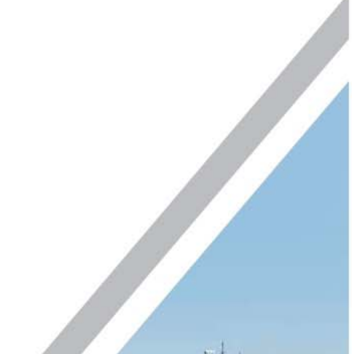
PICIC
INSURANCE

2014 ANNUAL REPORT



Contents

Company Information

Board of Directors	Mr. Irshad Ali Shaban Ali Kassim (Chairman) Mr. Shahid Ahmad Mr. Abu Ahmed Mr. Munawar Ali Kassim Mr. Muzaffar Ali Shah Bukhari Ms. Ayesha Mohammad Mr. Ghulam Muhammad Mr. Khalid Nawaz Awan
Managing Director / CEO	Mr. Afroz Quraishi
Board Audit Committee	Mr. Muzaffar Ali Shah Bukhari (Chairman) Mr. Abu Ahmed Mr. Munawar Ali Kassim Mr. Ghulam Muhammad
Board Human Resources & Remuneration Committee	Ms. Ayesha Mohammad (Chairperson) Mr. Munawar Ali Kassim Mr. Khalid Nawaz Awan Mr. Afroz Quraishi
Company Secretary	Ms. Faiza Khalid
Acting Chief Financial Officer	Syed Zaigham Raza
Auditors	A.F. Ferguson & Co. Chartered Accountants
Legal Advisor	Abdul Majeed & Co
Bankers	NIB Bank Limited Habib Metropolitan Bank Limited Silk Bank Limited.
Shares Registrar	FAMCO Associates (Pvt.) Ltd. 8-F, Next to Hotel Faran, Nursery Block - 6, P.E.C.H.S. Shahrah-e-Faisal Karachi
Credit Rating	Triple B Plus "BBB+" by JCR-VIS
Registered & Head Office	1204, 12th Floor, Emerald Tower Clifton, Block-5, Karachi - 75600, Pakistan Tel: +92-21-35147651-5 UAN: 11 12 PICIC (111-274-242) Fax: +92-21-35147656 www.picicinsurance.com

VISION STATEMENT

To emerge as a progressive and reliable Insurance company, with expertise in providing Insurance Solutions essential to Risk Management; and pioneering a culture of Insurance awareness to customer.

MISSION STATEMENT

PICIC Insurance shall fully satisfy the needs and expectations of all its stakeholders by:

- Delivering value to customers by creating optimized Risk solutions.
- Providing our employees an environment essential to their career progression.
- Continually provide above average returns to our shareholders.
- Support and develop the Communities in which we live and work.

CORE VALUES

Integrity

We make sure that our business interactions and relations with all the stakeholders are delimited with honesty, loyalty and transparency

Excellence

Our commitment is to persistently strive for better and better, while we keep on building upon our achievements.

Growth

We define our growth through nurturing and supplementing growth for our stakeholders.

Professionalism

We have a strong commitment to set high bars of quality service standards for our internal and external clients; this will be supported with the pillars of expertise, steadiness, dedication and business acumen

Code of Conduct

1. It is the responsibility of all directors, officers and employees of the company to carry out their assigned duties in compliance with all applicable legal requirements and company policies. Beyond compliance with strictly legal aspects involved, all directors, officers and employees are expected to conduct themselves with honesty, integrity and professionalism in the discharge of their assigned responsibilities. Except as otherwise permitted by company policies, all assets of the company shall be used for legitimate business purposes. All directors, officers and employees shall protect the company assets and ensure their efficient use.

   Each director, officer and employee of the company must avoid any activities that could involve, or lead to involvement in any unlawful practice, as well as any actions that may jeopardize or impair the confidence or respect in which the company are held by their customers, regulators and the general public. All directors, officers and employees must comply completely with all applicable law, rules, and regulations.

2. The company policy statement regarding conflicts of interest requires all directors, officers and employees to avoid situations in which their personal interests conflict with the interests of the company. Prior to engaging in any conduct or activity that may result in a conflict of interest; the facts and circumstances of the proposed conduct or activity must be disclosed to the company.

3. Directors, officers, and employees shall not take for themselves personal opportunities that are discovered through the use of the corporate property, information, or position; shall not use corporate property, information or position for personal gain; and shall not compete with the company. All directors, officer, and employees owe a duty to the company to advance the legitimate business interests of the company.

4. Directors, officers, and employees shall endeavor to deal fairly with the company customers, suppliers, competitors, and employees. No one should take unfair advantage through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair dealing practice.

5. Directors, officers, and employees frequently have access to confidential information concerning the company, business and the businesses of customers, agents, policyholders and other employees. Safeguarding confidential information is absolutely essential. Confidential information includes, but is not limited to all non-public information that might be of use to competitors, or harmful to the company or its customers, if disclosed. Directors, officers, and employees shall not disclose confidential information except when disclosure is authorized or legally mandated. Directors, officers, and employees shall not access, or use, confidential information unless it is relevant to the performance of their job and they have proper authorization. Except for information routinely provided to industry bureaus and agencies, vendors or other representatives of the Company, in accordance with the Company policies and procedures, no director, officer, or employee may disclose confidential information of any type to anyone, except person within the company who has a clear business need to know.

6. Accuracy and reliability in the preparation and maintenance of all books and records is not only mandated by law, it is of critical importance to the company decision making process and to the proper discharge of the company legal, financial and reporting obligations. All business records expenses accounts, vouchers, bills, payroll and services records and other reports must be prepared with care and honestly, and maintained in accordance with the company policy.

7. The company is an equal opportunity employer, and does not discriminate against employees or applicants for employment on the basis of race, color, religion, sex , sexual orientation, national origin, age, physical or mental disability. The company complies with all applicable laws and regulations in the hiring, treatment and termination of all employees, and endeavors to maintain a working environment that is conducive to professional growth accomplishment and satisfaction, and free from any type of hostility or harassment.

Directors' Report

The Directors are pleased to present the annual report together with the audited financial statements for the year ended December 31, 2014.

Message from the Chairman

The financial year 2014 was a challenging year for the Company. The major challenge that we have been facing year after year is the increasing competition in the market. We have implemented the much needed reshuffling process of our Company operations. In this competitive environment we had to give up business that is no longer profitable and have therefore consciously accepted reduction in some areas of the operation.

During the year we reported decline in premiums written and underwriting results as compared to the previous year. Due to reduction of premium the company's results were badly affected and incurred a loss of Rs.130.9 Million.

The Company has continued to acquire and deepen relationships only with customers who met our risk criteria and where the relationship was for the mutual benefit of both parties. This approach will enable the Company to improve the financial position of the Company.

Economy and Regulatory changes

In 2014 due to precarious security situation and low fixed investment, macroeconomic fundamentals remained fragile in Pakistan. In 2015 mainly due to slump in oil prices and also in food prices the inflation is continuing on its downward trajectory. State Bank of Pakistan in response has reduced the interest rate which will give a boost in investment climate. However, it is clear that fundamental reforms are needed to address Pakistan's chronic energy crisis. While the IMF program, the recent strengthening of the rupee and the easing in inflation has provided temporary relief, the government still faces major challenges in controlling the fiscal deficit and building sustainable foreign currency inflows.

The Securities & Exchange Commission of Pakistan (SECP) during the year has started giving permission to commence Takaful business as Window Takaful operator which will create new opportunities to the general insurance companies. We expect to commence writing Takaful business subject to SECP permission by the end of 2015.

Corporate Social Responsibility

PICIC insurance is fully committed to the concept of the Corporate Social Responsibility and fulfills this responsibility by energy conservation, environment protection and occupational safety and health by restricting unnecessary lighting, implementing tobacco control law and "No Smoking Zone", and providing a safe and healthy work environment.

The Company has contributed Rs. 106.9 Million to the National Exchequer during the year in the form of direct and indirect taxes and other mandatory contributions.

Financial Highlights

The comparative financial highlights of your Company for the year ended December 31, 2014 are as follows:

	2014	2013
	--- (Rupees in thousand) ---	
Gross Premium Written	**508,247**	657,294
Net Premium Revenue	**292,698**	322,505
Net Claims including IBNR	**(213,119)**	(177,558)
(Loss) / Profit from underwriting business	**(52,580)**	37,187
Investment Income	**12,167**	25,144
(Loss) / Profit after Taxation	**(130,962)**	9,424
(Loss) / Earnings per share (Rupees)	**(3.74)**	0.27

Performance Review

The gross premium written for the year was Rs.508.2 M as compared to Rs.657.3 M for the corresponding period of last year. The net premium revenue for the year was 292.7 M as compared to Rs.322.5 M. This was mainly due to decrease of gross premium written during the year in all the classes except motor business.

The underwriting loss of the Company was Rs. (52.6 M) against a profit of Rs.37.2M in the corresponding period of last year. This is mainly due to high loss ratio in Accident and health & Marine classes of business. The Company also saw an increase in the incidence of Motor theft claims during the year ended December 31, 2014 as a consequence of law and order situation compared to the previous year. Underwriting guidelines have been tightened and rates increased on selected high risk clients.

The net commission income has decreased to Rs. (13.7 M) as compared to Rs.7.8 M for the corresponding year. The management & general & administrative expenses during the year has increased to Rs.202.3 M from 173.4 M as compared to the corresponding period mainly due to reduction / movement of deferred acquisition cost due to decrease in gross premium written.

Currently, the company has chosen to adopt a conservative investment strategy with a primary objective to preserve capital, maintain liquidity and generate stable income over the long term.

Management believes that the acquisition by new owners has created shareholder confidence and the Company, following the acquisition, in 2015 is experiencing an upward trend in premium written. We are hopeful that this trend will continue through the better investment policy without compromising the risk.

During the year we reported a loss after tax of Rs.130.9 M for the year ended December 31, 2014 compared to a profit after tax of Rs.9.4 M in the corresponding period. The management of your Company will continuously endeavor to show improving performance in the future.

The Company's management team is highly motivated, the marketing staff is given challenging and aggressive targets and underwriting processes continue to be strengthened.

Comparative Insurance portfolio mix, in terms of gross premium written in the year 2014 was as follows:

Line of Business	2014		2013	
	Amount (Rupees in M)	Portfolio Mix (%)	Amount (Rupees in M)	Portfolio Mix (%)
	------------ (Rupees in thousand) ------------			
Fire and property	**156.0**	**30.7**	165.9	25.2
Marine, Aviation & transport	**53.2**	**10.5**	56.4	8.6
Motor	**172.5**	**33.9**	161.7	24.6
Accident & health	**38.7**	**7.6**	157.7	24.0
Miscellaneous	**87.8**	**17.3**	115.6	17.6
Total	**508.2**	**100.0**	657.3	100.0

Claim Settlement

Prompt settlement of claims and customer satisfaction is management's top priority. The Company endeavors to indemnify the losses of the insured promptly. This is the most important element which builds the image of an insurance company in the eyes of its valued clients and consolidates goodwill which is critical for an insurance business.

Reinsurance Treaties

The Company has strong reinsurance arrangements with some of the world's best "A" rated companies. As risk underwriting capacities for traditional lines of business have increased further in 2014, the Company will now be able to underwrite larger risks. We are thankful to all our reinsurers for their unwavering support and continued cooperation.

Insurer Financial Strength Rating

JCR VIS has given the Insurer Financial Strength Rating to the Company of 'BBB+' (Triple B Plus) with stable outlook.

External Audit

The Board on the recommendation of the Audit Committee has proposed M/s Muniff Ziauddin & Co., Chartered Accountants for appointment as statutory auditors for the year 2015, due to financial position (losses) of the Company, in place of retiring auditors M/s A.F.Ferguson & Co., Chartered Accountants, till the conclusion of the next Annual General Meeting.

The Auditors in their Auditor's report has emphasized about not meeting the solvency requirement. Referred in notes 1.2 & 1.3.

Internal Audit

The Company's Board follows closely the activities of the Internal Audit Department as a service to all levels of Management. The main objective of the independent Internal Audit Department is to provide reasonable assurance to the Board and Management that the existing systems of internal control are adequate and operating satisfactorily. Internal Audit Department adds value to the Company's operations by acting as internal consultant in making suggestions and recommendations for improved operational performance.

Statement of Corporate and Financial Reporting Framework

The corporate laws, rules and regulations framed thereunder spell out the overall function of the Board of Directors of the Company. The Board is fully aware of its corporate responsibilities envisaged under the Code of Corporate Governance, prescribed by the Securities and Exchange Commission of Pakistan and adopted by the Stock Exchanges for all listed companies, and is pleased to certify that:

1. The financial statements, prepared by the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

2. The Company has maintained proper books of accounts as required under the Companies Ordinance, 1984.

3. The Company has followed consistently appropriate accounting policies in preparation of the financial statements. Changes wherever made, have been adequately disclosed and accounting estimates are on the basis of prudent and reasonable judgment

4. Approved Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure therefrom, if any, has been adequately disclosed.

5. The system of internal control is sound in design and has been effectively implemented and monitored. Such a system is designed to manage rather than eliminate the risk of failure to achieve objectives, and by its nature can provide only reasonable and not absolute assurance against material misstatement or loss. The process used by the Board to review the effectiveness of the system of internal control include, inter-alia, the following:

   - A Board Audit Committee (BAC) is in place. It reviews the approach adopted by the Company's internal audit department and the scope of and the relationship with, the external auditors. It also receives reports from the internal audit department and the external auditors on the system of internal control and any material weaknesses that have been identified. Further, the BAC discusses the actions to be taken in areas of concern with the relevant executives. The BAC consists of four members. All the members including the Chairman of the BAC are non-executive directors. During the year 2014,four meetings of BAC were held with one in each quarter and attendance was as follows:

Name of member	No. of meetings attended
Mr. Abu Ahmed (Chairman)	3
Mr. Ghulam Muhammad	4
Mr. Munawar Ali Kassim	1
Mr. A. Fawad Hashmi	1
Mr. Rizwan Abbas	Nil
Mr. Muhammad Riaz	1
Mr. Shahid Ahmed	Nil

Leave of absence was granted to the members unable to attend the meeting.

