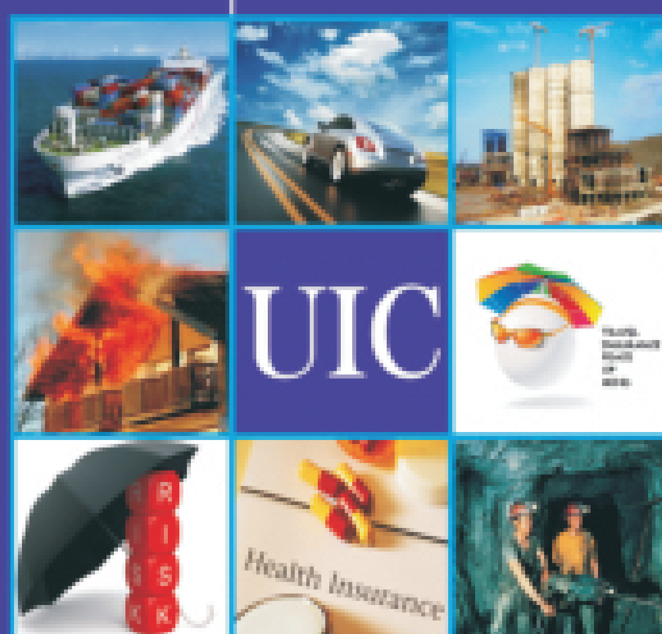
Annual Report 2014

UIC

Year of Continuous Services

55th



BIBOJEE GROUP

ISO 9001 APPROVED

The Universal Insurance Co. Ltd.


contents

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.

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 with in 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	
	Ch. Sher Mohammad	
	Dr. Shaheen Kuli Khan Khattak	
	Mr. Mushtaq Ahmed Khan F.C.A.	
	Mr. Pervez Iftikhar Ahmed Khan	
	Mr. Muhammad Imran Malik	
	Mr. Amir Raza	(Principal Officer)
Principal Officer	Mr. Amir Raza	
Chief Operating Officer	Mr. Omar Ayub Khan	
Chief Financial Officer	Mr. Ashfaq Ahmed	
Company Secretary	Mr. Liaqat Ali Shaukat	
Internal Auditor	Mr. Abdul Waheed Chaudhry	
Auditors	M/S. Riaz Ahmed & Company Chartered Accountants	
Legal Advisor	Mr. Abrar 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

Lt. Gen (R) Ali Kuli Khan Khattak	Chairman
Mr. Raza Kuli Khan Khattak	Member
Mr. Mushtaq Ahmed Khan F.C.A	Member
Mr. Muhammad Imran Malik	Member

2- Audit Committee:-

Lt. Gen (R) Ali Kuli Khan Khattak	Chairman
Mr. Mushtaq Ahmed Khan F.C.A.	Member
Ch. Sher Mohammad	Member
Mr. Muhammad Imran Malik	Member

3- Investment Committee:-

Mr. Mushtaq Ahmed Khan F.C.A.	Chairman
Ch. Sher Mohammad	Member
Dr. Shaheen Kuli Khan Khattak	Member
Mr. Pervez Iftikhar Ahmed Khan	Member

4- Underwriting Committee:-

Mr. Mushtaq Ahmed Khan F.C.A.	Chairman
Mr. Pervez Iftikhar Ahmed Khan	Member
Mr. Muhammad Imran Malik	Member
Mr. Amir Raza	Member

5- Claims Settlement Committee:-

Begum Zeb Gohar Ayub Khan	Chairperson
Mr. Mushtaq Ahmed Khan F.C.A.	Member
Mr. Amir Raza	Member

6- Re-Insurance & Co-Insurance Committee:-

Lt. Gen (R) Ali Kuli Khan Khattak	Chairman
Mr. Mushtaq Ahmed Khan F.C.A.	Member
Mr. Amir Raza	Member

7- Human Resource & Remuneration Committee:-

Lt. Gen (R) Ali Kuli Khan Khattak	Chairman
Begum Zeb Gohar Ayub Khan	Member
Mrs. Shahnaz Sajjad Ahmed	Member
Mr. Mushtaq Ahmed Khan F.C.A.	Member
Mr. Muhammad Imran Malik	Member

8- Management Committee:-

Mr. Amir Raza	Chairman
Mr. Abdul Waheed Ch.	Member
Mr. Ashfaq Ahmed	Member
Mr. Aftab Rashid	Member

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 55th Annual General Meeting of the Shareholders of The Universal Insurance Company Limited will be held on Thursday April 30, 2015 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 Annual General Meeting held on April 29, 2014 at Lahore.

2. To receive, consider and adopt the audited accounts of the Company for the year ended December 31, 2014 and reports of the directors and auditors thereon.

3. To appoint auditors for the year 2015 and to fix their remuneration. The Board on recommendation of Audit Committee of the company has proposed the appointment of M/s. Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants as external auditor for the year 2015. A notice under section 253(1) of the Companies Ordinance 1984 has also been received from a shareholder of the company to the same effect.

B. ANY OTHER BUSINESS

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

By Order of the Board

(Liaqat Ali Shaukat)
Company Secretary

Dated: April 09, 2015

NOTES:

1- The Share Transfer Books of the Company will remain closed from April 23, 2015 to April 30, 2015 (both days inclusive).

2- A member entitled to attend and 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. A proxy must be a member of the Company.

3- 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.

4- Shareholders are requested to immediately notify shares registrar of the company promptly of any change in their addresses, if any.

5- 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.

6- Form of proxy is appended to the annual report.

7- Disclosure under Para 3(a) of SRO 634(1)/2014 dated July 10, 2014

The audited financial statements of the company for the year ended December 31, 2014 have been placed on the company website www.uic.com.pk .

8- Disclosure of SRO No. 787(1)2014 dated September 08, 2014 for circulation of annual financial statements through email

The SECP vide SRO 787(1)/2014 dated September 08, 2014 has allowed companies to circulate Audited Financial Statements along with notice of Annual General Meeting to its members through email. Members who desire to receive annual financial statements and notice of annual general meeting of the company through email in future are hereby requested to convey their consent to company secretary at email address info@uic.com.pk via email on a standard request form which is available on company website. It is the responsibility of the member to timely update of any change in their registered email address.

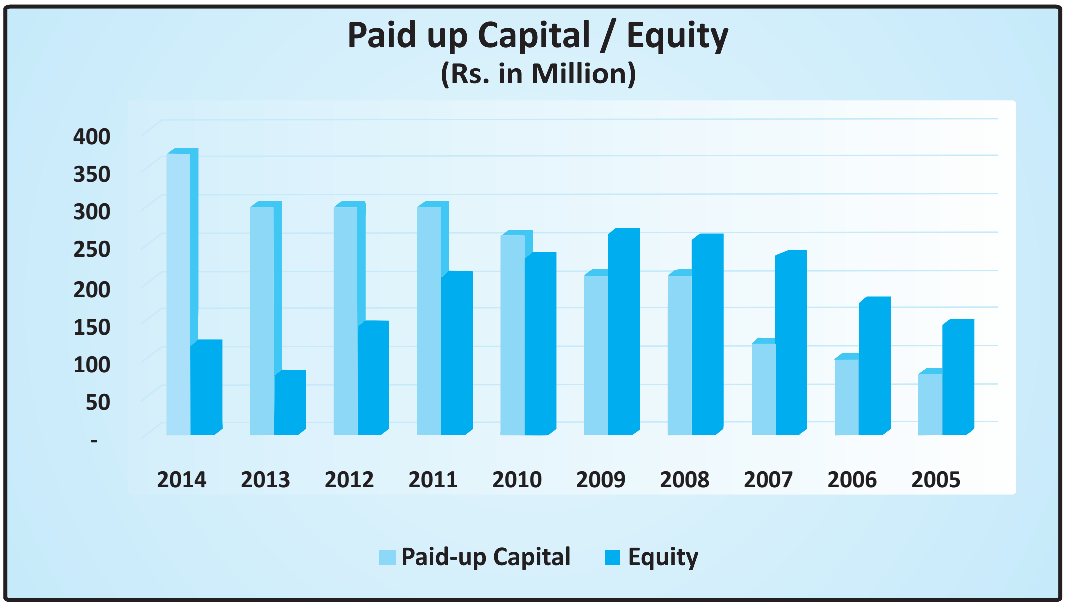
9- Disclosure of SRO No. 1027(1) 2014 dated November 13, 2014 for video facility for AGM

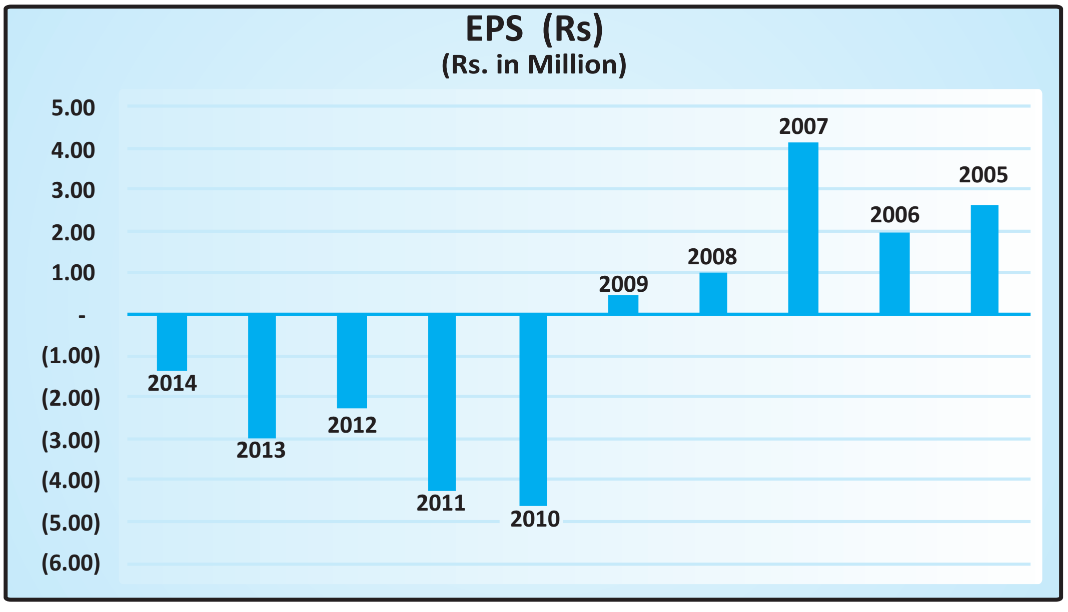
Further to SECP S.R.O No. 1027/(1)/2014 dated November 13, 2014 clause 1(b) “The company may provide video conference facility to its members for attending general meeting at places other than the town in which general meeting is taking place after considering the geographical dispersal of its members: Provided that if members, collectively holding 10% or more shareholding residing at a geographical location, provide their consent to participate in the meeting through video conference at least 10 days prior to date of meeting, the company shall arrange video conference facility in that city subject to availability of such facility in that city.”

