



asiaINSURANCE
We've got You covered company Ltd.

ANNUAL REPORT 2014

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CHAIRMAN'S MESSAGE



It is of great pleasure for me to announce that your Company has made a significant improvement in 2014. Its gross premium income increased by Rs. 150.78 million representing 98% increase from previous year. The underwriting results show a growth of Rs. 51.18 million representing 564% increase from previous year. The profit before tax has increased by Rs. 38.75 million representing 186% increase from previous year. I am happy to mention that our journey of progress and accomplishments is continuing despite economic challenges faced by the country in 2014. This significant improvement in business and operations of the Company would not have been possible without the untiring hard work of the field force, back office staff and professional management of the Company. I am confident that the Company's spirited manpower will continue their hard work to increase the market share of your Company to a well deserved level commensurate with its peers. The new business strategy for 2014-16 approved by your Board of Directors was aimed at growth and expansion in leaps and bounds. The budgeted growth of 371% in business revenue is bound to encourage all stake holders of the Company including its employees, management, share holders and its valued client. Under the able guidance of its illustrious Board of Directors, the management and staff of the Company will continue to remain committed to their vision, mission and core values. Your Company will continue to capitalize the new opportunities and the development of new products and services to achieve the fulfillment of its insurance potential. In addition to our dedicated staff and management, I would like to also thank Securities and Exchange Commission of Pakistan, State Bank of Pakistan, Members of Pakistan Banking Council, our Auditors, brokers and above all our valued clients for their continued support and confidence in us.

Chairman
Khalid Rashid

COMPANY INFORMATION

Chairman	Mr. Khalid Rashid (Over 40 Year Experience in Insurance Industry)
Chief Executive	Mr. Ihtsham ul Haq Qureshi (Prince Henrik Medal of Honour by Royal Kingdom of Denmark)
Directors	Mr. Khawaja Suhail Iftikhar (Former General Manager of PIA) Mr. Ihtsham ul Haq Qureshi (Prince Henrik Medal of Honour by Royal Kingdom of Denmark) Mrs. Nosheen Ihtsham Qureshi (Tamgha-e-Imtiaz by Government of Pakistan) Mr. Aisam ul Haq Qureshi (Pride of Performance Award by President of Pakistan, Arthur Ashe Humanitarian of the Year 2002, Award by ATP Tour USA, Sitara-e-Imtiaz by Government of Pakistan) Mr. Zain ul Haq Qureshi Mr. Khalid Rashid (Over 40 Year Experience in Insurance Industry) Mr. Shahid Pervaiz Noor (Former General Manager of Pakistan Telecom Corporation Authority)
Audit Committee	Mr. Shahid Perviaz Noor (Chairman) Mr. Zain ul Haq Qureshi (Member) Mr. Khawaja Suhail Iftikhar (Member) Mrs. Nosheen Ihtsham Qureshi (Member) Mr. Tahir Farzand (Secretary)
Legal Advisor	Barister Munawar-us-salam Cornelius Lane & Mufti Advocates and solicitors Nawa-e-Waqt Building, 4-Shahra-e-Fatima Jinnah, Lahore
Share Registrar	Corplink (Pvt.) Limited Wings Arcade, 1-K, Model Town, Lahore.
Company Secretary/CFO	Mr. Muhammad Ali Raza (ACA)
Internal Auditor	Mr. Tahir Farzand (ACCA) (CIA)
Auditors	Ilyas Saeed & Company Chartered Accountants.

The company has formulated following committees as required by the code of Corporate Governance for Insurance Companies (Listed).

AUDIT COMMITTEE:

Mr. Shahid Pervez Noor (Chairman)
Mr. Zain ul Haq Qureshi
Mrs. Nosheen Ihtsham Qureshi
Mr. Khawaja Suhail Iftikhar
Mr. Tahir Farzand (Secretary)

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mrs. Nosheen Ihtsham Qureshi (Chairperson)
Mr. Aisam ul Haq Qureshi
Mr. Ihtsham ul Haq Qureshi
Mr. Shahbaz Hameed (Secretary)

INVESTMENT COMMITTEE

Mr. Ihtsham UI Haq Qureshi (Chairman)
Mr. Zain ul Haq Qureshi
Mr. Muhammad Ali Raza (Secretary)

UNDERWRITING COMMITTEE

Mr. Khalid Rashid (Chairman)
Mr. Zain ul Haq Qureshi
Mr. MustJab Ahmed
Mr. Amjad Rao (Secretary)

CLAIM SETTLEMENT COMMITTEE

Mr. Khawaja Suhail Iftikhar (Chairman)
Mrs. Nosheen Ihtsham Qureshi
Mr. Mehmood Akhtar (Secretary)

REINSURANCE COMMITTEE

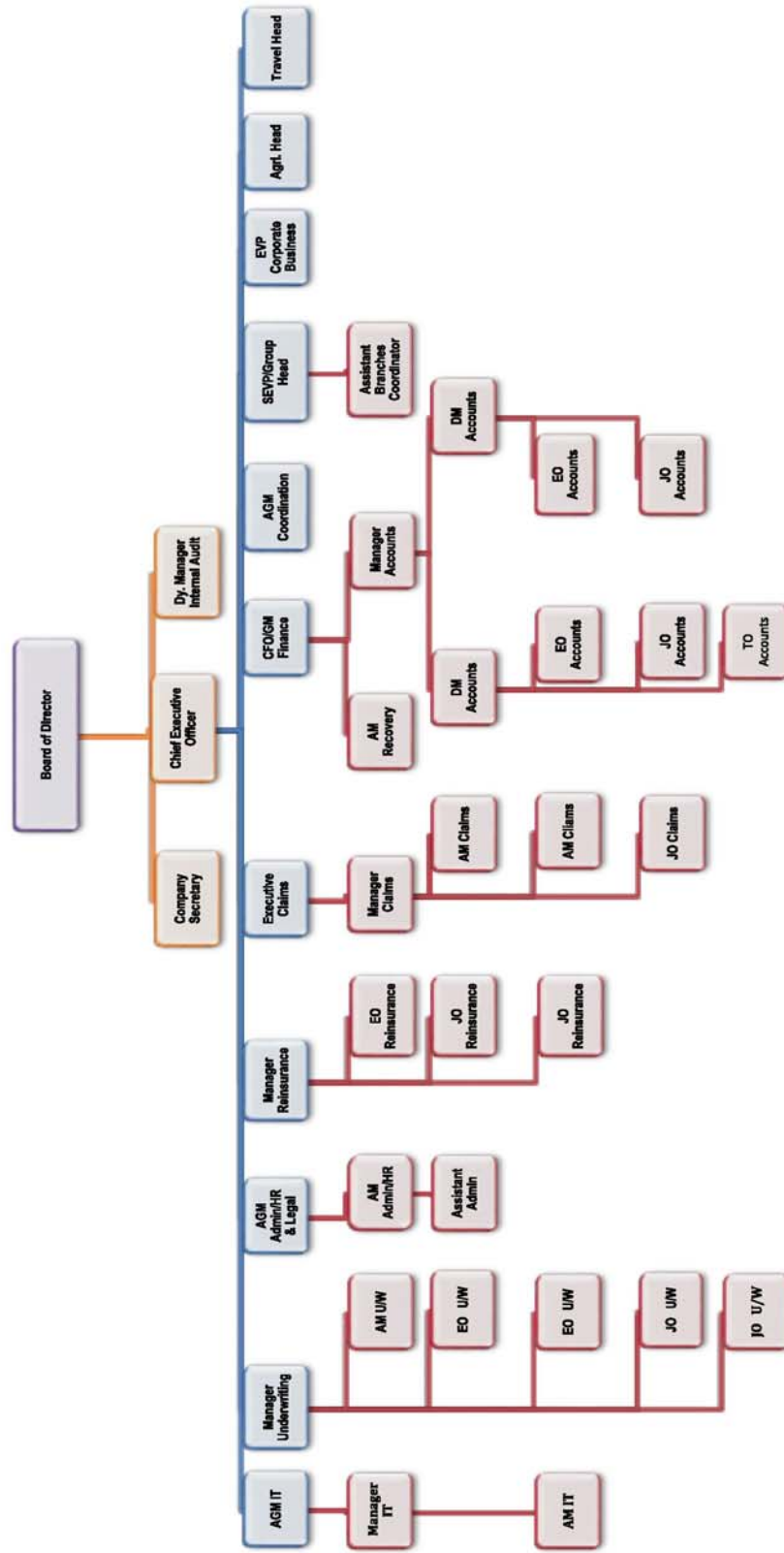
Mr. Khalid Rashid (Chairman)
Mr. Zain ul Haq Qureshi
Mr. Muhammad Masood (Secretary)

MANAGEMENT

Mr. Ihtsham ul Haq Qureshi	Chief Executive Officer
Mr. Zain ul Haq Qureshi	Executive Director
Mr. Muhammad Ali Raza	Chief Financial Officer
Mr. Tahir Hussain Qureshi	Senior Executive Vice President
Mr. Salman Mir	Executive Vice President
Mr. Mehmood Akhtar	Executive Claims
Mr. Shahbaz Hameed	Assistant General Manager HR
Mr. Gulfaraz Anis	Assistant General Manager IT
Mr. Amjad Rao	Assistant General Manager Coordination
Mr. Tahir Farzand	Internal Auditor
Mr. Imran Qureshi	Head of Crops & Live Stock
Mr. Younas Khan	Sr. Manager Travel Insurance
Mr. Mustjab Ahmed	Manager Underwriting
Mr. M. Masood	Manager Reinsurance
Mr. Muhammad Asif	Manager Claims

Registered & Head Office: 456-K, Model Town, Lahore – Pakistan
Phone: +92-42-35916801-3, 32560238-9

Organization Structure



STATEMENT OF ETHICS:

All Directors and staff are required to:

- Act with integrity, dignity and in an ethical manner when dealing with the public, clients and peers.
- Protect the confidentiality of client information at all times except where required by law to disclose it.
- Protect the confidentiality of information relating to the Company both during the course of Directorship or employment (as the case may be) and after its' termination (regardless of reason).
- Obtain written permission from the Company's Compliance Officer (or the Chief Executive Officer in the event that the Compliance Officer is Unavailable) to hold any position (paid or unpaid) with any outside party, firm or organization. For clarity, positions covered include but are not limited to consultant, employee, Director, representative and agent. Directors are exempt from the requirement.
- Maintain accurate records of business transactions related to the Company or its clients.
- Report any business or professional activity that may result in a conflict with or be competitive with the interest of the Company.
- Report any person or activity to the Compliance Officer or their opinion is in violation of this statement.
- Disclose their shareholding in the Company's securities upon agreement and any changes in shareholding within 24 hours of any such change.
- Every Director and employee who has knowledge of confidential material information of the Company's affairs is prohibited from trading in shares of the Company.

STATEMENT OF BUSINESS PRACTICES

- **Uncompromising Integrity:**

Our business is founded on trust and we manage it ethically, lawfully and fairly. It is our objective to conduct business with reputable clients and business partners who are involved in lawful business activities. We do not facilitate money laundering.

- **Clients' Interest:**

Nothing we do is more important than shielding and preserving our clients' lawful interests. We hold responsibilities towards our clients in the highest regard.

- **Entrepreneurship:**

We work hard every day to hire the best people, stimulate them, reward them and endorse them to innovate. We are an equal opportunity employer.

- **Zeal for Performance:**

We contribute towards our Company's financial goals and focus on achieving better results.

- **A Culture of Distinction:**

We measure our performance on every task we undertake not just by the results but also by the quality of our work.

- **A Tradition of Success:**

While we are fair and ethical of all times, we compete fairly with the quality and the price of our innovative products and services, not by offering improper benefits to others. Employees are not permitted to use their jobs to solicit, to demand, accept, obtain or be promised advantages.

PRODUCTS AND SERVICES

- **Motor Insurance**

We offer complete Auto Insurance plans for both individuals and corporate clients, covering theft, snatching, armed hold up, accidental damage, third party liability and terrorism. This is backed up with the liberty to have your vehicle repaired at the workshop of your own choice.



- **Property Insurance**

This covers insurance for factories, offices and homes and coverage against fire/lightning and allied perils like Impact damage, Storms, Earthquakes Rain/Flood damage, Riot & Strike damage, Burglary and Malicious damage.



