negotiation	Mr. M. Akbar, Karachi
Suzuki Mehran KY-198	162	75	87	300	213	Negotiation	Mr. Muhammad Arshad, Sargodha
Toyota Platz ARB-820	695	440	255	635	380	Negotiation	Mr. M. Akbar, Karachi
Cherry QQ LWF-8408	499	391	108	282	174	Negotiation	Mr. Abdul Hameed Chohan, Lahore
Daihatsu Cuore LEF-08-2256	385	168	217	540	323	Negotiation	Mr. Ammar Saleem, Lahore
Daihatsu Cuore LWB-7474	240	178	62	270	208	Negotiation	Mr. Adnan Ahmed, Lahore
Nissan Sunny LZT-8995	1,208	994	214	670	456	Negotiation	Mr. Javed-Ul-Islam, Lahore
Nissan Sunny LZU-98	1,584	1,306	278	820	542	Negotiation	Mr. Islam-Ud-Din Ghauri, Lahore
Nissan Sunny LWR-481	1,127	872	255	700	445	Negotiation	Mr. Shakeel Ahmed, Lahore
Toyota Corolla-XLI LEB-06-2134	1,464	891	573	600	27	Negotiation	Mr. Raja Naeem Khan, Islamabad
Nissan Sunny LWG-1184	1,188	968	220	375	155	Negotiation	Mr. Muhammad Javed, Lahore
Toyota Corolla-XLI LEB-06-2134	700	255	445	615	170	Negotiation	Mr. Muhammad Afzal, Lahore
Nissan Sunny JC-080	1,266	1,065	201	670	469	Negotiation	Mr. Muhammad Waheed, Lahore
Nissan Tida LEA-08-5022	1,398	1,009	389	750	361	Negotiation	Mr. Muhammad Waheed, Lahore
Nissan Tida LED-08-4664	1,533	1,070	463	825	362	Negotiation	Mr. Muhammad Waheed, Lahore
	<u>15,352</u>	<u>11,232</u>	<u>4,120</u>	<u>9,227</u>	<u>5,107</u>		

Furniture, Fixture and Office Equipment

Orient floor standing air conditioner 02 ton	120	52	68	33	(35)	Negotiation	Mr. Qaiser Mahmood, Sialkot
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Aggregate of items with individual book value not exceeding Rupees 50,000:

Furniture, fixtures and office equipment	3,582	2,183	1,399	739	(660)		
Computer equipment	1,589	1,355	234	64	(170)		
Motor vehicles	1,898	1,679	219	1,084	865		
	<u>7,069</u>	<u>5,217</u>	<u>1,852</u>	<u>1,887</u>	<u>35</u>		
	<u>75,533</u>	<u>24,206</u>	<u>51,327</u>	<u>56,504</u>	<u>5,177</u>		



25. EXPENSES

	2013	2012
	(RUPEES IN THOUSAND)	
Salaries and other benefits (Note 25.1)	32,471	49,271
Rent, rates and taxes	2,925	5,095
Electricity charges	883	1,634
Insurance	1,504	3,171
Communication	1,641	3,015
Printing and stationery	323	535
Travelling and entertainment	2,041	3,422
Depreciation (Note 24.3)	6,529	8,487
Repairs and maintenance	1,422	3,100
Legal and professional	57	58
Advertisement	10	15
Provision for leave encashment	1,455	1,396
Others	2,021	1,640
Service charges	202	1,409
	<u>53,484</u>	<u>82,248</u>

25.1 These include Rupees 1.787 million (2012: Rupees 2.462 million) in respect of employees' retirement benefit.

25.2 The above expenses of management allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated to the various classes of business on the basis of gross premium revenue.

26. OTHER INCOME

	2013	2012
	(RUPEES IN THOUSAND)	
Income from financial assets		
Profit on term deposit receipts	3,283	5,261
Profit on bank accounts	508	531
Credit balances written-back	1,041	949
	<u>4,832</u>	<u>6,741</u>
Income from non-financial assets		
Fronting fee	1,548	1,510
Gain on disposal of fixed assets	5,177	9,057
Reversal of impairment loss on fixed assets (Note 24.1)	1,273	-
Miscellaneous	190	454
	<u>8,188</u>	<u>11,021</u>
	<u>13,020</u>	<u>17,762</u>

27. GENERAL AND ADMINISTRATION EXPENSES

Salaries and other benefits (Note 27.1)	31,297	41,469
Rent, rates and taxes	1,098	1,337
Electricity charges	1,380	1,431
Insurance	752	1,585
Communication	1,672	1,840
Printing and stationery	713	1,306
Travelling and entertainment	3,143	4,082
Depreciation (Note 24.3)	3,264	4,244
Repairs and maintenance	1,575	2,732
Legal and professional	3,150	2,899
Provisions for doubtful receivables (Note 27.2)	37,316	22,635
Provision for leave encashment	2,024	1,895
Fixed assets written off (Note 24.1)	-	36
Debit balances written off	-	795
Impairment loss on fixed assets (Note 24.1)	-	2,000
Advertisement	439	654
Auditors' remuneration (Note 27.3)	519	507
Others	4,734	4,423
	<u>93,076</u>	<u>95,870</u>