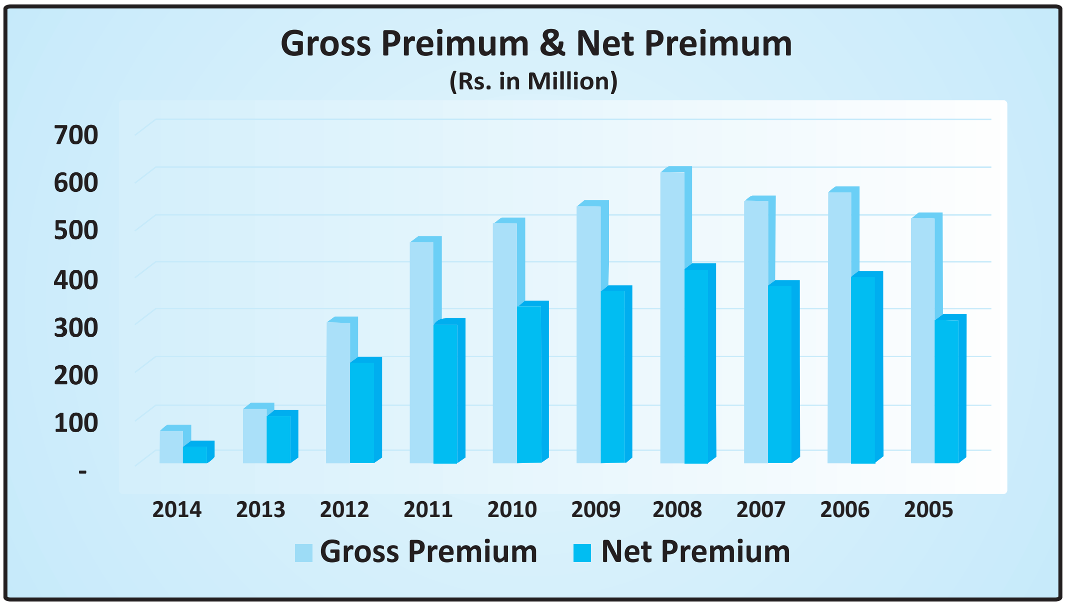
TEN YEARS KEY FINANCIAL DATA

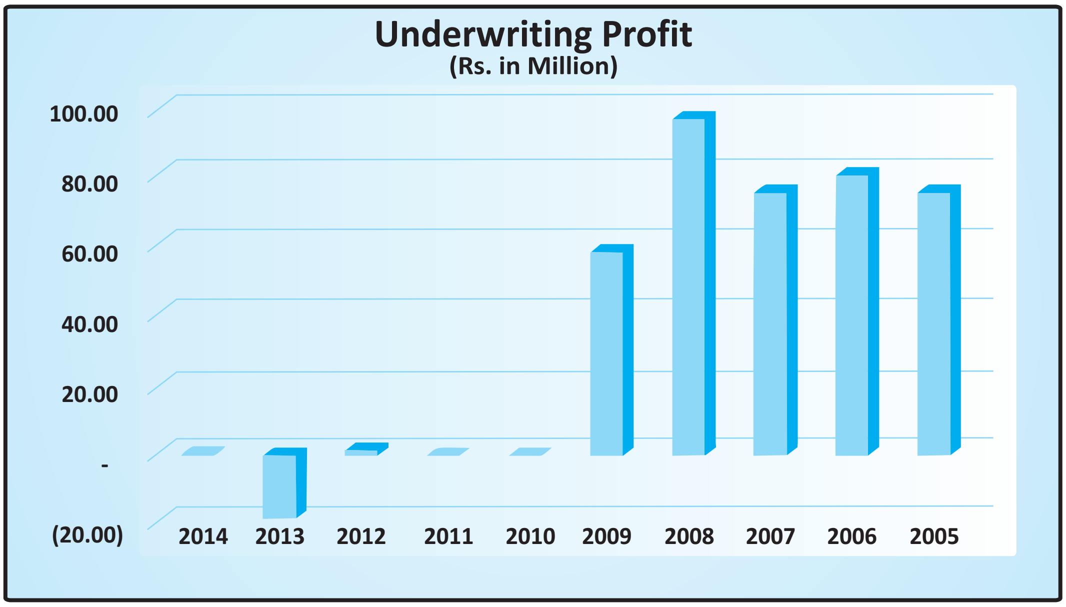
(Rupees in million)

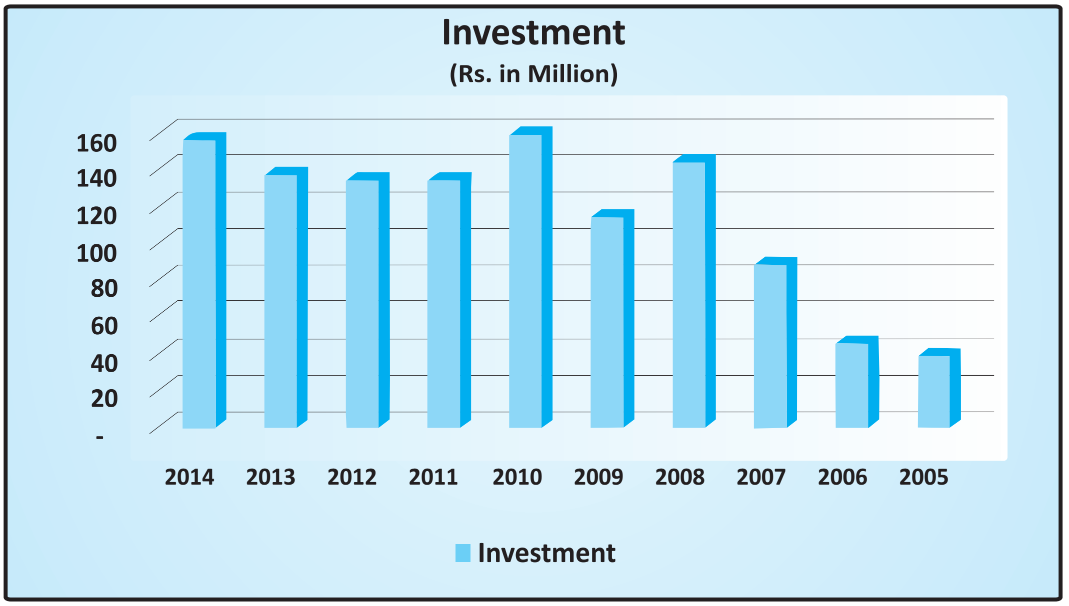
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Gross Premium	**68**	115	295	464	503	539	611	550	568	514
Net Premium	**35**	99	211	292	329	361	407	372	391	300
Net Claim	**2**	54	102	143	177	182	197	187	203	147
Investment	**157**	138	135	135	160	115	145	89	46	39
Underwriting (Loss)/ Profit	**0.329**	(18)	1.4	(2)	(17)	58	96	75	80	75
(Loss)/ Profit Before Tax	**(41)**	(87)	(66)	(110)	(103)	11	34	63	35	41
(Loss)/ Profit After Tax	**(46)**	(89)	(66)	(65)	(86)	8	21	50	24	27
Paid-up Capital	**370**	300	300	300	262.50	210	210	120	100	80
Cash and Banks	**122**	160	62	130	88	159	152	143	212	239
Total Property & Assets	**847**	935	913	1069	1164	1066	922	788	753	663
Equity	**118**	78	143	208	233	265	257	236	174	145
EPS (Rs)	**(1.34)**	(2.97)	(2.21)	(4.20)	(4.58)	0.48	1.00	4.15	2.00	2.68

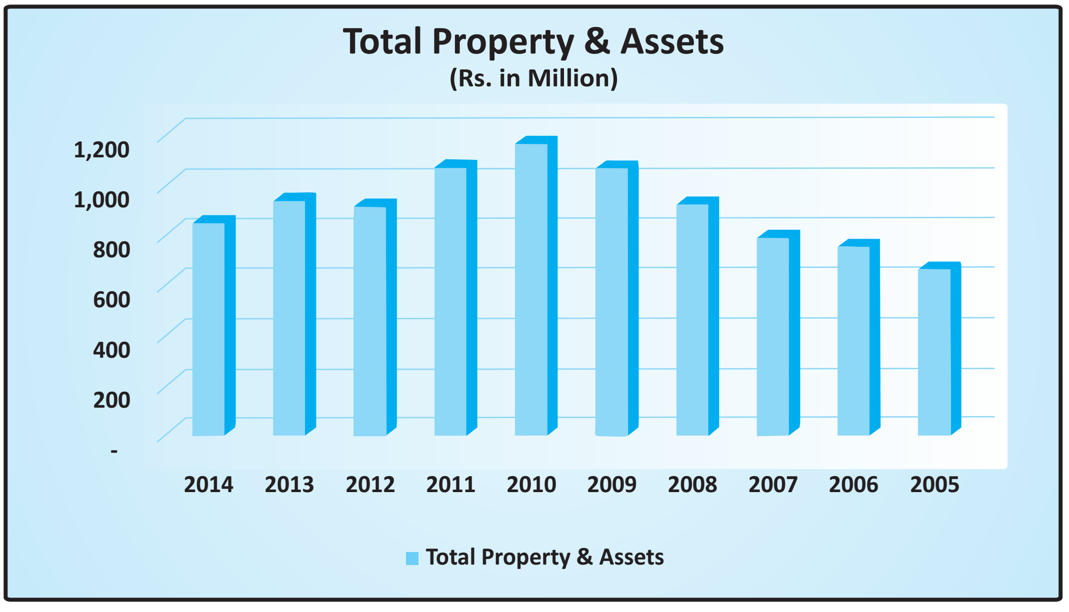

Paid up Capital / Equity
(Rs. in Million)
400
350
300
250
200
150
100
50
-
2014
2013
2012
2011
2010
2009
2008
2007
2006
2005
Paid-up Capital
Equity


EPS (Rs)
(Rs. in Million)
5.00
4.00
3.00
2.00
1.00
-
(1.00)
(2.00)
(3.00)
(4.00)
(5.00)
(6.00)
2014
2013
2012
2011
2010
2009
2008
2007
2006
2005


Gross Preimum & Net Preimum
(Rs. in Million)
700
600
500
400
300
200
100
-
2014
2013
2012
2011
2010
2009
2008
2007
2006
2005
Gross Premium
Net Premium


Underwriting Profit
(Rs. in Million)
100.00
80.00
60.00
40.00
20.00
-
(20.00)
2014
2013
2012
2011
2010
2009
2008
2007
2006
2005


Investment
(Rs. in Million)
160
140
120
100
80
60
40
20
-
2014
2013
2012
2011
2010
2009
2008
2007
2006
2005
Investment


Total Property & Assets
(Rs. in Million)
1,200
1,000
800
600
400
200
-
2014
2013
2012
2011
2010
2009
2008
2007
2006
2005
Total Property & Assets

UIC

DIRECTORS' REPORT TO THE SHAREHOLDERS

I on behalf of the Board of Directors, is pleased to present the **55th Annual Report** and the audited financial statements of the company for the financial year ended December 31, 2014.

OPERATING RESULTS:

The operating results for the year ended 31 December, 2014 are given below.

	2014	2013
	----------Rupees in '000----------	
Gross premium	67,977	115,104
Net premium	34,994	98,957
Profit/(Loss)from underwriting business	329	(17,774)
Net claims	2,205	53,644
Management / administrative expenses	108,755	146,953
Capital and reserves	117,635	77,886
Profit/(Loss) before taxation	(41,023)	(87,403)
PROFIT AND LOSS APPROPRIATION ACCOUNT		
Balance of accumulated loss at the commencement of the year	(236,603)	(170,980)
Loss after taxation for the year	(45,839)	(89,097)
Other comprehensive loss for the year	138	(34)
items directly recognized in statement of changes in equity	15,450	23,508
Balance of accumulated loss at the end of the year	(266,854)	(236,603)
Loss per share	(1.34)	(2.97)

REVIEW OF OPERATING RESULTS:

The Gross premium of the company has reduced by Rs. 47.127 million as the result of un-listment of the company in the panel of some important banks. Further, the credit rating also adversely effected the business volume from the corporate clients.