- **Marine Insurance**

Covers imports exports of consignments, loss or damage of cargo during transit by air, sea and rail/road. It also covers dispatch of finished goods from the insured's factory to anywhere within and outside Pakistan.



- **Agriculture Insurance**

We provide insurance coverage against agriculture loans disbursed by banks, which cover insurance of crops and livestock, as well as farm implements like tractors and harvesters.



- **Travel Insurance**

We provide bank guarantees for travel agents and travel insurance service for our corporate clients, individuals, students and special packages for Hajj and Ummrah tour operators and groups. Our travel insurance policies are approved for travel around the world, including the Schengen States.



- **Miscellaneous Insurance**

We also provide customized insurance solutions for our corporate clients, the covers range from the insurance of engineering projects to electrical equipment and machinery breakdown, contractor all risks, erection all risk, bonds and guarantees.



- **Health Insurance**

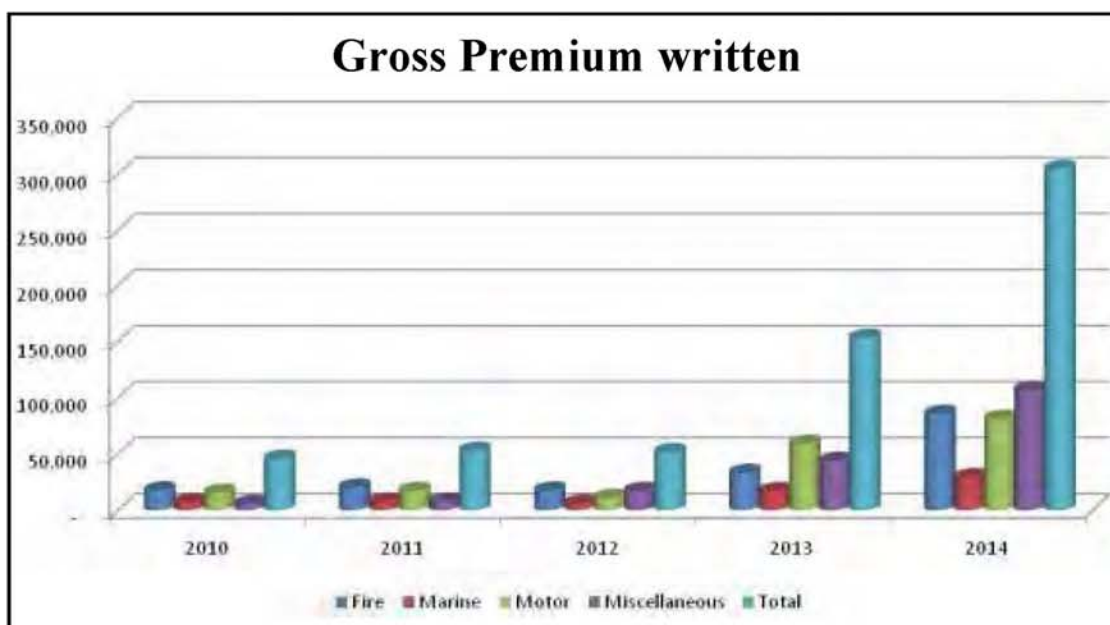
We provide health insurance services to corporate employees and their family to safe guard against injuries and accidents in the course of daily life. We are also providing personal accident insurance for individuals and special policy for school going children.



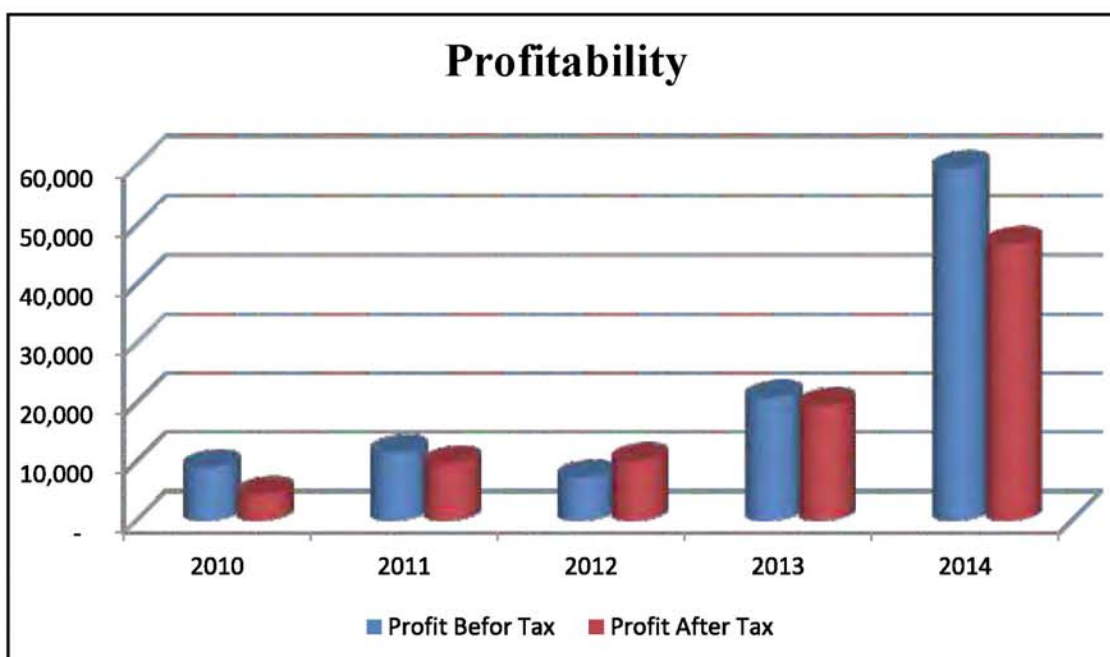
FINANCIAL HIGHLIGHTS

Five Year's Performance at a glance (Graphical Presentation)

(Rupees in Thousand)



Robust growth of Gross Premium Written from 51.93 million to 304.78 million over a span of 3 years reflects solid confidence of our valued clients. Significant growth in the business during the last three years reflects the increasing reliability of our clients in the Company.



Consistent growth in profitability reflects management's hard work to safe guard interests of all stakeholders specially shareholders.

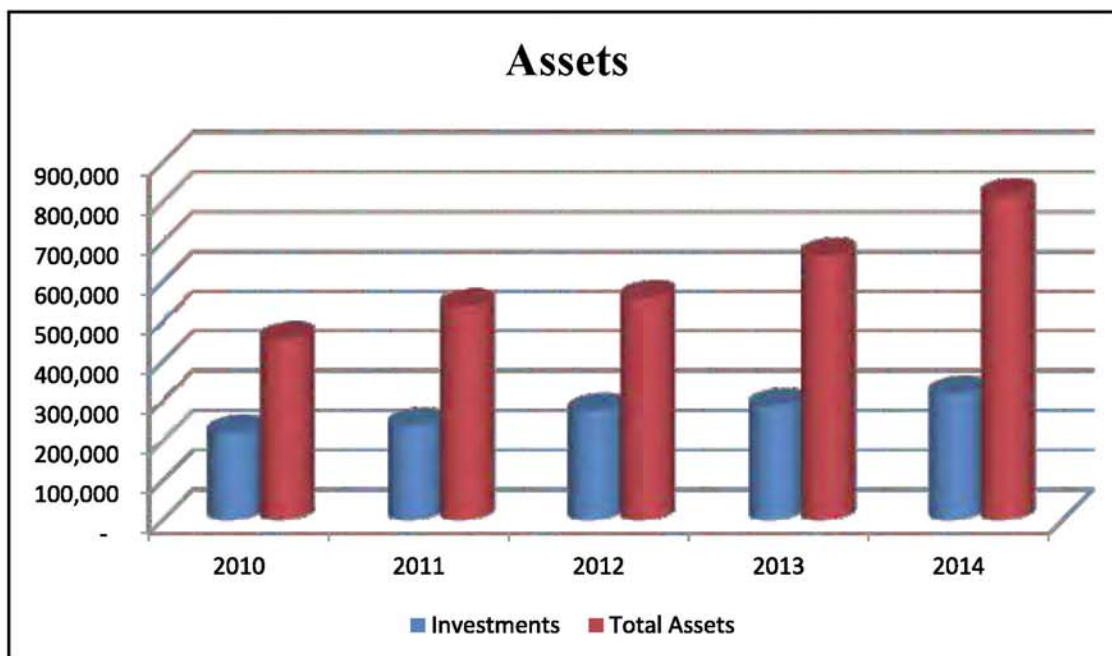


asiaINSURANCE
We've got You covered
company Ltd.

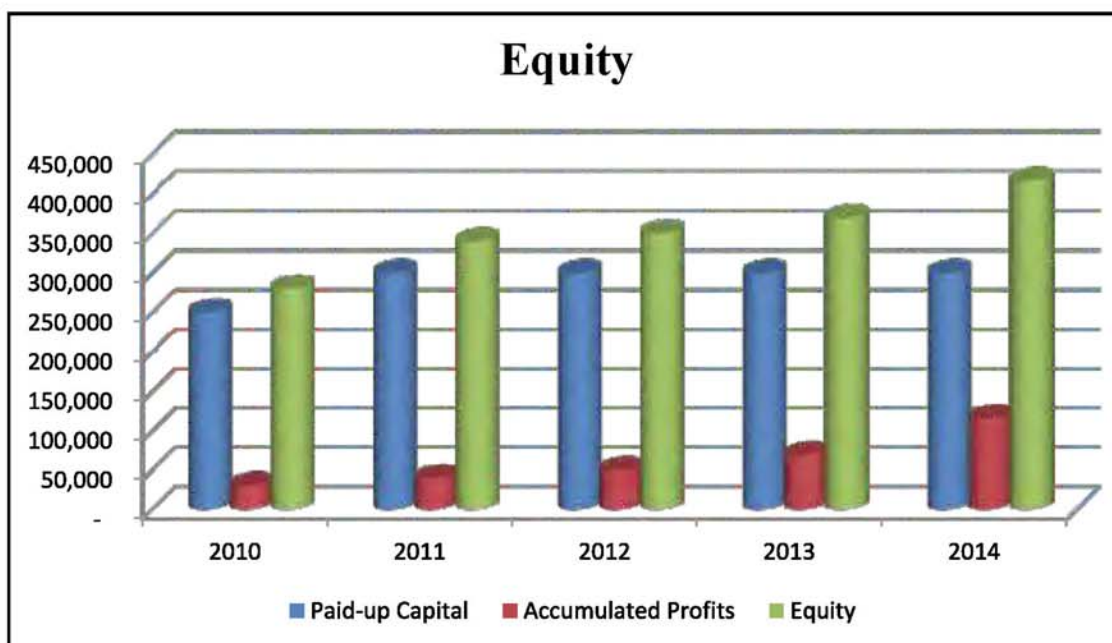
FINANCIAL HIGHLIGHTS

Five Year's Performance at a glance (Graphical Presentation)

(Rupees in Thousand)



Company's growth oriented investment policy resulted in healthy growth in investments. Healthier increase in Total assets over 5 years shows company's prudent policies regarding safety of shareholders' investments along with growth.



Consistent hard work and diligent business strategy adopted by the Company's management resulted in persistent growth in the value of shareholder's wealth.