- An organizational structure has been established, which supports clear lines of communication and tiered levels of authority with delegation of responsibility and accountability.

- There is an annual budgeting and strategic planning process. Financial forecasts are prepared and these strategies are reviewed during the year to reflect significant changes in the business environment.

6. There is no doubt upon the Company's ability to continue as a going concern.

7. The Directors of your Company feel that preservation of capital for future growth is very important, therefore no dividend is declared for the current year.

8. The Company has followed the best practices of the Code of Corporate Governance as laid down in the listing regulations of the stock exchanges and there is no material departure there from.

9. Key operating and financial data for last six years is annexed with the report.

10. The value of investments including accrued income of provident fund on the basis of audited financial statements as at 31 December 2013 is Rs. 30 M (2014: unaudited amount Rs. 29.2 M) and the value of investments including accrued income of gratuity fund on the basis of audited financial statements as at 31 December 2013 is Rs. 30.4 M (2014: unaudited amount Rs. 20.7 M).

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

12. All major decisions relating to the investments / disinvestments of funds, changes in the policy of underwriting are taken by the Investment Committee / Board of directors.

13. Decisions regarding appointment of CEO, CFO & Company Secretary and Head of Internal Audit, and fixing or changing of remuneration are taken and approved by the Board.

14. Outstanding taxes and duties are given in the financial statements.

Board of Directors

The Board of Directors comprises of one Executive (MD & Chief Executive Officer) and eight Non-Executive Directors. During the year under review seven meetings were held and attended as follows:

Name	No. of meetings eligible to attend during the tenure	No. of meetings attended
Mr. Irshad Ali Shaban Ali Kassim(Chairman)	3	3
Mr. Shahid Ahmad	3	2
Mr. Abu Ahmed	6	6
Mr. Munawar Ali Kassim	3	2
Ms. Ayesha Mohammad	5	4
Mr. Ghulam Muhammad	6	5
Mr. Khalid Nawaz Awan	2	1
Mr. Muzaffar Ali Shah Bukhari	Nil	Nil
Mr. Afroz Quraishi (MD & Chief Executive Officer)	1	1
Mr. A.Fawad Hashmi	1	1
Mr. Rizwan Abbas	1	Nil
Mr. Tariq Iqbal Khan	4	4
Mr. Yameen Kerai	3	3
Mr. Muhammad Riaz	4	4
Mr. Mohammad Basheer Janmohammad	4	3
Mr. Tufail Jawed Ahmad	3	3
Mr. Ahmed Salahuddin	6	5

The Board accepted the resignation of following Directors:

Mr.Tufail Jawed Ahmad on June 06, 2014;
Mr. Yameen Kerai on June 06, 2014;
Mr. Mohammad Riaz on June 06, 2014;
Mr. Mohammad Basheer Janmohammed on June 06, 2014;
Mr. Tariq Iqbal Khan on June 06, 2014 ; and
Mr. Ahmed Salahuddin on August 31, 2014.

To fill the casual vacancies thus caused appointed following new Directors for remainder period of term:
Mr. Munawar Ali Kassim on June 06, 2014;
Mr. Shahid Ahmad on June 06, 2014;
Mr. Irshad Ali Shaban Ali Kassim on June 06, 2014;
Mr. Khalid Nawaz Awan on July 04, 2014;
Mr. Muzaffar Ali Shah Bukhari on September 02, 2014; and
Mr. Afroz Quraishi on September 01, 2014

Leave of absence was granted to the directors unable to attend the meeting.

The Board has developed a mechanism to evaluate its own performance by adopting self- evaluation methodology through an agreed questionnaire. The evaluation exercise is to be carried out every year.

Board Committee Meetings

Board has constituted various committees at Board level for effective control and operation.

Human Resource and Remuneration Committee

During the year 2014, one meeting of Human Resource and Remuneration Committee was held and attendance was as follows:

	Attendance
Ms. Ayesha Mohammad (Chairperson)	1
Mr. Ahmed Salahuddin	1

Investment Committee

During the year 2014, three meetings were held and attendance was as follows:

	Attendance
Mr. Abu Ahmed (Chairman)	2
Mr. Irshad Ali Shaban Ali Kassim	1
Mr. Khalid Nawaz Awan	1
Mr. Afroz Quraishi	1
Ms. Ayesha Mohammad	2
Mr. Ahmed Salahuddin	2
Mr. Muhammad Riaz	1
Mr. Tariq Iqbal Khan	1

Underwriting Committee

During the year 2014, four meetings of Underwriting Committee were held and attendance was as follows:

	Attendance
Mr. Irshad Ali Shaban Ali Kassim	2
Mr. Ghulam Muhammad	2

Claims Committee

During the year 2014, four meetings of claims Committee were held and attendance was as follows:

	Attendance
Mr. Mohammad Basheer Janmohammed	Nil
Mr. Abu Ahmed	3

Co-Insurance and Re-Insurance Committee

During the year 2014, four meetings of Co-Insurance and Re-Insurance Committee were held and attendance was as follows:

	Attendance
Mr. Rizwan Abbas	Nil
Mr. Ahmed Salahuddin	2
Mr. Ghulam Muhammad	1
Mr. Irshad Ali Shaban Ali Kassim	2
Mr. Afroz Quraishi	2

Pattern of Shareholding

A statement showing the pattern of shareholding is attached with this report.

Trading of Company's Share

No trading in the shares of the Company was carried out by the Directors, CEO and Executives (employees with basic salary of Rs.0.5M or above) or their spouses or minor children, if any.

Compliance with the Code of Corporate Governance

The requirements of the Code set out by the stock exchanges in their listing regulations, relevant for the year ended December 31, 2014, have been duly complied with. A statement to this effect is annexed with this report.

Code of Conduct

The Board has adopted a statement of Code of Conduct for directors and employees. Acknowledgment for compliance are obtained and held by the Company.

Certificate of the Directors and Principal Officer under Section 46(6) of the Insurance Ordinance, 2000

We certify that:

(a) in our opinion the annual statutory accounts of the Company set out in the forms attached to the statements have been drawn up in accordance with the Ordinance and rules made there under;

(b) the Company has at all times in the year complied with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and reinsurance arrangements; and

(c) as at the date of the statement, the Company continues to be in compliance with the provisions of the Ordinance and the rules made thereunder relating to paid-up-capital, except meeting the minimum solvency requirement (refer notes to the financial statements note: 1.2) and reinsurance arrangements.

Directors training program

Two directors, Mr. Irshad Ali Shaban Ali Kassim and Mr. Munawar Ali Kassim are exempted from the requirement of directors training program, one of whom also acquired certification on "Role of Independent Director" conducted by the Pakistan Institute of Corporate Governance.

Future Plan /growth

The Company is planning for the right shares issue subject to the approval of the relevant authorities to meet the solvency requirement, proposed increase of paid up capital, provide fresh equity to improve the liquidity ratio, allow the future growth and improve the profitability of the company to benefit all the stakeholders.

Our success in winning new business and therefore creating growth will give us great confidence that the areas of activity in which we have chosen to operate are the right ones for the Company. The prevailing economic and political situation around the country and the soft insurance markets will of course present challenges. We have, however, taken clear and decisive action to develop and grow each of our activities.

Acknowledgement

The Board of Directors would like to express its sincere appreciation to the Company's valued clients, reinsurers, brokers, business partners and other stakeholders. The Board would also like to thank the Securities and Exchange Commission of Pakistan, the Stock Exchanges and the Central Depository Company for their continued guidance and support. The Company's accomplishments would not have been possible without the dedication and commitment of the Company's employees; therefore they deserve special recognition on behalf of the Board.

Irshad Ali Shaban Ali Kassim
Chairman

Afroz Quraishi
Managing Director / CEO

Karachi: April 06, 2015

Key Financial Highlights

	2014	2013	2012	2011	2010	2009
	(Rupees in thousand)					
Paid up share Capital	**350,000**	350,000	350,000	350,000	350,000	350,000
Accumulated (loss) / profit	**(250,442)**	(121,395)	(126,373)	(99,302)	(119,163)	(124,190)
Investment Income	**7,423**	12,014	13,529	3,441	6,221	7,901
Return on bank balances	**4,744**	13,130	25,899	24,836	20,454	19,435
Total Assets	**952,704**	925,748	972,350	1,071,579	919,922	731,089
Gross Premiums Written	**508,247**	657,294	594,296	694,665	549,629	493,968
Net Premium Revenue	**292,698**	322,505	322,840	224,914	166,770	199,656
(Loss) / Profit from underwriting business	**(52,580)**	37,187	(11,755)	19,981	4,890	10,942
Net Claims	**213,119**	177,558	211,887	143,668	91,135	106,295
(Loss) / Profit before Taxation	**(130,803)**	9,908	(25,819)	8,424	5,090	16,854
Provision for Taxation	**(159)**	(484)	(660)	3,346	(63)	-
(Loss) / Profit after Taxation	**(130,962)**	9,424	(26,479)	11,770	5,027	16,854
(Loss) / earning per share (in Rupees)	**(3.74)**	0.27	(0.76)	0.34	0.14	0.48

Pattern of Shareholding

As at December 31, 2014

Number of Shareholders	Size of Holding Rs. 10 Shares		Number of Shares
1970	1	100	50,335
613	101	500	153,044
169	501	1,000	135,088
234	1,001	5,000	476,435
48	5,001	10,000	365,908
16	10,001	15,000	201,805
7	15,001	20,000	120,469
6	20,001	25,000	138,020
2	25,001	30,000	51,705
3	30,001	35,000	98,251
1	35,001	40,000	38,532
2	45,001	50,000	95,000
1	50,001	55,000	52,600
2	60,001	65,000	123,722
1	65,001	70,000	68,500
1	70,001	75,000	73,000
1	85,001	90,000	87,701
1	115,001	120,000	117,500
1	275,001	280,000	279,490
1	855,001	860,000	855,790
1	3,895,001	3,900,000	3,895,970
1	6,720,001	6,725,000	6,720,797
1	20,800,001	20,805,000	20,800,338
3,083			**35,000,000**

Pattern of Shareholding
Information as required under Code of Corporate Governance

As at December 31, 2014

	Shareholder's Category	Number of shareholder	Number of share held
i.	**Associated Companies, Undertaking and Related Parties (name wise details)**		
	KM Enterprises (Pvt) Ltd	1	20,800,338
ii.	**Mutual Funds (name wise details)**		
	Golden Arrow Selected Stocks Fund Ltd.	1	22
	Prudential Stocks Funds Limited.	1	35
	Safeway Mutual Fund Limited	1	19
	Asian Stock Fund Ltd.	1	6
	Picic Benevolent Fund-2	1	44
	Prudential Stock Fund Ltd	1	57
iii.	**Directors and their spouse (to be confirmed by company)**		
	Mr. Irshad Ali Shaban Ali Kassim	1	1,000
	Mr. Shahid Ahmad	1	500
	Mr. Munawar Ali Kassim	1	1,000
	Ms. Ayesha Mohammad	1	1,000
	Mr. Ghulam Muhammad	1	279,490
	Mr. Khalid Nawaz Awan	1	500
	Mr. Muzaffar Ali Shah Bukhari	1	500
iv.	**Executives (To be filled by company)**		
	Mr. Shehzad Ali Shivjani	1	9,217
	Ms. Aisha Baig	1	1,000
	Mr. Muhammad Waheed Zafar	1	5,000
	Mr. Tariq Hanif	1	1,000
v.	**Public Sector Companies and Corporations**	2	4,751,760
vi.	**Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds**	29	6,748,679
vii.	**Shareholder Holding five percent or more voting Rights in the Listed Company (name wise details)**		
	State Life Insurance Corp Of Pakistan	1	3,895,970
	Excel Insurance Co Ltd	1	6,720,797
	KM Enterprises (Pvt) Ltd	1	20,800,338

Pattern of Shareholding
Additional Information

As at December 31, 2014

Shareholder's Category		Number of Shareholder	Number of Shares	Percentage
Directors, Cheif Executive Officer, and their spouse and minor children				
Mr. Irshad Ali Shaban Ali Kassim	Director	1	1,000	0.00
Mr. Shahid Ahmad	Director	1	500	0.00
Mr. Munawar Ali Kassim	Director	1	1,000	0.00
Ms. Ayesha Mohammad	Director	1	1,000	0.00
Mr. Ghulam Muhammad	Director	1	279,490	0.80
Mr. Khalid Nawaz Awan	Director	1	500	0.00
Mr. Muzaffar Ali Shah Bukhari	Director	1	500	0.00
Associated Companies, Undertakings and related Parties				
KM Enterprises (Pvt) Ltd		1	20,800,338	59.43
Banks, Development Financial Institutions, Non Banking Financial Institutions		16	22,604	0.06
Insurance Companies		9	11,477,226	32.79
Modarabas and Mutual Funds		11	422	0.00
Share holders holding 10%		2	10,616,767	30.33
Individual		2,939	2,202,739	6.29
Others		100	212,681	0.61
Total (excluding : share holders holding 10%)		3,083	35,000,000	100

Statement of Compliance with the Code of Corporate Governance

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

The Company has applied the principles contained in the Code of Corporate Governance 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	Name of Directors
Independent Directors	Mr. Muzaffar Ali Shah Bukhari*
Executive Director	Mr. Afroz Quraishi (CEO)
Non-Executive Directors	Mr. Abu Ahmed Ms. Ayesha Mohammad Mr. Ghulam Muhammad Mr. Irshad Ali Shaban Ali Kassim Mr. Khalid Nawaz Awan Mr. Munawar Ali Kassim Mr. Shahid Ahmed

*Appointed with effect from September 2, 2014.

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Five casual vacancies occurred on the Board which was filled up by the directors within 90 days.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has not 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.

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 the agenda and working papers were circulated to the board at least seven days before the meeting except in case of two meetings where a notice period of less than seven days was served. The minutes of the meetings were appropriately recorded and circulated.