GOING CONCERN ASSUMPTION

External Auditor's observation regarding going concern due to continous losses and non compliance with minimum solvency requirement has been noted. The management has planned to inject further share capital along with the other measures like to underwrite insurance business from group companies and clients where loss / claim ratio is historically low. The management is confident that these measures would bring the company out of existing conditions and the company will continue as going concern.

DIVIDEND

Due to losses, the directors have recommended no dividend for the year 2014.

IFS Rating

The management has taken the initiative of rationalize the underwriting policy of the company and in this respect all loss making branches has been closed which will reflect the positive financial implication on the financial result of the company for the next financial year and accordingly the credit rating hopefully will be reviewed upwardly.

INFORMATION TECHNOLOGY (IT)

Re-insurance module is targeted to be completed by June 2015. As the result of this all the modules will be integrated including underwriting, Accounts, Claim and 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 Management 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) Appropriate accounting policies have been applied consistently in preparation of the financial statements. Accounting estimates are based on 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. Auditor's reservation in their report regarding this issue has been explained in Note 1.2 to these financial statements.

(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 instances described 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.

(i) Information about taxes and duties is given in the corresponding notes 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 four members, three of whom are non-executive directors including chairman of the Committee and one independent Director.

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

The Audit Committee performs according to the terms of refrence determined by the Board of the company and which conforms to the requirements of the code. Four meetings of audit committee were held during the year which were attended by all members.

HUMAN RESOURCES AND REMUNERATION COMMITTEE

As per requirements of Code of Corporate Governance, the company has constituted Human Resources and Remuneration Committee, as well as determined its term of reference. Composition of Human Resources and Remuneration Committee is as under:

Lt. Gen. (R) Ali Kuli Khan Khattak	Chairman
Begum Zeb Gohar Ayub Khan	Member
Mrs. Shahnaz Sajjad Ahmad	Member
Mr. Mushtaq Ahmad Khan - FCA	Member
Muhammad Imran Malik	Member

BOARD OF DIRECTOR'S MEETINGS.

During the year, Eight (8) Board meetings were held. The number of meetings attended by each Director is given hereunder :

Name of Directors	No. of Meetings Attended
Mr. Raza Kuli Khan Khattak	8
Lt. Gen. (R) Ali Kuli Khan Khattak	8
Begum Zeb Gohar Ayub Khan	5
Mrs. Shahnaz Sajjad Ahmad	6
Dr. Shaheen Kuli Khan Khattak	6
Mr. Mushtaq Ahmad Khan - FCA	4
Ch. Sher Mohammad	2
Pervez Iftikhar Ahmed Khan	4
Muhammad Imran Malik	4
Amir Raza	8

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. Pervez Iftikhar Ahmed Khan and Mr. Muhammad Imran Malik Directors who have purchased 2,500 shares (each) during the financial year ended December 31, 2014.

APPOINTMENT OF AUDITORS

The present auditors M/s Riaz Ahamd & Company, Chartered Accountants retire and in pursuance of the Code of Corporate Governance become ineligible for re-appointment having completed a term of five years. The Board of Directors, on the recommendation of the Audit Committee, has recommended M/s Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants, as Statutory Auditors for the year ending on 31 December 2015; in place of retiring auditors M/s Riaz Ahmad & Company, Chartered Accountants.

FUTURE OUTLOOK

The management is pleased to focus on selective underwriting during the new financial year 2015 and it is hoped that it will reduce the accumulated losses of the company by the end of new financial year. It is also planned to underwrite business of major corporate clients where loss ratio are usually at reasonable level.

POST BALANCE SHEET EVENTS

Subsequent to balance sheet date, no significant changes has occured or come to the knowledge of the Board that warrants reporting to shareholders.

ACKNOWLEDGEMENT

We would like to thank the Insurance Division - Securities & Exchange Commission of Pakistan, Pakistan Reinsurance Company Ltd., Other Reinsures 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

Date: April 06, 2015
Place: Lahore

Raza Kuli Khan Khattak
Chairman

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2014

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 for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The company encourages representation of independent non-executive directors to its Board of directors. At present the Board includes:

Category	Names
Independent Director	Mr. Muhammad Imran Malik
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

The independent director meets the criteria of independence under clause i (b) of CCG.

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

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 or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred during the year ended December 31, 2014.

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. 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. One director has successfully completed Directors' Training Program (DTP) during the month of January 2015. Remaining two directors will obtain the required directors training certification within the time specified in the code.

10. The appointment, remuneration and terms and conditions of employment of the Chief Financial Officer, Company Secretary and Head of Internal Audit are approved by the Board of Directors.

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 Reinsurance & Coinsurance Committee.

16. The Board has formed an Audit Committee. It comprises four members, three of whom are non-executive directors including chairman of the Committee and one independent Director.

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 five members of whom three are non-executive directors including chairman of the Committee, one independent director and one executive director.

19. The Board has set up an effective internal audit function which is manned by experienced and qualified personnel who is fully conversant with the policies and procedures of the Company.

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 Institution of Chartered Accountants of Pakistan(ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by 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.

For and on behalf of the
Board of Directors

Zeb Gohar Ayub

BEGUM ZEB GOHAR AYUB KHAN
CHIEF EXECUTIVE

Date: April 06, 2015
Place: Lahore

UIC

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014, 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 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) During the year, the board of directors has not made arrangements for directors' training programme for three non-exempted directors of the Company as required by clause (xi) of the Code.

(iii) Mechanism for an annual evaluation of the board's own performance as required by clause [v(e)] of the Code has not been put in place by the board of directors.

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 2014.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Syed Mustafa Ali

Date: April 06, 2015

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 2014 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 2014 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.

We draw attention to note 1.2 to the financial statements, which indicates that the Company incurred continuous losses in preceding financial years. As at the reporting date, accumulated loss of the Company stands at Rupees 266.854 million. During the year, the management has decided to underwrite insurance business only from group companies and selected clients where expected loss / claim ratio is minimal. Further, admissible assets of the Company are not sufficient to meet the minimum solvency requirement as specified under Section 36 of the Insurance Ordinance, 2000. The management has applied to the Securities and Exchange Commission of Pakistan for forbearance period upto 31 December 2014, which has not so far been granted. These conditions indicate the existence of material uncertainty which may cast doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments that may be necessary should the Company be unable to continue as a going concern. Our opinion is not qualified in respect of this matter.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Syed Mustafa Ali

Date: April 06, 2015

LAHORE

BALANCE SHEET AS AT 31 DECEMBER 2014

	Note	2014	2013
		(RUPEES IN THOUSAND)	
SHARE CAPITAL AND RESERVES			
Authorized share capital			
50,000,000 (2013: 50,000,000) ordinary shares of Rupees 10 each		500,000	500,000
Issued, subscribed and paid-up share capital	3	370,000	300,000
Accumulated loss		(266,854)	(236,603)
Reserves	4	14,489	14,489
		(252,365)	(222,114)
TOTAL EQUITY		117,635	77,886
Share deposit money		-	70,000
Surplus on revaluation of fixed assets	5	242,578	240,332
UNDERWRITING PROVISIONS			
Provision for outstanding claims (including IBNR)		272,601	353,735
Premium deficiency reserve	6	825	620
Provision for unearned premium		19,067	23,297
Commission income unearned		5,269	2,232
Total underwriting provisions		297,762	379,884
DEFERRED LIABILITY			
Employee benefit - unfunded	7	4,596	6,052
CREDITORS AND ACCRUALS			
Premiums received in advance		786	365
Amounts due to other insurers / reinsurers	8	76,786	52,018
Accrued expenses	9	32,307	43,683
Accrued mark-up on borrowing		566	-
Other creditors and accruals	10	47,955	61,464
		158,400	157,530
BORROWING			
Short term running finance	11	22,185	-
OTHER LIABILITIES			
Deposits against performance bonds		2,993	2,826
Unclaimed dividends		610	610
TOTAL LIABILITIES		486,546	546,902
CONTINGENCIES AND COMMITMENTS	12		
TOTAL EQUITY AND LIABILITIES		846,759	935,120

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

Raza Kuli Khan Khattak	Begum Zeb Gohar Ayub Khan	Dr. Shaheen Kuli Khan Khattak	Mushtaq Ahmed Khan F.C.A	Amir Raza
CHAIRMAN	CHIEF EXECUTIVE	DIRECTOR	DIRECTOR	PRINCIPAL OFFICER

UIC

SECURITY - SERVICE - PROSPERITY

BALANCE SHEET AS AT 31 DECEMBER 2014

	Note	2014	2013
		(RUPEES IN THOUSAND)	
CASH AND BANK DEPOSITS			
Cash and other equivalents	**13**	1	8
Current and other accounts	**14**	22,231	18,790
Deposits maturing within 12 months	**15**	100,000	141,200
		122,232	159,998
INVESTMENTS	**16**	157,447	138,297
DEFERRED TAXATION	**17**	33,191	33,191
CURRENT ASSETS - OTHERS			
Premiums due but unpaid - unsecured	**18**	29,074	59,984
Amounts due from other insurers / reinsurers - unsecured	**19**	157,903	118,349
Accrued investment income	**20**	24	3,513
Reinsurance recoveries against outstanding claims		127,148	182,884
Taxation - payment less provision	**21**	8,801	7,258
Deferred commission expense		3,457	3,761
Prepayments	**22**	10,238	9,278
Loans to employees - unsecured	**23**	82	396
Sundry receivables	**24**	5,577	17,049
		342,304	402,472
FIXED ASSETS - TANGIBLE	**25**		
OWNED			
Land and buildings		172,407	176,167
Furniture, fixtures and office equipment		5,959	6,842
Computer equipment		2,510	3,328
Motor vehicles		10,709	14,825
		191,585	201,162
TOTAL ASSETS		846,759	935,120

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

Raza Kuli Khan Khattak	Begum Zeb Gohar Ayub Khan	Dr. Shaheen Kuli Khan Khattak	Mushtaq Ahmed Khan F.C.A	Amir Raza
CHAIRMAN	CHIEF EXECUTIVE	DIRECTOR	DIRECTOR	PRINCIPAL OFFICER

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Fire and Property Damage	Marine and Transport	Motor	Others	Aggregate 2014	Aggregate 2013
		(RUPEES IN THOUSAND)					
Revenue account							
Net premium revenue		12,760	4,197	16,799	1,238	34,994	98,957
Net claims		5,371	1,077	(6,659)	(1,994)	(2,205)	(53,644)
Change in premium deficiency reserve	6	-	-	301	(506)	(205)	1,514
Expenses	26	(16,322)	(6,733)	(8,316)	(2,816)	(34,187)	(53,484)
Net commission		3,144	715	(2,064)	137	1,932	(11,117)
		(13,178)	(6,018)	(10,380)	(2,679)	(32,255)	(64,601)
Underwriting result		4,953	(744)	61	(3,941)	329	(17,774)
Investment income						4,766	6,012
Rental income						12	1,418
Other income	27					23,285	13,020
						28,392	2,676
General and administration expenses	28					(73,385)	(93,076)
Financial charges						(1,183)	(393)
Share of profits from associates - net of tax						5,153	3,390
Loss before taxation						(41,023)	(87,403)
Taxation	29					(4,816)	(1,694)
Loss after taxation						(45,839)	(89,097)

PROFIT AND LOSS APPROPRIATION ACCOUNT

	Aggregate 2014	Aggregate 2013
Balance of accumulated loss at the commencement of the year	(236,603)	(170,980)
Loss after taxation for the year	(45,839)	(89,097)
Other comprehensive income / (loss) for the year	138	(34)
Items directly recognised in statement of changes in equity	15,450	23,508
Balance of accumulated loss at the end of the year	(266,854)	(236,603)
Loss per share - basic and diluted - Rupees (Note 30)	(1.34)	(2.97)