PATTERN OF SHAREHOLDING AS ON DECEMBER 31, 2014

No. of Shareholders	Shareholdings		Total shares held
	From	To	
25	1	100	278
10	101	500	3,750
1	501	1,000	750
6	1,001	5,000	11,297
1	20,001	25,000	24,480
1	245,001	250,000	246,000
1	625,001	630,000	628,000
1	1,195,001	1,200,000	1,200,000
1	1,555,001	1,560,000	1,556,498
1	9,040,001	9,045,000	9,043,898
1	17,285,001	17,290,000	17,285,049
49			30,000,000

Categories of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	29,335,692	97.7856%
Insurance Companies (Pakistan Reinsurance Company Limited)	24,480	0.0816%
Shareholders holding 10% or more	26,328,947	87.7632%
General Public		
- Local	639,828	2.1328%
- Foreign	-	-

Sr. No.	Name	Holding	%age
1	Mr. Ihtsham Ul Haq Qureshi	26,328,947	87.7632%
2	Mr. Aisam Ul Haq Qureshi	1,556,498	5.1883%
3	Mr. Zain Ul Haq Qureshi	1,202,123	4.0071%
4	Mrs. Nosheen Ihtsham Qureshi	246,000	0.8200%
5	Mr. Khawaja Suhail Iftikhar	1,124	0.0037%
6	Mr. Khalid Rashid	500	0.0017%
7	Mr. Shahid Pervez Noor	500	0.0017%
		29,335,692	97.7857%

Insurance Companies

Sr. No.	Name	Holding	%age
1	Pakistan Reinsurance Company Limited	24,480	0.0816%
2	Shares Held By The General Public	639,828	2.1328%



PATTERN OF SHAREHOLDING AS ON DECEMBER 31, 2014

Shareholders Holding 5% or More of Total Capital

Sr. No.	Name	Holding	%age
1	Mr. Ihtsham Ul Haq Qureshi	26,328,947	87.7632%
2	Mr. Aisam Ul Haq Qureshi	1,556,498	5.1883%

During the financial year the trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is Nil.

Key operating and financial data for the last six years are as follows:

Particulars	2014	2013	2012	2011	2010	2009
	Rupees in Thousand					
Paidup Capital	300,000	300,000	300,000	300,000	250,000	200,000
Total Assets	812,950	666,687	560,422	539,269	456,013	419,519
Equity	419,817	372,304	352,763	342,583	282,918	228,457
Cash and Bank Deposits	53,813	49,162	62,903	159,876	163,401	148,998
Gross Premium	304,784	154,004	53,083	53,021	46,056	38,019
Net Premium Revenue	190,975	70,332	29,301	33,704	29,451	31,087
Gross Claim Paid	57,654	37,229	16,765	13,948	17,761	27,910
Net Claim Expense	41,954	24,625	10,136	10,916	7,474	10,952
Under Writing Profit/(Loss)	60,260	9,079	(3,585)	334	4,101	5,111
Profit/(Loss) Before Tax	59,581	20,830	7,301	11,545	9,043	7,010
Profit/(Loss) After Tax	47,513	19,541	10,180	9,665	4,461	4,886
Investment Income	33,354	37,794	28,903	24,319	21,108	19,549
Earnings Per Share(Rs.)	1.58	0.651	0.339	0.35	0.199	0.265

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that 34th Annual General Meeting “AGM” of the members of the Asia Insurance Company Limited (the “**Company**”) shall be held on Thursday, the April 30, 2015, at 11:00 AM at 456-K Model Town, Lahore, to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of Extra Ordinary General Meeting held on January 9, 2015.
2. To receive, consider, and adopt the Audited Annual Accounts of the Company for the year ended December 31, 2014 together with Directors' and Auditors' report thereon.
3. To appoint auditors of the Company and fix their remuneration for the year ending December 31, 2015. M/s Ilyas Saeed & Co., Chartered Accountants have retired and offered themselves for re-appointment. The audit committee has recommended M/s Ilyas Saeed & Co., Chartered Accountants for appointment as auditors for the year ended December 31, 2015.
4. Any other business to conduct with the permission of the Chair.

Lahore
April 07, 2015

By order of the Board

Muhammad Ali Raza
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from April 24, 2015 to April 30, 2015 (both days inclusive)
2. A shareholder entitled to attend and vote at this meeting is also entitled to appoint his/her proxy to attend the meeting. Proxies must be received at the Registered Office of the Company not less than 48 hours before the time of holding the meeting.
3. CDC account Holders are advised to bring their Original identity cards to authenticate their identity along with CDC account number at meeting. However, if any proxies are granted by such shareholders, the same shall also have to be accompanied with attested copies of the National Identity Card of the guarantor, and the signature on the proxy form has to be the same as appearing on the National Identity Card.
4. The shareholders are requested to immediately notify change, if any, in their mailing addresses and also supply a copy of their CNIC to our Shares Registrar M/s Corplink (Pvt.) Limited, Wings Arcade, 1-K, Model Town, Lahore.
5. It is informed that pursuant to the provisions of Finance Act 2014, effective from July 1, 2014 a new criteria for withholding tax on dividend income has been introduced by FBR, as per the criteria, “Filer” and “Non-Filer” shareholders shall pay tax on dividend @ 10% and 15% respectively.

DIRECTOR'S REPORT

For the year ended December 31, 2014

Dear Shareholders!

The Directors of Asia Insurance Company Limited take pleasure in presenting the annual report of your company, together with the audited financial statements for the year ended December 31, 2014.

Business Overview

The Company continued its growth pattern in 2014 despite the challenges faced by the general insurance industry due to slow economic growth, International economic crisis, war on terror and concerns over security situation and power outages in Pakistan. Asia Insurance Company has continued taking long strides towards improvement in overall operations and recorded a growth of 98% in Gross Premium Written during the current year, consequently the underwriting results have improved by 564%.

The Company posted a healthy profit before tax of Rs. 59.58 Million which shows a growth of 186% as compared to last year. This growth rate is expected to prevail in 2015 also as the Company has procured a handsome contract for the insurance of Agriculture and Livestock from a reputed Bank during the last quarter of 2014.

The Company is in the process of applying for Window Takaful Operation license under rule 6 of the Takaful Rules, 2012. The preliminary requirements have been mostly fulfilled and the Company will be able to submit the license application by the end of April 2015.

Financial Results

Following is the overall performance of the Company for the year ended December 31, 2014.

	2014	2013
Gross Premium	304,784,369	154,003,769
Profit for the year before tax	59,580,566	20,830,320
<u>Taxation:</u>		
Current	8,266,081	1,772,140
Deferred	3,645,483	(533,721)
Prior years	156,318	50,429
	12,067,882	1,288,848
Profit for the year after tax	47,512,684	19,541,472
Un-appropriated profit brought forward	69,804,358	50,262,886
Un-appropriated profit carried forward	<u>117,317,042</u>	<u>69,804,358</u>

Dividend

Keeping in view cash flow requirements for construction of new head office building, establishment of takaful wing of the Company and branch network expansion, no dividend has been recommended for 2014.

DIRECTOR'S REPORT

Earning per Share

Earning per Share is Rs. 1.58 (2013: 0.65). Earning per share has increased 143% as compared to the previous year due to stellar performance of underwriting supported by healthy performance of underlying investments.

Construction of Head Office Building

The construction of Head Office building of your company is in process and will be completed INSHA ALLAH by the end of June-2015. The construction has been delayed due to delayed approval from Lahore Development Authority (LDA) for the design of the building.

Paid up capital

The Company has increased its Authorized Capital from Rs. 300 million to Rs. 500 million during the year 2014 and is in compliance with capital requirements of the Insurance Ordinance, 2000 and directives of Securities and Exchange Commission of Pakistan. This shows the willingness, commitment and interest of your Company's Directors for the growth, development and prosperity of the company.

Insurer Financial Rating Strength

The Pakistan Credit Rating Agency Limited (PACRA) has maintained your company's IFS rating at "A-" which denotes strong capacity to meet policyholders and contract obligations.

Committees

The Board in compliance with the Code of Corporate Governance has established an Audit Committee and Human Resource & Remuneration Committee.

Audit Committee

The Audit Committee assists the Board in discharging its responsibilities for corporate control. The Composition and attendance in meetings by each member of the Audit Committee is as follows:

Name	Designation	Meetings Held	Meetings Attended
Mr. Shahid Pervez Noor	Chairman	6	6
Mrs. Nosheen Ihtsham Qureshi	Member	6	3
Mr. Khawaja Suhail Iftikhar	Member	6	5
Mr. Zain ul Haq Qureshi	Member	6	6

Human Resource & Remuneration Committee

During the year 2014 following meetings of the Human Resource & Remuneration Committee were held and attended by the members as below:

Name	Designation	Meetings Held	Meetings Attended
Mrs. Nosheen Ihtsham Qureshi	Chairperson	4	4
Mr. Aisam UI Haq Qureshi	Member	4	1
Mr. Ihtsham UI Haq Qureshi	Member	4	4
Mr. Gulfaraz Anis	Member	4	4



DIRECTOR'S REPORT

Branch Network

Your company is fully aware of the fact that the network of feasible and profitable branches must be established in as many cities of Pakistan as possible. Our aims and objectives of opening branches are to provide excellent services to our esteemed clients and prompt settlement of claims besides ensuring ultimate profitability for the shareholders through prudent underwriting and cost efficiency.

Statement of Investment of Provident Fund

The company operates approved provident fund scheme covering all its permanent employees. The investment balances are as follows:

Particulars	December 31, 2014 Rupees	December 31, 2013 Rupees
Investment	5,214,082	3,445,961

As per the requirements of the Code of Corporate Governance, Mr. Zain UI Haq Qureshi has attended the Directors Training Program from the Pakistan Institute of Corporate Governance (PICG).

Board Meetings

During the year 2014 following meetings of the Board of Directors were held and attended by the Directors as below:

Name of Directors	Meetings Held	Meetings Attended
Mr. Ihtsham UI Haq Qureshi	8	8
Mrs. Nosheen Ihtsham Qureshi	8	6
Mr. Aisam UI Haq Qureshi	8	1
Mr. Zain UI Haq Qureshi	8	6
Mr. Khalid Rashid	8	3
Mr. Khawaja Suhail Iftikhar	8	4
Mr. Shahid Pervez Noor	8	7

Leave of absence was granted to those Directors who could not attend the Board Meeting.

Election of Directors

The election of Directors of the Company was held on January 09, 2015. Since the number of nominations received by the Company did not increase the number of Directors to be appointed the following directors were stand elected in the EOGM;

Name of Directors

Mr. Ihtsham UI Haq Qureshi
Mrs. Nosheen Ihtsham Qureshi
Mr. Aisam UI Haq Qureshi
Mr. Zain UI Haq Qureshi
Mr. Khalid Rashid
Mr. Khawaja Suhail Iftikhar
Mr. Shahid Pervez Noor

DIRECTOR'S REPORT

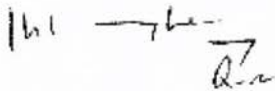
Further the Directors in their meeting held on April 01, 2015 passed the following resolution;

“Resolved that an amount of Rs. 100,000 per month be approved as monthly remuneration for the period from January 01, 2015 to December 31, 2015 and any increment during the year according to company's Human Resource policy to be paid to Mr. Zain Ul Haq Qureshi along with company maintained car.”

Auditors

The present Auditors M/s Ilyas Saeed & Company Chartered Accountants have completed their assignment for the year ended December 31, 2014 and shall retire on the conclusion of 34th Annual General Meeting. In accordance with the Code of Corporate Governance, the Audit Committee considered and recommended the appointment of M/s Ilyas Saeed & Company Chartered Accountants auditors for the year ending December 31, 2015 and the Board of Directors also endorsed the recommendations of the Audit Committee.

Pattern of shareholding is attached with this report.



IHTSHAM UL HAQ QURESHI
CHIEF EXECUTIVE OFFICER

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

This statement is being presented to comply with the Code of Corporate Governance (“the code”) contained in listing regulations of 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 and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Directors	Mr. Khalid Rashid
	Mr. Shahid Parvez Noor
Executive Directors	Mr. Zain Ul Haq Qureshi
	Mr. Ihtsham Ul Haq Qureshi
Non-Executive Directors	Mrs. Nosheen Ihtsham Ul Haq Qureshi
	Mr. Aisam Ul Haq Qureshi
	Mr. Khawaja Suhail Iftikhar

The independent directors meet the criteria of independence under the code.

2. The directors have confirmed that none of them is serving as a director of more than seven listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred during the year on the board.
5. The company has prepared a “Statement of Ethics and Business Practices” as “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 decisions 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, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were

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

circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

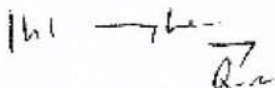
9. The board arranged a training program for yet another director, Mr. Zain Ul Haq Qureshi, from Pakistan Institute of Corporate Governance. The Company intends to arrange training program for all other directors (who have not yet got this training) as provided under the Code, within the prescribed time period.
10. The board has approved the appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by 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 an Audit Committee. It presently comprises of four members, of whom three are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is a non-executive director.
18. The Company has an effective internal audit function. The internal audit team is fully conversant with the policies and procedures of the Company and is involved in the internal audit function on full time basis.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the 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 the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed

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

that they have observed IFAC guidelines in this regard.