9. Out of the total of 9 Directors two directors are exempt from the requirement of obtaining director's training. The management expects to arrange training of the remaining directors before June 30, 2016.The Board has also developed and approved the criteria for annual evaluation of its own performance as per the requirement of the Code.

10. The Board has approved appointment of the acting CFO, acting Company Secretary and acting Head of Internal Audit during the year, including their remuneration and terms and conditions of employment. The acting Head of Internal Audit had resigned from his position during the year. The Board has filled the vacancy of Head of Internal Audit along with appointment of Company Secretary subsequent to the year end. The acting CFO does not meet the qualification criteria prescribed by the Code and the company is in the process of appointing a suitably qualified CFO.

11. The Directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the 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 Code of Corporate Governance.

15. The Board has formed an Audit Committee. It comprised of two members in the second and third quarter of the year. However, since the fourth quarter there are four members in the Audit Committee all of whom are non-executive directors. Subsequent to the year end, an independent director has also been included in the Audit Committee as Chairman of the Audit Committee.

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 as required by the Code of Corporate Governance except in case of approval of interim results for the first quarter where the Board Audit Committee had not been reconstituted due to pending approval of four elected directors from the Securities and Exchange Commission of Pakistan. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed a Human Resource and Remuneration Committee. It comprises of four members, of whom three are non-executive directors and the Chairman of the Committee is a Non-Executive Director.

18. The Board has outsourced the internal audit function to M/s Ernst & Young Ford Rhodes Sidat Hyder - Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company. The Board had also appointed an acting Head of Internal Audit who was not suitably qualified as required by the Code and resigned during the year. However, subsequent to the year end a suitably qualified and experienced Head of Internal Audit has been appointed as per the requirement of the Code.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the 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. The Board ensures that the appointed actuary complied with the requirements set out for him in this code.

24. The actuary appointed by the Company has confirmed that he or his spouse and minor children do not hold shares of the Company.

25. The Underwriting, Claims settlement and reinsurance and coinsurance committees have been formed. The minutes of the meetings of the committees were circulated timely to the members, directors, and the CFO.

26. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with except that, related party transactions for the first quarter were approved by the Board without the recommendation of the Audit Committee as there was no Audit Committee at that time.

Afroz Quraishi
Managing Director / CEO
Dated: April 06, 2015

Review Report to the Members on the Statement of Compliance with the Code of Corporate Governance

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

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

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

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

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.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph references where these are stated in the Statement of Compliance:

	Paragraph Reference	**Description**
i.	1	Independent director was appointed with effect from September 2, 2014
ii.	6	A complete record of significant policies and their respective approval dates is not maintained.
iii.	8	Written notices of two Board meetings were not circulated seven days prior to the meetings as required by the Code.
iv.	10	The acting CFO does not meet the qualification criteria prescribed by the Code.
v.	15	The Audit Committee comprised of less than 3 members in the second and third quarter of the year and there was no independent director in the Audit Committee as required by the Code. However, an independent director has been included in the Audit Committee subsequent to the year end.
vi.	16	The Audit Committee meeting was not held prior to the approval of interim results of the Company for the first quarter of the year.
vii.	18	The acting Head of Internal Audit during the year was not suitably qualified as required by the Code. Further, there was no Head of Internal Audit as at the year end. However, subsequent to the year end a suitably qualified Head of Internal Audit has been appointed.
viii.	26	Related Party transactions for the first quarter were approved by the Board without the recommendation of the Audit Committee.

Chartered Accountants
Dated: April 08, 2015
Karachi

Auditors' Report to the Members of PICIC Insurance Limited

We have audited the annexed financial statements comprising of:

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

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

In our opinion:

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

(b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;

(c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2014, and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended, in accordance with the 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 (XVIII of 1980).

Emphasis of matter paragraph

We draw attention to the following:

i. note 1.2 to the financial statements which describes the matter relating to non-compliance by the Company with the minimum solvency requirement as specified by the Securities and Exchange Commission of Pakistan (SECP) as at December 31, 2014; and

ii. note 1.3 to the financial statements which highlights that the Company has incurred a loss after taxation amounting to Rs. 130.962 million during the year and its accumulated losses amounted to Rs. 250.442 million as at December 31, 2014. These circumstances, along with the shortfall in minimum solvency requirement, indicate that there exists a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The directors have a plan to inject further equity into the Company amounting to Rs 350 million to meet the minimum solvency requirement and to hold valid the management's assessment that the Company would continue as a going concern.

Our opinion is not qualified in respect of the above matters.

Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Dated: April 08, 2015
Karachi

Balance Sheet

As at December 31, 2014

	Note	2014	2013
		--- (Rupees in thousand) ---	
Share capital and reserves			
Authorised share capital			
[50,000,000 (December 31, 2013: 50,000,000)			
Ordinary shares of Rs.10 each]		**500,000**	500,000
Paid-up share capital			
[35,000,000 (December 31, 2013: 35,000,000)			
Ordinary shares of Rs.10 each]	7	**350,000**	350,000
Accumulated losses		**(250,442)**	(121,395)
		99,558	228,605
Underwriting provisions			
Provision for outstanding claims (including IBNR)		**185,953**	123,548
Provision for unearned premium		**286,037**	387,447
Provision for premium deficiency		**7,781**	-
Commission income unearned		**20,380**	15,002
		500,151	525,997
Creditors and accruals			
Amounts due to other insurers / reinsurers		**284,089**	112,320
Other creditors and accruals	8	**56,582**	50,046
Accrued expenses		**12,129**	7,029
Unclaimed dividend		**195**	195
		352,995	169,590
Borrowings			
Obligation under musharakah agreement	9	**-**	1,556
TOTAL LIABILITIES		**853,146**	697,143
TOTAL EQUITY AND LIABILITIES		**952,704**	925,748
Contingencies and commitments	10		

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

	Note	2014	2013
		--- (Rupees in thousand) ---	
Cash and bank deposits	11		
Cash and other equivalents		**236**	268
Current and other accounts		**21,197**	66,894
Deposits maturing within 12 months		**20,000**	35,000
		41,433	102,162
Investments	12	**75,572**	73,623
Deferred Taxation	13	**2,619**	2,619
Current Assets - Others			
Premiums due but unpaid	14	**292,421**	255,563
Amounts due from other insurers / reinsurers - unsecured		**199,834**	120,613
Accrued profit		**120**	175
Reinsurance recoveries against outstanding claims		**72,172**	55,122
Taxation - payments less provision		**24,543**	23,630
Deferred commission expense		**18,224**	26,282
Deferred acquisition costs	15	**35,520**	42,301
Prepayments	16	**170,572**	214,331
Sundry and other receivables		**6,820**	5,739
		820,226	743,756
Fixed assets	17		
Tangible			
Furniture and fixture		**7**	12
Office equipment		**641**	1,042
Computer equipment		**1,263**	1,084
Motor vehicles		**195**	1,020
Capital work in progress	17.4	**10,557**	-
Intangible			
Computer software		**191**	430
		12,854	3,588
TOTAL ASSETS		**952,704**	925,748

Irshad Ali Shaban Ali Kassim	**Munawar Ali Kassim**	**Muzaffar Ali Shah Bukhari**	**Afroz Quraishi**
Chairman	Director	Director	Managing Director / CEO

Profit and Loss Account

For the year ended December 31, 2014

	Note	Fire and property	Marine, aviation and transport	Motor	Accident and health	Miscellaneous	Aggregate 2014	Aggregate 2013
		(Rupees in thousand)						
Revenue account								
Net premium revenue		17,516	9,243	146,664	104,080	15,195	**292,698**	322,505
Net claims		(2,032)	(7,644)	(71,403)	(130,109)	(1,931)	**(213,119)**	(177,558)
Premium deficiency (expense) / reversal		-	-	-	(7,781)	-	**(7,781)**	2,134
Management expenses	18	(33,800)	(10,260)	(26,218)	(15,760)	(24,641)	**(110,679)**	(117,741)
Net commission		1,713	1,003	(11,093)	(5,692)	370	**(13,699)**	7,847
Underwriting results		(16,603)	(7,658)	37,950	(55,262)	(11,007)	**(52,580)**	37,187
Net investment income							**7,423**	12,014
Return on bank balances							**4,744**	13,130
Gain on disposal of fixed assets							**1,713**	1,021
Other income	22						**-**	3,047
							(38,700)	66,399
General and administrative expenses	19						**(91,659)**	(55,625)
Financial charges							**(199)**	(357)
Other charges	20						**(245)**	(509)
(Loss) / profit before tax							**(130,803)**	9,908
Taxation	21							
- Current							**(159)**	(124)
- Deferred							**-**	(360)
							(159)	(484)
(Loss) / profit after tax							**(130,962)**	9,424
Profit and loss appropriation account								
Balance at the commencement of year							**(121,395)**	(126,373)
Total comprehensive (loss) / income for the year							**(129,047)**	4,978
Closing profit and loss appropriation account							**(250,442)**	(121,395)
(Loss) / earnings per share - basic and diluted (Rupees)	23						**(3.74)**	0.27

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

Irshad Ali Shaban Ali Kassim	Munawar Ali Kassim	Muzaffar Ali Shah Bukhari	Afroz Quraishi
Chairman	Director	Director	Managing Director / CEO

Statement of Comprehensive Income

For the year ended December 31, 2014

	2014	2013
	--- (Rupees in thousand) ---	
Net (Loss) / profit for the year	**(130,962)**	9,424
Items that will not be reclassified to profit or loss		
Remeasurement of post retirement benefits obligations	**1,915**	(4,446)
Total comprehensive (loss) / income for the year	**(129,047)**	4,978

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

Irshad Ali Shaban Ali Kassim	**Munawar Ali Kassim**	**Muzaffar Ali Shah Bukhari**	**Afroz Quraishi**
Chairman	Director	Director	Managing Director / CEO

Statement of Changes In Equity

For the year ended December 31, 2014

	Paid-up share capital	Accumulated losses	Total
	(Rupees in thousand)		
Balance as at January 01, 2013	350,000	(126,373)	223,627
Total comprehensive income for the year			
Net profit for the year ended December 31, 2013	-	9,424	9,424
Other comprehensive loss for the year			
- Re-measurement of post retirement benefit obligations	-	(4,446)	(4,446)
Balance as at December 31, 2013	350,000	(121,395)	228,605
Total comprehensive loss for the year			
Net loss for the year ended December 31, 2014	-	(130,962)	(130,962)
Other comprehensive income for the year			
- Re-measurement of post retirement benefit obligations	-	1,915	1,915
Balance as at December 31, 2014	350,000	(250,442)	99,558

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

Irshad Ali Shaban Ali Kassim
Chairman

Munawar Ali Kassim
Director

Muzaffar Ali Shah Bukhari
Director

Afroz Quraishi
Managing Director / CEO

Statement of Cash Flows

For the year ended December 31, 2014

	Note	2014	2013
		--- (Rupees in thousand) ---	
OPERATING ACTIVITIES			
a) Underwriting activities			
Premiums received		**471,389**	531,143
Reinsurance premiums paid		**(166,579)**	(334,942)
Claims paid		**(203,668)**	(290,133)
Reinsurance and other recoveries received		**35,904**	77,446
Commissions paid		**(67,810)**	(57,953)
Commission received		**33,650**	71,722
Net cash inflow from / (used in) underwriting activities		**102,886**	(2,717)
b) Other operating activities			
Income tax paid		**(1,072)**	(2,158)
General management expenses paid		**(167,958)**	(167,382)
Other operating receipts		**6,834**	11,283
Other charges		**(245)**	(307)
Net cash used in other operating activities		**(162,441)**	(158,564)
Total cash used in operating activities		**(59,555)**	(161,281)
INVESTMENT ACTIVITIES			
Profit / return received		**4,799**	15,107
Dividend received		**1,585**	1,241
Payments for investments		**(41,313)**	(41,781)
Proceeds from redemption of investments		**45,202**	44,963
Proceeds from disposal of fixed assets		**1,960**	1,289
Fixed capital expenditure	17 &17.4	**(11,652)**	(1,705)
Total cash generated from investing activities		**581**	19,114
FINANCING ACTIVITIES			
Payments under musharakah agreement		**(1,755)**	(1,206)
Total cash used in financing activities		**(1,755)**	(1,206)
Net cash used in all activities		**(60,729)**	(143,373)
Cash at the beginning of the year		**102,162**	245,535
Cash at the end of the year		**41,433**	102,162
Reconciliation to profit and loss account			
Operating cash flows		**(59,555)**	(161,281)
Provision for Workers' Welfare Fund		**-**	(202)
Depreciation / amortisation		**(2,139)**	(2,496)
Gain on disposal of fixed assets		**1,713**	1,021
Financial charges		**(199)**	(357)
Investment income		**7,423**	12,014
Return on bank balances		**4,744**	13,130
Increase in assets other than cash		**109,541**	68,728
(Increase) / decrease in liabilities		**(250,275)**	100,117
Decrease / (increase) in unearned premium		**57,785**	(20,890)
(Decrease) in deferred tax assets		**-**	(360)
(Loss) / profit after taxation		**(130,962)**	9,424
Definition of cash			
Cash comprises of cash in hand and at banks, stamps in hand and short term placements with banks			
Cash for the purpose of statement of cash flows consists of:			
Cash and other equivalents			
- cash in hand		**-**	-
- stamps in hand		**236**	268
		236	268
Current and other accounts			
- current accounts		**8,298**	9,430
- saving accounts		**12,899**	57,464
		21,197	66,894
Deposits maturing within 12 months		**20,000**	35,000
		41,433	102,162

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

Irshad Ali Shaban Ali Kassim	**Munawar Ali Kassim**	**Muzaffar Ali Shah Bukhari**	**Afroz Quraishi**
Chairman	Director	Director	Managing Director / CEO