27.1 These include Rupees 1.722 million (2012: Rupees 2.072 million) in respect of employees' retirement benefit.

2013 **2012**
(RUPEES IN THOUSAND)

27.2 Provisions for doubtful receivables

Premiums due but unpaid (Note 17.2)	33,508	19,916
Amounts due from other insurers / reinsurers (Note 18.1)	2,754	2,719
Term deposit receipts (Note 14.1)	55	-
Security deposits	424	-
Prepayments - others	570	-
Accrued investment income	5	-
	<u>37,316</u>	<u>22,635</u>

27.3 Auditors' remuneration

Statutory audit fee	300	300
Out of pocket expenses	94	82
Half yearly review	100	100
Certification and other charges	25	25
	<u>519</u>	<u>507</u>

28. TAXATION

Current:

Current year	(313)	(105)
Prior years	(17)	(479)
	<u>(330)</u>	<u>(584)</u>

Deferred

	(1,364)	-
	<u>(1,694)</u>	<u>(584)</u>

28.1 In view of taxable loss for the year, provision for current taxation represents tax charge against rental income and dividend income under the Income Tax Ordinance, 2001. The Company has carried forwardable tax losses of Rupees 225.553 million (2012: Rupees 178.554 million). Numerical reconciliation between average tax rate and applicable tax rate has not been presented being impracticable.

2013 **2012**
RUPEES IN THOUSAND

29. LOSS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on basic loss per share which is based on:

Loss after taxation attributable to ordinary shareholders	<u>(89,097)</u>	<u>(66,256)</u>
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NUMBER OF SHARES

Weighted average number of ordinary shares outstanding during the year	<u>30,000,000</u>	<u>30,000,000</u>
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RUPEES

Loss per share - basic and diluted	<u>(2.97)</u>	<u>(2.21)</u>
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30. REMUNERATION OF CHIEF EXECUTIVE, PRINCIPAL OFFICER AND EXECUTIVES

The aggregate amount charged in these financial statements for remuneration including all benefits to the chief executive, principal officer and executives of the Company is as follows:

		2013		
	Note	CHIEF EXECUTIVE	PRINCIPAL OFFICER	EXECUTIVES
----- (RUPEES IN THOUSAND) -----				
Managerial remuneration		840	2,421	10,291
House rent		360	901	3,962
Utilities		1,752	724	1,293
Medical allowance		168	22	-
		3,120	4,068	15,546
Number of persons	30.2	1	1	17
		2012		
		CHIEF EXECUTIVE	PRINCIPAL OFFICER	EXECUTIVES
----- (RUPEES IN THOUSAND) -----				
Managerial remuneration		840	1,740	11,700
House rent		360	785	4,570
Utilities		1,767	180	976
Medical allowance		119	-	-
		3,086	2,705	17,246
Number of persons		1	1	13

30.1 Chief executive, principal officer and executives are also provided with other facilities, including free use of the Company maintained cars.

30.2 The remuneration of principal officer includes the remuneration of the outgoing principal officer. The new principal officer was appointed with effect from September 01, 2013.

30.3 Aggregate amount charged in the financial statements for meeting fee to all directors was Rupees 0.470 million (2012: Rupees 0.440 million).

30.4 No remuneration was paid to non-executive directors of the Company except meeting fee.



31. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise holding company, associated companies and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of period end balances and significant transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2013	2012
	(RUPEES IN THOUSAND)	
HOLDING COMPANY		
Period end balances		
Provision for outstanding claims	104	44
Premiums due but unpaid	36	-
Commission payable	8,168	5,904
Recoverable from holding company against rent and sale of fixed assets	11,456	1,820
Share deposit money	70,000	-
Transactions during the year		
Premiums underwritten	74	654
Premiums received	38	654
Amount paid	-	12,600
Claims paid	-	90
Commission expense	2,264	5,904
Rental income	1,406	1,388
Rent adjusted / received	770	432
Sale of fixed assets	40,000	-
ASSOCIATED COMPANIES		
Period end balances		
Provision for outstanding claims	18,514	14,517
Premiums due but unpaid	20,497	22,267
Provision for doubtful receivables	4,568	-
Transactions during the year		
Premiums underwritten	12,520	36,537
Premiums received / adjusted	14,290	39,974
Claims paid	2,669	5,854
Dividend received	-	21

32. SEGMENT REPORTING

The Company has following four primary segments:

- Fire and property damage insurance provides coverage against damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and other related perils.
- Marine and transport insurance provide coverage against cargo risk, war risk, damages occurring in inland transit and other related perils.
- Motor insurance provides comprehensive car coverage, indemnity against third party loss and other related coverages.
- Others insurance provides coverage against burglary, loss of cash in safe and cash in transit, engineering losses and other coverages.