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

For and on behalf of Board of Directors
Asia Insurance Company Limited



IHTSHAM UL HAQ QURESHI
CHIEF EXECUTIVE OFFICER

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

We have reviewed the Statement of Compliance with the best practices ("the Statement") contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of Asia Insurance Company Limited ("the Company") for the year ended December 31, 2014, to comply with the requirements of Listing Regulation No. 35 of the Lahore and also Karachi Stock Exchanges where the company is listed.

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


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

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 its 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 transactions or not.

Based on our review, 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 December 31, 2014.

Date:
Lahore

01 APR 2015


ILYAS SAEED & CO.
Chartered Accountants
Audit Engagement Partner: Irfan Ilyas



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company Ltd.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:

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

of ASIA Insurance Company Limited ("the Company") as at December 31, 2014 together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Company's Board of Directors/ management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the 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.

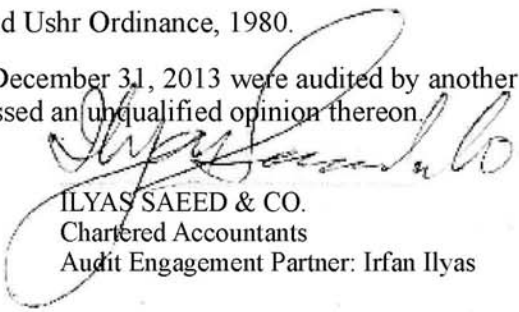
In our opinion:

- (a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- (c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2014 and of the profit, its total comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- (d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

The financial statements of the company for the year ended December 31, 2013 were audited by another firm of the auditors whose report dated April 07, 2014 expressed an unqualified opinion thereon.

Date:
Lahore

01 APR 2015


ILYAS SAEED & CO.
Chartered Accountants
Audit Engagement Partner: Irfan Ilyas


**BALANCE SHEET
AS AT DECEMBER 31, 2014**

	Note	2014 Rupees	2013 Rupees
Share capital and Reserves			
Authorised share capital			
50,000,000 (2013: 30,000,000) ordinary shares of Rs.10/- each		500,000,000	300,000,000
Paid up share capital	6	300,000,000	300,000,000
Retained Earnings		117,317,042	69,804,358
Reserves	7	2,500,000	2,500,000
		419,817,042	372,304,358
Surplus on revaluation of fixed assets	8	136,060,170	136,060,170
Underwriting provisions			
Provision for outstanding claims (including IBNR)	9	32,366,560	41,101,656
Provision for unearned premium		147,389,333	83,404,343
Commission income unearned		5,177,462	4,479,013
		184,933,355	128,985,012
Long term financing	10	3,784,888	-
Deferred tax liability	16	1,148,274	-
Creditors and Accruals			
Premiums received in advance		1,992,270	1,383,355
Amounts due to other insurers / reinsurers		10,174,105	3,354,766
Accrued expenses		425,000	490,000
Taxation-provision less payments	11	4,428,820	-
Current portion of long term financing	10	3,662,734	-
Other creditors and accruals	12	46,463,162	24,048,885
		67,146,091	29,277,006
Other liabilities			
Unclaimed Dividend		59,962	59,962
TOTAL LIABILITIES		257,072,570	158,321,980
TOTAL EQUITY AND LIABILITIES		812,949,782	666,686,508
Contingencies and Commitments	13	-	-

The annexed notes 1 to 34 form an integral part of these financial statements



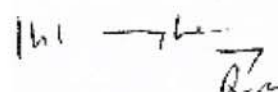
Chairman



Director



Director



Principal Officer/Chief Executive



BALANCE SHEET AS AT DECEMBER 31, 2014

	Note	2014 Rupees	2013 Rupees
Cash and bank deposits	14		
Cash in hand		380,078	486,765
Current and other accounts		31,433,127	28,674,994
Deposits maturing within 12 months		22,000,000	20,000,000
		53,813,205	49,161,759
Investments	15	228,172,862	217,249,110
Deferred tax Asset	16	-	2,497,209
Current Assets- Others			
Premiums due but unpaid-unsecured	17	35,104,793	14,557,722
Amounts due from other insurers / reinsurers-unsecured		121,010,573	66,061,072
Accrued investment income		1,430,650	1,569,672
Reinsurance recoveries against outstanding claims		6,075,544	20,614,787
Deferred commission expense		28,523,000	14,918,278
Prepaid reinsurance premium ceded		26,298,438	19,166,762
Sundry receivables	18	36,059,357	16,403,932
		254,502,355	153,292,225
Fixed Assets (Tangible)	19		
Land - freehold		160,000,000	160,000,000
Building		306,130	340,144
Furniture and fixtures		1,345,251	893,353
Office equipment		3,211,557	3,058,414
Motor vehicles		39,986,913	26,773,624
Computers and accessories		1,558,802	1,625,035
		206,408,653	192,690,570
Capital work in progress (Building)		70,052,707	51,795,635
TOTAL ASSETS		812,949,782	666,686,508

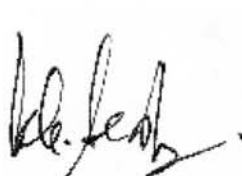
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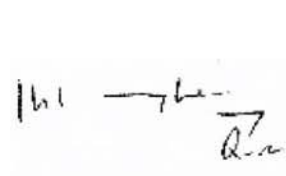
Chairman



Director



Director



Principal Officer/Chief Executive



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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2014

	Note	Fire & Property	Marine, Aviation and Transport	Motor	Credit and Suretyship	Miscellaneous	2014 Aggregate	2013 Aggregate
		Rupees						
Net premium revenue		41,436,494	20,030,200	72,958,728	32,977,768	23,572,162	190,975,352	70,332,490
Net claims		(3,749,414)	(3,010,309)	(27,767,962)	(7,146,702)	(279,164)	(41,953,551)	(24,624,937)
Expenses	20	(14,679,447)	(5,039,771)	(13,921,483)	(7,152,365)	(11,190,910)	(51,983,976)	(25,763,435)
Net commission		(12,748,172)	(6,159,740)	(10,535,474)	(6,468,089)	(866,243)	(36,777,718)	(10,865,329)
Underwriting results		<u>10,259,461</u>	<u>5,820,380</u>	<u>20,733,809</u>	<u>12,210,612</u>	<u>11,235,845</u>	<u>60,260,107</u>	<u>9,078,789</u>
Investment income							33,353,758	37,794,482
Other income	21						<u>740,972</u>	<u>324,493</u>
							<u>34,094,730</u>	<u>38,118,975</u>
General and administration expenses	22						<u>94,354,837</u>	<u>47,197,764</u>
Profit before tax							<u>(34,774,271)</u>	<u>(26,367,444)</u>
							<u>59,580,566</u>	<u>20,830,320</u>
Provision for taxation	23						<u>(12,067,882)</u>	<u>(1,288,848)</u>
Profit after tax							<u>47,512,684</u>	<u>19,541,472</u>
Earnings per share (basic and diluted)	24						<u>1.58</u>	<u>0.65</u>

Appropriations have been reflected in statement of changes in equity.

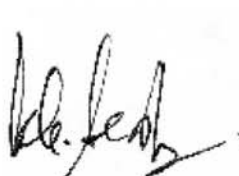
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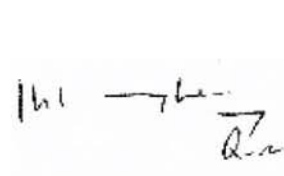
Chairman



Director



Director



Principal Officer/Chief Executive



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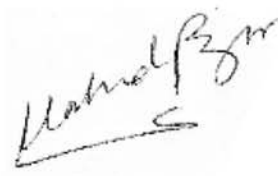
**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Note	2014 Rupees	2013 Rupees
Profit after tax for the year		47,512,684	19,541,472
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss		-	-
Items that may not be subsequently reclassified to profit or loss		-	-
Total comprehensive income for the year		47,512,684	19,541,472

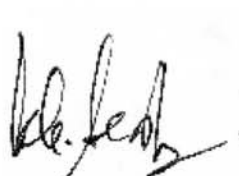
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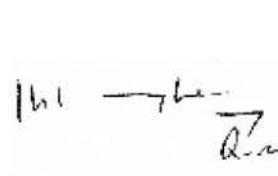
Chairman



Director



Director



Principal Officer/Chief Executive



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

	Paid up share capital	Retained Earnings/Un-appropriated profit	Revenue reserves	Total share capital & reserves	Surplus on revaluation of fixed assets	Total
-----Rupees-----						
Balance as at January 1, 2013	300,000,000	50,262,886	2,500,000	352,762,886	136,060,170	488,823,056
Net profit/Total Comprehensive income for the year ended December 31, 2013	-	19,541,472	-	19,541,472	-	19,541,472
Balance as at December 31, 2013	300,000,000	69,804,358	2,500,000	372,304,358	136,060,170	508,364,528
Balance as at January 1, 2014	300,000,000	69,804,358	2,500,000	372,304,358	136,060,170	508,364,528
Net profit/Total Comprehensive income for the year ended December 31, 2014	-	47,512,684	-	47,512,684	-	47,512,684
Balance as at December 31, 2014	300,000,000	117,317,042	2,500,000	419,817,042	136,060,170	555,877,212

The annexed notes 1 to 34 form an integral part of these financial statements

 **Chairman**

 **Director**

 **Principal Officer/Chief Executive**

**STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Note	2014 Rupees	2013 Rupees
Operating Cash Flows			
a) Underwriting activities			
Premiums received		284,846,213	163,973,967
Reinsurance premiums paid		(105,085,865)	(62,337,438)
Claims paid		(57,654,342)	(37,228,997)
Reinsurance and other recoveries received		21,504,938	18,559,359
Commissions paid		(61,845,907)	(27,014,782)
Commissions received		12,161,916	8,323,441
Other underwriting receipts/(payments)		(23,015,202)	(12,805,530)
Net cash flow from underwriting activities		70,911,751	51,470,020
b) Other operating activities			
Income tax paid		(2,448,984)	(1,822,569)
General management expenses paid		(52,764,409)	(42,704,961)
Other operating payments		(525,000)	(370,000)
Other receipts in respect of operating assets		740,972	324,493
Net cash flow from other operating activities		(54,997,421)	(44,573,037)
Total cash flow from operating activities		15,914,330	6,896,983
Investment activities			
Profit / return received		32,559,622	33,788,768
Dividends received		1,420,911	1,748,455
Payments for investments		(127,760,666)	(230,148,258)
Proceeds from disposal of investments		116,349,161	194,960,793
Fixed capital expenditure		(40,456,455)	(20,988,478)
Total cash flow from investing activities		(17,887,427)	(20,638,720)
Financing activities			
Financing obtained less repayments		7,447,622	-
Finacial charges paid		(823,079)	-
Total cash flow from financing activities		6,624,543	-
Net cash inflow/(outflow) from all activities		4,651,446	(13,741,737)
Cash and cash equivalents at the beginning of the year		49,161,759	62,903,496
Cash and cash equivalents at the end of the year	14	53,813,205	49,161,759

**STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Note	2014 Rupees	2013 Rupees
RECONCILIATION TO PROFIT AND LOSS ACCOUNT			
Operating cash flows		15,914,330	6,896,983
Finacial charges paid		(823,079)	-
Depreciation expense		(8,481,300)	(6,074,482)
Increase in assets other than cash		101,349,152	67,113,578
(Increase) in liabilities		(90,154,694)	(86,722,810)
Dividend		1,420,911	1,748,455
Interest, rental and other income		31,932,847	36,046,027
Deferred taxation		(3,645,483)	533,721
Profit after taxation		47,512,684	19,541,472

Cash for the purpose of the Statement of Cash Flows consists of:

Cash and cash equivalents

Cash in Hand		380,078	486,765
Current accounts & Other Accounts		31,433,127	28,674,994
Deposits maturing within 12 months		22,000,000	20,000,000
	14	53,813,205	49,161,759