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

Raza Kuli Khan Khattak	Begum Zeb Gohar Ayub Khan	Dr. Shaheen Kuli Khan Khattak	Mushtaq Ahmed Khan F.C.A	Amir Raza
CHAIRMAN	CHIEF EXECUTIVE	DIRECTOR	DIRECTOR	PRINCIPAL OFFICER

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	(RUPEES IN THOUSAND)	
Loss after taxation	(45,839)	(89,097)
Other comprehensive income / (loss) for the year:		
Items that will not be reclassified to profit or loss:		
Remeasurement gain / (loss) on employee benefit	334	(52)
Deferred income tax (liability) / asset related to remeasurment of employee benefit	(111)	18
Share of other comprehensive loss of associates - net of tax	(85)	-
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income / (loss) for the year - net of tax	138	(34)
Total comprehensive loss for the year	(45,701)	(89,131)

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

Raza Kuli Khan Khattak	Begum Zeb Gohar Ayub Khan	Dr. Shaheen Kuli Khan Khattak	Mushtaq Ahmed Khan F.C.A	Amir Raza
CHAIRMAN	CHIEF EXECUTIVE	DIRECTOR	DIRECTOR	PRINCIPAL OFFICER

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SECURITY - SERVICE - PROSPERITY

THE UNIVERSAL INSURANCE COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	SHARE CAPITAL	CAPITAL RESERVES		REVENUE RESERVE	ACCUMULATED LOSS	TOTAL EQUITY
		SHARE PREMIUM RESERVE	CAPITAL RESERVE			
	(RUPEES IN THOUSAND)					
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
Transfer of incremental depreciation from surplus on revaluation of buildings	-	-	-	-	1,765	1,765
Surplus on revaluation of fixed assets realised on disposal	-	-	-	-	13,256	13,256
Share of associates accounted for under equity method	-	-	-	-	429	429
Shares issued during the year	70,000	-	-	-	-	70,000
Loss for the year ended 31 December 2014	-	-	-	-	(45,839)	(45,839)
Other comprehensive income for the year ended 31 December 2014	-	-	-	-	138	138
Total comprehensive loss for the year ended 31 December 2014	-	-	-	-	(45,701)	(45,701)
Balance as at 31 December 2014	370,000	4	18	14,467	(266,854)	117,635

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

Raza Kuli Khan Khattak	Begum Zeb Gohar Ayub Khan	Dr. Shaheen Kuli Khan Khattak	Mushtaq Ahmed Khan F.C.A	Amir Raza
CHAIRMAN	CHIEF EXECUTIVE	DIRECTOR	DIRECTOR	PRINCIPAL OFFICER

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	(RUPEES IN THOUSAND)	
OPERATING CASH FLOWS		
a) Underwriting activities		
Premiums received	81,907	115,560
Reinsurance premiums paid	(38,439)	(52,581)
Claims paid	(55,810)	(71,182)
Reinsurance and other recoveries received	28,207	41,584
Commissions paid	(23,515)	(21,666)
Commissions received	17,302	15,085
Net cash inflow from underwriting activities	9,652	26,800
b) Other operating activities		
Income tax paid	(2,407)	(1,136)
Management expenses paid	(28,143)	(36,842)
Other operating payments	(49,886)	(52,551)
Other operating receipts	1,958	1,738
Loans to employees repaid - net	182	530
Other receipts / (payments) - net	(16,632)	13,324
Net cash outflow from other operating activities	(94,928)	(74,937)
Total cash outflow from all operating activities	(85,276)	(48,137)
INVESTMENT ACTIVITIES		
Profit / return received	18,124	6,292
Dividends received	62	640
Rental income received	1,121	782
Payments for purchase of investments	(14,776)	(5,096)
Proceeds from disposal of investments	1,762	19,891
Fixed capital expenditure	(329)	(2,360)
Proceeds from disposal of fixed assets	19,978	56,504
Net cash inflow from investing activities	25,942	76,653
FINANCING ACTIVITIES		
Share deposit money received	-	70,000
Borrowing - short term running finance	22,185	-
Financial charges paid	(617)	(393)
Net cash inflow from financing activities	21,568	69,607
Net cash (outflow) / inflow from all activities	(37,766)	98,123
Cash at the beginning of the year	159,998	61,875
Cash at the end of the year	122,232	159,998

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	(RUPEES IN THOUSAND)	
Operating cash flows	(85,276)	(48,137)
Depreciation	(7,066)	(9,793)
Provisions for doubtful receivables	(20,880)	(37,261)
Gratuity	(3,269)	(3,509)
Reversal for impairment loss on fixed assets	-	1,273
Financial charges	(1,183)	(393)
Gain on disposal of fixed assets	3,624	5,177
Increase / (decrease) in assets other than cash	(33,828)	11,955
(Increase) / decrease in liabilities	81,430	(24,538)
	(66,448)	(105,226)
OTHER ADJUSTMENTS		
Profit on investments	4,766	6,016
Share of profits from associates - net of tax	5,153	3,390
Change in premium deficiency reserve	(205)	1,514
Rental income	12	1,418
Profit on term deposit receipts and bank account	10,883	3,791
	20,609	16,129
Loss after taxation	(45,839)	(89,097)

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:

	2014	2013
Cash and other equivalent		
Stamps in hand	1	8
Current and other accounts		
Current accounts	21,150	6,774
Saving accounts	1,081	2,016
Deposit with State Bank of Pakistan	-	10,000
	22,231	18,790
Deposits maturing within 12 months		
Term deposit receipts	100,000	141,200
Total cash	122,232	159,998

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

Raza Kuli Khan Khattak	Begum Zeb Gohar Ayub Khan	Dr. Shaheen Kuli Khan Khattak	Mushtaq Ahmed Khan F.C.A	Amir Raza
CHAIRMAN	CHIEF EXECUTIVE	DIRECTOR	DIRECTOR	PRINCIPAL OFFICER

STATEMENT OF PREMIUMS
FOR THE YEAR ENDED 31 DECEMBER 2014

Business underwritten inside Pakistan

Class	Premiums				Reinsurance				Net premium revenue	
	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	2014	2013
		Opening	Closing			Opening	Closing			
	(RUPEES IN THOUSAND)									
Direct and facultative										
Fire and property damage	32,455	9,329	12,176	29,608	18,995	5,037	7,184	16,848	12,760	32,371
Marine and transport	13,387	2,329	166	15,550	10,294	1,187	128	11,353	4,197	13,336
Motor	16,536	10,876	4,917	22,495	5,154	2,066	1,524	5,696	16,799	51,608
Others	5,599	763	1,808	4,554	3,996	603	1,283	3,316	1,238	1,642
Total	67,977	23,297	19,067	72,207	38,439	8,893	10,119	37,213	34,994	98,957
Treaty - proportional	-	-	-	-	-	-	-	-	-	-
Grand total	67,977	23,297	19,067	72,207	38,439	8,893	10,119	37,213	34,994	98,957

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

Raza Kuli Khan Khattak	Begum Zeb Gohar Ayub Khan	Dr. Shaheen Kuli Khan Khattak	Mushtaq Ahmed Khan F.C.A	Amir Raza
CHAIRMAN	CHIEF EXECUTIVE	DIRECTOR	DIRECTOR	PRINCIPAL OFFICER

STATEMENT OF CLAIMS
FOR THE YEAR ENDED 31 DECEMBER 2014

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		2014	2013
	------	------	------	------	------	(RUPEES IN THOUSAND)	------	------	------	------
Direct and facultative										
Fire and property damage	11,678	120,931	73,055	(36,198)	11,106	89,969	48,036	(30,827)	(5,371)	7,123
Marine and transport	14,078	93,625	76,112	(3,435)	11,744	76,060	61,958	(2,358)	(1,077)	6,146
Motor	24,990	107,262	89,048	6,776	2,946	9,748	6,919	117	6,659	34,661
Others	5,064	30,948	33,417	7,533	2,411	7,107	10,235	5,539	1,994	5,714
Total	55,810	352,766	271,632	(25,324)	28,207	182,884	127,148	(27,529)	2,205	53,644
Treaty - proportional	-	969	969	-	-	-	-	-	-	-
Grand total	55,810	353,735	272,601	(25,324)	28,207	182,884	127,148	(27,529)	2,205	53,644

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

Raza Kuli Khan Khattak	Begum Zeb Gohar Ayub Khan	Dr. Shaheen Kuli Khan Khattak	Mushtaq Ahmed Khan F.C.A	Amir Raza
CHAIRMAN	CHIEF EXECUTIVE	DIRECTOR	DIRECTOR	PRINCIPAL OFFICER

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STATEMENT OF EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2014

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					2014	2013
	(RUPEES IN THOUSAND)								
Direct and facultative									
Fire and property damage	7,339	2,155	2,788	6,706	16,322	23,028	9,850	13,178	29,165
Marine and transport	2,592	456	26	3,022	6,733	9,755	3,737	6,018	11,073
Motor	1,435	1,068	431	2,072	8,316	10,388	8	10,380	24,165
Others	663	82	212	533	2,816	3,349	670	2,679	198
Total	12,029	3,761	3,457	12,333	34,187	46,520	14,265	32,255	64,601
Treaty - proportional	-	-	-	-	-	-	-	-	-
Grand total	12,029	3,761	3,457	12,333	34,187	46,520	14,265	32,255	64,601

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	Begum Zeb Gohar Ayub Khan	Dr. Shaheen Kuli Khan Khattak	Mushtaq Ahmed Khan F.C.A	Amir Raza
CHAIRMAN	CHIEF EXECUTIVE	DIRECTOR	DIRECTOR	PRINCIPAL OFFICER

STATEMENT OF INVESTMENT INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	(RUPEES IN THOUSAND)	
INCOME FROM TRADING INVESTMENTS		
Dividend income		
From related parties	-	-
From others	61	563
	61	563
INCOME FROM NON - TRADING INVESTMENTS		
Held to maturity		
Return on fixed income securities and deposits	4,690	3,970
Available for sale		
Dividend income		
From related parties	-	-
From others	1	77
	1	77
Gain on sale of investments at fair value through profit or loss	20	1,058
Gain on sale of investments - available for sale	-	463
Loss on sale of investments in associates	-	(678)
(Loss) / gain on remeasurement of investments at fair value through profit or loss	(6)	571
Provision for impairment in value of available for sale investments - net	-	(8)
Less: Investment related expenses	-	(4)
Net investment income	4,766	6,012

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

Raza Kuli Khan Khattak	Begum Zeb Gohar Ayub Khan	Dr. Shaheen Kuli Khan Khattak	Mushtaq Ahmed Khan F.C.A	Amir Raza
CHAIRMAN	CHIEF EXECUTIVE	DIRECTOR	DIRECTOR	PRINCIPAL OFFICER

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. THE COMPANY AND ITS OPERATIONS

1.1. 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 02 (2013: 19) branches in Pakistan.

1.2. Going concern assumption

The Company incurred loss after taxation of Rupees 89.097 million in preceding financial year ended 31 December 2013 and further loss after taxation of Rupees 45.839 million during the current financial year ended 31 December 2014. Due to accumulated loss of Rupees 266.854 million as on the reporting date, the management has decided to restrict the business, for the time being, from all loss making branches and to underwrite business only from group companies and selected clients. Further, the Company is not in compliance with the minimum solvency requirement as required by Section 36 of the Insurance Ordinance, 2000. The management has applied to the Securities and Exchange Commission of Pakistan (SECP) for forbearance period upto 31 December 2014 to comply with minimum solvency requirement, which has not yet granted. However, the management has decided to meet the solvency requirement through injection of further share capital by the Holding Company during the financial year ending on 31 December 2015. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. However, these financial statements have been prepared on going concern basis as the management has plans to inject further share capital and to underwrite insurance business from group companies and those clients where loss / claim ratio is historically low. The management is confident that these decisions will bring the Company out of existing conditions and the Company will continue as going concern.