Statement of Premiums

For the year ended December 31, 2014

Business underwritten inside Pakistan

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		2014	2013
	(Rupees in thousand)									
Direct and facultative										
1. Fire and property	156,052	96,056	97,820	154,288	136,768	86,187	86,183	136,772	**17,516**	15,971
2. Marine, aviation and transport	53,160	10,900	20,467	43,593	42,576	8,458	16,684	34,350	**9,243**	16,817
3. Motor	172,533	70,718	72,506	170,745	27,910	8,273	12,102	24,081	**146,664**	151,008
4. Accident and health	38,712	96,885	31,112	104,485	396	330	321	405	**104,080**	109,520
5. Miscellaneous	87,790	112,888	64,132	136,546	73,465	101,959	54,073	121,351	**15,195**	29,189
Total	508,247	387,447	286,037	609,657	281,115	205,207	169,363	316,959	**292,698**	322,505

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

Irshad Ali Shaban Ali Kassim	**Munawar Ali Kassim**	**Muzaffar Ali Shah Bukhari**	**Afroz Quraishi**
Chairman	Director	Director	Managing Director / CEO

Statement of Claims

For the year ended December 31, 2014

Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims Opening	Outstanding claims Closing	Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims Opening	Reinsurance and other recoveries in respect of outstanding claims Closing	Reinsurance and other recoveries revenue	Net claims expense 2014	Net claims expense 2013
	(Rupees in thousand)									
Direct and facultative										
1. Fire and property	21,334	14,584	19,879	26,629	19,905	13,687	18,379	24,597	**2,032**	380
2. Marine, aviation and transport	9,619	27,138	36,498	18,979	7,282	23,581	27,634	11,335	**7,644**	4,511
3. Motor	64,450	44,006	61,139	81,583	2,742	1,799	9,237	10,180	**71,403**	59,898
4. Accident and health	100,550	18,400	47,977	130,127	18	-	-	18	**130,109**	110,214
5. Miscellaneous	7,715	19,420	20,460	8,755	5,957	16,055	16,922	6,824	**1,931**	2,555
Total	203,668	123,548	185,953	266,073	35,904	55,122	72,172	52,954	**213,119**	177,558

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

Irshad Ali Shaban Ali Kassim	**Munawar Ali Kassim**	**Muzaffar Ali Shah Bukhari**	**Afroz Quraishi**
Chairman	Director	Director	Managing Director / CEO

Statement of Expenses

For the year ended December 31, 2014

Business underwritten inside Pakistan

Class	Commission paid or payable	Deferred commission		Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurers*	Net underwriting expense	
		Opening	Closing					2014	2013
	(Rupees in thousand)								
Direct and facultative									
1. Fire and property	16,128	7,789	10,163	13,754	33,800	47,554	15,467	**32,087**	9,385
2. Marine, aviation and transport	4,206	843	1,648	3,401	10,260	13,661	4,404	**9,257**	7,905
3. Motor	11,753	6,059	5,096	12,716	26,218	38,934	1,623	**37,311**	43,589
4. Accident and health	(362)	5,877	(293)	5,808	15,760	21,568	116	**21,452**	29,986
5. Miscellaneous	2,188	5,714	1,610	6,292	24,641	30,933	6,662	**24,271**	19,029
Total	33,913	26,282	18,224	41,971	110,679	152,650	28,272	**124,378**	109,894

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

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

Irshad Ali Shaban Ali Kassim	**Munawar Ali Kassim**	**Muzaffar Ali Shah Bukhari**	**Afroz Quraishi**
Chairman	Director	Director	Managing Director / CEO

Statement of Investment Income

For the year ended December 31, 2014

	2014	2013
	--- (Rupees in thousand) ---	
Income from non trading investments		
Held to maturity		
Return on government securities	**4,104**	4,082
Loss on sale of investments	**(28)**	-
	4,076	4,082
At fair value through profit or loss		
Net unrealised gain on revaluation of investments	**1,784**	6,714
Dividend income	**1,585**	1,243
	3,369	7,957
	7,445	12,039
Investment related expenses	**(22)**	(25)
Net investment income	**7,423**	12,014

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

Irshad Ali Shaban Ali Kassim	**Munawar Ali Kassim**	**Muzaffar Ali Shah Bukhari**	**Afroz Quraishi**
Chairman	Director	Director	Managing Director / CEO

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2014

1. STATUS AND NATURE OF BUSINESS

1.1. PICIC Insurance Limited (the Company) was incorporated on April 23, 2004 under the Companies Ordinance, 1984 as a public limited company and registered as a non-life insurance company by the Securities and Exchange Commission of Pakistan (SECP) under the Insurance Ordinance, 2000. It is engaged in providing all classes of non-life insurance business. The Company is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Company is situated at 8th floor, Shaheen Complex, M.R. Kayani Road, Karachi. However, subsequent to year end, the Company has changed its registered office to 1204, 12th Floor, Emerald Tower, Clifton, Block-5, Karachi. The Company operates with 6 (2013: 6) branches in Pakistan.

1.2. In accordance with the requirements of the Insurance Ordinance, 2000 and as mentioned in the Securities and Exchange Commission (Insurance) Rules, 2002 "Rules" (amended vide SRO 16(1)/2012 dated January 09, 2012), the minimum solvency requirement (i.e excess of admissible assets over liabilities) is Rs 150 million. The admissible assets of the Company as at December 31, 2014 are in excess of the Company's liabilities by Rs 39.917 million. Hence, the Company is not meeting the minimum solvency requirement by Rs 110.083 million as at December 31, 2014. The Directors have a plan to inject fresh equity into the Company amounting to Rs 350 million by way of right issue which has been approved by the Board of Directors in their meeting held subsequent to the year end on April 6, 2015.

1.3. The Company has incurred a loss after taxation of Rs. 130.962 million during the current year and its accumulated losses as at December 31, 2014 amounted to Rs 250.442 million resulting in net equity of Rs 99.558 million as at December 31, 2014. Further, the operating cash flows of the Company are also negative since 2011. These circumstances, together with the non-compliance of minimum solvency requirement as mentioned in note 1.2 above, indicate existance of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The management believes that the Company has suffered major loss during the current year due to change in management and downgrading in rating of the Company. The Company has strong financial support from its directors who are also the major shareholders of the Company. In the meeting held on April 6, 2015 the Board of Directors has approved a right shares of Rs. 350 million. The injection of fresh capital into the Company would:

a) result in the Company's compliance with the minimum solvency requirement prescribed by the Commission; and

b) help in improving the Company's rating which would consequently result in acquisition of new profitable business in future.

2. BASIS OF PRESENTATION

2.1 These financial statements have been prepared on the format issued by the SECP through SEC (Insurance) Rules, 2002 vide SRO 938 dated December 12, 2002.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2014 but are considered not be to relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

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

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2015, but are considered not to be relevant or will not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the 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 (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002 and directives issued by the SECP. Wherever the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000 the SEC (Insurance) Rules, 2002 or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002 or the said directives prevail.

The SECP has allowed the insurance companies to defer the application of International Accounting Standard (IAS) -39 “Financial Instruments: Recognition and Measurement” in respect of valuation of investments classified as available-for-sale. However, the Company has no investments in available-for-sale category as of the balance sheet date.

4. ACCOUNTING CONVENTION

These financial statements have been prepared under the historical cost convention except for investments and certain staff retirement benefits which are carried at fair value and at present value respectively.

5. SIGNIFICANT ACCOUNTING POLICIES

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

5.2 Premium

Premium received / receivable under a policy is recognised as written from the date of attachment of the policy to which it relates. Premium income under a policy is recognised over the period of insurance as a difference between the total premium written and provision for unearned premium as mentioned in note 5.4.2 to these financial statements.

Premium income also includes administrative surcharge that represents documentation and other charges recovered by the Company from policy holders in respect of policies issued.

Receivables under insurance contracts are recognised 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 reduces the carrying amount of the receivable accordingly and recognises that impairment loss in the profit and loss account.

5.3 Reinsurance ceded

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

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

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

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire.

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

5.4 Underwriting provisions

Underwriting provisions in respect of the insurance contracts entered into by the Company are accounted for as under:

5.4.1 Provision for outstanding claims

The liability in respect of outstanding claims is based on the estimates of the claims intimated or assessed before the end of the accounting year. In addition, conforming to the requirements of the SEC (Insurance) Rules, 2002, a provision is made on an estimated basis for the claims which may have been incurred in the current reporting period but have not been reported to the Company as of the balance sheet date (IBNR), after taking into consideration the expected recoveries and settlement costs. Any difference between the provision at the balance sheet date and settlements in the following years is included in the financial statements of that year.

IBNR for health and personal accident is determined and recognised in accordance with valuation carried out by an appointed actuary.

5.4.2 Provision for unearned premium

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage and is recognised as a liability by the Company. This liability is calculated as follows:

- For marine cargo business, as a ratio of unexpired period to the total period of policy applied on the gross premium of the individual policies; and

- For other classes / line of business, by applying 1/24th method as allowed by the SEC (Insurance) Rules, 2002.

5.4.3 Premium deficiency reserve

The Company is required as per SEC (Insurance) Rules, 2002, to maintain a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability for claims and other expenses expected to be incurred after the balance sheet date in respect of unexpired policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve is recorded as an expense / income in profit and loss account for the year.

For this purpose, loss ratios for each class are estimated on historical claim development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. Further, actuarial valuation has been carried out to determine the amount of premium deficiency reserve in respect of accident and health insurance as required by SRO 16 (I) / 2012 issued by Securities and exchange commission of Pakistan on 9th January 2012. If these ratios are adverse, premium deficiency is determined.

5.4.4 Unearned commission income

Commission income and other forms of revenue (apart from recoveries) from reinsurers are deferred and recognised as a liability and are recognised in the profit and loss account as revenue in accordance with the pattern of recognition of related insurance premiums.

5.5 Other creditors and accruals

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

5.6 Provisions

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

5.7 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, deposits with banks, stamps in hand and short term investments.

5.8 Financial assets

5.8.1 Classification

The Company classifies its financial assets into the following categories: 'at fair value through profit or loss' , 'available for sale' , 'held to maturity' and 'loans and receivables'. The classification is determined at initial recognition and depends on the purpose for which the financial assets were acquired.

At fair value through profit or loss

A financial asset is classified in the 'financial assets at fair value through profit or loss' category at inception if it is acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking, or if so designated by the management.

Available for sale

These are non-derivative financial assets, which are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or changes in price.

Held to maturity

These are non-derivative financial assets with fixed or determinable payments and fixed maturity, in respect of which the Company has the positive intention and ability to hold to maturity.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

5.8.2 Initial recognition and measurement

Investments other than those categorised into 'financial assets at fair value through profit or loss' category are initially recognised at fair value which includes transaction costs which are directly attributable to the acquisition of the securities. Investments classified as 'financial assets at fair value through profit or loss' are initially recognised at fair value and transaction costs are expensed in the profit and loss account. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the settlement date.

5.8.3 Subsequent measurement

Investments classified as 'financial assets at fair value through profit or loss' are subsequently measured at their fair values and gains and losses arising from changes in fair value are included in the profit and loss account. Available for sale investments are subsequently measured at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002. In case of quoted equity securities, the market value is determined by using Stock Exchange quotations at the balance sheet date. However, in case of Government securities the market value is determined using rates announced by the Financial Market Association. Investments classified as held to maturity are subsequently measured at amortised cost less any impairment losses, taking into account any discount or premium on acquisition by using the effective interest rate method.

5.8.4 Impairment against financial assets

The Company assesses at each balance sheet date whether there is an objective evidence that the financial asset or a group of financial assets is impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss, - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss account, as the case may be, is taken to the profit and loss account. For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash outflows, discounted at the original effective interest rate.

5.8.5 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

5.9 Reinsurance recoveries against outstanding claims

These are recognised as assets at the same time as the claims which gives rise to the right of recovery are recognised as liabilities and are measured at the amount expected to be recovered after considering an impairment in relation thereto.

5.10 Deferred commission expense and deferred acquisition costs

Commission and other acquisition costs incurred in obtaining and recording policies of insurance and re-insurance are deferred and recognised as an asset on acquisition of the related policies. Accordingly, these costs are charged to the profit and loss account as an expense based on the pattern of recognition of related premium revenue.

5.11 Prepaid reinsurance

Reinsurance expense is recognised evenly in the period of indemnity. The portion of reinsurance contribution not recognised as an expense is shown as a prepayment.

5.12 Sundry receivables

These are recognised at cost, which is the fair value of the consideration receivable less impairment, if any.

5.13 Fixed assets

Owned assets

These are stated at cost less accumulated depreciation and accumulated impairment losses if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenditure are charged to the profit and loss account during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date. Depreciation is charged on additions from the date the asset is available for use and depreciation on disposals is charged till the date of disposal.

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

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

Assets subject to finance lease

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

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

Amortisation is calculated on a straight-line basis over the estimated useful life of the asset. Amortisation is charged on additions from the date the asset is available for use and amortisation on disposals is charged till the date of disposal.

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method over the estimated useful lives. The useful lives and amortisation method are reviewed and adjusted, if appropriate, at each reporting date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment losses, if any.

Capital work in progress

Capital work in progress is stated at cost less any impairment in value. It consists of advances made to suppliers in respect of tangible fixed assets.

Impairment

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

5.14 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

5.15 Financial instruments

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

5.16 Off-setting of financial assets and financial liabilities

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

5.17 Revenue recognition

- Premium income under a policy is recognised over the period of insurance from the date of inception of the policy to which it relates till its expiry in case of marine cargo business whereas for all other cases of premium income is recognised as a difference between total premium written and provision for unearned premium using 1/24th method as mentioned in note 5.4.2 to these financial statements.

- Commission income is being taken to the profit and loss account, on a time proportionate basis, in accordance with the pattern of recognition of reinsurance premium to which they relate.

- Administrative surcharge recovered by the Company from policy holders is included in income currently.

- Return on bank balances and government securities is recognised on an accrual basis.

- Dividend income is recognised when the right to receive the dividend is established.

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

- Income from held to maturity investment is recognised on time proportion basis taking into account the effective yield on the investment. The difference between the redemption and the purchase price of the held to maturity investment is amortised and taken to the profit and loss account over the term of the investment.