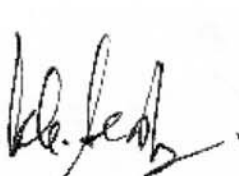
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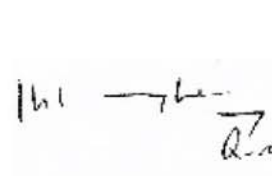
Chairman



Director



Director



Principal Officer/Chief Executive



**STATEMENT OF PREMIUMS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Class of Business	31-Dec-14							31-Dec-13		
	Premiums Written	Unearned Premium Reserve		Premiums Earned	Reinsurance Ceded	Prepaid Reinsurance Premium		Reinsurance Expenses	Net Premium Revenue	
		Opening	Closing			Ceded	Closing			
R u p e e s										
Direct & Facultative										
Fire & property damage	86,066,251	19,901,666	43,552,013	62,415,904	28,757,005	8,672,393	16,449,988	20,979,410	41,436,494	13,536,685
Marine, aviation and transport	29,548,400	4,694,493	3,158,892	31,084,001	10,238,188	1,971,687	1,156,074	11,053,801	20,030,200	9,027,507
Motor	81,622,273	30,257,946	36,046,491	75,833,728	5,750,000	-	2,875,000	2,875,000	72,958,728	30,807,434
Credit and suretyship	41,934,640	20,659,727	21,795,302	40,799,065	1,448,349	7,157,470	784,522	7,821,297	32,977,768	6,341,428
Miscellaneous	65,612,805	7,890,511	42,836,635	30,666,681	10,762,161	1,365,212	5,032,854	7,094,519	23,572,162	10,619,436
Grand Total	304,784,369	83,404,343	147,389,333	240,799,379	56,955,703	19,166,762	26,298,438	49,824,027	190,975,352	70,332,490

The annexed notes 1 to 34 form an integral part of these financial statements



Chairman



Director



Principal Officer/Chief Executive





STATEMENT OF CLAIMS FOR THE YEAR ENDED DECEMBER 31, 2014

	31-Dec-14								31-Dec-13	
Class of Business	Claims Paid	Claims Outstanding		Claim Expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net Claims Expense	Net Claims Expense
		Opening	Closing			Opening	Closing			
R u p e e s										
Direct & Facultative										
Fire & property damage	16,413,428	6,058,546	2,628,469	12,983,351	12,069,922	3,920,540	1,084,555	9,233,937	3,749,414	2,378,653
Marine, aviation and transport	10,151,056	9,340,165	4,086,200	4,897,091	7,133,833	7,503,174	2,256,123	1,886,782	3,010,309	2,493,114
Motor	21,174,138	14,520,107	21,061,570	27,715,601	1,072,550	2,344,930	1,220,019	(52,361)	27,767,962	14,376,392
Credit and suretyship	7,816,298	6,695,965	-	1,120,333	-	6,026,369	-	(6,026,369)	7,146,702	1,210,633
Miscellaneous	2,099,422	4,486,873	4,590,321	2,202,870	1,228,633	819,774	1,514,847	1,923,706	279,164	4,166,145
Grand Total	57,654,342	41,101,656	32,366,560	48,919,246	21,504,938	20,614,787	6,075,544	6,965,695	41,953,551	24,624,937

The annexed notes 1 to 34 form an integral part of these financial statements

Chairman

Director

Principal Officer/Chief Executive

**STATEMENT OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Class of Business	31-Dec-14								31-Dec-13	
	Commission Paid or Payable	Deferred Commission		Net Commission Expense	Other Management Expenses	Underwriting Expenses /(income)	Commission from Reinsurers	Net Underwriting Expenses	Net Underwriting Expenses	
		Opening	Closing							
-----R u p e e s-----										
Direct and Facultative										
Fire and property damage	25,472,242	5,379,100	12,869,175	17,982,167	14,679,447	32,661,614	5,233,995	27,427,619	9,091,430	
Marine, aviation and transport	8,604,418	1,173,618	913,629	8,864,407	5,039,771	13,904,178	2,704,667	11,199,511	5,049,843	
Motor	12,149,144	3,741,158	5,354,828	10,535,474	13,921,483	24,456,957	-	24,456,957	14,016,898	
Credit and suretyship	6,051,549	3,740,094	3,143,416	6,648,227	7,152,365	13,800,592	180,138	13,620,454	6,029,549	
Miscellaneous	9,568,554	884,308	6,241,952	4,210,910	11,190,910	15,401,820	3,344,667	12,057,153	2,441,044	
Grand Total	61,845,907	14,918,278	28,523,000	48,241,185	51,983,976	100,225,161	11,463,467	88,761,694	36,628,764	

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

The annexed notes 1 to 34 form an integral part of these financial statements

Wahid Faraz

Chairman

W. Faraz

Director

W. Faraz

Principal Officer/Chief Executive



**STATEMENT OF INVESTMENT INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014**

	2014 Rupees	2013 Rupees
Income from investments at fair value through profit and loss:		
Gain/(loss) on investments at fair value through profit and loss	7,709,435	8,752,338
Dividend income	1,328,392	1,522,750
	9,037,827	10,275,088
Income from non trading investments:		
<u>Held to maturity</u>		
Return on government securities	3,215,075	3,196,197
Return on fixed income deposits	621,821	3,099,931
	3,836,896	6,296,128
Amortisation of discount relative to par	69,229	103,798
<u>Available for sale</u>		
Dividend income	92,519	225,705
(Loss)/ gain on sale of non trading investments 'Available for Sale'	(487,753)	2,285,486
Reversal/(Provision) for impairment in Investments 'Available for Sale'	479,345	(479,345)
Gain on revaluation of trading Investments	20,799,930	20,317,047
Investment related expenses	(474,235)	(1,229,425)
Net Investment Income	33,353,758	37,794,482

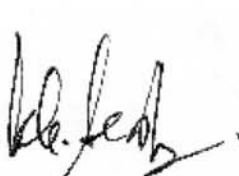
The annexed notes 1 to 34 form an integral part of these financial statements



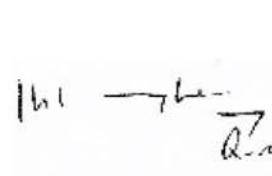
Chairman



Director



Director



Principal Officer/Chief Executive



**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014**

1 STATUS AND NATURE OF BUSINESS

Asia Insurance Company Limited was incorporated in Pakistan as a Public Limited Company on December 06, 1979 and is engaged in General Insurance business since 1980. Its registered office is situated at 456-K, Model Town, Lahore-Pakistan. Shares of the Company are quoted on Karachi and Lahore Stock Exchanges.

2 BASIS OF PREPARATION

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

3 STATEMENT OF COMPLIANCE

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

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

- 3.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year:**

There are new and amended standards and interpretations that are mandatory for accounting periods beginning January 01, 2014 but are considered not to be relevant or do not have any significant effect on the Company's financial statements and are therefore not detailed in these financial statements.

- 3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after January 01, 2015:

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

- Amendments to IAS 19 “Employee Benefits” Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. The amendments have no impact on the Company's financial statements.
- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are “highly correlated”, or when the intangible asset is expressed as a measure of revenue. The amendments have no impact on the Company's financial statements.
- IFRS 10 'Consolidated Financial Statements' - (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The adoption of this standard would have no impact on the Company's financial statements.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard would have no impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard would have no impact on the Company's financial statements.
- IFRS 13 "Fair Value Measurement" effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard would have no impact on the Company's financial statements.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments have no impact on the Company's financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination.
- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria.
- Amendments to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible Assets". The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 'Related Party Disclosure' The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 'Investment Property' has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.
- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards
- IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
- IFRS 7 'Financial Instruments - Disclosures' is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
- IAS 19 'Employee Benefits' is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.



NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

- IAS 34 'Interim Financial Reporting' is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

4 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention without any adjustment for the effect of inflation except for land which is shown at revalued amount and certain investments which are stated at fair value. The financial statements, except for cash flow information, have been prepared under the accrual basis of accounting.

4.1 Use of Estimates and Judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and underlying 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 the 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 the financial statements are as follows:

- a) Provision for outstanding claims including incurred but not reported (IBNR). (Note 5.6)
- b) Provision for unearned premium. (Note 5.3)
- c) Classification of investments. (Note 5.10)
- d) Useful lives and Residual value of Fixed Assets. (Note 5.13)
- e) Impairment in value of investments. (Note 15)
- f) Premium Deficiency Reserve. (Note 5.4)
- g) Provision for taxation and deferred tax. (Note 5.7)

Other areas involving estimates and judgments are disclosed in respective notes to the financial statements.

4.2 Functional Currency

These financial statements are presented in Pak Rupees which is company's functional currency, unless otherwise stated.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. The Company enters into fire and property damage, marine, motor, health, agriculture crops and live stock, burglary, cash in transit, engineering losses and other insurance contracts with group companies, corporate clients and individuals residing or located in Pakistan.

Those insurance contracts that are issued by one insurer (the reinsurer) to compensate another insurer (the cedent) for losses on one or more contracts issued by the cedents are reinsurance contracts. The Company enters into reinsurance contracts with both foreign and local reinsurers. 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.

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

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

5.2 Underwriting results

Underwriting result is calculated by deducting from Gross Premium of each class of business, reinsurance cost incurred, claims, commission, allocable expenses of management and reserve for unexpired premium.

5.3 Provision for un-earned premium

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

The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the Company. The liability is calculated by applying 1/24 method in accordance with the provisions of S.R.O. 938 of SEC (Insurance) Rules, 2002.

5.4 Premium deficiency reserve

Premium deficiency reserve is to be 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 the S.R.O. 938 issued by the SECP in December 2002. Any movement in the reserve is to be charged to the profit and loss account.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

The management considers that unearned premium reserve for all classes of business as at the year end is adequate to meet the net expected future liability after reinsurance, from claims and other expenses, expected to be incurred after balance sheet date in respect of policies in those classes of business in force at the balance sheet date. Hence, no reserve for the same has been made in these financial statements.

5.5 Commission

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.

The company uses 1/24th method to calculate provision for unearned commission income, to comply with the relevant provisions of S.R.O. 938 of SEC (Insurance) Rules, 2002.

5.6 Provision for outstanding claims (including IBNR)

The liability in respect of outstanding claims is based on the certified statements received from the branches and represents the best estimate of the claims intimated or assessed before the end of the accounting year.

Outstanding claims comprise of the estimated cost of claims incurred but not settled at the balance sheet date, whether reported or not. Provisions for reported claims not paid as at the balance sheet date are made on the basis of individual case estimates. Provision for incurred but not reported (IBNR) is based on the management's best estimates which takes into account past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date.

Claims recoveries receivable from the reinsurer 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.

As a general policy of the company, being followed consistently over the years, no provision of claims has been made where the quantum of loss is unknown.

5.7 Taxation

5.7.1 Current

Provision for taxation is based on taxable income at current rates of taxation after taking into account rebates or tax credits available, if any, for the year.

5.7.2 Deferred

The company accounts for deferred taxation, if any, on all temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts using the balance sheet liability method.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

The amount of deferred tax recognized is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent if it is no longer probable that the related tax benefits will be realized.

5.8 Cash and cash equivalents

Cash and cash equivalents include cash, cheques in hand, balances with banks on current and deposit accounts and deposits maturing within twelve months.

5.9 Loans & advances/other receivables

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

5.10 Investments

5.10.1 Recognition

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs, except for held for trading investments in which case transaction costs are charged to profit and loss account. These are recognised and classified into the following categories:

- Held to Maturity
- Available for Sale
- Investment at fair value through profit or loss - held for trading

All purchases and sales of financial assets are accounted for at settlement date.

5.10.2 Measurement

5.10.2.1 Held to maturity

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

Subsequent to initial recognition at cost, these investments are measured at amortized cost, less provision for impairment in value, if any. Amortized cost is calculated taking into account any discount or premium on acquisition, which is deferred and included in the income for the period on a straight line basis, over the term of the investments.

5.10.2.2 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 or changes in interest rates etc. are classified as available for sale and are stated at cost.

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 fall is other than temporary) in accordance with the requirements of S.R.O. 938 issued by SECP on aggregate portfolio basis at the balance sheet date. The company uses latest stock exchange quotations in an active market to determine the market value of its listed investments whereas, impairment of investments in unlisted companies is computed to net assets of the investee on the basis of the latest available audited financial statements.