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
- Employee benefit
- Classification of investments

e) Interpretation and 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 2014:

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, application of these amendments does not result any impact on the Company's financial statements.

IFRIC 21 'Levies' (effective for annual periods beginning on or after 01 January 2014). The interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and those where the timing and amount of the levy is certain. The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. However, application of this interpretation does not result any impact on the Company's financial statements.

f) Amendments to published standards that are effective in current year but not relevant to the Company

There are other amendments to published standards 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.

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

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 January 2015 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective for annual periods beginning on or after 01 January 2015) provide additional transition relief in by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

IFRS 12 'Disclosures of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2015). 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. 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 2015). 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. This standard is not expected to have a material impact on the Company's financial statements.
Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture (effective for annual periods beginning on or after 01 January 2016). These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2017). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IAS 19 (Amendments), 'Employee benefits' (effective for annual periods beginning on or after 01 July 2014). The amendment applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary. Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employee's working lives.

IAS 27 (Amendments), 'Separate Financial Statements' (effective for annual periods beginning on or after 01 January 2016). The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

IAS 32 (Amendments) 'Financial Instruments: Presentation' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off'; the application of simultaneous realization and settlement; the offsetting of collateral amounts and the unit of account for applying the offsetting requirements. However, the amendments are not expected to have a material impact on the Company's financial statements.

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2010 – 2012 Cycle, incorporating amendments to six IFRSs more specifically in IFRS 13 'Fair Value Measurement' and IAS 24 'Related Party Disclosures', which are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 July 2014. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2010 – 2013 Cycle, incorporating amendments to four IFRSs more specifically in IFRS 13 'Fair Value Measurement', which is considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 July 2014. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 25 September 2014, IASB issued Annual Improvements to IFRSs: 2012 – 2014 Cycle, incorporating amendments to four IFRSs more specifically in IAS 19 'Employee Benefits' and IAS 34 'Interim Financial Reporting', which are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 July 2016. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

h) Standard and amendments to published standards that are not yet and not considered relevant to the Company

There are other standard and amendments to published standards that are mandatory for accounting periods beginning on or after 01 January 2015 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 25. 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 2014, using the "Projected Unit Credit Method" to determine the liability on the reporting date. The amount arising as a result of remeasurements are recognized in the balance sheet immediately, with a charge or credit to other comprehensive income in the period in which they occur. Amounts recognized in profit and loss are limited to current and past service costs, gains or losses on settlements and net interest income (expense).

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 policy holders 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 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, accrued mark-up on borrowing, unclaimed dividends, other creditors and accruals and 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 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 Offsetting 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

2014	2013		2014	2013
(NUMBER OF SHARES)			(RUPEES IN THOUSAND)	
21,720,000	14,720,000	Ordinary shares of Rupees 10 each fully paid in cash	217,200	147,200
15,280,000	15,280,000	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	152,800	152,800
37,000,000	30,000,000		370,000	300,000

3.1 Movement during the year

30,000,000	30,000,000	As at 01 January	300,000	300,000
7,000,000	-	Issue of fully paid ordaniry shares of Rupees 10 each at par	70,000	-
37,000,000	30,000,000	As at 31 December	370,000	300,000

3.2 Bibojee Services (Private) Limited ("the Holding Company") holds 31,158,326 (2013: 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
	22	22
Revenue reserve	14,467	14,467
	14,489	14,489

5. SURPLUS ON REVALUATION OF FIXED ASSETS

Balance as at 01 January	162,908	183,259
Add: Surplus arising during the year on:		
Freehold land (Note 25)	9,360	4,540
Buildings on freehold land (Note 25)	4,154	1,533
	13,514	6,073
Less: Surplus on revaluation realised during the year on disposal	(13,256)	(20,425)
Less: Impairment loss (Note 25)	-	(3,775)
Less: Incremental depreciation on surplus on revaluation	(1,765)	(2,224)
Balance as at 31 December	161,401	162,908
Less: Related deferred income tax liability	(12,097)	(16,159)
	149,304	146,749
Share of surplus on revaluation of fixed assets of associates accounted for under equity method - net of deferred income tax liability	93,274	93,583
	242,578	240,332

	2014	2013
	(RUPEES IN THOUSAND)	

6. PREMIUM DEFICIENCY RESERVE

Balance as at 01 January	620	2,134
Change in premium deficiency reserve	205	(1,514)
Balance as at 31 December	825	620

7. EMPLOYEE BENEFIT - Unfunded

Gratuity

The amount recognized in the balance sheet is as follows:

Liability for gratuity (Note 7.1)	4,596	6,052

7.1 Net movement in liability

Liability as at 01 January	6,052	5,516
Expenses recognized in profit and loss account (Note 7.3)	3,269	3,509
Benefits paid during the year	(1,782)	(814)
Payable to outgoing employees	(2,609)	(2,211)
Remeasurement recognized in other comprehensive income (Note 7.4)	(334)	52
Liability as at 31 December	4,596	6,052

7.2 Reconciliation of changes in present value of defined benefit obligation

Present value of defined benefit obligation as at 01 January	6,052	5,516
Current service cost	2,369	2,735
Interest cost	900	774
Benefits paid during the year	(1,782)	(814)
Payable to outgoing employees (Note 10)	(2,609)	(2,211)
Remeasurement recognized in other comprehensive income (Note 7.4)	(334)	52
Present value of defined benefit obligation as at 31 December	4,596	6,052

7.3 Expenses recognized in profit and loss account

Current service cost	2,369	2,735
Interest cost	900	774
	3,269	3,509

7.4 Remeasurement recognized in other comprehensive income

(Gain) / loss due to change in financial assumptions	(54)	24
(Gain) / loss due to change in demographic assumptions	(55)	2
(Gain) / loss due to change in experience adjustments	(225)	26
	(334)	52

7.5 Mortality was assumed to be based on SCIL 2001-05 ultimate mortality rates, with moderate rate of employee turnover.

7.6 Principal acturial assumptions used

	Per annum	
	2014	**2013**
Discount rate	10.50%	12.75%
Expected rate of increase in salary	9.50%	11.75%

7.7 Historical information

	2014	2013	2012	2011
	---------------- (RUPEES IN THOUSAND)			---------------------
Liability for defined benefit obligation	4,596	6,052	5,516	3,359
Remeasurement (gain) / loss on obligation	(334)	52	561	-

7.8 Future undiscounted payments

	2014	2013
	(RUPEES IN THOUSAND)	
Upto 1 year	202	292
1-2 years	859	944
3-4 years	822	1,294
5-10 years	10,119	18,585
10 years and above	50,693	227,641

7.9 The expected charge to profit and loss account for the year ending 31 December 2015 will be Rupees 1.882 million.

7.10 Sensitivity analysis for actuarial assumptions:

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption at reporting date:

	Defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	Percentage	Rupees	Rupees
Discount rate as at 31 December	1	4,263	4,973
Expected rate of increase in salary	1	4,995	4,238

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied. The methods and types of assumptions used in preparing the sensitivity analysis did not change in comparison to the previous period.

7.11 The weighted average duration of the defined benefit obligation is 7.68 years.

	2014	2013
	(RUPEES IN THOUSAND)	
8. AMOUNTS DUE TO OTHER INSURERS / REINSURERS		
Amounts due to coinsurers	18,148	16,492
Amounts due to reinsurers	58,638	35,526
	76,786	52,018
9. ACCRUED EXPENSES		
Salaries payable	10,621	9,450
Audit fee payable	500	390
Expenses payable	1,815	2,986
Commission payable	19,371	30,857
	32,307	43,683

	2014	2013
	(RUPEES IN THOUSAND)	
10. OTHER CREDITORS AND ACCRUALS		
Federal excise duty	24,794	25,106
Federal insurance fee	1,158	1,018
Sundry creditors	7,172	20,512
Leave encashment payable	6,242	7,382
Gratuity payable to outgoing employees (Note 7.2)	2,609	2,211
Income tax deducted at source	987	541
Others	4,993	4,694
	47,955	61,464

11. SHORT TERM RUNNING FINANCE

This running finance facility of Rupees 25.000 million obtained from Habib Bank Limited and is secured against lien on term deposit receipts of Rupees 30.000 million. This facility carries markup at the rate of 10.65 % per annum payable quarterly.

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

12.1.1 The insured filed a petition against the Company in Lahore High Court, Lahore " the Court" 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.

12.1.2 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 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.

12.1.3 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 ended 31 December 2013, Mr. Sardar Khan 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.

12.2 Commitments

As at 31 December 2014, commitments for revolving letters of credit, other than for capital expenditure, were outstanding for Rupees 0.747 million (2013: Rupees 0.747 million).

	2014	2013
	(RUPEES IN THOUSAND)	
13. CASH AND OTHER EQUIVALENTS		
Stamps-in-hand	1	8
14. CURRENT AND OTHER ACCOUNTS		
Saving accounts (Note 14.1)	1,081	2,016
Current accounts	21,150	6,774
Deposit with State Bank of Pakistan (Note 14.2)	-	10,000
	22,231	18,790

14.1 These include balance of Rupees 0.747 million (2013: Rupees 0.747 million) kept with a bank as security against letters of credit. Rate of profit on bank balances ranges from 6.55% to 6.75% (2013: 6.00% to 6.17%) per annum.

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

15. DEPOSITS MATURING WITHIN 12 MONTHS

	2014	2013
Term deposit receipts	101,257	142,457
Provision for impairment (Note 15.1)	(1,257)	(1,257)
Term deposit receipts - considered good (Note 15.2)	100,000	141,200

15.1 Provision for impairment

	2014	2013
Balance as at 01 January	1,257	1,202
Provision made during the year (Note 28.2)	-	55
Balance as at 31 December	1,257	1,257

15.2 These represent term deposit receipts issued by financial institutions and carry interest at the rates ranging from 7.30% to 9.90% (2013: 9.20% to 10.00%) per annum.

	2014	2013
	(RUPEES IN THOUSAND)	
16. INVESTMENTS		
In related parties		
Investments in associates (Note 16.1)	115,737	110,549
Others		
Held-to-maturity (Note 16.2)	41,219	25,509
Available for sale (Note 16.3)	159	159
Investments at fair value through profit or loss (Note 16.4)	332	2,080
	157,447	138,297

16.1 Investments in associates

NUMBER OF SHARES 2014	NUMBER OF SHARES 2013	FACE VALUE	NAME OF ENTITY	2014	2013
		RUPEES		(RUPEES IN THOUSAND)	
Quoted					
			Personal Goods		
8,940	8,940	10	Bannu Woollen Mills Limited Equity held 0.09% (2013: 0.09%)		
			Cost	32	32
			Share of post acquisition reserves:		
			As at 01 January	1,267	1,143
			Share of profit after income tax	63	154
			Share of other comprehensive loss	(5)	-
			Share of items directly recognised in equity	16	1
			Impact of change in accounting policy	(9)	(31)
			Share of surplus on revaluation of fixed assets	1	-
			As at 31 December	1,333	1,267
				1,365	1,299
			Industrial Engineering		
1,184,148	1,184,148	10	Ghandhara Industries Limited Equity held 5.56% (2013: 5.56%)		
			Cost	12,078	12,078
			Share of post acquisition reserves:		
			As at 01 January	97,172	81,687
			Share of profit after income tax	5,090	3,228
			Share of other comprehensive loss	(80)	-
			Impact of change in accounting policy	-	(89)
			Share of surplus on revaluation of fixed assets	112	13,003
			Partial disposal of investment	-	(657)
			As at 31 December	102,294	97,172
				114,372	109,250
				115,737	110,549

16.1.1 Summarized un-audited financial statements of associates, including the aggregated amounts of assets, liabilities, revenues and profits are as follows:

NAME	ASSETS	LIABILITIES	REVENUE	PROFIT
	As at 31 December 2014		From 01 January 2014 to 31 December 2014	
	------------------------(RUPEES IN THOUSAND)------------------------			
Bannu Woollen Mills Limited	1,960,806	439,482	792,499	69,493
Ghandhara Industries Limited	4,003,296	1,945,474	2,750,113	91,577

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

	2014	2013
	(RUPEES IN THOUSAND)	
16.1.2 Fair value of investments in associates is as follows:		
Bannu Woollen Mills Limited	473	653
Ghandhara Industries Limited	55,904	20,865

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 2014, 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".