5.18 Taxation

Current

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

Deferred

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

The carrying amount of the deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

5.19 Staff retirement benefits

5.19.1 Defined contribution plan

The Company operates an approved provident fund scheme for its permanent employees who have completed the minimum qualifying period of service. Equal monthly contributions to the fund are made both by the Company and employees at the rate of 10% of the basic salary.

5.19.2 Defined benefit plan - approved gratuity fund

All employees of the Company, who have completed the minimum qualifying period of service, participate in an approved funded defined gratuity plan. Contributions to the fund are made based on actuarial recommendations. The most recent actuarial valuation was carried out for the year ended December 31, 2014 using the Projected Unit Credit Method. Amounts arising as a result of 'Remeasurements', representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost are recognised in the Balance Sheet immediately, with a charge or credit to 'Other Comprehensive Income' in the periods in which they occur.

5.19.3 Compensated absences

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

5.20 Premiums due but unpaid

These are recognised at cost, which is the fair value of the consideration receivable, less provision for impairment, if any.

5.21 Amount due from / to other insurers / reinsurers

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

5.22 Management expenses

These are allocated to various classes of business in proportion to the respective gross premium written for the year.

5.23 Dividends and appropriations to reserves

Dividends and appropriations to reserves are recorded in the period in which these are approved.

5.24 Foreign currencies transactions

Foreign currency transactions are translated into Pakistani Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Exchange gains or losses are included in income currently.

5.25 Earnings / loss per share

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

6. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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

	Note
Underwriting provisions	5.4
Classification of investments and its impairment	5.8 & 12
Reinsurance recoveries against outstanding claims	5.9
Deferred acquisition costs	5.10 & 18
Useful lives of assets and methods of depreciation	5.13 & 17
Deferred taxation	5.18 & 13
Staff retirement benefits	5.19 & 8.1

7. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2014	2013		2014	2013
(Number of shares)			--- (Rupees in thousand) ---	
35,000,000	35,000,000	Ordinary shares of Rs. 10 each issued as fully paid in cash	**350,000**	350,000

		Note	2014	2013
			--- (Rupees in thousand) ---	
8	**OTHER CREDITORS AND ACCRUALS**			
	Commission payable		**20,134**	32,043
	Sales tax / Federal excise duty payable		**23,150**	3,541
	Federal insurance fee payable		**980**	789
	Security deposits		**3,506**	4,714
	Compensated absences		**1,564**	1,984
	Defined benefit plan - approved gratuity fund	8.1	**1,795**	1,588
	Others		**5,453**	5,387
			56,582	50,046

8.1 Defined benefit Plan - Approved gratuity fund

8.1.1 Salient features

The Company offers an approved gratuity fund for all employees. Annual contributions are made to the fund on the basis of actuarial recommendations. The gratuity is governed under the Trust Act, 1882, Trust Deed and Rules of the Fund, Companies Ordinance, 1984, the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002.

The Company faces the following risks on account of gratuity fund:

Final salary risks

The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Asset volatility

Most assets are invested in risk free investments. However, investments in shares are subject to adverse fluctuation as a result of changes in market price.

Discount rate fluctuation

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plan's bond holdings.

Investment risks

The risk of the investment underperforming and not being sufficient to meet the liabilities. The risk is mitigated by closely monitoring the performance of investment.

Risk of insufficiency of assets

This is managed by making regular contribution to the Fund as advised by the actuary.

The benefits under the gratuity scheme are payable on retirement at the age of sixty years , resignation , or earlier cessation of service. The benefit is equal to one month's last basic salary drawn for each year of eligible service. The minimum qualifying period for eligibility under the plan is five years of continuous service.

8.1.2 Valuation results

Actuarial valuation is carried out every year and the latest valuation was carried out as at December 31, 2014. The information provided in notes 8.1.3 to 8.1.12 has been obtained from the actuarial valuation carried out as at December 31, 2014. The following significant assumptions have been used for valuation of this scheme:

	2014	2013
	(%)	
Valuation discount rate	**11.25**	13
Salary increase rate	**10.25**	12
Expected return on plan assets	**11.25**	13

	2014	2013
	(Rupees in thousand)	
8.1.3 Reconciliation of payable to approved gratuity fund		
Present value of defined benefit obligation	**20,688**	30,410
Fair value of plan assets	**(18,893)**	(28,822)
	1,795	1,588
8.1.4 Movement in liability during the year		
Obligation at the beginning of the year	**1,588**	(5,577)
Charge to profit and loss account	**3,710**	3,353
Other comprehensive income	**(1,915)**	4,446
Contribution to the fund during the year	**(1,588)**	(634)
Closing balance	**1,795**	1,588
8.1.5 Movement in present value of defined benefit obligation		
Present value of obligation as at January 1	**30,410**	22,064
Current service cost	**3,299**	4,189
Interest cost	**3,058**	2,453
Benefits paid	**(13,768)**	(1,460)
Actuarial (gain) / loss	**(2,311)**	3,164
Present value of obligation as at December 31	**20,688**	30,410

	2014	2013
8.1.6 Movement in fair value of plan assets	--- (Rupees in thousand) ---	
Fair value of plan assets as at January 1	**28,822**	27,641
Expected return on plan assets	**2,647**	3,289
Contributions to the fund	**1,588**	634
Benefits paid	**(13,768)**	(1,460)
Actuarial loss	**(396)**	(1,282)
Fair value as at December 31	**18,893**	28,822
8.1.7 Amounts recognised in the profit and loss account:		
Current service cost	**3,299**	4,189
Interest cost	**411**	(836)
	3,710	3,353
8.1.8 Actual return on plan assets		
Expected return on assets	**2,647**	3,289
Actuarial loss	**(396)**	(1,282)
	2,251	2,007

8.1.9 Sensitivity analysis

a) The impact of 1% change in following variables on defined benefit obligation is as follows:

	Change in assumption	Increase in assumption	Decrease in assumption
		---- (Rupees in thousand) ----	
Discount rate	1%	16,030	21,057
Expected rate of increase in salaries	1%	21,152	15,920

b) The impact on defined benefit obligation due to increase in life expectancy by 1 year would be Rs 18.315 million.

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant assumptions, same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability.

8.1.10 Plan assets comprise the following:

	2014		2013	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Term deposit receipts	**17,442**	**92.32**	21,635	75.07
Bank deposits	**1,451**	**7.68**	2,794	9.69
Member's Loan (receivable)	**-**	**-**	4,393	15.24
Total	**18,893**	**100**	28,822	100

8.1.11 Based on actuarial advice, the Company intends to charge an amount of Rs 3.714 million in the financial statements for the year ending December 31, 2015.

8.1.12 5 year data on (deficit) / surplus of the plan is as follows:

	2014	2013	2012	2011	2010
	(Rupees in thousand)				
Historical information					
Present value of defined benefit obligation	**(20,688)**	(30,410)	(22,064)	(18,176)	(12,719)
Fair value of plan assets	**18,893**	28,822	27,641	23,023	7,192
(Deficit) / surplus	**(1,795)**	(1,588)	5,577	4,847	(5,527)

9. OBLIGATION UNDER MUSHARAKAH AGREEMENT

	2014	2013
	(Rupees in thousand)	
Opening balance	**1,556**	2,405
Obtained during the year	**-**	-
	1,556	2,405
Repaid during the year	**(1,556)**	(849)
Closing balance	**-**	1,556

	2014 Minimum lease payments	2014 Present value	2013 Minimum lease payments	2013 Present value
	(Rupees in thousand)			
Not later than one year	-	-	1,053	849
Later than one year and not later than five years	-	-	764	707
	-	-	1,817	1,556
Less: Amount representing future finance charges	-	-	261	-
	-	-	1,556	1,556
Less: Current portion	-	-	1,053	1,053
	-	-	503	503

9.1 In prior year, the Company had obtained this facility under Musharakah Agreement from a Modaraba for purchase of vehicles. During the year, the Company has repaid the share of the Modaraba in the musharakah asset and no amount is payable to the Modaraba as at year end. The mark up rate on this arrangement was 17.50% per annum (2013: 17.50% per annum).

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

The tax assessment of the Company has been finalised upto and including the tax year 2013. The tax returns filed are to be taken as deemed assessment in terms of Section 120 of the Income Tax Ordinance, 2001. However, while finalising the tax audit for the tax year 2007, the Taxation Officer had disallowed certain expenses claimed by the Company and increased the tax charge by Rs. 3.128 million. The Company has contested the amended order by filing an appeal before the Commissioner Inland Revenue (Appeals) which has been decided whereby substantial relief has been allowed. However, a second appeal has been filed before the Appellate Tribunal Inland Revenue for the remaining disallowed amount which is pending adjudication. Further, while finalising the tax audit for the tax year 2008, the Taxation Officer had charged minimum taxation on gross receipts of the Company and increased the tax charge by Rs. 1.51 million. The Company has contested the amended order by filing an appeal before the Commissioner Inland Revenue (Appeals) which is pending adjudication. The management, based on the advice of its tax advisor, is confident of a favourable outcome in both cases and, accordingly, no provision in this respect has been made in these financial statements.

During the year ended 2009, the Taxation Officer had passed an order along with notice of demand under section 161/205 of the Income Tax Ordinance, 2001, on alleged default of non-deduction of withholding tax on payments of insurance premium to non-resident reinsurer for the tax year 2009. The tax authorities had filed a writ petition against the Company along with other insurance companies in the High Court of Sindh. The petition has been dismissed by the Court and favorable outcome has been given in favor of the Company along with other insurance companies. The Company had also filed an appeal with the Commissioner Income Tax Appeals which is pending adjudication, to date. The tax impact of the above amounts to Rs 5.48 million against which no provision has been made in these financial statements, as the Company is confident of a favorable outcome.

10.2 Commitments

As at December 31, 2014, the Company has commitments amounting to Rs. 4.607 million which represents the estimated value of capital expenditure that will be incurred on construction and renovation work at Emerald Tower office.

11. CASH AND BANK DEPOSITS

	Note	2014	2013
		--- (Rupees in thousand) ---	
Cash and other equivalents			
- cash in hand		**-**	-
- stamps in hand		**236**	268
		236	268
Current and other accounts			
- current accounts		**8,298**	9,430
- saving accounts	11.1	**12,899**	57,464
		21,197	66,894
Deposits maturing within 12 months - Term deposit receipts	11.2	**20,000**	35,000
		41,433	102,162

11.1 The balances in savings accounts carry mark-up at 7.00% per annum (2013: 8.00% per annum).

11.2 This represents term deposits with a commercial bank carrying interest rate of 8.85% (2013: 8.2% to 9.2%) per annum and will mature by January 2015.

12. INVESTMENTS

	Note	2014	2013
		--- (Rupees in thousand) ---	
Designated at fair value through profit and loss account			
Mutual funds	12.1	**4,203**	3,740
Listed shares	12.2	**27,920**	26,616
Held to maturity			
Government securities	12.3 & 12.3.1	**43,449**	43,267
		75,572	73,623

12.1 Mutual funds

2014	2013	Name of Entity	2014	2013
------(No. of Units)------			--- (Rupees in thousand) ---	
65,587	65,587	Golden Arrow Selected Stocks Fund Limited- closed end fund	**725**	553
33,208	31,663	PICIC Cash Fund - open end fund	**3,478**	3,187
			4,203	3,740

12.2 Listed shares

(No. of shares)				
11,343	11,343	Arif Habib Corporation Limited	**635**	363
-	35,000	Azgard Nine Limited	**-**	250
2,812	2,812	Fatima Fertilizer Company Limited	**101**	80
22,959	20,872	Glaxo SmithKline Limited	**5,035**	2,844
16,105	14,641	Habib Bank Limited	**3,483**	2,439
7,320	6,655	MCB Bank Limited	**2,237**	1,871
15,812	15,812	National Bank of Pakistan	**1,098**	918
10,000	10,000	Nishat Mills Limited	**1,210**	1,272
10,000	10,000	Oil and Gas Development Company Limited	**2,059**	2,764
62,310	62,310	Pakistan Petroleum Limited	**10,999**	13,331
3,125	2,500	Shell Pakistan Limited	**809**	476
1,031	1,031	Aisha Steel Mills Limited	**7**	8
5,000	-	Adamjee Insurance Company Limited	**247**	-
			27,920	26,616

12.3 Government Securities - Market treasury bills

These securities have been deposited with the State Bank of Pakistan in compliance with the requirements of section 29 of the Insurance Ordinance, 2000. These carry rate of return of 9.96% (2013: 9.10%) per annum and will mature in May 2015.

12.3.1 The fair value of Market treasury bills as at December 31, 2014 is Rs 43.506 million (2013: Rs: 43.061 million) which is determined on the basis of yields published by Reuters (PKRV) for government securities.

13. DEFERRED TAXATION

The Company has an aggregate amount of Rs 236.079 million (2013: Rs 130.834 million) in respect of tax losses as at December 31, 2014 on which deferred tax assets amounting to Rs 82.628 million is available to the Company. The management carries out periodic assessment to assess the benefit of these losses whether the Company would be able to set off the profits earned in future years against these losses. Although the Company is expected to acquire new business which will result in increase in taxable profits in future years, but the determination of future taxable profit is most sensitive to certain key assumptions such as gross premium written, reinsurance ceded, net claim expenses, investment returns, net commission expense and related expenses. Any significant change in the key assumptions may have a significant effect on the realisibility of the deferred tax asset. Considering these factors along with the uncertainty regarding the timing and extent of future taxable profits against which such benefits can be utilized, the management has adopted a prudent approach and has not recognized further deferred tax asset during the current year. The amount of deferred tax asset recognised as at December 31, 2014 amounted to Rs. 2.619 million (2013: Rs 2.619 million).