5.10.2.3 Investment at fair value through profit or loss-held for trading

Investments which are acquired with the intention to trade by taking advantage of short term market / interest rate movements are considered as held for trading. After initial recognition, these are measured at fair values with any resulting gains or losses recognized directly in the profit and loss account.

5.11 Amount 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 the 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.

5.12 Investment properties

Investment property is held for earning rentals and capital appreciation. Investment property is accounted for under the cost model in accordance with the approved International Accounting Standard (IAS) 40, "Investment Property" and S.R.O 938 issued by the Securities and Exchange Commission of Pakistan.

Depreciation policy, subsequent capital expenditure and gain or losses on disposal, if any, are accounted for in the same manner as tangible fixed assets.

5.13 Fixed assets

5.13.1 Owned

Fixed assets, except land which is valued at revalued amount, are stated at cost less accumulated depreciation calculated on reducing balance method using the rates given in note 19 and impairment losses, if any. The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact of depreciation is significant.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

Depreciation on additions to tangible fixed assets is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month of disposal.

Gains and losses on disposal of fixed assets are included in income currently. Normal repairs and maintenance is charged to income currently.

5.13.2 Assets subject to finance lease

The company accounts for fixed assets acquired under finance lease by recording the asset and the related liability. These amounts are determined on the basis of discounted value of minimum lease payments or fair value whichever is lower. Financial charges are allocated to the lease term in a manner so as to provide a constant periodic rate of interest on the outstanding liability. Depreciation is charged to income applying the rates stated in fixed assets schedule.

5.13.3 Capital work in progress

Capital work in progress is stated at cost accumulated upto the balance sheet date.

5.13.4 Intangible

Software development costs are capitalized only to the extent that future economic benefits are expected to flow to the entity. Intangible assets with finite useful lives are stated at cost less accumulated amortization and impairment losses, if any. Intangible assets with indefinite useful lives are stated at cost less impairment losses, if any.

5.14 Financial Instruments

Financial assets and financial liabilities within the scope of IAS 39 are recognized at the time when entity becomes a party to the contractual provisions of the instrument and de-recognized when the entity loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet include cash and bank deposits, investments, accrued investment income, sundry receivables, provision for outstanding claims (including IBNR), premium due but unpaid, amounts due from/due to other insurers/reinsurers, reinsurance recoveries against outstanding claims, other creditors and accruals, accrued expenses and unclaimed dividend. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

5.15 Offsetting of financial assets and financial liabilities

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

5.16 Foreign currency transactions and translations

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on transactions are recognized in the profit and loss account. All non monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

5.17 Revenue recognition

5.17.1 Premium

Premium receivable/received under a policy is recognized at the time of issuance of policy. Similarly reinsurance premium is recorded at the time reinsurance is ceded.

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. This liability is calculated by applying 1/24 method as specified in the SEC (Insurance) Rules, 2002.

Receivables under insurance contracts are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Company utilizes the provision for doubtful debts to reduce the carrying amount of the receivables accordingly and recognizes that impairment loss in profit & loss account.

5.17.2 Claims

Claims are considered to be incurred at the time when claims are lodged with the company. However, claims incurred but not reported at year end are determined from subsequent to year end.

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.

5.17.3 Dividend income and bonus shares

Dividend income and entitlement of bonus shares are recognized when the right to receive such dividend and bonus share is established.

5.17.4 Acquisition cost

Commission due on Direct, Facultative and Treaty business and on Reinsurance cessions are recognized in accordance with the policy of recognizing premium revenue.

5.18 Management Expenses

Management Expenses are allocated to Revenue Account on the basis of Gross Direct Premium.

5.19 Staff retirement benefits

The company operates a funded Provident Fund Scheme for its employees and contributions are made monthly equal to employees contribution @ 8.33% of basic salary and cost of living allowance.

5.20 Segment reporting

Primary segments

The company's operating business is organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different services and serves different markets. The company accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002.

The fire insurance segment provides cover against damages by fire, riot and strike, explosion, earthquake, burglary, atmospheric damage, flood, electric fluctuation and impact.

Marine insurance segment provides cover against cargo risk, war risk and damages occurring in sea water, on Board, at ports and during inland transit.

Motor insurance provides indemnity against third party loss and other comprehensive car coverage of motor vehicles.

Miscellaneous insurance provides cover against burglary, loss of cash in safe, cash in transit, personal accident, money, engineering losses, agriculture crop, live stock and other coverage.

Investment income, other income, general and administration expenses and income taxes are managed on an overall basis and are therefore, not allocated to any segment. The accounting policies of operating segment are the same as those described in the summary of significant accounting policies.

Assets, liabilities and capital expenditure that are directly attributable to segments have been assigned to them. Those assets and liabilities which can not be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

5.21 Dividend

Dividend distribution to the company's shareholders is recognized as liability in the period in which the dividends are approved.

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014

	Note	2014 Rupees	2013 Rupees
6 SHARE CAPITAL AND RESERVES			
Issued, Subscribed and Paid up capital			
		2014	2013
		No. of Shares	
	Ordinary Shares of Rs. 10/- each fully paid in cash	<u>30,000,000</u>	<u>30,000,000</u>
		<u>300,000,000</u>	<u>300,000,000</u>
7 RESERVES			
General Reserves		<u>2,500,000</u>	<u>2,500,000</u>
These represent distributable profits transferred and utilizable at the discretion of the board of directors.			
8 SURPLUS ON REVALUATION OF FIXED ASSETS		<u>136,060,170</u>	<u>136,060,170</u>
Land is revalued periodically. The revaluation surplus of land is adjusted in the year in which disposal of the respective asset is made. The surplus represents the land located at 19-C and D, Block-L, Gulberg III, Lahore. Land was first revalued in December 2005, by an independent valuer M/s Surval which resulted in net surplus of Rs. 27,207,970/-. It was further revalued in August 06, 2008 by an independent valuer M/s AIM Associates Limited, Lahore which resulted in additional surplus of Rs. 100,000,000/- The said plot is further revalued on July 18, 2011 by an independent valuer M/s Navco (Private) Limited, Lahore. The valuation resulted in further surplus of Rs. 8,852,200/-. The valuation of land has been made on the basis of fair market value. The aforementioned surplus amounts have been credited to surplus on revaluation of fixed assets account to comply with the requirements of Section 235 of the Companies Ordinance, 1984.			
9 PROVISION FOR OUTSTANDING CLAIMS	9.1	<u>32,366,560</u>	<u>41,101,656</u>
(INCLUDING IBNR)			
9.1	The company has no claims incurred but not reported (IBNR) at the year end (2013: Nil).		
10 LONG TERM FINANCING			
Diminishing musharika:			
Burj Bank Limited		<u>7,447,622</u>	-
Less: Current Portion		<u>(3,662,734)</u>	-
		<u>3,784,888</u>	-

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Note	2014 Rupees	2013 Rupees
This represents diminishing musharika facility from Burj Bank Limited for purchase of vehicles. The term of the agreement is 3 years. The balance is repayable in monthly equal installments ending in 2017. It carries profit at the rate of one year KIBOR plus 3%. Under the agreement, the Company holds joint ownership with the bank.			
11 TAXATION - PROVISION LESS PAYMENTS			
Opening advance tax		1,544,595	1,881,782
Income tax deducted at source		2,448,984	1,434,953
Provision for tax payable		<u>(8,422,399)</u>	<u>(1,772,140)</u>
		<u>(4,428,820)</u>	<u>1,544,595</u>
12 OTHER CREDITORS AND ACCRUALS			
Sales tax payable		3,316,084	1,616,871
Federal insurance fee payable		272,541	156,572
Tax deducted at source		883,829	278,386
EOBI payable		30,499	7,479
Staff provident fund		195,748	116,283
Outstanding agency commissions		27,450,317	13,714,879
Receipts from foreign reinsurers	12.1	7,133,952	7,133,952
Others	12.2	<u>7,180,192</u>	<u>1,024,463</u>
		<u>46,463,162</u>	<u>24,048,885</u>
12.1	It represents receipts from foreign reinsurers against settlement of treaty agreements in 2011 after adjustment of receivable balances from the reinsurers.		
12.2	This includes rent payable for office building, payable to chief executive amounting to Rs. 240,000/- (2013: Rs. 432,000/-)		
13 CONTINGENCIES AND COMMITMENTS			
13.1 Contingencies			
13.1.1	Suits for recovery of approximate Rs. 27.114 million (2013: Rs. 12.690 million) have been lodged but are not accepted by the company and the cases are pending adjudication before different courts. As per company's legal advisor, such claims are untenable and accordingly management has not provided any liability in respect thereof.		
13.1.2	The company has filed suit for recovery of Rs 6.827 million (2013: Rs. 6.827 million) against insurer/reinsurer for amount due. The management of the company on the basis of the facts of the case and advice of the legal advisor believe that they have strong case and has not, therefore, made provision in the financial statements against the aforesaid claim.		

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Note	2014 Rupees	2013 Rupees
13.2 Commitments			
There is no known commitment as at December 31, 2014 (2013: Nil).			
14 CASH AND BANK DEPOSITS			
Cash in hand		380,078	486,765
Current and other accounts:			
PLS savings accounts	14.1	7,343,245	3,408,888
Current accounts		24,089,882	25,266,106
		31,433,127	28,674,994
Deposits maturing within 12 months- Term Deposit Receipts	14.2	22,000,000	20,000,000
		53,813,205	49,161,759
14.1 PLS saving accounts carry profit rate of 6% to 8.5% (2013: 6% to 7%) per annum.			
14.2 The rate of return on term deposit receipts issued by various banks ranges from 9.25% to 9.5% per annum (2013: 9.25% to 9.3% per annum) and payable on maturity. These term deposit receipts have maturities upto January 2015.			
15 INVESTMENTS			
Available for sale:			
Marketable securities - Book value	15.1	808,685	2,276,639
Add/(less): Appreciation/(impairment) in value of investments		479,345	(479,345)
		1,288,030	1,797,294
Fair value through profit and loss - held for trading:			
Investments in mutual funds - fair value		168,532,707	156,395,989
Investments in ordinary shares		32,173,269	32,946,200
		200,705,976	189,342,189
Held to maturity:			
Defence saving certificates (DSCs)	15.2	525,000	525,000
Pakistan investment bonds (10 years)	15.3	25,653,856	25,584,627
		26,178,856	26,109,627
		228,172,862	217,249,110

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014**

15.1 AVAILABLE FOR SALE

Marketable Securities

No. of shares/units		Face value of Shares/ Units	Company's name	Book Value (Rupees)	
2014	2013			2014	2013
-	11,385	10	Askari Bank Limited	-	401,160
-	5,000	10	The Bank of Punjab	-	311,250
5,843	5,843	10	First IBL Modaraba	107,300	107,300
5,500	5,500	10	Fauji Fertilizer Company Limited	681,835	681,835
5,000	5,000	10	Haseeb Waqas Sugar Mills Ltd.	116,250	116,250
210	210	10	Islamic Investment Bank Ltd.	5,000	5,000
-	500	10	Kot Adu Power Co. Ltd.	-	15,000
14,375	13,572	10	N.I.T. Units	348,825	348,824
200	200	10	Suhail Jute Mills Ltd.	1,820	1,820
-	3,937	10	Sui Southern Gas Company Ltd.	-	78,450
-	16,852	10	Salman Noman Enterprises Ltd.	-	182,750
1,000	1,000	10	Tawakkal Polyester Ind. Ltd.	27,000	27,000
				1,288,030	2,276,639

15.2 Defence Saving Certificates carry effective profit @ 10.15% per annum and will mature in June 2018. Profit will be paid on maturity.

15.3 Pakistan Investments Bonds (PIBs) having face value of Rs. 26 million, carry interest rate @ 12% per annum. Profit is paid semi annually and these will mature in September 2019.

15.4 Company has deposited following securities with State Bank of Pakistan against statutory deposits under the Insurance Ordinance, 2000.