	FIRE AND PROPERTY DAMAGE		MARINE AND TRANSPORT		MOTOR ACCIDENT		OTHERS		TOTAL	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
(RUPEES IN THOUSAND)										
Revenue										
Gross premium earned	71,122	125,955	26,897	62,571	65,259	122,150	9,801	39,501	173,079	350,177
Segment results	(3,917)	3,558	(3,883)	7,291	(6,820)	(12,438)	(3,154)	3,028	(17,774)	1,439
Investment income										
Rental income										
Other income										
General and administration expenses										
Financial charges										
Share of profits from associates - net of tax										
Loss before taxation										
Taxation										
Loss after taxation										
Other information										
Segment assets	171,994	202,052	106,111	64,609	77,368	100,880	18,399	38,704	373,872	406,245
Unallocated assets									561,248	506,589
Total assets									935,120	912,834
Segment liabilities	158,753	174,256	106,810	51,596	129,878	145,596	39,287	48,959	434,728	420,407
Unallocated liabilities									112,174	101,605
Total liabilities									546,902	522,012





33. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The individual risk wise analysis is given below:

33.1 Credit risk and concentration of credit risk

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

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

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

	2013	2012
	(RUPEES IN THOUSAND)	
Current and other accounts	18,790	21,688
Deposits maturing within 12 months	141,200	40,155
Investments	27,748	39,787
Premiums due but unpaid	59,984	93,948
Amounts due from other insurers / reinsurers	118,349	119,405
Salvage recoveries accrued	-	1,050
Accrued investment income	3,513	2,494
Reinsurance recoveries against outstanding claims	182,884	148,759
Loans to employees	396	926
Sundry receivables	16,025	8,162
	<u>568,889</u>	<u>476,374</u>

Provision is made for doubtful receivables according to the Company's policy. The impairment provision is written off when the Company expects that it cannot recover the balance due. During the year receivables of Rupees 36.708 million were further impaired and provided for. The provision for doubtful debts is shown in the respective notes to these financial statements.

The age analysis of premiums due but unpaid from other than related parties is as follows:

Upto one year	14,127	28,968
Past one year but less than three years	29,892	42,713
	<u>44,019</u>	<u>71,681</u>

The age analysis of premiums due but unpaid from related parties is as follows:

Upto one year	11,482	6,024
Past one year but less than three years	4,483	16,243
	<u>15,965</u>	<u>22,267</u>



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

	SHORT TERM	LONG TERM	RATING AGENCY	2013	2012
				(RUPEES IN THOUSAND)	
Bank AL Habib Limited	A1+	AA+	PACRA	2,122	12,435
Habib Bank Limited	A-1+	AAA	JCR-VIS	5,626	8,252
National Bank of Pakistan	A-1+	AAA	JCR-VIS	983	942
United Bank Limited	A-1+	AA+	JCR-VIS	59	59
State Bank of Pakistan	-	-	-	10,000	-
				18,790	21,688
Term deposit receipts					
Habib Bank Limited	A-1+	AAA	JCR-VIS	141,200	40,000
Trust Investment Bank Limited	-	-	-	-	155
				141,200	40,155

The credit quality of amount due from other insurers / reinsurers can be assessed with reference to external credit ratings as follows:

Amounts due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Total	
		2013	2012
----- (RUPEES IN THOUSAND) -----			
106,738	178,418	285,156	251,822
11,611	4,466	16,077	16,342
118,349	182,884	301,233	268,164

33.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity requirements are monitored regularly and the management ensures that sufficient liquid funds are available.

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

Carrying amount	2013		
	Contractual cash flow	Upto one year	More than one year
----- (RUPEES IN THOUSAND) -----			

Financial liabilities

Provision for outstanding claims (including IBNR)	353,735	353,735	353,735	-
Amounts due to other insurers / reinsurers	52,018	52,018	52,018	-
Accrued expenses	43,683	43,683	43,683	-
Other creditors and accruals	25,206	25,206	25,206	-
Deposits against performance bonds	2,826	2,826	2,826	-
Unclaimed dividends	610	610	610	-
	478,078	478,078	478,078	-



2012			
Carrying amount	Contractual cash flow	Upto one year	More than one year

----- (RUPEES IN THOUSAND) -----

Financial liabilities

Provision for outstanding claims (including IBNR)	296,614	296,614	296,614	-
Amounts due to other insurers / reinsurers	30,977	30,977	30,977	-
Accrued expenses	34,050	34,050	34,050	-
Other creditors and accruals	22,476	22,476	22,476	-
Deposits against performance bonds	2,826	2,826	2,826	-
Unclaimed dividends	610	610	610	-
	387,553	387,553	387,553	-

33.3 Market risk

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The market risks associated with the Company's business activities are interest / mark-up rate risk, price risk and currency risk.

a) Interest / mark-up rate risk

Interest / mark-up rate risk is the risk that the value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark-up rate risk arises from mismatching of financial assets and liabilities that mature or repaid in a given period. The Company manages this mismatch through risk management strategies where significant changes in gap position can be adjusted. At the reporting date, the interest / mark-up rate profile of the Company's significant interest / mark-up bearing financial instruments was as follows:

2013	2012	2013	2012
Effective interest rate		(RUPEES IN THOUSAND)	
Percentage			

Fixed rate financial instruments

Financial assets

Investments - PIBs	8 to12	8 to12	25,509	34,967
Term deposit receipts	9.20 to 10.00	10.00 to 11.20	141,200	40,155

Floating rate financial instruments

Financial assets

Bank deposits	6.00 to 6.17	6.00 to 7.00	2,016	7,710
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Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rate will not effect fair value of any financial instrument. For cash flow sensitivity analysis of variable rate instruments, a hypothetical change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all variables remain constant.