14. PREMIUMS DUE BUT UNPAID - UNSECURED

	Note	2014	2013
		--- (Rupees in thousand) ---	
Considered good	14.1	**292,421**	255,563
Considered doubtful		**17,460**	15,960
		309,881	271,523
Provision for doubtful recovery	14.2	**(17,460)**	(15,960)
		292,421	255,563

14.1 This includes an amount of Rs 1.630 million (2013: Rs 7.764 million) due from related parties.

14.2 The movement of provision for doubtful recovery is as follows:

	Note	2014	2013
		--- (Rupees in thousand) ---	
Opening balance		**15,960**	18,502
Charge for the year	19	**8,625**	-
Write off during the year		**(7,125)**	-
Reversal		**-**	(2,542)
Closing balance		**17,460**	15,960

15. DEFERRED ACQUISITION COSTS

The Company followed a policy of apportioning management expenses between the earned and unearned portion of premium written by charging as expense the portion relating to the earned portion and carrying forward as deferred acquisition costs the portion relating to the unearned portion of premium written.

In accordance with the directives of the SECP, the management of the Company carried out an exercise to identify expenses which need to be charged to the profit and loss account and those which can be deferred. Based on the results of this exercise the company discontinued allocating certain expenses to deferred acquisition cost. In prior year, the Company has also obtained the consent of the Securities and Exchange Commission of Pakistan (SECP) for this revised methodology.

	2014	2013
	--- (Rupees in thousand) ---	

16. PREPAYMENTS

	2014	2013
Prepaid reinsurance premium ceded	169,363	205,207
Others	1,209	9,124
	170,572	214,331

17. FIXED ASSETS

	2014											
	Cost					Accumulated depreciation / amortization					Written down value	
Description	At the beginning of the year	Additions	Disposals	Transfer	At the end of the year	At the beginning of the year	Charge for the year	Disposals	Transfer	At the end of the year	At the end of the year	Rate
	(Rupees in thousand)											%
Tangible - Owned												
Furniture and fixture	6,063	-	-	-	6,063	6,051	5	-	-	6,056	7	20
Office equipment	4,436	23	(252)	-	4,207	3,394	383	(211)	-	3,566	641	20
Computer equipment	8,343	900	(702)	-	8,541	7,259	713	(694)	-	7,278	1,263	33.33
Motor vehicles	2,648	172	(7,163)	4,715	372	2,571	799	(6,965)	3,772	177	195	20
	21,490	1,095	(8,117)	4,715	19,183	19,275	1,900	(7,870)	3,772	17,077	2,106	
Tangible - Under Musharakah agreement												
Motor vehicles	4,715	-	-	(4,715)	-	3,772	-	-	(3,772)	-	-	20
	26,205	1,095	(8,117)	-	19,183	23,047	1,900	(7,870)	-	17,077	2,106	
Intangible												
Computer software	5,178	-	-	-	5,178	4,748	239	-	-	4,987	191	33.33
Total	31,383	1,095	(8,117)	-	24,361	27,795	2,139	(7,870)	-	22,064	2,297	

	2013											
	Cost					Accumulated depreciation / amortization					Written down value	
Description	At the beginning of the year	Additions	Disposals	Transfer	At the end of the year	At the beginning of the year	Charge for the year	Disposals	Transfer	At the end of the year	At the end of the year	Rate
	(Rupees in thousand)											%
Tangible-Owned												
Furniture and fixture	6,161	-	(98)	-	6,063	6,083	66	(98)	-	6,051	12	20
Office equipment	4,164	368	(96)	-	4,436	3,150	340	(96)	-	3,394	1,042	20
Computer equipment	7,672	812	(141)	-	8,343	6,612	788	(141)	-	7,259	1,084	33.33
Motor vehicles	4,029	45	(1,426)	-	2,648	3,634	95	(1,158)	-	2,571	77	20
	22,026	1,225	(1,761)	-	21,490	19,479	1,289	(1,493)	-	19,275	2,215	
Tangible - Under Musharakah agreement												
Motor vehicles	4,715	-	-	-	4,715	2,829	943	-	-	3,772	943	20
	26,741	1,225	(1,761)	-	26,205	22,308	2,232	(1,493)	-	23,047	3,158	
Intangible												
Computer software	4,698	480	-	-	5,178	4,484	264	-	-	4,748	430	33.33
Total	31,439	1,705	(1,761)	-	31,383	26,792	2,496	(1,493)	-	27,795	3,588	

17.1 The depreciation / amortisation charge for the year has been allocated as follows:

	Note	2014	2013
		--- (Rupees in thousand) ---	
Management expenses	18	**1,571**	1,548
General and administrative expenses	19	**568**	948
		2,139	2,496

17.2 Cost of fully depreciated fixed assets that are still in the Company's use, as at December 31, 2014, amounted to Rs 14.387 million (2013: Rs 20.355 million).

17.3 Details of disposals of fixed assets during the year having written down value of more than Rs. 50,000 are as follows:

Asset description	Cost	Accumulated depreciation	Net book value	Sale Proceeds	Gain / (loss) on sale of property and equipment	Mode of disposal	Particular of purchaser / insurer
Motor vehicle	1,830	1,464	122	122	-	Negotiation	Mr.Ahmed Salahuddin (Ex Chief Executive Officer)
Motor vehicle	2,885	2,308	577	1,750	1,173	Negotiation	Mr.Mian Imran Ali
Total	**4,715**	**3,772**	**699**	**1,872**	**1,173**		

	Note	2014	2013
17.4 CAPITAL WORK IN PROGRESS		--- (Rupees in thousand) ---	
Advances – to suppliers	17.4.1	**10,557**	-

17.4.1 The Company has paid these advances to suppliers for construction and renovation work at Emerald Tower office.

18. MANAGEMENT EXPENSES

	Note	2014	2013
Salaries, wages and other benefits	18.1	**45,546**	64,784
Rent, rates and taxes		**9,977**	8,429
Depreciation / amortisation	17.1	**1,571**	1,548
Utilities		**4,227**	3,604
Travelling and conveyance		**1,163**	1,099
Printing and stationery		**825**	1,504
Vehicle running expenses		**24,619**	34,169
Communication		**1,800**	1,839
Survey fee		**116**	227
Health business expense		**12,628**	4,872
Others		**1,426**	1,278
		103,898	123,353
Add: Opening deferred acquisition costs		**42,301**	36,689
		146,199	160,042
Less: Closing deferred acquisition costs		**35,520**	42,301
		110,679	117,741

18.1 This includes an amount of Rs. 2.918 million (2013: Rs. 2.706 million) in respect of staff retirement benefits.

19. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2014	2013
		--- (Rupees in thousand) ---	
Salaries, wages and other benefits	19.1	**59,176**	36,419
Rent, rates and taxes		**2,860**	2,106
Depreciation / amortisation	17.1	**568**	948
Utilities		**1,290**	1,122
Repairs and maintenance		**2,423**	1,713
Legal and professional charges		**7,271**	4,746
Travelling and conveyance		**152**	298
Printing and stationery		**693**	825
Entertainment		**746**	762
General office expenses		**1,415**	1,343
Vehicle running expenses		**640**	1,275
Advertisement		**1,409**	265
Computer charges		**1,866**	1,201
Communication		**310**	388
Provision against premium due but unpaid		**8,625**	-
Books and periodicals		**1,155**	705
Auditors' remuneration	19.2	**1,037**	844
Others		**23**	665
		91,659	55,625

19.1 This includes an amount of Rs. 4.253 million (2013: Rs. 4.266 million) in respect of staff retirement benefits.

19.2 Auditors' remuneration

	2014	2013
	--- (Rupees in thousand) ---	
Audit fee	**550**	500
Half yearly review	**230**	200
Regulatory return and CCG	**120**	100
Out of pocket expenses	**137**	44
	1,037	844

20. OTHER CHARGES

	2014	2013
Contribution to Workers' Welfare Fund	-	202
Exchange loss	-	15
Bank charges	**245**	292
	245	509

21. TAXATION

21.1 Current tax charge has only been recorded in respect of dividend income which has been treated as a separate block of income. The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as the Company has incurred loss during the year and has accumulated losses in respect of prior periods.

21.2 Under section 114 of the Income Tax Ordinance, 2001 (Ordinance), the Company has filed the returns of income for the tax years from 2005 to 2014 on due dates. These returns were deemed completed under the provisions of the prevailing income tax law as applicable in Pakistan during the relevant accounting years except as explained in note 10 to these financial statements.

22. OTHER INCOME

	2014	2013
	--- (Rupees in thousand) ---	
Service income from co-insurer arrangements	-	505
Reversal of excess provision against premium due but unpaid	-	2,542
	-	3,047

23. (LOSS) / EARNINGS PER SHARE - basic and diluted

Basic (loss) / earnings per share are calculated by dividing the net (loss) / profit for the year by the weighted average number of shares as at the year end as follows:

	2014	2013
	--- (Rupees in thousand) ---	
(Loss) / profit after tax for the year	**(130,962)**	9,424
	--- (Number in thousand) ---	
Weighted average number of shares of Rs 10 each	**35,000**	35,000
	------------ (Rupee) ------------	
Basic (loss) / earnings per share of Rs 10 each	**(3.74)**	0.27

23.1 No figure for diluted (loss) / earnings per share has been presented as the Company has not issued any instrument which would have an impact on (loss) / earnings per share when exercised.

24. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

24.1 Aggregate amounts charged in the financial statements for remuneration, including all benefits to the Chief Executive Officer, Director and Executives of the Company are as follows:

	2014			2013		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	------- (Rupees in thousand) -------			------- (Rupees in thousand) -------		
Fee for attending Board meetings*	-	230	-	-	-	-
Managerial remuneration	9,754	4,350	34,269	10,844	8,700	29,207
Leave fare assistance	2,610	-	-	2,054	-	-
Utilities	76	71	-	102	195	-
Medical expenses	201	64	827	100	40	580
Others	-	-	-	384	101	131
	12,641	4,715	35,096	13,484	9,036	29,918
Number of persons	2**	1***	17	1	1	15

*This includes fee for attending Board meetings of six directors.

** During the year Mr. Ahmed Salahuddin resigned from the office of the Chief Executive and Mr. Afroz Quraishi was appointed as the new Chief Executive of the company w.e.f September 1, 2014

*** During the year Mr. Tariq Iqbal Khan resigned from the office of the Director w.e.f June 06, 2014.

25. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of associated entities having directors in common, major shareholders, directors, post employment benefit plan and key management personnel. The transactions with related parties and balances with them as at year end, other than remuneration of key management personnel (which is disclosed in note 24.1) are as follows:

	Note	2014	2013
		--- (Rupees in thousand) ---	
Transactions			
Premium written		**10,266**	20,637
Claims paid		**2,912**	5,254
Return on bank balances		**1,164**	4,830
Bank charges		**112**	292
Contribution for staff provident fund		**3,462**	3,488
Contribution to gratuity fund	8.1.6	**1,588**	634
Charge in respect of gratuity fund	8.1.4	**3,710**	3,353
Proceeds from sale of fixed assets	17.3	**122**	-
Balances outstanding at year end			
Bank deposits		**-**	66,769
Investments		**-**	3,187
Payable to gratuity fund		**(1,795)**	(1,588)
Premiums due but unpaid		**1,630**	7,764

26. SEGMENT REPORTING

26.1 The Company's business is organised and managed separately according to the nature of services provided with the following segments:

- Fire and property insurance provides coverage against damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and other related perils.
- Marine, aviation and transport insurance provides coverage against cargo risk, war risk, damages occurring in inland transit and other related perils.
- Motor insurance provides comprehensive car coverage, indemnity against third party loss and other related coverage.
- Accident and health insurance provides coverage against personal accident, hospitalization and other medical benefits.
- Miscellaneous insurance provides coverage against burglary, loss of cash in safe and cash in transit, engineering losses, travel, credit and suretyship insurance and other coverage.

26.2 Segment results

	2014					
	Fire and property damage	Marine, aviation and transport	Motor	Accident and Health	Miscellaneous	Total
	(Rupees in thousand)					
Net premium revenue	17,516	9,243	146,664	104,080	15,195	292,698
Net claims	(2,032)	(7,644)	(71,403)	(130,109)	(1,931)	(213,119)
Premium deficiency expense	-	-	-	(7,781)	-	(7,781)
Management expenses	(33,800)	(10,260)	(26,218)	(15,760)	(24,641)	(110,679)
Net commission	1,713	1,003	(11,093)	(5,692)	370	(13,699)
Segment results	(16,603)	(7,658)	37,950	(55,262)	(11,007)	(52,580)
Net investment income						7,423
Return on bank balances						4,744
Gain on disposal of fixed assets						1,713
						(38,700)
General and administrative expenses						(91,659)
Financial charges						(199)
Other charges						(245)
Loss before taxation						(130,803)

	2013					
	Fire and property damage	Marine, aviation and transport	Motor	Accident and Health	Miscellaneous	Total
	(Rupees in thousand)					
Net premium revenue	15,971	16,817	151,008	109,520	29,189	322,505
Net claims	(380)	(4,511)	(59,898)	(110,214)	(2,555)	(177,558)
Reversal of premium deficiency expense / premium deficiency expense	-	2,134	-	-	-	2,134
Management expenses	(26,078)	(13,811)	(31,098)	(24,338)	(22,416)	(117,741)
Net commission	16,693	5,906	(12,491)	(5,648)	3,387	7,847
Segment results	6,206	6,535	47,521	(30,680)	7,605	37,187
Net investment income						12,014
Return on bank balances						13,130
Gain on disposal of fixed assets						1,021
Other income						3,047
						66,399
General and administrative expenses						(55,625)
Financial charges						(357)
Other charges						(509)
Profit before taxation						9,908

26.3 Other information - Statement of Assets and Liabilities

	Fire and property damage	Marine, aviation and transport	Motor	Accident and Health	Miscellaneous	Total
	2014					
	(Rupees in thousand)					
Segment assets	303,427	122,501	131,954	29,691	199,961	787,534
Unallocated assets	-	-	-	-	-	165,170
Consolidated total assets	-	-	-	-	-	952,704
Segment liabilities	272,861	103,966	152,775	88,195	186,577	804,374
Unallocated liabilities	-	-	-	-	-	48,772
Consolidated total liabilities						853,146

	Fire and property damage	Marine, aviation and transport	Motor	Accident and Health	Miscellaneous	Total
	2013					
	(Rupees in thousand)					
Segment assets	227,968	79,429	83,499	117,382	196,810	705,088
Unallocated assets	-	-	-	-	-	220,660
Consolidated total assets	-	-	-	-	-	925,748
Segment liabilities	200,443	83,314	126,667	122,837	137,099	670,360
Unallocated liabilities	-	-	-	-	-	26,783
Consolidated total liabilities						697,143

27. FINANCIAL INSTRUMENTS BY CATEGORY

	2014	2013
	--- (Rupees in thousand) ---	
Financial assets and financial liabilities		
Financial assets		
Loans and receivables - amortisation		
Cash and bank deposits		
Cash and other equivalents	**236**	268
Current and other accounts	**21,197**	66,894
Deposits maturing within 12 months	**20,000**	35,000
	41,433	102,162
Current assets - others		
Premiums due but unpaid	**292,421**	255,563
Amounts due from other insurers / reinsurers	**199,834**	120,613
Accrued interest	**120**	175
Reinsurance recoveries against outstanding claims	**72,172**	55,122
Sundry and other receivables	**6,758**	5,534
	571,305	437,007
Investments		
-At fair value through profit or loss	**32,123**	30,356
-Held to maturity	**43,449**	43,267
	75,572	73,623
	688,310	612,792
Financial Liabilities		
Amortised cost		
Provision for outstanding claims (including IBNR)	**185,953**	123,548
Amounts due to other insurers / reinsurers	**284,089**	112,320
Accrued expenses	**12,129**	7,029
Unclaimed dividend	**195**	195
Obligation under musharakah agreement	**-**	1,556
Other creditors and accruals	**31,631**	44,895
	513,997	289,543

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The carrying values of all financial assets and financial liabilities reflected in the financial statements approximate their fair values except for market treasury bills whose fair value is specified in note 12.3.1.