16.2 Held-to-maturity

	Maturity	Coupon rate (%)	2014	2013
			(RUPEES IN THOUSAND)	
Pakistan Investment Bond	18-08-2016	11.50	15,531	15,463
Pakistan Investment Bond	18-07-2018	11.50	5,194	5,175
Pakistan Investment Bond	18-07-2018	11.50	15,563	-
Pakistan Investment Bond	22-07-2020	12.00	4,931	4,871
			41,219	25,509

16.2.1 Market value of these PIBs as on 31 December 2014 is Rupees 41.433 million (2013: Rupees 22.007 million). Profit on PIBs is received bi-annually.

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

16.3 Available for sale

NUMBER OF SHARES / UNITS 2014	2013	FACE VALUE	NAME OF ENTITY	2014	2013
		RUPEES		(RUPEES IN THOUSAND)	
Quoted					
			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
Un-Quoted					
			Open-ended mutual fund		
2,869	2,324	100	JS Growth Fund	135	135
			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	928
Provision for impairment in value of investments (Note 16.3.1)				(769)	(769)
				159	159

16.3.1 Provision for impairment in value of investments

	2014	2013
Balance as at 01 January	769	761
Provision made during the year	-	48
Provision reversed during the year	-	(40)
	-	8
Balance as at 31 December	769	769

16.3.2 At 31 December 2014, the fair value of available for sale securities is Rupees 0.597 million (2013: Rupees 0.442 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 2014 would have been higher by Rupees 0.438 million (2013: Rupees 0.283 million).

16.4 Investments at fair value through profit or loss

NUMBER OF SHARES / UNITS 2014	NUMBER OF SHARES / UNITS 2013	FACE VALUE	NAME OF ENTITY	2014	2013
		RUPEES		(RUPEES IN THOUSAND)	
Quoted					
			Bank		
-	30,002	10	National Bank of Pakistan	-	3,097
			Close-ended mutual fund		
13,500	13,500	10	PICIC Growth Fund	509	509
				509	3,606
Unrealized loss on remeasurement of investments				(177)	(1,526)
				332	2,080

17. DEFERRED TAXATION

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

	2014	2013
Taxable temporary differences		
Accelerated tax depreciation	1,448	2,432
Surplus on revaluation of buildings	12,097	16,159
	13,545	18,591
Deductible temporary differences		
Tax losses	79,476	76,688
Provision for doubtful receivables	35,016	23,387
Employee benefits	4,438	5,319
	118,930	105,394
Deferred income tax asset - net	105,385	86,803
Less: Deferred income tax asset not recognized	72,194	53,612
Net deferred income tax asset recognized (Note 17.1)	33,191	33,191

17.1 The net deferred income tax asset recognized in these financial statements is restricted upto Rupees 33.191 million (2013: 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.

		2014	2013
		(RUPEES IN THOUSAND)	
18.	**PREMIUMS DUE BUT UNPAID - Unsecured**		
	Considered good		
	Due from associates (Note 18.1)	11,759	15,965
	Others	17,315	44,019
		29,074	59,984
	Considered doubtful		
	Due from associates (Note 18.1)	4,758	4,568
	Others	82,975	66,185
		87,733	70,753
	Provision for doubtful receivables (Note 18.2)	(87,733)	(70,753)
		29,074	59,984
18.1	**Due from associates:**		
	Janana De Malucho Textile Mills Limited	712	2,042
	Babri Cotton Mills Limited	-	1,288
	Rahman Cotton Mills Limited	7,504	6,825
	Ghandhara Nissan Limited	6,696	5,877
	Ghandhara Industries Limited	1,592	4,416
	The General Tyre and Rubber Company of Pakistan Limited	11	13
	Gammon Pakistan Limited	2	24
	Bannu Woollen Mills Limited	-	12
	Bibojee Services (Private) Limited	-	36
		16,517	20,533

18.1.1 Maximum aggregate balance due from associates at the end of any month was Rupees 27.262 million (2013: Rupees 27.903 million).

		2014	2013
18.2	**Provision for doubtful receivables**		
	Balance as at 01 January	70,753	37,245
	Provision made during the year (Note 28.2)	16,980	33,508
	Balance as at 31 December	87,733	70,753
19.	**AMOUNTS DUE FROM OTHER INSURERS / REINSURERS - Unsecured**		
	Amounts due from coinsurers	124,087	117,912
	Amounts due from reinsurers	49,158	12,653
		173,245	130,565
	Provision for doubtful receivables (Note 19.1)	(15,342)	(12,216)
	Amounts due from other insurers / reinsurers - considered good	157,903	118,349
19.1	**Provision for doubtful receivables**		
	Balance as at 01 January	12,216	9,462
	Provision made during the year (Note 28.2)	3,126	2,754
	Balance as at 31 December	15,342	12,216

	2014	2013
	(RUPEES IN THOUSAND)	

20. ACCRUED INVESTMENT INCOME

	2014	2013
Considered good	24	3,513
Considered doubtful	7	5
Provision for doubtful accrued investment income (Note 20.1)	(7)	(5)
	-	-
	24	3,513

20.1 Provision for doubtful accrued investment income

	2014	2013
Balance as at 01 January	5	-
Provision made during the year (Note 28.2)	2	5
Balance as at 31 December	7	5

20.2 This represents profit accrued on term deposit receipts.

21. TAXATION - Payment less provision

	2014	2013
Advance income tax	9,536	7,571
Provision for taxation	(735)	(313)
	8,801	7,258

22. PREPAYMENTS

	2014	2013
Prepaid reinsurance premium ceded	10,119	8,893
Others (Note 22.1)	119	385
	10,238	9,278

22.1 Prepayments others

	2014	2013
Considered good	119	385
Considered doubtful	582	570
Provision for doubtful prepayments others (Note 22.2)	(582)	(570)
	-	-
	119	385

22.2 Provision for doubtful prepayments - others

	2014	2013
Balance as at 01 January	570	-
Provision made during the year (Note 28.2)	12	570
Balance as at 31 December	582	570

23. LOANS TO EMPLOYEES - Unsecured

	2014	2013
Executives	-	150
Others (Note 23.1)	82	246
	82	396

	2014	2013
	(RUPEES IN THOUSAND)	

23.1 Others

	2014	2013
Considered good	82	246
Considered doubtful	132	-
Provision for doubtful others (Note 28.2)	(132)	-
	-	-
	82	246

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

24. SUNDRY RECEIVABLES

	2014	2013
Advances to employees against expenses (Note 24.1)	30	901
Security deposits (Note 24.2)	1,625	2,404
Recoverable from holding company	1,347	11,456
Sales tax receivable	57	123
Others	2,518	2,165
	5,577	17,049

24.1 Advances to employees against expenses

	2014	2013
Considered good	30	901
Considered doubtful	144	-
Provision for doubtful advances (Note 28.2)	(144)	-
	-	-
	30	901

24.2 Security deposits

	2014	2013
Considered good	1,625	2,404
Considered doubtful	908	424
Provision for doubtful security deposit (Note 24.2.1)	(908)	(424)
	-	-
	1,625	2,404

24.2.1 Provision for doubtful security deposits

	2014	2013
Balance as at 01 January	424	-
Provision made during the year (Note 28.2)	484	424
Balance as at 31 December	908	424

25. FIXED ASSETS - TANGIBLE

	OWNED						LEASED	Total
	Freehold land	Buildings on freehold land	Furniture, fixtures and office equipment	Computer equipment	Motor vehicles	Sub total	Motor vehicles	
	(RUPEES IN THOUSAND)							
As at 01 January 2013								
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	-
	-	-	-	-	1,263	1,263	(1,263)	-
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	-	3,775	-	-	-	3,775	-	3,775
	(31,500)	(13,787)	(1,467)	(234)	(4,339)	(51,327)	-	(51,327)
Impairment loss	-	(3,775)	-	-	-	(3,775)	-	(3,775)
Reversal of impairment loss (Note 27)	-	1,273	-	-	-	1,273	-	1,273
Depreciation charge	-	(3,599)	(950)	(1,506)	(3,634)	(9,689)	(104)	(9,793)
Surplus on revaluation	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
Year ended 31 December 2014								
Opening net book value	115,440	60,727	6,842	3,328	14,825	201,162	-	201,162
Additions	-	-	34	257	38	329	-	329
Disposals:								
Cost / revalued amount	-	(20,044)	(536)	(78)	(6,634)	(27,292)	-	(27,292)
Accumulated depreciation	-	5,124	366	67	5,381	10,938	-	10,938
	-	(14,920)	(170)	(11)	(1,253)	(16,354)	-	(16,354)
Depreciation charge	-	(2,354)	(747)	(1,064)	(2,901)	(7,066)	-	(7,066)
Surplus on revaluation (Note 5)	9,360	4,154	-	-	-	13,514	-	13,514
Closing net book value	124,800	47,607	5,959	2,510	10,709	191,585	-	191,585
As at 31 December 2014								
Cost / revalued amount	124,800	63,594	18,899	12,801	41,650	261,744	-	261,744
Accumulated depreciation	-	(15,260)	(12,940)	(10,291)	(30,941)	(69,432)	-	(69,432)
Accumulated impairment loss	-	(727)	-	-	-	(727)	-	(727)
Net book value	124,800	47,607	5,959	2,510	10,709	191,585	-	191,585
Annual rate of depreciation (%)	-	5%	10-30%	30%	20%	-	20%	-

25.1 Surplus on revaluation

Latest revaluation of land and buildings was carried out by Messrs Dimensions as on 29 December 2014. Had there been no revaluation, carrying values of land and buildings as on 31 December 2014 would have been lower by Rupees 124.741 million (2013: Rupees 115.383 million) and Rupees 36.660 million (2013: Rupees 47.525 million) respectively.