2013

(RUPEES IN THOUSAND)

Cash flow sensitivity-variable rate financial liabilities	-	-
Cash flow sensitivity-variable rate financial assets	20	(20)
Decrease / (increase) in loss for the year	20	(20)

(RUPEES IN THOUSAND)

2012

Cash flow sensitivity-variable rate financial liabilities	-	-
Cash flow sensitivity-variable rate financial assets	77	(77)
Decrease / (increase) in loss for the year	77	(77)

Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark-up rate risk or currency risk), whether those changes are caused by factor specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. The Company is not exposed to commodity price risk. The Company is exposed to equity price risk that arises as a result of changes in the levels of KSE-Index and the value of individual shares.

The available for sale investments are stated at lower of cost or market value (market value being taken as lower if the fall is other than temporary) in accordance with the requirements of SEC (Insurance) Rules, 2002. The carrying and market value of these investments has been disclosed in the note 15.3.2 to the financial statements. Fair value is determined on the basis of objective evidence at each reporting date.

As the Company is only exposed to price risk for investments classified in the available for sale and at fair value through profit or loss category, a 10% increase / decrease in share prices at year end would have decreased / increased loss for the year as follows:

Impact on loss before tax	Impact on equity
------------------------------	---------------------

(RUPEES IN THOUSAND)

2013

Effect of increase in share price - Decrease in loss and increase in equity	208	208
Effect of decrease in share price - Increase in loss and decrease in equity	208	208

2012

Effect of increase in share price - Decrease in loss and increase in equity	416	416
Effect of decrease in share price - Increase in loss and decrease in equity	416	416

Currency risk

Currency risk is the risk that the value of a financial asset or liability will fluctuate due to changes in foreign currency rates. Foreign exchange risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As at the reporting date, the Company do not have assets or liabilities which are exposed to foreign currency risk.



33.4 Financial instruments by categories

Held to maturity		Available for sale		At fair value through profit or loss		Loans and receivables		Total	
2013	2012	2013	2012	2013	2012	2013	2012	2013	2012

----- (RUPEES IN THOUSAND) -----

Financial assets as per balance sheet

Current and other accounts	-	-	-	-	-	-	18,790	21,688	18,790	21,688
Deposits maturing within 12 months	-	-	-	-	-	-	141,200	40,155	141,200	40,155
Investments	25,509	34,967	159	752	2,080	4,068	-	-	27,748	39,787
Premiums due but unpaid	-	-	-	-	-	-	59,984	93,948	59,984	93,948
Amounts due from other insurers / reinsurers	-	-	-	-	-	-	118,349	119,405	118,349	119,405
Salvage recoveries accrued	-	-	-	-	-	-	-	1,050	-	1,050
Accrued investment income	-	-	-	-	-	-	3,513	2,494	3,513	2,494
Reinsurance recoveries against outstanding claims	-	-	-	-	-	-	182,884	148,759	182,884	148,759
Loans to employees	-	-	-	-	-	-	396	926	396	926
Sundry receivables	-	-	-	-	-	-	16,025	8,162	16,025	8,162
	25,509	34,967	159	752	2,080	4,068	541,141	436,587	568,889	476,374

Other financial liabilities

2013 2012
(RUPEES IN THOUSAND)

Financial liabilities as per balance sheet

Provision for outstanding claims (including IBNR)	353,735	296,614
Amounts due to other insurers / reinsurers	52,018	30,977
Accrued expenses	43,683	34,050
Other creditors and accruals	25,206	22,476
Deposits against performance bonds	2,826	2,826
Unclaimed dividends	610	610
	<u>478,078</u>	<u>387,553</u>

34. INSURANCE RISK

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims and similar procedures are put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.



Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. Reinsurance policies are written with approved reinsurers on either a proportionate basis or non-proportionate basis. The reinsurers, carefully selected and approved, or dispersed over several geographical regions.

Experience shows that larger is the portfolio of similar insurance contracts, smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Company principally issues the general insurance contracts e.g. marine and transport, fire and property damage, motor and others. Risks under non-life insurance policies usually cover twelve month duration. For general insurance contracts, the most significant risks arise from accidental fire, atmospheric disaster and terrorist activities. Insurance contracts at times also cover risk for single incidents that expose the Company to multiple insurance risks.

a) 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 survey.