The different level by valuation method of financial instruments have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	2014			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Financial assets designated at fair value through profit or loss				
- Equity securities	32,123	-	-	32,123

	2013			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Financial assets designated at fair value through profit or loss				
- Equity securities	30,356	-	-	30,356

29. RISK MANAGEMENT

29.1 Risk management framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives. Key management recognises the critical importance of having efficient and effective risk management systems in place. The Board of Directors of the Company supervises the overall risk management approach within the Company. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board to Executive Management Committees and senior managers.

29.2 Insurance risks

The Company mainly issues the following types of insurance contracts:

- Fire and property
- Marine, aviation and transport
- Motor
- Accident and health
- Miscellaneous

These contracts are normally one year insurance contracts except marine contracts which are generally for a period of 3 to 6 months.

29.2.1 Frequency and severity of claims

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or timing thereof, differ from expectations. This is influenced by frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

29.2.2 Reinsurance Arrangements

Such risk exposure is mitigated by diversification across a large portfolio of insurance contracts and careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Strict claim review policies to assess all new and ongoing claims and regular detailed review of claims handling procedures are also put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future development.

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

The Company's class wise risk exposure (based on maximum loss coverage in a single policy) is as follows:

	2014		
	Maximum sum insured	Reinsurance cover	Highest net liability
	---------(Rupees in thousand)---------		
Fire and property	14,490,000	14,417,550	72,450
Marine, aviation and transport	12,337,500	12,275,813	61,687
Motor	21,400	10,700	10,700
Accident and health	600	-	600
Miscellaneous	14,490,000	14,417,550	72,450
	41,339,500	41,121,613	217,887

	2013		
	Maximum sum insured	Reinsurance cover	Highest net liability
	---------(Rupees in thousand)---------		
Fire and property	9,592,430	9,544,468	47,962
Marine, aviation and transport	5,460,000	5,405,400	54,600
Motor	18,000	9,330	8,670
Accident and health	1,000	-	1,000
Miscellaneous	12,712,242	12,537,925	174,317
	27,783,672	27,497,123	286,549

The table below sets out the concentration of insurance contract liabilities by type of contract:

	2014		
	Gross liabilities	Gross assets	Net liabilities / (assets)
	---------(Rupees in thousand)---------		
Fire and property	272,861	303,427	(30,566)
Marine, aviation and transport	103,966	122,501	(18,535)
Motor	152,775	131,954	20,821
Accident and health	88,195	29,691	58,504
Miscellaneous	186,577	199,961	(13,384)
	804,374	787,534	16,840

	2013		
	Gross liabilities	Gross assets	Net liabilities / (assets)
	---------(Rupees in thousand)---------		
Fire and property	200,443	227,968	(27,525)
Marine, aviation and transport	83,314	79,429	3,885
Motor	126,667	83,499	43,168
Accident and health	122,837	117,382	5,455
Miscellaneous	137,099	196,810	(59,711)
	670,360	705,088	(34,728)

29.2.3 Uncertainty in the estimation of future claims payment

Claims on general insurance contracts are payable on a claim occurrence basis. The Company is liable for all insured events that occur during the term of the insurance contract.

An estimated amount of the claim is recorded immediately on intimation to the Company. The estimation of the amount is based on the amount notified by the policy holder, management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. For the estimation of provision of claims incurred but not reported (IBNR), the Company uses historical experience factor based on analysis of the past years claim reporting pattern.

There are several variable factors which affect the amount and timing of recognized claim liabilities. However, the management considers that uncertainty about the amount and timing of claim payments is generally resolved within a year. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from recognized amounts.

29.2.4 Key assumptions

The principal assumption underlying the liability estimation of IBNR and premium deficiency reserve is that the Company's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc.

29.2.5 Sensitivities

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

	Effect of 10% increase in claims		Effect of 10% decrease in claims	
	Profit and Loss account	Equity	Profit and Loss account	Equity
	(Rupees in thousand)			
Fire and property	(203)	(203)	203	203
Marine, aviation and transport	(764)	(764)	764	764
Motor	(7,140)	(7,140)	7,140	7,140
Accident and health	(13,011)	(13,011)	13,011	13,011
Miscellaneous	(193)	(193)	193	193
	(21,311)	(21,311)	21,311	21,311

The above effects have been worked out on the assumption that increase / decrease in net claims expense pertains to individual segment in isolation.

29.3 Financial risk

(i) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and market prices.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest / mark-up rate risk in respect of the following:

	Interest Rates	2014						
		Interest / mark-up bearing			Non-interest / mark-up bearing			
		Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
		(Rupees in thousand)						
Financial assets								
Cash and bank deposits	7% - 9.5%	32,899	-	32,899	8,534	-	8,534	41,433
Investments	9.96%	43,449	-	43,449	32,123	-	32,123	75,572
Premium due but unpaid		-	-	-	292,421	-	292,421	292,421
Amount due from other insurers / reinsurers		-	-	-	199,834	-	199,834	199,834
Accrued interest		-	-	-	120	-	120	120
Reinsurance recoveries against outstanding claims		-	-	-	72,172	-	72,172	72,172
Sundry and other receivables		-	-	-	-	6,758	6,758	6,758
		76,348	-	76,348	605,204	6,758	611,962	688,310
Financial liabilities								
Provision for outstanding claims (including IBNR)		-	-	-	185,953	-	185,953	185,953
Amounts due to other insurers / reinsurers		-	-	-	284,089	-	284,089	284,089
Other creditors and accruals		-	-	-	31,631	-	31,631	31,631
Accrued expenses		-	-	-	12,129	-	12,129	12,129
Unclaimed dividend		-	-	-	195	-	195	195
		-	-	-	513,997	-	513,997	513,997
		76,348	-	76,348	91,207	6,758	97,965	174,313

	Interest Rates	2013 Interest / mark-up bearing Maturity upto one year	Maturity after one year	Sub total	Non-interest / mark-up bearing Maturity upto one year	Maturity after one year	Sub total	Total
		(Rupees in thousand)						
Financial assets								
Cash and bank deposits	8% - 9.2%	92,464	-	92,464	9,698	-	9,698	102,162
Investments	9.10%	43,267	-	43,267	30,356	-	30,356	73,623
Premium due but unpaid		-	-	-	255,563	-	255,563	255,563
Amount due from other insurers / reinsurers		-	-	-	120,613	-	120,613	120,613
Accrued interest		-	-	-	175	-	175	175
Reinsurance recoveries against outstanding claims		-	-	-	55,122	-	55,122	55,122
Sundry and other receivables		-	-	-	-	5,534	5,534	5,534
		135,731	-	135,731	471,527	5,534	477,061	612,792
Financial liabilities								
Provision for outstanding claims (including IBNR)		-	-	-	123,548	-	123,548	123,548
Amounts due to other insurers / reinsurers		-	-	-	112,320	-	112,320	112,320
Other creditors and accruals		-	-	-	44,895	-	44,895	44,895
Accrued expenses		-	-	-	7,029	-	7,029	7,029
Unclaimed dividend		-	-	-	195	-	195	195
Obligation under musharakah agreement	17.50%	849	707	1,556	-	-	-	1,556
		849	707	1,556	287,987	-	287,987	289,543
		134,882	(707)	134,175	183,540	5,534	189,074	323,249

Sensitivity analysis

The Company is exposed to interest risk in respect of saving bank deposits, borrowings under musharakah agreement, investments in term deposit receipts. For cash flow sensitivity analysis of variable and fixed 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. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all variables remain constant.

	Profit and Loss Increase	Decrease
	--- (Rupees in thousand) ---	
As at December 31, 2014		
Cash flow sensitivity - financial assets	588	(588)
As at December 31, 2013		
Cash flow sensitivity - financial assets	1,522	(1,522)
Cash flow sensitivity - financial liabilities	21	(21)

(b) Foreign currency risk

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

(c) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company manages its exposure to such risks by maintaining a diversified portfolio of investments.

The Company has investments in quoted equity securities amounting to Rs. 32.123 million (2013: Rs. 30.356 million) as at December 31, 2013 which have been carried at fair value. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the reporting date . Market prices are subject to fluctuation which may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

Sensitivity analysis

On quoted securities a 10% increase / decrease in redemption value and share prices at year end would have increased / decreased unrealised gain / loss of investment recognised in profit and loss account by Rs 3.212 million.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. To guard against the risk, the Company maintains balance of cash and other equivalents and readily marketable securities. The maturity profile of assets and liabilities are also monitored to ensure adequate liquidity is maintained. All financial liabilities of the Company are short term in nature.

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date on an undiscounted cash flow basis.

	2014			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	(Rupees in thousand)			
Provision for outstanding claims	185,953	185,953	185,953	-
Amounts due to other insurers / reinsurers	284,089	284,089	284,089	-
Other creditors and accruals	31,631	31,631	31,631	-
Accrued expenses	12,129	12,129	12,129	-
Unclaimed dividend	195	195	195	-
	513,997	513,997	513,997	-

	2013			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	(Rupees in thousand)			
Provision for outstanding claims	123,548	123,548	123,548	-
Amounts due to other insurers / reinsurers	112,320	112,320	112,320	-
Other creditors and accruals	44,895	44,895	44,895	-
Accrued expenses	7,029	7,029	7,029	-
Unclaimed dividend	195	195	195	-
Obligation under musharakah agreement	1,556	1,556	849	707
	289,543	289,543	288,836	707

(iii) Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Credit risk also arises in respect of reinsurance contracts as reinsurance ceded does not relieve the Company from its obligation to policy holders and as a result the Company remains liable for the portion of outstanding claims ceded to the extent that the reinsurance operator fails to meet the obligation under the reinsurance arrangements. The Company attempts to control credit risk by monitoring credit exposures and continually assessing the credit worthiness of counterparties. The table below analyses the Company's maximum exposure to credit risk:

	2014	2013
	--- (Rupees in thousand) ---	
- Bank deposits*	**41,197**	101,894
- Premiums due but unpaid**	**292,421**	255,563
- Amounts due from other insurers / reinsurers***	**199,834**	120,613
- Accrued interest*	**120**	175
- Reinsurance recoveries against outstanding claims***	**72,172**	55,122
- Sundry and other receivables	**6,758**	5,739
	612,502	539,106

* The credit quality of Company's bank deposits and accrued interest can be assessed with reference to external credit ratings as follows:

	Rating Short Term	Rating Long Term	Rating Agency	2014	2013
				--- (Rupees in thousand) ---	
Bank deposits					
NIB Bank Limited	A1+	AA-	PACRA	**21,173**	66,769
Habib Metropolitan Bank Limited (including Term Deposit Receipts)	A1+	AA+	PACRA	**20,019**	35,018
Silk Bank Limited	A-2	A-	JCR VIS	**5**	107
				41,197	101,894
Accrued interest					
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	**120**	175

** The age analysis of premiums due but unpaid is as follows:

	2014	2013
	--- (Rupees in thousand) ---	
Upto 1 year	**254,941**	190,278
1 - 2 years	**28,982**	56,631
Over 2 years	**25,958**	24,614
	309,881	271,523

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial assets subject to credit risk is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

*** An analysis of all reinsurance assets recognised by the rating of the entity from which it is due is as follows:

	2014		
	Amount due from reinsurers	**Amount due from Co-insurers**	**Reinsurance recoveries against outstanding claims**
Rating	------ (Rupees in thousand) ------		
A or above	60,994	129,151	64,105
BBB	4,221	1,488	52
Other	3,979	1	8,015
	69,194	130,640	72,172

	2013		
	Amount due from reinsurers	Amount due from Co-insurers	Reinsurance recoveries against outstanding claims
Rating	------ (Rupees in thousand) ------		
A or above	11,526	98,572	53,822
BBB	3,053	1,112	52
Other	6,350	-	1,248
	20,929	99,684	55,122

29.4 Capital management

Capital requirements applicable to the Company are set and regulated by the SECP. These requirements are put in place to ensure sufficient paid up capital and solvency margins. The Company manages its capital requirement by assessing its capital structure against the required capital level on a regular basis. Currently, the Company has a paid-up capital of Rs 350 million against the minimum required paid-up capital of Rs 300 million set by the SECP for non-life insurance companies through issue of Circular No. 3 dated April 10, 2007 for the year ended December 31, 2014.