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

	2014	2013
	(RUPEES IN THOUSAND)	
Expenses (Note 26)	4,711	6,529
General and administration expenses (Note 28)	2,355	3,264
	7,066	9,793

25.3 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)----------------------------						
Buildings							
Business and Finance centre, Karachi	20,044	5,124	14,920	15,000	80	Negotiation	M/s Darson Securities (Private) Limited , Karachi
Motor vehicles							
Toyota Corolla GAP-3900	415	261	154	525	371	Negotiation	Mr. Saleem Ahmad, Lahore
Honda City LEB-07-6139	386	254	132	720	588	Negotiation	Mr. Nadeem Ahmad, Lahore
Honda City LZR-0858	852	749	103	590	487	Negotiation	Mr. Shahid Ali, Lahore
Nissan Sunny LWR-0247	1,117	939	178	685	507	Negotiation	Mr. Khalid Hussain, Shaikupura
Suzuki Cultus LEE-07-4972	636	516	120	460	340	Negotiation	Mr. Muhammad Ayub, Lahore
Nissan Sunny LWR-0249	1,128	947	181	600	419	Negotiation	Mr. Naeem Siddiqui, Lahore
Hyundai Santro LEB-07-0559	596	491	105	470	365	Negotiation	Mr. Khalid Hussain, Shaikupura
Nissan Sunny LWR-0071	1,128	947	181	600	419	Negotiation	Mr. Muhammad Farman, Lahore
	6,258	5,104	1,154	4,650	3,496		
Aggregate of items with individual book value not exceeding Rupees 50,000:							
Furniture, fixtures and office equipment	536	366	170	98	(72)		
Computer equipment	78	67	11	19	8		
Motor vehicles	376	277	99	211	112		
	990	710	280	328	48		
	27,292	10,938	16,354	19,978	3,624		

	2014	2013
	(RUPEES IN THOUSAND)	

26. EXPENSES

Salaries and other benefits (Note 26.1)	20,108	32,471
Rent, rates and taxes	1,938	2,925
Electricity charges	861	883
Insurance	1,193	1,504
Communication	1,091	1,641
Printing and stationery	219	323
Travelling and entertainment	1,255	2,041
Depreciation (Note 25.2)	4,711	6,529
Repairs and maintenance	849	1,422
Legal and professional	-	57
Advertisement	-	10
Provision for leave encashment	710	1,455
Others	889	2,021
Service charges	363	202
	34,187	53,484

26.1 These include Rupees 1.223 million (2013: Rupees 1.787 million) in respect of employee benefit.

26.2 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.

27. OTHER INCOME

Income from financial assets		
Profit on term deposit receipts	10,265	3,283
Profit on bank accounts	618	508
Credit balances written back	6,820	1,041
	17,703	4,832
Income from non-financial assets		
Fronting fee	1,683	1,548
Gain on disposal of fixed assets	3,624	5,177
Reversal of impairment loss on fixed assets (Note 25)	-	1,273
Miscellaneous	275	190
	5,582	8,188
	23,285	13,020

28. GENERAL AND ADMINISTRATION EXPENSES

Salaries and other benefits (Note 28.1)	31,416	31,297
Rent, rates and taxes	887	1,098
Electricity charges	1,522	1,380
Insurance	597	752
Communication	1,285	1,672
Printing and stationery	571	713
Travelling and entertainment	3,460	3,143
Depreciation (Note 25.2)	2,355	3,264
Repairs and maintenance	1,555	1,575
Legal and professional	2,533	3,150
Provisions for doubtful receivables (Note 28.2)	20,880	37,316
Advances to employees against expenses written off	223	-
Provision for leave encashment	2,249	2,024
Advertisement	284	439
Auditors' remuneration (Note 28.3)	675	519
Others	2,893	4,734
	73,385	93,076

28.1 These include Rupees 2.046 million (2013: Rupees 1.722 million) in respect of employee benefit.

	2014	2013
	(RUPEES IN THOUSAND)	
28.2 Provisions for doubtful receivables		
Term deposit receipts (Note 15.1)	-	55
Premiums due but unpaid (Note 18.2)	16,980	33,508
Amounts due from other insurers / reinsurers (Note 19.1)	3,126	2,754
Accrued investment income (Note 20.1)	2	5
Prepayments - others (Note 22.2)	12	570
Loans to employees - others (Note 23.1)	132	-
Advances to employees against expenes (Note 24.1)	144	-
Security deposits (Note 24.2.1)	484	424
	20,880	37,316
28.3 Auditors' remuneration		
Statutory audit fee	400	300
Half yearly review	100	100
Certification	25	25
Out of pocket expenses	150	94
	675	519
29. TAXATION		
Current year	(735)	(313)
Prior year adjustment	(129)	(17)
	(864)	(330)
Deferred	(3,952)	(1,364)
	(4,816)	(1,694)

29.1 In view of taxable loss for the year, provision for current taxation represents minimum tax, tax charge against rental income and dividend income under the Income Tax Ordinance, 2001. The Company has carried forwardable tax losses of Rupees 240.835 million (2013: Rupees 225.553 million). Numerical reconciliation between average tax rate and applicable tax rate has not been presented being impracticable.

	2014	2013
	(RUPEES IN THOUSAND)	
30. 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	(45,839)	(89,097)
	NUMBER OF SHARES	
Weighted average number of ordinary shares outstanding during the year	34,315,068	30,000,000
	RUPEES	
Loss per share - basic and diluted	(1.34)	(2.97)

31. 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:

	2014		
	CHIEF EXECUTIVE	PRINCIPAL OFFICER	EXECUTIVES
	---------------- (RUPEES IN THOUSAND) ---------------		
Managerial remuneration	840	3,120	5,595
House rent	360	960	2,254
Utilities	1,490	1,094	506
Medical allowance	247	76	-
	2,937	5,250	8,355
Number of persons	1	1	7

	2013		
	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	1	1	17

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

31.2 Aggregate amount charged in the financial statements for meeting fee to all directors was Rupees 0.510 million (2013: Rupees 0.470 million).

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

32. 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:

	2014	2013
	(RUPEES IN THOUSAND)	
HOLDING COMPANY		
Period end balances		
Provision for outstanding claims	53	104
Premiums due but unpaid	-	36
Commission payable	7,680	8,168
Recoverable from holding company against rent and sale of fixed assets	1,347	11,456
Share deposit money	-	70,000
Transactions during the year		
Premiums underwritten	-	74
Premiums received	36	38
Claims paid	51	-
Commission expense	-	2,264
Rental income	-	1,406
Rent adjusted / received	1,109	770
Sale of fixed assets	-	40,000
Receipt against sale of fixed assets	40,000	-
ASSOCIATED COMPANIES		
Period end balances		
Provision for outstanding claims	15,758	18,514
Premiums due but unpaid	16,517	20,497
Provision for doubtful receivables	4,758	4,568
Transactions during the year		
Premiums underwritten	754	12,520
Premiums received / adjusted	3,032	14,290
Claims paid	481	2,669

33. 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	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	(RUPEES IN THOUSAND)									
Revenue										
Gross premium earned	29,608	71,122	15,550	26,897	22,495	65,259	4,554	9,801	72,207	173,079
Segment results	4,953	(3,917)	(744)	(3,883)	61	(6,820)	(3,941)	(3,154)	329	(17,774)
Investment income									4,766	6,012
Rental income									12	1,418
Other income									23,285	13,020
General and administration expenses									(73,385)	(93,076)
Financial charges									(1,183)	(393)
Share of profits from associates - net of tax									5,153	3,390
									(41,352)	(69,629)
Loss before taxation									(41,023)	(87,403)
Taxation									(4,816)	(1,694)
Loss after taxation									(45,839)	(89,097)
Other information										
Segment assets	138,446	171,994	104,728	106,111	59,173	77,368	25,355	18,399	327,702	373,872
Unallocated assets									519,057	561,248
Total assets									846,759	935,120
Segment liabilities	127,208	158,753	96,168	106,810	107,842	129,878	46,323	39,287	377,541	434,728
Unallocated liabilities									109,005	112,174
Total liabilities									486,546	546,902

34. 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:

34.1 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:

	2014	2013
	(RUPEES IN THOUSAND)	
Current and other accounts	22,231	18,790
Deposits maturing within 12 months	100,000	141,200
Investments	41,710	27,748
Premiums due but unpaid	29,074	59,984
Amounts due from other insurers / reinsurers	157,903	118,349
Accrued investment income	24	3,513
Reinsurance recoveries against outstanding claims	127,148	182,884
Loans to employees	82	396
Sundry receivables	5,490	16,025
	483,662	568,889

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 20.880 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	2,815	14,127
Past one year but less than three years	14,500	29,892
	17,315	44,019

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

Upto one year	695	11,482
Past one year but less than three years	11,064	4,483
	11,759	15,965

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	2014	2013
				(RUPEES IN THOUSAND)	
Bank Al Habib Limited	A1+	AA+	PACRA	3,522	2,122
Habib Bank Limited	A-1+	AAA	JCR-VIS	17,602	5,626
National Bank of Pakistan	A-1+	AAA	JCR-VIS	1,098	983
United Bank Limited	AA+	A-1+	JCR-VIS	9	59
State Bank of Pakistan	-	-	-	-	10,000
				22,231	18,790
Term deposit receipts					
Habib Bank Limited	A-1+	AAA	JCR-VIS	100,000	141,200

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 2014	Total 2013
	-------------------- (RUPEES IN THOUSAND) ------------------			
A or above (including PRCL)	146,176	124,234	270,410	285,156
BBB	11,727	2,914	14,641	16,077
Total	157,903	127,148	285,051	301,233

34.2 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:

	2014			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	------------------- (RUPEES IN THOUSAND) ------------------			
Financial liabilities				
Provision for outstanding claims (including IBNR)	272,601	272,601	272,601	-
Amounts due to other insurers / reinsurers	76,786	76,786	76,786	-
Accrued expenses	32,307	32,307	32,307	-
Accrued mark-up on borrowing	566	566	566	-
Other creditors and accruals	12,165	12,165	12,165	-
Borrowing - short term running finance	22,185	23,758	23,758	-
Deposits against performance bonds	2,993	2,993	2,993	-
Unclaimed dividends	610	610	610	-
	420,213	421,786	421,786	-

	2013			
	Carrying amount	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	-

34.3 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:

	2014	2013	2014	2013
	Effective interest rate		(RUPEES IN THOUSAND)	
	Percentage			
Fixed rate financial instruments				
Financial assets				
Investments - PIBs	11.50 to12.00	8.00 to12.00	41,219	25,509
Term deposit receipts	7.30 to 9.90	9.20 to 10.00	100,000	141,200
Financial liabilities				
Borrowing - short term running finance	10.65	-	22,185	-
Floating rate financial instruments				
Financial assets				
Bank deposits	6.55 to 6.75	6.00 to 6.17	1,081	2,016

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.

	(RUPEES IN THOUSAND)	
2014		
Cash flow sensitivity-variable rate financial liabilities	-	-
Cash flow sensitivity-variable rate financial assets	11	(11)
Decrease / (increase) in loss for the year	11	(11)
2013		
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)

b) 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 the SEC (Insurance) Rules, 2002. The carrying and market value of these investments has been disclosed in the note 16.3.2 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)	
2014		
Effect of increase in share price - Decrease in loss and increase in equity	33	33
Effect of decrease in share price - Increase in loss and decrease in equity	33	33
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

c) 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.