Pakistan investment bonds	25,653,856	25,584,627
Cash deposit (included in sundry receivables)	115,000	115,000
Pakistan income fund (included in mutual funds)	6,656,333	5,984,446
	32,425,189	31,684,073

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Note	2014 Rupees	2013 Rupees
16 DEFERRED TAX (LIABILITY)/ ASSET			
Net deferred tax (liability) / asset arrived at as under:			
(Taxable)/deductible temporary differences:			
Accelerated depreciation		(1,005,577)	(1,445,785)
Adjustable tax losses		-	2,949,861
Minimum tax adjustable against future tax liability		-	993,133
Rate differences		(142,697)	-
	16.1	(1,148,274)	2,497,209
16.1 Deferred tax (expense)/income recognized in profit and loss account has been arrived at as under:			
Opening deferred tax asset/(liability)		2,497,209	1,963,488
(Expense)/ income for the year		(3,645,483)	533,721
Net deferred tax (liability)/ asset as at December 31		(1,148,274)	2,497,209
17 PREMIUMS DUE BUT UNPAID			
-Unsecured but considered good by the management		35,104,793	14,557,722
18 SUNDRY RECEIVABLES unsecured-considered good			
Security deposits		1,235,243	922,037
Income tax deducted at source less provision	11	-	1,544,595
Income tax refunds due		402,745	402,745
Agents balances		324,237	25,000
Advance office rent		300,000	156,000
Balance with brokers		9,043,506	7,863,507
Others		24,753,626	5,490,048
		36,059,357	16,403,932

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

19 FIXED ASSETS (Tangible)

PARTICULARS	2014										
	COST/REVALUED AMOUNT					DEPRECIATION					W.D.V. As at December 31, 2014
	As at January 01, 2014	Additions / Adjustment	(Deletions)	As at December 31, 2014	Rate %	As at January 01, 2014	(Deletions)	For the year	As at December 31, 2014		
Rupees											
OWNED											
Land - Free hold											
Cost	23,939,830	-	-	23,939,830	-	-	-	-	-	23,939,830	
Revaluation	136,060,170	-	-	136,060,170	-	-	-	-	-	136,060,170	
	160,000,000	-	-	160,000,000	-	-	-	-	-	160,000,000	
Building - on freehold land	564,200	-	-	564,200	10	224,056	-	34,014	258,070	306,130	
Furniture & Fixtures	1,618,098	565,096	-	2,183,194	10	724,745	-	113,198	837,943	1,345,251	
Office Equipment	4,810,426	479,450	-	5,289,876	10	1,752,012	-	326,307	2,078,319	3,211,557	
Motor Vehicles	44,635,850	10,246,610	-	54,882,460	20	17,862,226	-	6,003,796	23,866,022	31,016,438	
Computers & Accessories	2,193,680	484,430	-	2,678,110	30	568,645	-	550,663	1,119,308	1,558,802	
	213,822,254	11,775,586	-	225,597,840		21,131,684	-	7,027,978	28,159,662	197,438,178	
MUSHARIKA VEHICLES											
Musharika Vehicles	-	10,423,797	-	10,423,797	20	-	-	1,453,322	1,453,322	8,970,475	
	213,822,254	22,199,383	-	236,021,637		21,131,684	-	8,481,300	29,612,984	206,408,653	

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

19.1 FIXED ASSETS (Tangible) - Schedule for comparative figures

PARTICULARS	2013						W.D.V. As at December 31, 2013				
	COST/REVALUED AMOUNT			DEPRECIATION							
	As at January 01, 2013	Additions / Adjustment	(Deletions)	As at December 31, 2013	Rate %	As at January 01, 2013		(Deletions)	For the year	As at December 31, 2013	
-----Rupees-----											
OWNED	-----Rupees-----										
Land - Free hold											
Cost	23,939,830	-	-	23,939,830	-	-	-	-	-	-	23,939,830
Revaluation	136,060,170	-	-	136,060,170	-	-	-	-	-	-	136,060,170
	160,000,000	-	-	160,000,000	-	-	-	-	-	-	160,000,000
Building - on freehold land	564,200	-	-	564,200	10	186,262	-	37,794	224,056	-	340,144
Furniture & Fixtures	1,287,558	330,540	-	1,618,098	10	647,526	-	77,219	724,745	-	893,353
Office Equipment	3,285,474	1,524,952	-	4,810,426	10	1,510,203	-	241,809	1,752,012	-	3,058,414
Motor Vehicles	31,807,216	12,828,634	-	44,635,850	20	12,388,092	-	5,474,134	17,862,226	-	26,773,624
Computers & Accessories	586,740	1,606,940	-	2,193,680	30	325,119	-	243,526	568,645	-	1,625,035
	197,531,188	16,291,066	-	213,822,254		15,057,202	-	6,074,482	21,131,684	-	192,690,570

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Note	2014 Rupees	2013 Rupees
20 MANAGEMENT EXPENSES			
Salaries and benefits		27,469,474	10,919,027
Rent, rates, taxes and electricity		4,677,088	2,882,591
Communications		2,996,479	1,476,177
Printing & stationery		2,138,900	1,485,530
Travelling and conveyance		1,965,948	1,669,188
Repairs and maintenance		4,183,532	2,511,530
Advertisement		964,306	498,710
Market development charges		1,746,721	1,217,907
Others		5,841,528	3,102,775
		<u>51,983,976</u>	<u>25,763,435</u>
21 OTHER INCOME			
Income from financial assets:			
Profit on PLS saving accounts		732,638	324,493
Income from non financial assets:			
Miscellaneous		8,334	-
		<u>740,972</u>	<u>324,493</u>
22 GENERAL AND ADMINISTRATION EXPENSES			
Directors' remuneration		936,000	936,000
Salaries and other benefits		18,180,574	12,058,976
Rent, rates and taxes		1,056,000	864,000
Company's contribution to Provident Fund		929,773	541,160
Fees and subscription		2,167,148	1,430,070
Auditors' remuneration	22.1	460,000	400,000
Legal & professional charges		1,625,156	923,365
Directors/staff training		5,000	300,301
Vehicle insurance expense		800,705	805,340
Computer expenses		132,615	2,033,750
Depreciation	19	8,481,300	6,074,482
		<u>34,774,271</u>	<u>26,367,444</u>

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Note	2014 Rupees	2013 Rupees
22.1 Auditors' remuneration			
Ilyas Saeed & Co. Chartered Accountants			
Audit fee		360,000	-
Half year review		35,000	-
Certification Charges		30,000	-
Rehman Sarfraz Rahim Iqbal Rafiq & Co. Chartered Accountants			
Audit fee		-	180,000
Amin, Mudassar and Co. Chartered Accountants:			
Half year review		35,000	180,000
Taxation Services		-	40,000
Total		<u>460,000</u>	<u>400,000</u>

23 PROVISION FOR TAXATION

Current:

For the

Prior year

Deferred

16.1

8,266,081	1,772,140
156,318	50,429
8,422,399	1,822,569
3,645,483	(533,721)
<u>12,067,882</u>	<u>1,288,848</u>

23.1 Relationship between tax expense & accounting profit

Numerical reconciliation between the average effective tax rate and the applicable tax rate:

Applicable tax rate as per income Tax Ordinance, 2000	33.00%
Prior year adjustment	0.26%
Income taxed at reduced rate	(12.04%)
FTR income	(2.22%)
Others	1.24%
	<u>20.25%</u>

23.2 The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements for the year ended December 31, 2013, as the total income of the Company falls under section 113 of the Income Tax Ordinance, 2001.

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Note	2014 Rupees	2013 Rupees
24 EARNINGS PER SHARE (BASIC AND DILUTED)			
Basic & Diluted			
Earnings per share is calculated by dividing the profit after tax for the year by the weighted average number of shares outstanding during the year as follows:			
Profit after tax		47,512,684	19,541,472
Weighted average number of ordinary shares		30,000,000	30,000,000
Earnings per share		1.58	0.65

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

25 REMUNERATION OF DIRECTORS & EXECUTIVES

	Executives		Directors	
	2014	2013	2014	2013
	Rupees			
Managerial remuneration	4,074,708	1,259,178	576,000	576,000
House rent and utility allowance	2,108,082	725,022	360,000	360,000
Commission paid	-	-	2,256,967	1,728,389
Contribution to provident fund	207,479	104,931	48,528	47,998
	6,390,269	2,089,131	3,241,495	2,712,387
Number of Persons	5	2	1	1

In addition, executives and director are also provided with free use of company's maintained car for office purpose only.

26 RELATED PARTY TRANSACTIONS

Balances with related parties have been disclosed in the relevant balance sheet note, if any.

Transactions with related parties are as follows:

Relation Transactions

Associated undertakings:

Paid for services received	-	2,000,000
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Key Management Personnel:

Chief Executive/Directors

Remuneration	936,000	936,000
Commission paid	2,256,967	1,728,389
Office rent	960,000	864,000

Retirement Benefit Plan:

Contribution to Provident Fund	929,773	541,160
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NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks, credit risk, liquidity risk and market risk. The Company's overall risk management process 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 risks 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 Company's risk management framework and is also responsible for development of the Company's risk management policies.

28.1 Credit risk and concentration of credit risk

Credit risk is the risk that arises from 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 diverse industries and by continually assessing the credit worthiness of industries/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 effect their ability to meet contractual obligations in similar manner. The Company's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits the Company's exposure to credit risk through monitoring of client's exposure and conservative 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:

	Category of financial assets	2014 Rupees	2013 Rupees
Current and other accounts	Loans & Receivables	31,433,127	28,674,994
Deposits maturing within 12 months	Loans & Receivables	22,000,000	20,000,000
Investments:	Available for Sale	1,288,030	1,797,294
	Held for Trading-Fair value through Profit or Loss	200,705,976	189,342,189
	Held to Maturity	26,178,856	26,109,627
Premiums due but unpaid	Loans & Receivables	35,104,793	14,557,722
Amounts due from other insurers / reinsurers	Loans & Receivables	121,010,573	66,061,072
Reinsurance recoveries against outstanding claims	Loans & Receivables	6,075,544	20,614,787
Accrued investment income	Loans & Receivables	1,430,650	1,569,672
Sundry receivables	Loans & Receivables	26,313,106	14,300,592
		471,540,655	383,027,949

The company did not hold any collateral against the above during the year. General provision is made for receivables according to the Company's policy. This impairment provision is utilized to write off a financial asset when it is determined that Company cannot recover the balance due.

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

	Rating		Rating Agency	2014 Rupees	2013 Rupees
	Short term	Long term			
JS Bank Limited	A1+	A+	PACRA	10,363	10,392
KASB Bank Limited	C	B	PACRA	3,869,777	108,349
HSBC Limited*				-	53,071
United Bank Limited	A-1+	AA+	JCR-VIS	40,425	38,450
Summit Bank Limited	A-1	A	JCR-VIS	4,803,610	1,876,830
Silk Bank Limited	A-2	A-	JCR-VIS	210,016	211,210
NIB Bank Limited	A1+	AA-	PACRA	261,612	200,055
Faysal Bank Limited	A1+	AA	PACRA	8,247,903	24,410,793
Bank Alfalah Limited	A1+	AA	PACRA	4,830	5,000
Soneri bank Limited	A1+	AA-	PACRA	1,467,689	4,300
Bank of Azad Jammu Kashmir*				860,004	519,137
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	103,567	1,237,407
Punjab Provincial Co-operative Bank*				17,413	-
The Bank of Punjab	A1+	AA-	PACRA	775	-
Bank Al- Habib Limited	A1+	AA+	PACRA	88	-
Zarai Taraqiyati Bank Limited	A-1+	AAA	JCR-VIS	11,535,055	-
				31,433,127	28,674,994

* Credit ratings are not available

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

The following are the contractual maturities of financial liabilities on an undiscounted cash flow basis:

	Carrying Amount	Up to One Year	More Than One Year
Financial liabilities: 2014			
Provision for outstanding claims (including IBNR)	32,366,560	32,366,560	-
Amount due to other insurers / reinsurers	10,174,105	10,174,105	-
Accrued expenses	425,000	425,000	-
Unclaimed dividend	59,962	59,962	-
Other creditors and accruals	46,463,162	46,463,162	-
	89,488,789	89,488,789	-

	Carrying Amount	Up to One Year	More Than One Year
Financial liabilities: 2013			
Provision for outstanding claims (including IBNR)	41,101,656	41,101,656	-
Amount due to other insurers / reinsurers	3,354,766	3,354,766	-
Accrued expenses	490,000	490,000	-
Unclaimed dividend	59,962	59,962	-
Other creditors and accruals	24,048,885	24,048,885	-
	69,055,269	69,055,269	-