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated primarily with the commercial / industrial 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 / reinsurers for their evaluation. Reference is made to the standard construction specifications laid down by IAP (Insurance Association of Pakistan). For fire and property risk a particular building and neighbouring buildings, which could be affected by a single claim incident, are considered as a single location. For earthquake risk, a complete city is classified as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

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 exposure to the Company determines the appropriate amount of reinsurance coverage to protect the business portfolio.

b) Reinsurance risk

As per general practice of the insurance industry, in order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other companies for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from sizeable risk, and provide additional underwriting capacity which also constitutes towards the growth of premium. A significant portion of the reinsurance is affected under treaty, facultative and also under excess of loss reinsurance contracts to protect the Company's exposure towards catastrophic losses.

To minimize its exposure to any possible losses from reinsurers' insolvencies, the Company evaluates the financial condition of the reinsurers, their rating and monitors concentrations of credit risk arising from the respective geographic regions, activities or economic characteristics of the reinsurers.

In compliance of the regulatory requirement, the reinsurance agreements are duly submitted with the Securities and Exchange Commission of Pakistan on an annual basis.



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

	Gross sum insured		Reinsurance		Net	
	2013	2012	2013	2012	2013	2012
----- (RUPEES IN THOUSAND) -----						
Fire	25,867,381	59,302,634	13,968,386	33,209,475	11,898,995	26,093,159
Marine	21,974,824	57,818,731	11,207,160	28,909,366	10,767,664	28,909,365
Motor	1,902,812	7,596,404	361,534	1,671,209	1,541,278	5,925,195
Others	938,593	1,994,105	741,488	777,701	197,105	1,216,404
	50,683,610	126,711,874	26,278,568	64,567,751	24,405,042	62,144,123

c) Neutral assumptions for claims estimation

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries.

The estimation process takes into account the past claims reporting pattern and details of reinsurance programs. The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of balance sheet date. The expected future liability except for Accident and Health insurance business is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable. Provision for premium deficiency pertaining to Accident and Health insurance business included in Other category is determined on actuary's advice.

d) Sensitivity analysis

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company considers that the liability for insurance claims recognized in the balance sheet is adequate. However, actual experience may differ from the expected outcome.

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

	Net impact of increase / decrease in average claim by			
	10 % on			
	Underwriting result		Shareholders' equity	
	2013	2012	2013	2012
----- (RUPEES IN THOUSAND) -----				
Fire	712	1,011	712	657
Marine	615	821	615	534
Motor	3,466	6,948	3,466	4,516
Others	571	1,382	571	898
	5,364	10,162	5,364	6,605



35. MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

2013						
Interest / mark-up bearing			Non interest / mark-up bearing			Total
Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	

----- (RUPEES IN THOUSAND) -----

Financial assets on balance sheet

Current and other accounts	2,016	-	2,016	16,774	-	16,774	18,790
Deposits maturing within 12 months	141,200	-	141,200	-	-	-	141,200
Investments	-	25,509	25,509	2,239	-	2,239	27,748
Premiums due but unpaid	-	-	-	59,984	-	59,984	59,984
Amounts due from other insurers / reinsurers	-	-	-	118,349	-	118,349	118,349
Accrued investment income	-	-	-	3,513	-	3,513	3,513
Reinsurance recoveries against outstanding claims	-	-	-	182,884	-	182,884	182,884
Loans to employees	-	-	-	396	-	396	396
Sundry receivables	-	-	-	16,025	-	16,025	16,025
	143,216	25,509	168,725	400,164	-	400,164	568,889

Off balance sheet

	-	-	-	-	-	-	-
Total	143,216	25,509	168,725	400,164	-	400,164	568,889

Financial liabilities on balance sheet

Insurance contract - short term	-	-	-	23,297	-	23,297	23,297
Reinsurance assets held to cover insurance contracts	-	-	-	(8,893)	-	(8,893)	(8,893)
	-	-	-	14,404	-	14,404	14,404
Provision for outstanding claims (including IBNR)	-	-	-	353,735	-	353,735	353,735
Amounts due to other insurers / reinsurers	-	-	-	52,018	-	52,018	52,018
Accrued expenses	-	-	-	43,683	-	43,683	43,683
Other creditors and accruals	-	-	-	25,206	-	25,206	25,206
Deposits against performance bonds	-	-	-	2,826	-	2,826	2,826
Unclaimed dividends	-	-	-	610	-	610	610
	-	-	-	492,482	-	492,482	492,482

Off balance sheet

	-	-	-	-	-	-	-
Total	-	-	-	492,482	-	492,482	492,482

On balance sheet gap	143,216	25,509	168,725	(92,318)	-	(92,318)	76,407
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Off balance sheet gap	-	-	-	-	-	-	-
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2012						
Interest / mark-up bearing			Non interest / mark-up bearing			Total
Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	