34.4 Financial instruments by categories

	Held to maturity		Available for sale		At fair value through profit or loss		Loans and receivables		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	------------------------------------- (RUPEES IN THOUSAND) ---									
Financial assets as per balance sheet										
Current and other accounts	-	-	-	-	-	-	22,231	18,790	22,231	18,790
Deposits maturing within 12 months	-	-	-	-	-	-	100,000	141,200	100,000	141,200
Investments	41,219	25,509	159	159	332	2,080	-	-	41,710	27,748
Premiums due but unpaid	-	-	-	-	-	-	29,074	59,984	29,074	59,984
Amounts due from other insurers / reinsurers	-	-	-	-	-	-	157,903	118,349	157,903	118,349
Accrued investment income	-	-	-	-	-	-	24	3,513	24	3,513
Reinsurance recoveries against outstanding claims	-	-	-	-	-	-	127,148	182,884	127,148	182,884
Loans to employees	-	-	-	-	-	-	82	396	82	396
Sundry receivables	-	-	-	-	-	-	5,490	16,025	5,490	16,025
	41,219	25,509	159	159	332	2,080	441,952	541,141	483,662	568,889

	Other financial liabilities	
	2014	2013
	(RUPEES IN THOUSAND)	
Financial liabilities as per balance sheet		
Provision for outstanding claims (including IBNR)	272,601	353,735
Amounts due to other insurers / reinsurers	76,786	52,018
Accrued expenses	32,307	43,683
Accrued mark-up on borrowing	566	-
Other creditors and accruals	12,165	25,206
Borrowing - short term running finance	22,185	-
Deposits against performance bonds	2,993	2,826
Unclaimed dividends	610	610
	420,213	478,078

35. 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	
	2014	2013	2014	2013	2014	2013
	------------------------------------ (RUPEES IN THOUSAND) ------------------------------------					
Fire	16,010,976	25,867,381	9,446,476	13,968,386	6,564,500	11,898,995
Marine	8,361,047	21,974,824	6,438,006	11,207,160	1,923,041	10,767,664
Motor	1,645,333	1,902,812	510,053	361,534	1,135,280	1,541,278
Others	640,162	938,593	454,515	741,488	185,647	197,105
	26,657,518	50,683,610	16,849,050	26,278,568	9,808,468	24,405,042

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	
	2014	2013	2014	2013
	-------------- (RUPEES IN THOUSAND) --------------			
Fire	3,904	712	3,904	712
Marine	124	615	124	615
Motor	666	3,466	666	3,466
Others	199	571	199	571
	4,893	5,364	4,893	5,364

36. MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

	2014						
	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	1,081	-	1,081	21,150	-	21,150	22,231
Deposits maturing within 12 months	100,000	-	100,000	-	-	-	100,000
Investments	-	41,219	41,219	491	-	491	41,710
Premiums due but unpaid	-	-	-	29,074	-	29,074	29,074
Amounts due from other insurers / reinsurers	-	-	-	157,903	-	157,903	157,903
Accrued investment income	-	-	-	24	-	24	24
Reinsurance recoveries against outstanding claims	-	-	-	127,148	-	127,148	127,148
Loans to employees	-	-	-	82	-	82	82
Sundry receivables	-	-	-	5,490	-	5,490	5,490
	101,081	41,219	142,300	341,362	-	341,362	483,662
Off balance sheet	-	-	-	-	-	-	-
Total	101,081	41,219	142,300	341,362	-	341,362	483,662
Financial liabilities on balance sheet							
Insurance contract - short term	-	-	-	19,067	-	19,067	19,067
Reinsurance assets held to cover insurance contracts	-	-	-	(10,119)	-	(10,119)	(10,119)
	-	-	-	8,948	-	8,948	8,948
Provision for outstanding claims (including IBNR)	-	-	-	272,601	-	272,601	272,601
Amounts due to other insurers / reinsurers	-	-	-	76,786	-	76,786	76,786
Accrued expenses	-	-	-	32,307	-	32,307	32,307
Accrued mark-up on borrowing				566	-	566	566
Other creditors and accruals	-	-	-	12,165	-	12,165	12,165
Borrowing - short term running finance				22,185	-	22,185	22,185
Deposits against performance bonds	-	-	-	2,993	-	2,993	2,993
Unclaimed dividends	-	-	-	610	-	610	610
	-	-	-	429,161	-	429,161	429,161
Off balance sheet	-	-	-	-	-	-	-
Total	-	-	-	429,161	-	429,161	429,161
On balance sheet gap	101,081	41,219	142,300	(87,799)	-	(87,799)	54,501
Off balance sheet gap	-	-	-	-	-	-	-

	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
Off balance sheet gap	-	-	-	-	-	-	-

37. 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 16.3.2 to these financial statements. Fair value is determined on the basis of objective evidence at each reporting date.

38. 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.

39. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on April 06, 2015 by the Board of Directors of the Company.

40. NUMBER OF EMPLOYEES

	2014	2013
Number of employees as at 31 December	23	96
Average number of employees during the year	69	111

41. GENERAL

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

42. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purpose of comparison. However, no significant rearrangement and reclassification have been made in these financial statements.

Raza Kuli Khan Khattak	Begum Zeb Gohar Ayub Khan	Dr. Shaheen Kuli Khan Khattak	Mushtaq Ahmed Khan F.C.A	Amir Raza
CHAIRMAN	CHIEF EXECUTIVE	DIRECTOR	DIRECTOR	PRINCIPAL OFFICER

PATTERN OF SHAREHOLDING
AS ON 31 DECEMBER 2014

Number of ShareHolders	Shareholdings From	Shareholdings To	Total Number of Share Held	Percentage of Total Capital
274	1 -	100	6,632	0.02
161	101 -	500	44,927	0.12
98	501 -	1000	73,741	0.20
285	1001 -	5000	712,648	1.93
56	5001 -	10000	398,981	1.08
28	10001 -	15000	342,716	0.93
9	15001 -	20000	158,131	0.43
4	20001 -	25000	91,676	0.25
4	25001 -	30000	107,267	0.29
3	30001 -	35000	99,384	0.27
1	35001 -	40000	37,431	0.10
3	40001 -	45000	124,724	0.34
1	45001 -	50000	50,000	0.14
1	65001 -	70000	65,625	0.18
2	70001 -	75000	141,820	0.38
1	75001 -	80000	77,472	0.21
1	80001 -	85000	80,193	0.22
1	85001 -	90000	85,625	0.23
2	95001 -	100000	196,181	0.53
2	105001 -	110000	216,086	0.58
1	120001 -	125000	123,962	0.34
1	145001 -	150000	147,351	0.40
1	155001 -	160000	158,136	0.43
1	160001 -	165000	161,254	0.44
1	180001 -	185000	182,220	0.49
1	225001 -	230000	229,920	0.62
1	245001 -	250000	247,928	0.67
1	250001 -	255000	251,000	0.68
1	300001 -	305000	303,000	0.82
1	415001 -	420000	415,237	1.12
1	510001 -	515000	510,406	1.38
1	31155001 -	31160000	31,158,326	84.21
949			**37,000,000**	**100.00**

CATEGORIES OF SHAREHOLDERS
AS AT 31 DECEMBER 2014

Sr. #	Categories	No. of Shareholders	No. of Shares Held	Percentage of Capital
1	Executives	2	8,118	0.0219
2	Directors, Chief Executive Officer, and their spouse and minor children	10	1,053,927	2.6558
3	Associated Companies, Undertakings and Related Parties	1	31,158,326	84.2117
4	NIT and ICP	1	1,363	0.0037
5	Banks, Development Financial Instituations, Non Banking Financial Instituations	13	383,695	1.0370
6	Insurance Companies	1	22,243	0.0601
7	General Public (Local)	917	4,316,252	11.8582
8	Others	4	56,076	0.1516
	TOTAL:	**949**	**37,000,000**	**100.0000**

DETAILED CATEGORIES OF SHAREHOLDERS
AS ON DECEMBER 31ST, 2014

Sr. #	Name	Shares Held	Percentage of Capital
Executives			
1	Mr. Shahbaz Hameed	7,618	0.0206
2	Mr. Abdul Waheed Chaudhry	500	0.0014
	Running Total:	**8,118**	**0.0219**
Directors, Chief Executive Officer, and their spouse and minor children			
1	Raza Kuli Khan Khattak	510,406	1.3795
2	Lt.Gen. Ali Kuli Khan Khattak	247,928	0.6701
3	Mrs. Zeb Gohar Ayub Khan	123,962	0.3350
4	Ms. Shahnaz Sajjad Ahmed	77,472	0.2094
5	Dr. Shaheen Kuli Khan Khattak	77,472	0.2094
6	Mushtaq Ahmed Khan F.C.A.	2,625	0.0071
7	Choudhry Sher Mohammad	6,562	0.0177
8	Mr. Pervez I. Khan	2,500	0.0068
9	Mr. Muhammad Imran Malik	2,500	0.0068
10	Mr. Amir Raza	2,500	0.0068
	Running Total:	**1,053,927**	**2.8485**
Associated Companies, Undertakings and Related Parties			
1	Bibojee Services Pvt. Limited	31,158,326	84.2117
	Running Total:	**31,158,326**	**84.2117**
NIT and ICP			
1	Investment Corporation of Pakistan,	1,363	0.0037
	Running Total:	**1,363**	**0.0037**
Banks, Development Financial Instituations, Non Banking Financial Instituations			
1	SALIM SOZER SECURITIES (PVT.) LTD.	161,254	0.4358
2	SAAO CAPITAL (PVT) LIMITED	14,000	0.0378
3	AWJ SECURITIES (PRIVATE) LIMITED.	870	0.0024
4	ISMAIL ABDUL SHAKOOR SECURITIES (PRIVATE) LIMITED	3,500	0.0095
5	STOCK MASTER SECURITIES (PRIVATE) LTD.	105	0.0003
6	CLIKTRADE LIMITED	40	0.0001
7	DARSON SECURITIES (PVT) LIMITED	7,882	0.0213
8	ALI HUSAIN RAJABALI LTD	10,000	0.0270
9	CAPITAL VISION SECURITIES (PVT) LTD.	270	0.0007
10	FIRST NATIONAL EQUITIES LIMITED	1	0.0000
11	IDBL (ICP UNIT)	2,194	0.0059
12	Shirazi Investment (pvt) Limited,	1,359	0.0037
13	SONERI BANK LIMITED	182,220	0.4925
	Running Total:	**383,695**	**1.0370**
Insurance Companies			
1	Gulf Insurance Co ltd,	22,243	0.0601
	Running Total:	**22,243**	**0.0601**
General Public (Local)			
	Running Total:	**4,316,252**	**11.6655**

Sr. #	Name	Shares Held	Percentage of Capital
Others			
1	FIKREES (SMC-PVT) LTD.	1,914	0.0052
2	MILLWALA SONS (PRIVATE) LIMITED	99	0.0003
3	DEPUTY ADMINISTRATOR ABANDONED PROPERTIES ORGANIZA	37,431	0.1012
4	SULTAN TEXTILE MILLS (KARACHI) LIMITED	16,632	0.0450
	Running Total:	**56,076**	**0.1516**
	Grand Total:	**37,000,000**	**100.0000**

Shareholders Holding 5% or more holding:

1	Bibojee Services Pvt. Limited	**31,158,326**	**84.2117**

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 Secretray and theirs spoused and minor children during the year January 01, 2014 to December 31, 2014 are as follow:

Sr. #	**Name**			**Sale**	**Purchase**
1	Pervez I. Khan	-	Director	-	2500
2	Muhammad Imran Malik	-	Director	-	2500

HEAD OFFICE EXECUTIVE / DEPARTMENTAL HEAD

Name	Designation	Telephone Office	Fax No.
Begum Zeb Gohar Ayub Khan	Chief Executive	042-37311666	042-37230326
Mr. Amir Raza	Principal Officer	042-37355579	042-37230326
Mr. Omar Ayub Khan	Chief Operating Officer	042-37311666	042-37230326
Mr. Abdul Waheed Chaudhry	D.G.M - Internal Auditor	042-37353357	042-37230326
Mr. Aftab Rashid	Assistant General Manager-IT	042-37355426	042-37230326
Mr. Ashfaq Ahmed	Chief Financial Officer	042-37353357	042-37230326
Mr. Muhammad Ilyas	Manager Re-insuracs and Underwriting	042-37238616	042-37230326
Mr. Liaqat Ali Shaukat	Company Secretary	042-37242913	042-37230326

BRANCHES

Sr. No.	Br_Code	Branch	Address	Ph No.	Fax No.
1	117	Principal Office, Karachi	3rd Floor Nelson Chamber I.I Chundrigar Road, Karachi	021-32621248	021-32621249
2	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

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 55th Annual General Meeting of the Company to be held on Thursday 30th April, 2015 at 10:30 a.m and any adjournment thereof.

Signed this ____________ day of ____________ 2015.

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.

UIC

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