In accordance with the requirements of the Insurance Ordinance, 2000 and as mentioned in the Securities and Exchange Commission (Insurance) Rules, 2002 "Rules" (amended vide SRO 16(1)/2012 dated January 09, 2012), the minimum solvency requirement (i.e excess of admissible assets over liabilities) is Rs 150 million. The admissible assets of the Company as at December 31, 2014 are in excess of the Company's liabilities by Rs 39.917 million. Hence, the Company is not meeting the required minimum solvency requirement by Rs 110.083 million as at December 31, 2014. The Directors has a plan to inject fresh equity into the Company amounting to Rs 350 million via right issue which has been approved by the Board of Directors in their meeting held subsequent to the year end on April 3, 2015.

30 PROVIDENT FUND RELATED DISCLOSURES

The following information is based on the latest financial statements of the Fund for the year ended December 31:

	2014	2013
	--- (Rupees in thousand) ---	
	Unaudited	Audited
Size of the fund - Total assets	29,216	29,989
Cost of investments made	25,355	23,132
Percentage of investments made	87%	77%
Fair value of investments	25,355	23,132

30.1 The break-up of fair value of investments is as follows:

	2014		2013	
	(Rupees in thousand)	%	(Rupees in thousand)	%
TDR certificates	25,355	100%	23,132	100%

30.2 The management is in compliance with the requirement of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

31 Number of employees

The total average number of employees during the year and as at December 31, 2014 and 2013 respectively are as follows:

	2014	2013
	(No of employees)	
Average number of employees during the year	83	86
Number of employees as at December 31, 2014	78	87

32. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on April 06, 2015 by the Board of Directors of the Company.

33. GENERAL

33.1 Figures in these financial statements have been rounded off to the nearest thousand rupee.

34. CORRESPONDING FIGURES

Corresponding figures have been reclassified, wherever necessary, to facilitate comparisons. No significant reclassification / restatement was made during the current year.

Irshad Ali Shaban Ali Kassim	**Munawar Ali Kassim**	**Muzaffar Ali Shah Bukhari**	**Afroz Quraishi**
Chairman	Director	Director	Managing Director / CEO

Notice of Annual General Meeting

Notice is hereby given that the Eleventh Annual General Meeting of the Company will be held at the Institute of Chartered Accountants of Pakistan (ICAP) Auditorium, Chartered Accountants Avenue, Near Teen Talwar, Clifton, Karachi on Thursday April 30, 2015 at 02:30 pm to transact the following business:

Ordinary Business

1. To confirm the Minutes of the Tenth Annual General Meeting held on April 07, 2014.

2. To receive, consider and adopt the Audited Financial Statements for the year ended December 31, 2014 together with Directors' Report and Auditors' Report thereon.

3. To appoint auditors M/s. Muniff Ziauddin & Co., Chartered Accountants as statutory auditors for the year 2015 in place of retiring auditors M/s. A.F. Ferguson & Co., Chartered Accountants till the conclusion of the next Annual General Meeting.

   Furthermore, one of the member has given the Notice under section 253 of the Companies Ordinance 1984 proposing M/s. Muniff Ziauddin & Co. Chartered Accountants as External Auditor of the Company in place of M/s. A.F. Ferguson & Co. Chartered Accountants.

Special Business

4. To approve issue of right shares at a discount of Rs. 5 by way of special resolution.

5. To consider and if thought fit to increase the authorised share capital of the Company by Rs. 750,000,000, i.e., from Rs. 500,000,000 to Rs. 1,250,000,000 and to accordingly approve the amendments to Clause V of the Memorandum of Association and Article 4 of the Articles of Association of the Company to reflect such increase.

Other Business

6. Any other matter with the permission of Chair.

   A Statement of Material Facts under section 160 (1) (b) of the Companies Ordinance, 1984 relating to said Special Business is given hereunder.

By Order of the Board

Faiza Khalid
Company Secretary

Karachi: April 09, 2015

Notes:

1. The share transfer books of the company will remain closed from April 23, 2015 to April 30, 2015 (both days inclusive).

2. All members are entitled to attend and vote at the meeting.

3. A member entitled to attend and vote at this meeting may appoint another person as his / her proxy to attend, speak and vote instead of him / her behalf at the meeting. Proxies, in order to be valid, must be received at the Registered Office of the Company situated at 1204, 12th Floor, Emerald Tower, Clifton Block-5, Karachi not later than 48 hours before the meeting. A member shall not be entitled to appoint more than one proxy.

4. CDC shareholders are requested to bring their Computerized National Identity Cards, Accounts / Sub-Accounts Number and Participant's ID Number in the Central Depository Company (CDC) for identification purpose when attending the meeting. In case of a corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

5. The individual members who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) and the corporate members who have not yet submitted photocopy of their valid National Tax Number Certificate (NTN) to the company are once again requested to send the same with the Folio / CDC Account Number at the earliest directly to our Registrar, FAMCO Associates (Pvt) Limited, 8-F, next to Hotel Faran, Nursery Block - 6, P.E.C.H.S Shahrah-e-Faisal, Karachi, Pakistan.

6. Shareholders are requested to notify our Registrar immediately of any change in their addresses.

7. Form of proxy, if required, should be signed on Rs. 5/- revenue stamps.

8. The Securities and exchange Commission of Pakistan vide SRO 787(1)/2014 dated September 08, 2014 has allowed companies to circulate annual balance sheet, profit & loss account, auditors report and directors report along with notice of annual general meeting to its members through e-mail. Members who wish to avail this facility can give their consent to Company Secretary at email address : faiza.khalid@picicinsurance.com

9. Audited Accounts of the Company for the year ended December 31, 2014 are available on the Company's website: www.picicinsurance.com.

Statement of Material Facts under Section 160 (1) (b) of the Companies Ordinance, 1984

This statement sets out the material facts concerning the special Business, given in Agenda Item No.4 and 5 of the Notice, to be transacted at the Eleventh Annual General Meeting of the PICIC Insurance Limited.

Item No. 4

Issue of right shares at a discount of Rs. 5 and to authorise the CEO to take all necessary actions in respect thereof

The Board of Directors in their meeting held on April 03, 2015 (and adjourned to April 06, 2015) proposed the issuance of ordinary share having a face value of PKR 10 (Pak Rupees Ten) by way of a rights issue at a discount of Rs. 5 per ordinary share. This will enable the company to improve its profitability and meet the minimum solvency requirements imposed under the Insurance Ordinance 2000. The issuance of the rights shares at a discount is subject to the prior approval of the members and the thereafter the approval of the SECP under Section 84 of the Companies Ordinance 1984.

The Board of Directors of the Company have recommended that the following resolution be passed at the Annual General Meeting as Special Resolution, with or without modification:

"RESOLVED THAT subject to the approval of the SECP under Section 84 of the Companies Ordinance 1984. the paid up share capital of the Company be increased by the issue of further 70,000,000 (seventy million) ordinary shares of Rs. 10 each, that, such shares be offered to the shareholders in proportion to 200 right shares for every 100 shares presently held by each shareholder at a discount of Rs. 5 per share, that such offer be open for acceptance until such date as determined by the Chief Executive Officer of the Company, and that a notice be sent to each shareholder specifying the number of shares he is entitled to subscribe and stating that if the offer is not accepted by the date aforesaid such shareholder shall be deemed to have declined the offer.

FURTHER RESOLVED THAT the Chief Executive Officer of the Company be and is hereby authorised to select and enter into an underwriting arrangement with an underwriter for the purposes of the issuance of the shares in accordance with the Companies (Issue of Capital) Rules, 1996 and to prepare, execute and file all necessary documents as required under section 84 of the Companies Ordinance 1984, and to undertake and make all necessary arrangements to give effect to the resolutions as set down above.

FURTHER RESOLVED THAT the circular in the prescribed form under section 86(3) of the Companies Ordinance 1984 required to accompany the notice aforesaid, a copy whereof as tabled at the meeting, be and is hereby approved, that the Chief Executive Officer or the Company Secretary be and are hereby authorised to sign such circular, and that copies of such circular be filed with the Registrar of Companies and be sent to each of the shareholders along with the notice aforesaid and further the Chief Executive Officer or the Company Secretary be and are hereby authorised to prepare, execute and file all necessary documents and to undertake and make all necessary arrangements to give effect to the resolutions as set down above."

Item No. 5

Increase in Authorised Share Capital and Amendments to Memorandum and Articles of Association

The present authorised share capital of the Company is Rs. 500,000,000 divided into 50,000,000 ordinary shares of Rs. 10 each of which 35,000,000 ordinary shares are issued. The Board of Directors at their meeting held on April 03, 2015 (adjourned to April 06, 2015) decided to raise funds through the issue of 70,000,000 ordinary shares of Rs. 10 each at discount of Rs. 5 per share as and by way of a rights issue. The purpose of the rights issue is to meet the minimum solvency requirements imposed under the Insurance Ordinance 2000, improve the liquidity ratio, improve the profitability and to benefit all stakeholders. In order to facilitate the issuance of the rights shares, the Directors of the Company have recommended that the authorised share capital of the Company be raised to Rs. 1,250,000,000 by Rs. 750,000,000 and that Clause V of the Memorandum of Association and Article 4 of the Articles of Association of the Company be amended accordingly to reflect the same.

The Board of Directors of the Company have recommended that the following resolution be passed at the Annual General Meeting as Special Resolution, with or without modification:

RESOLVED THAT the Authorised Share Capital of the Company be and is hereby increased from Rs. 500,000,000 (Rupees Five Hundred Million) to Rs. 1,250,000,000 (Rupees One Billion and two hundred fifty million) and that:

Clause V of the Memorandum of Association of the Company be and is hereby amended to read as follows:

"V. The Authorised Share Capital of the Company is Rs.1,250,000,000 (Rupees One Billion and Two Hundred Fifty Million) divided into 125,000,000 (One Hundred and Twenty Five Million) ordinary shares of Rs. 10/- (Rupees Ten Only) each with power to increase or reduce the capital and to consolidate or sub-divide the shares and issue shares of different kinds of classes therein of higher or lower denominations in such manner as may for the time being authorised by the regulations of the Company and subject to any incident authorised and consent required by law."

Article 4 of the Articles of Association of the Company be and is hereby amended to read as follows:

"4. The Authorised Share Capital of the Company is Rs. 1,250,000,000 (Rupees One Billion and Two Hundred Fifty Million) divided into 125,000,000 (One Hundred and Twenty Five Million) ordinary shares of Rs. 10/- (Rupees Ten Only) each. The Company shall have the power to increase or reduce the capital and to consolidate or sub-divide the shares and issue shares of different kinds of classes therein of higher or lower denominations and to vary, modify or abrogate any such rights or conditions in such manner as may for the time being be provided by the Company in such manner as may be authorised by the regulations of the Company and subject to applicable laws."

Branch Network

Branch Network	Branch Head / Incharge	Details
Karachi Sales Office		Suit No. E- 1, Executive Floor, Glass Tower, Main Clifton Road, Karachi. Tel : 021-3565 3394-5, 3565 5612-3 & 3563 9712-13 Fax : 021-3565 4764
Lahore Branch	Mr. Shakeel Ahmed	Office # 615, 6th Floor, Plot # 82-D/1 Al Hafeez Shopping Main Boulevard, Gulberg-III, Lahore Tel : 042-3577 4921 - 22 Fax : 042-3577 4687
Islamabad Branch	Mr. Jaffar Awan	Office # 1, Plot # 1917, Atta Arcade, National Police Foundation, Main PWD - Bahria Road, Tel : 051-5194092 Fax : 051-215 0068
Multan Branch	Mr. Muhammed Waheed Zafar	1st Floor Al Razzak Plaza Opp. Childern Complex Hospital, Abdali Road, Multan Tel : 061-4589398 - 99 & 4586665 Fax : 061-4585896
Faisalabad Branch	Mr. Sajjad Ali	Ahmed Plaza, 4th Floor Civil Line, Bilal Road Faisalabad Tel : 041-254 0420-22 Fax : 041-554 0423
Sukkur Branch	Mr. Muhammed Jamshed	Bunder Road, Upper Utility Store, Chacher House Sukkur Tel : 071-562 7263 Fax : 071-562 7283

PICIC INSURANCE

Proxy Form

Annual General Meeting

I / We ____

of ____ being a member of PICIC Insurance Limited

and holder of ____ Ordinary shares as per

Registered Folio No ____ and

/ or CDC Participant I.D. No _______________________ Sub-Account No __________________________

CNIC No _____________________________ or Passport No ___________________________________

Hereby appoint __________________________________ of _____________________________ who

is also a member of the company, Folio No ____ or failing

him / her __________________________________ of ________________________________ as my

/ our Proxy in my / our absence to attend, speak and vote for me / us and on my / our behalf at the Annual General Meeting of the company to be held on Thursday, April 30, 2015 at 02.30 pm at the Institute of Chartered Accountants of Pakistan (ICAP) Auditorium, Chartered Accountants Avenue, Near Teen Talwar, Clifton, Karachi and at any adjournment thereof.

Signed this _________________ day of __________________ 2015

1. Witness:

   Signature _____________________________

   Name ________________________________

   Address _____________________________

   ____

   CNIC or Passport No ___________________

2. Witness:

   Signature _____________________________

   Name ________________________________

   Address _____________________________

   ____

   CNIC or Passport No ___________________

Rupee Five
Revenue
Stamp

Signature of Shareholder

Notes:

1. Proxies in order to be effective must be received at the Registered Office of the company at 1204, 12th Floor, Emeraled Tower, Clifton, Block-5, Karachi not later than 48 hour before the meeting.
2. CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the company.
3. The Shareholders having shares deposited with the Central Depository Company (CDC) are requested to bring their Original Computerized National Identity Card and CDC account number for verification.

PICIC INSURANCE

PICIC Insurance Limited
Registered & Head Office
1204, 12th Floor, Emerald Towers,
Clifton, Block-5, Karachi - 75600, Pakistan.
UAN: 11 12 PICIC (111-274-242)
Landline: +92 21 35147651-5
Fax: +92 21 35147656
www.picicinsurance.com

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