----- (RUPEES IN THOUSAND) -----

Financial assets on balance sheet

Current and other accounts	7,710	-	7,710	13,978	-	13,978	21,688
Deposits maturing within 12 months	40,155	-	40,155	-	-	-	40,155
Investments	14,762	20,205	34,967	4,820	-	4,820	39,787
Premiums due but unpaid	-	-	-	93,948	-	93,948	93,948
Amounts due from other insurers / reinsurers	-	-	-	119,405	-	119,405	119,405
Salvage recoveries accrued	-	-	-	1,050	-	1,050	1,050
Accrued investment income	-	-	-	2,494	-	2,494	2,494
Reinsurance recoveries against outstanding claims	-	-	-	148,759	-	148,759	148,759
Loans to employees	-	-	-	926	-	926	926
Sundry receivables	-	-	-	8,162	-	8,162	8,162
	62,627	20,205	82,832	393,542	-	393,542	476,374

Off balance sheet

- - - - -

Total	62,627	20,205	82,832	393,542	-	393,542	476,374
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Financial liabilities on balance sheet

Insurance contract - short term	-	-	-	81,272	-	81,272	81,272
Reinsurance assets held to cover insurance contracts	-	-	-	(30,434)	-	(30,434)	(30,434)
	-	-	-	50,838	-	50,838	50,838
Provision for outstanding claims (including IBNR)	-	-	-	296,614	-	296,614	296,614
Amounts due to other insurers / reinsurers	-	-	-	30,977	-	30,977	30,977
Accrued expenses	-	-	-	34,050	-	34,050	34,050
Other creditors and accruals	-	-	-	22,476	-	22,476	22,476
Deposits against performance bonds	-	-	-	2,826	-	2,826	2,826
Unclaimed dividends	-	-	-	610	-	610	610
	-	-	-	438,391	-	438,391	438,391

Off balance sheet

- - - - -

Total	-	-	-	438,391	-	438,391	438,391
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On balance sheet gap	62,627	20,205	82,832	(44,849)	-	(44,849)	37,983
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Off balance sheet gap	-	-	-	-	-	-	-
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36. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying values of all financial assets and liabilities reflected in these financial statements approximate to their fair values except for available for sale investments which are stated at lower of cost and market value in accordance with the requirements of the SEC (Insurance) Rules, 2002. The carrying and fair value of these investments have been disclosed in note 15.3.2 to these financial statements. Fair value is determined on the basis of objective evidence at each reporting date.

37. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and to maintain an optimum capital structure to reduce the cost of capital.

The Company's objectives when managing capital are :

- (i) To be in compliance with the paid-up capital requirement set by the SECP.
- (ii) To safe guard the entity's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to stakeholders.
- (iii) To provide an adequate return to shareholders.

The Company manages the capital structure in context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debts.

38. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on April 01, 2014 by the Board of Directors of the Company.

	2013	2012
39. NUMBER OF EMPLOYEES		
Number of employees as at 31 December	96	126
Average number of employees during the year	111	215

40. GENERAL

Figures have been rounded-off to the nearest thousand Rupees unless otherwise stated.

41. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purpose of comparison.


Raza Kuli Khan Khattak
CHAIRMAN


Begum Zeb Gohar Ayub Khan
CHIEF EXECUTIVE


Ch. Sher Mohammad
DIRECTOR


Pervez Iftikhar Ahmed Khan
DIRECTOR


Amir Raza
PRINCIPAL OFFICER



PATTERN OF SHAREHOLDING AS ON 31 DECEMBER 2013

Number of ShareHolders	Shareholdings		Total Number of Shares Held	Percentage of Total Capital
	From	To		
252	1 -	100	6,173	0.02
168	101 -	500	48,199	0.16
95	501 -	1000	70,651	0.24
284	1001 -	5000	691,302	2.30
55	5001 -	10000	389,060	1.30
29	10001 -	15000	351,518	1.17
13	15001 -	20000	229,999	0.77
2	20001 -	25000	44,176	0.15
3	25001 -	30000	80,767	0.27
3	30001 -	35000	99,384	0.33
2	35001 -	40000	76,301	0.25
4	40001 -	45000	167,704	0.56
1	45001 -	50000	50,000	0.17
2	55001 -	60000	118,500	0.40
2	65001 -	70000	131,448	0.44
2	70001 -	75000	141,820	0.47
1	75001 -	80000	77,472	0.26
1	80001 -	85000	80,193	0.27
1	85001 -	90000	85,625	0.29
1	95001 -	100000	96,181	0.32
2	105001 -	110000	216,086	0.72
1	120001 -	125000	123,962	0.41
1	145001 -	150000	147,351	0.49
1	155001 -	160000	158,136	0.53
1	180001 -	185000	182,220	0.61
1	225001 -	230000	229,920	0.77
1	240001 -	245000	241,955	0.81
1	245001 -	250000	247,928	0.83
1	330001 -	335000	332,000	1.11
1	415001 -	420000	415,237	1.38
1	510001 -	515000	510,406	1.70
1	24155001 -	24160000	24,158,326	80.53
934			30,000,000	100.00