Age analysis of financial assets is as under:

	Carrying Amount	Up to One Year	From 1 - 2 years	More than 2 years
Financial Assets - 2014				
Premiums due but unpaid	35,104,793	19,307,636	12,286,678	3,510,479
Amounts due from other insurers / reinsurer	121,010,573	71,396,238	42,353,701	7,260,634
Accrued investment income	1,430,650	1,430,650	-	-
Reinsurance recoveries against outstanding claims	6,075,544	3,220,038	1,275,864	1,579,641
Sundry receivables	26,313,106	16,577,257	7,893,932	1,841,917
	189,934,666	111,931,819	63,810,174	14,192,673

	Carrying Amount	Up to One Year	From 1 - 2 years	More than 2 years
Financial Assets - 2013				
Premiums due but unpaid	14,557,722	6,713,239	5,448,903	2,395,580
Amounts due from other insurers / reinsurer	66,061,072	47,623,990	10,560,891	7,876,191
Accrued investment income	1,569,672	1,569,672	-	-
Reinsurance recoveries against outstanding claims	20,614,787	17,980,985	1,520,047	1,113,755
Sundry receivables	14,300,592	13,378,555	-	922,037
	117,103,845	87,266,441	17,529,841	12,307,563

The credit quality of amount due from other insurers/ reinsurers and reinsurance recoveries against outstanding claims can be assessed with reference to external credit ratings as follows:

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	2014 Rupees	2013 Rupees
A or above (including PRCL)	101,958,121	6,055,544	108,013,665	71,996,152
BBB	787,185	-	787,185	549,150
Others	18,265,267	20,000	18,285,267	14,130,557
Total	121,010,573	6,075,544	127,086,117	86,675,859

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

28.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Company finances its operations through equity and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

On the balance sheet date, company has cash and bank balances of Rs. 31,813,205/- (2013: Rs. 29,161,759/-).

28.3 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 and price risk. The Company is not exposed to material currency risk.

a) Interest/mark up rate risk

Interest/mark up rate risk is the risk that 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 mismatches of financial assets and liabilities that mature or re-price in a given period. The company manages these mismatches through risk management strategies.

At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments is as follows:

Financial assets

	2014 Effective interest rate (in %)	2013 Effective interest rate (in %)	2014 Rupees	2013 Rupees
Saving accounts	6% to 8.5%	6% to 7%	7,343,245	3,408,888
Deposits maturing within 12 months - Fixed rate	9.25% to 9.5%	9.25% to 9.30%	22,000,000	20,000,000
Investments				
- Interest bearing - Fixed rate	10.15% to 12%	10.15% to 11.82%	26,178,856	26,109,627
			55,522,101	49,518,515

Sensitivity analysis

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) profit for the year by the amounts shown below.

	2014 Rupees	2013 Rupees
Cash flow sensitivity - Variable rate financial assets	73,432	34,089

It is assumed, for the purpose of sensitivity analysis, 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. The analysis assumes that all other variables remain constant.

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 factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. The Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 33,461,299/- (2013: 34,743,494/-) at the balance sheet date.

The Company's strategy is to hold its strategic equity investments for long period of time. Thus, Company's management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business, economic and management characteristics of the investee remain favourable. The Company strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity price volatility. The Company manages price risk by monitoring exposure in quoted equity securities and implementing strict discipline in internal risk management and investment policies.

The carrying value of investments subject to equity price risk are based on quoted market prices as of the balance sheet date and available for sale equity instruments which are stated at lower of cost or market value (market value being taken as lower if fall is other than temporary) in accordance with the requirements of the S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan (SECP), dated December 12, 2002.

Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold. The Company has no significant concentration of price risk.



NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

Sensitivity analysis

The table below summarizes company's equity price risk as of December 31, 2014 and 2013 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios, results could be worse because of the nature of equity markets.

Had all equity investments been measured at fair values as required by IAS 39 "Financial Instruments: Recognition and Measurement", the impact of hypothetical change would be as follows:

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in shareholders' equity	Hypothetical increase/(decrease) in profit before tax
31-Dec-14	33,461,299	10% increase	36,807,429	3,346,130	3,346,130
		10% decrease	30,115,169	(3,346,130)	(3,346,130)
31-Dec-13	34,743,494	10% increase	38,217,843	3,474,349	3,474,349
		10% decrease	31,269,145	(3,474,349)	(3,474,349)

28.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of all financial assets and financial liabilities approximate their fair values except for equity and debt instruments whose fair values have been disclosed in their respective notes to these financial statements. Fair value is determined on the basis of objective evidence at each reporting date. The company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in active market for identical instrument.

Level 2: Valuation techniques based on observable inputs either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation techniques using significant unobservable inputs.

	Level-1	Level-2	Level-3	Total
	Rupees			
As at 31 December 2014				
At fair value through profit or loss-Held for trading	200,705,976	-	-	200,705,976
As at 31 December 2013				
At fair value through profit or loss-Held for trading	189,342,189	-	-	189,342,189

28.5 Insurance risk

The company accepts the insurance risk through its insurance contracts where it assumes the risk of loss from persons or organizations that are directly subject to the underlying loss. The company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The company manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Exposures are managed by having documented underwriting limits and criteria. Reinsurance is purchased to mitigate the effect of potential loss to the company from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis.

A concentration of risk may also arise from a single insurance contract issued to a particular demographic type of policy holder, within a geographical location or to types of commercial business. The company minimizes its exposure to significant losses by obtaining reinsurance from a number of reinsurers, who are dispersed over several geographical regions.

Geographical concentration of insurance risk

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

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

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

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

For Marine risk, complete underwriting details, besides sums insured and premiums, like vessel identification, voyage input (sea/air/inland transit), sailing dates, origin and destination of the shipments, per carry limits etc. are fed into the IT system. The reinsurance module of the IT system is designed to satisfy the requirements as laid down in the proportional treaty agreement. Shipment declarations are also endorsed on the policies. Respective reinsurance cessions are automatically made upon the posting of policy documents.

Reinsurance arrangements

Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non proportional reinsurance arrangements are in place to protect the net account in case of a major catastrophe. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional treaty, any loss over and above the said limit would be recovered from the non proportional treaty which is very much in line with the risk management philosophy of the Company.

In compliance with the regulatory requirement, the reinsurance agreements are duly submitted with 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
Fire	65,090,281,114	23,710,370,639	11,689,225,673	10,562,676,690	53,401,005,441	13,147,693,949
Marine	19,985,812,663	13,470,432,113	4,161,646,528	4,761,521,984	15,824,166,135	8,708,910,129
Motor	3,718,694,841	3,038,259,786	2,337,275,652	-	1,381,419,189	3,038,259,786
Miscellaneous	35,094,791,358	16,880,139,077	4,963,361,343	5,646,178,552	30,131,430,015	11,233,960,525
	123,889,579,976	57,099,201,615	23,151,509,197	20,970,377,226	100,738,070,779	36,128,824,389

Sensitivity analysis

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The sensitivity analysis is performed on the same basis as that of last year. The Company makes various assumptions and techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The Company considers that the liability for insurance claims recognised in the balance sheet is adequate. However, actual experience will 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 profit before tax net of reinsurance.

	Pre tax Profit		Shareholders' equity	
	2014	2013	2014	2013
	Rupees			
10% decrease in Loss				
Fire & property damage	374,941	237,865	247,461	154,612
Marine, Aviation and Transport	301,031	249,311	198,680	162,052
Motor	2,776,796	1,437,639	1,832,685	934,465
Credit and Suretyship	714,670	121,064	471,682	78,692
Miscellaneous	27,916	416,615	18,425	270,800
	4,195,354	2,462,494	2,768,933	1,600,621

10% increase in loss would have the same but opposite impact on above analysis.

Claims development tables

The following table shows the development of fire claims over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For other classes of business the uncertainty about the amount and timings of claims payment is usually resolved within year. Moreover, claims with significant uncertainties are not outstanding as at December 31, 2014.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

Analysis on gross basis

Accident year

Estimate of ultimate claims cost:

At end of accident year

One year later

Two years later

Three years later

Estimate of cumulative claims

Cumulative payments to date

Liability recognised in the balance sheet

	2011	2012	2013	2014	Total
	Rupees				
At end of accident year	9,037,192	1,367,636	4,347,844	2,628,469	17,381,141
One year later	9,037,192	1,367,636	4,347,844	-	14,752,672
Two years later	9,037,192	1,367,636	-	-	10,404,828
Three years later	9,037,192	-	-	-	9,037,192
Estimate of cumulative claims	9,037,192	1,367,636	4,347,844	2,628,469	17,381,141
Cumulative payments to date	(9,031,911)	(1,068,430)	-	(1,658,458)	(11,758,799)
Liability recognised in the balance sheet	5,281	299,206	4,347,844	970,011	5,622,342

29 CAPITAL 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 returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. The Company's overall strategy remains unchanged from 2012. The company has not obtained long term finance and short term borrowings, therefore gearing ratio of the company is not applicable. In accordance with Circular No. 03 of 2007 of Securities and Exchange Commission of Pakistan (SECP), minimum paid up capital requirement to be complied with by Insurance Companies at the end of each year are as follows:

2012	2013	2014
(Rupees in Thousands)		

Minimum paid up capital

300,000 300,000 300,000

The Company currently meets the externally imposed capital limit.

30 PROVIDENT FUND

The following information is based on the latest audited financial statements of the Fund:

	2014 Rupees	2013 Rupees
Size of the fund - total assets	5,447,828	3,574,873
Cost of Investments made	5,214,082	3,445,961
Percentage of investments made	95.71%	96.39%
Fair Value of investments	5,214,082	3,445,961

The break-up of cost of investments is:

	2014		2013	
	%	(Rs.)	%	(Rs.)
Saving Account	48%	2,514,082	22%	745,961
Term Deposit Receipts	52%	2,700,000	78%	2,700,000
	100%	5,214,082	100%	3,445,961

The investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

31 NUMBER OF EMPLOYEES

Total number of employees as at 31 December 2014 were 61 (2013: 60)

Average number of employees during the year were 54 (2013: 53)

32 EVENTS AFTER BALANCE SHEET DATE

There is no event causing adjustment to or disclosure in financial statements.

33 DATE OF AUTHORIZATION FOR ISSUE

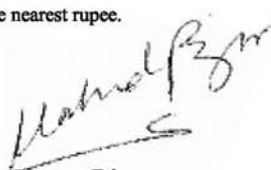
These financial statements have been approved and authorised for issue by the Board of Directors of the company on April 01, 2015.

34 GENERAL

- Corresponding figures have been reclassified / re-arranged, wherever necessary for better presentation. There have been no significant reclassifications/ restatements in the financial statements.
- The figures are rounded off to the nearest rupee.



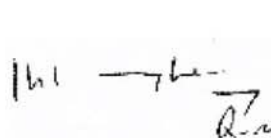
Chairman



Director



Director



Principal Officer/Chief Executive



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I/We, _____, of _____, being a member of Asia Insurance Company Limited., holder of _____ Ordinary Share(s) as per Register Folio No. _____ hereby Appoint Mr./Mrs. _____ Folio No. _____ of _____ or failing him Mr./Mrs. _____ Folio No. _____ of _____, who is also a member of Asia Insurance Company Limited, as my / our proxy in my / our absence to attend and vote for me / us, and on my / our behalf at the Extraordinary General Meeting of the Company to be held on April 30, 2015 and at any adjournment thereof.

Signed under my / our hand this _____ day of _____, 2015.

Signed in the presence of:

Signature across
Rs. 5, Revenue

Signature should agree with
the Specimen Signature
registered with the Company

Signature of Witness

NOTES:

- 1) This instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing, or if the appointer is a corporation either under the common seal or under the hand of an official or attorney so authorized. No person shall be appointed as proxy who is not a member of the Company qualified to vote except that a corporation being a member may appoint a person who is not a member.
- 2) The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy of that power of authority, shall be deposited at the office of the Company not less than 48 (forty eight) hours before the time for holding the meeting at which the person named in the instrument proposes to vote, and in default the instrument of a proxy shall not be treated as valid.