CATEGORIES OF SHAREHOLDERS AS AT 31 DECEMBER 2013

Sr. #	Categories	No. of Shareholders	No. of Shares	Percentage of Capital
1	Executives	3	49,791	0.1660
2	Directors, Chief Executive Officer, and their spouse and minor children	8	1,048,927	3.4964
3	Associated Companies, Undertakings and Related Parties	1	24,158,326	80.5278
4	NIT and ICP	1	1,363	0.0045
5	Banks, Development Financial Institutions, Non Banking Financial Institutions	12	494,635	1.6488
6	Insurance Companies	1	22,243	0.0741
7	General Public (Local)	904	4,165,139	13.8838
8	Others	4	59,576	0.1986
TOTAL:		934	30,000,000	100.0000



**DETAILED CATEGORIES OF SHAREHOLDERS
AS ON DECEMBER 31ST, 2013**

Sr. #	Name	Shares Held	%age of Capital
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Executives

1	Ghulam Qamber Naqvi	41,673	0.1389
2	Abdul Waheed Chaudhary	500	0.0017
3	Shahbaz Hameed	7,618	0.0254
Running Total:		49,791	0.1660

Directors, Chief Executive Officer, and their spouse and minor children

1	Raza Kuli Khan Khattak	510,406	1.7014
2	Lt.Gen. Ali Kuli Khan Khattak	247,928	0.8264
3	Mrs. Zeb Gohar Ayub Khan	123,962	0.4132
4	Ms. Shahnaz Sajjad Ahmed	77,472	0.2582
5	Dr. Shaheen Kuli Khan Khattak	77,472	0.2582
6	Mushtaq Ahmed Khan F.C.A.	2,625	0.0088
7	Choudhry Sher Mohammad	6,562	0.0219
8	Mr. Amir Raza	2,500	0.0083
Running Total:		1,048,927	3.4964

Associated Companies, Undertakings and Related Parties

1	BIBOJEE SERVICES (PVT) LIMITED	24,158,326	80.5278
Running Total:		24,158,326	80.5278

NIT and ICP

1	INVESTMENT CORPORATION OF PAKISTAN	1,363	0.0045
Running Total:		1,363	0.0045

Banks, Development Financial Institutions, Non Banking Financial Institutions

1	IDBL (ICP UNIT)	3,213	0.0107
2	SHIRAZI INVESTMENT (PVT) LTD	1,359	0.0045
3	SONERI BANK LIMITED	182,220	0.6074
4	ALI HUSAIN RAJABALI LTD	10,000	0.0333
5	CAPITAL VISION SECURITIES (PVT) LTD.	770	0.0026
6	FIRST NATIONAL EQUITIES LIMITED	1	0.0000
7	STOCK MASTER SECURITIES (PRIVATE) LTD.	105	0.0004
8	CLIKTRADE LIMITED	40	0.0001
9	DARSON SECURITIES (PVT) LIMITED	12,602	0.0420
10	AWJ SECURITIES (PRIVATE) LIMITED.	38,870	0.1296
11	ISMAIL ABDUL SHAKOOR SECURITIES (PRIVATE) LIMITED	3,500	0.0117
12	SALIM SOZER SECURITIES (PVT.) LTD.	241,955	0.8065
Running Total:		494,635	1.6488

Insurance Companies

1	GULF INSURANCE COMPANY LTD	22,243	0.0741
Running Total:		22,243	0.0741

General Public (Local)

Running Total: **4,165,139** **13.8838**



Sr. #	Name	Shares Held	%age of Capital
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Others

1	MILLWALA SONS (PRIVATE) LIMITED	3,599	0.0120
2	FIKREE'S (SMC-PVT) LTD.	1,914	0.0064
3	DEPUTY ADMINISTRATOR ABANDONED PROPERTIES ORGANIZATION	37,431	0.1248
4	SULTAN TEXTILE MILLS (KARACHI) LIMITED	16,632	0.0554
		59,576	0.1985

Grand Total: **30,000,000** **100.0000**

Information Under Clause XVI (I) of the Code of Corporate Governance

All trade in the Company's shares carried out by its Directors, CEO, CFO, Company Secretary and theirs spoused and minor children during the year January 01, 2013 to December 31, 2013 are as follow:

	Sale	Purchase
Amir Raza - Principal Officer	-	2500



HEAD OFFICE EXECUTIVE / DEPARTMENTAL HEAD

Name	Designation	Telephone Office	Fax No.
Begum Zeb Gohar Ayub Khan	Chief Executive	042-37312836	042-37230326
Mr. Amir Raza	Principal Officer	042-37355579	042-37230326
Mr. Omar Ayub Khan	Chief Operating Officer	042-37312836	042-37230326
Mr. Khurram Javed	Chief Financial Officer/ Company Secretary	042-37242913	042-37230326
Syed Ghulam Qamber Naqvi	General Manager -Reinsurance & Claims	042-37238616	042-37230326
Mr. Abdul Waheed Chaudhry	D.G.M - Internal Auditor	042-37353357	042-37230326
Mr. Shahbaz Hameed	Assistant General Manager- Legal / HR	042-37112691	042-37230326
Mr. Aftab Rashid	Assistant General Manager-IT	042-37355426	042-37230326
Mr. Muhammad Qasim	Assistant General Manager- Underwriting	042-37353458	042-37112671
Mr. Muhammad Zafar Iqbal	Manager-IT	042-37355426	042-37230326
Mr. Ashfaq Ahmed	Manager-Finance	042-37243168	042-37230326



COUNTRY WIDE BRANCH NETWORK

Sr. No.	Br_Code	Branch	Address	Ph No.	Fax No.
1	104	Madina Town branch, Faisalabad	1st Floor, Main Susan Road (Madina Town), Faisalabad	041-8733171-3	041-8733170
2	106	Regal Chowk Branch	63-Shahrah-e-Quaid-e-Azam Lahore	042-37353458,37355426 042-37324244,37353515 042-373313878	042-37230326
3	113	Blue Area Branch, Rawalpindi	2nd Floor Gammon House, 400/2 Peshawar Road Cannt Rawalpindi	042-39919724, 042-36365649	042-36374872
4	117	Principal Office, Karachi	3rd Floor Neison Chamber I.I Chundrigar Road, Karachi	021-3262248-50	021-32446039
5	126	Dean Trade Center Branch, Peshawar	Dean Trade Centre, 145, 146 3rd floor Opp: State Bank of Pakistan, Saddar, Road, Peshwar Cantt	091-5273794 091-5250081 091-5273789	091-5272246
6	137	Queen Road Branch Lahore	Mumtaz Centre, 15-A Queens Road, Lahore	042-36362277 042-36373784	042-36303558
7	144	Sadiqabad Branch, Sadiqabad	Mukarram Manzil, Al-Falah, Town Sadiqabad	068-5702195	068-5702195,068 068-5701395
8	148	Mazang Branch, Lahore	Room No.6,1st Floor Jalal Center, 59-A Mazang Road opp. Eye ward Ganga Ram Hospital Lahore	042-36309087	042-36302510
9	150	Madina Chowk Branch Faisalabad	1st Floor, Main Susan Road, (Madina Town), Faisalabad	041-8555444, 041-8555441	041-8555442
10	173	Regal Chowk Branch	63-Shahrah-e-Quaid-e-Azam Lahore	042-37353458,37355426 042-37324244,37353515 042-373313878	042-37230326
11	174	Eden Centre Branch	213, Eden Centre, 43 - Jail Road, Lahore	042-373596684-6 042-37500439	042-37585297
12	164	Regal Chowk Branch	63-Shahrah-e-Quaid-e-Azam Lahore	042-37353458,37355426 042-37324244,37353515 042-373313878	042-37230326
13	175	Paris Road Branch Sialkot	Obero Building, Paris Road, Sialkot	052-4598402, 052-4591024	052-4593022 052-4583022
14	176	Civil Line Road Branch Faisalabad	4th Floor Ahmed Plaza Bilal Road Civil line, Faisalabad	041-2612200, 041-2612230	041-2612231
15	177	Bosan Road Multan.	Business City Plaza, Bosan Road, Multan	061-6210231, 061-6214564	
16	178	Regal Chowk Branch	63- Shahrah-e-Quaid-e-Azam Lahore	042-37324045	042-37230326
17	179	Okara Branch	MR Centre MA Jinnah Road Okara	0442-500316	0442-500318
18	180	Sialkot Branch	Alhayat Centre Near Shaheen CNG Station Shahab Pura Road, Sialkot	052-3241056,	
19	181	Queens Road branch, Lahore	Mumtaz Centre, 15-A Queens Road, Lahore	042-36362277 042-36299599	042-36303558



FORM OF PROXY

I / We _____ of
_____ being a member(s) of The
Universal Insurance Company Limited and holder of _____ Ordinary Shares
as per Registered Folio No./CDC Participation ID and Account
No. _____ hereby appoint _____ of
_____ or failing him / her
_____ of
_____ who is
also member of The Universal Insurance Company Limited vide Registered Folio
No./CDC Participant's ID and Account No. _____ as may / our proxy
to vote for me / us and on my / our behalf at the 54th Annual General Meeting of the
Company to be held on Tuesday 29th April, 2014 at 10:30 a.m and any adjournment
thereof.

Signed this _____ day of _____ 2014.

**AFFIX
REVENUE
STAMP
RS. 5/-**

Signature _____

Witness: _____

Witness: _____

Name with NIC No.: _____

Name with NIC No.: _____

Address _____

Address _____

IMPORTANT:

1. This form of Proxy duly completed must be deposited at the Company's Registered office The Universal Insurance Company Limited, 63-Shahrah-e-Quaid-e-Azam, Lahore not later than 48 hours before the time of holding the meeting.
2. A Proxy should also be a member of the Company.
3. CDC Shareholders and their proxies must attach an attested photocopy of their National identity Card of Passport with this Proxy with this Proxy form.



THE UNIVERSAL INSURANCE CO. LTD.

UNIVERSAL INSURANCE HOUSE

63-SHAHRAH-E-QUAID-E-AZAM

LAHORE-54000 PAKISTAN.

PH: 042-3735 5426, 3732 4244, 3732 4194

FAX: 042-3723 0326

WEB: www.uic.com.pk

E-MAIL: info@uic.com.pk