Shaheen Insurance

Annual Report 2013

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS

Air Marshal (R.) Muhammad Arif Pervaiz
Air Commodore (R.) Mahmood Ahmad
Air Commodore (R.) Zafar Yasin
Air Commodore (R.) Muhammad Masud Akhtar
Air Commodore (R.) Shahid Jamil Hashmi
Group Captain (R.) Ehsan-ur-Rauf Sheikh
Aamir Shahzad Mughal

AUDIT COMMITTEE

Aamir Shahzad Mughal - Chairman
Air Commodore (R.) Mahmood Ahmad - Member
Air Commodore (R.) Muhammad Masud Akhtar - Member

Human Resource & Remuneration Committee

Air Commodore (R.) Mahmood Ahmad - Chairman
Air Commodore (R.) Muhammad Masud Akhtar - Member
Air Commodore (R.) Shahid Jamil Hashmi - Member
Mr. Sohel N. Kidwai (CEO) - Member

INVESTMENT COMMITTEE

Air Marshal (R) Muhammad Arif Pervaiz (MDSF) - Chairman
Aamir Shahzad Mughal (Director Fin. SF) - Member
Air Commodore Mahmood Ahmad (Dir. Admin. SF) - Member
Mr. Sohel N. Kidwai - In attendance
Mr. Muhammad Farhan Janjuah (Secretary)

CHIEF EXECUTIVE OFFICER

Mr. Sohel N. Kidwai

CHIEF FINANCIAL OFFICER

Mr. Muhammad Farhan Janjuah

COMPANY INFORMATION

COMPANY SECRETARY
Mr. Muhammad Farhan Janjuah

HEAD OF OPERATIONS
Mr. Aijaz Ali Khan

COUNTRY HEAD MARKETING
Mr. Naveed Y. Butt

AUDITORS
Anjum Asim Shahid Rehman
Chartered Accountants

LEGAL ADVISOR
Surridge & Beecheno

REGISTERED OFFICE
10th Floor, Shaheen Complex, M.R.Kayani Road, Karachi.

HEAD OFFICE
10th Floor, Shaheen Complex, M.R.Kayani Road, Karachi.

SHARE REGISTRAR
M/s Corplink (Pvt) Ltd
Wings Arcade, 1-K, Commercial, Model Town, Lahore.

OFFICES

Head Office
10th Floor, Shaheen Complex
M.R. Kayani Road, Karachi - 74200
Tel. # (021) 32630370-75, 32213950-51, Fax # (021) 32626674
E-mail: sihifc@cyber.net.pk
URI: www.shaheeninsurance.com
UAN: (021) 111-765-111

Karachi

Branch Manager-Muhammad Iftikhar Alam

10th Floor, Shaheen Complex
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Tel. # 32630370-75, 32213950-51, Fax # 32626674
E-mail: sihifc@cyber.net.pk
URI: www.shaheeninsurance.com
UAN: (021) 111-765-111

Hyderabad

Branch Manager - Syed Kashif Ali

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Tel. # (022) 2720487
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Lahore

Zonal Head - Mr. Naveed Y. Butt

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Tel # 042-36376270, 36376274, 36376278, 36376279
Fax # 042-36376276
E-mail: lhr_zone@shaheeninsurance.com

Lahore Corporate

Branch Manager Mr. Sohaib Ansar Khan

Office # 6, 6th floor, Shaheen Complex
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Lahore
Tel # 042-36370384, 36370741, 36370742
Fax # 042-36370385
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Islamabad

Branch Manager-Syed Kashif Raza

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Fax: 051-2105012
Email: isb@shaheeninsurance.com

Faisalabad

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Civil Lines, Faisalabad
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Fax # (041) 2631514
E-mail: fsd@shaheeninsurance.com

Multan

Branch Manager - Mr. Arshad Mehmood Khan

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Bosan Road Multan.
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Fax # (061) 6750004
E-mail: mul@shaheeninsurance.com

Peshawar

Branch Manager - Mr. Muhammad Shoaib Khan

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34 - The Mall, Peshawar Cantt.
Tel. # (091) 5273122
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E-mail: psw@shaheeninsurance.com

Sialkot

Branch Manager-Zulfiqar Ali

104, First Floor, Kareem Plaza, Defence
Road, Near Allama Iqbal Town, Sialkot
Tel. # (052) 3250982, 3550131
Fax. # (052) 3257412
E-mail: sil@shaheeninsurance.com

MISSION STATEMENT

Our mission is to continuously improve our selves to become a leading, profitable Company, meeting the needs of our customers and enhancing the value of our shareholders' Investment.

We will accomplish this by using the strengths of our people and the application of innovative science for the development of new insurance products and services that are high in quality and competitive in price.

CODE OF CONDUCT AND ETHICS

The Code of Conduct and Ethics (Code) establishes the standards that govern the way we deal with each other, our customers, shareholders, governments, suppliers, competitors and the public at large. Complying with the Code is a part of the terms and conditions of employment with Shaheen Insurance Company Limited.

ANTI FRAUD PROGRAM & CONTROL WHISTLE BLOWING POLICY

The assessment of a Company's internal control over financial reporting must be based on procedures sufficient both to evaluate its design and to test its operating effectiveness. Controls subject to such assessment include... controls related to the prevention, identification, and detection of fraud.

This Whistle blowing Policy is a part of Company's effort to further improve governance and service quality

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 19th Annual General Meeting of the Shareholders of Shaheen Insurance Company Limited ("the Company") will be held on Wednesday, April 30, 2014 at 02:00 pm at Registered Office of Shaheen Insurance Company Limited at 10th floor, Shaheen Complex, M. R. Kiyani Road, Karachi, to transact the following business:-

1. To confirm the minutes of EOGM of SICL held on January 06, 2014;

2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended December 31, 2013 together with the Directors' and Auditors' Report thereon; and

3. To appoint the Auditors of the Company for the year ending December 31, 2014 and to fix their remuneration.

4. To transact any other business with permission of the Chairman.

By Order of the Board

Karachi
April 08, 2014

M. Farhan Janjuah
Company Secretary

1) The Share transfer books of the Company shall remain closed from April 23, 2014 to April 30, 2014 (both days inclusive). Transfers received at M/s Corplink (Pvt.) Ltd., Wings Arcade, 1-K, Commercial, Model Town, Lahore, the Registrar and Share Registrar Office of the Company, by the close of business on April 22, 2014 will be considered in time for the purpose of Annual General Meeting.

2) The Proxy Form duly completed and signed alongwith attested copies of CNIC/Passport of the member, Proxy holder and the witnesses must be deposited at the Registered Office of the Company not later than 48 hours before the time of holding of the meeting. Original CNIC/Passport will be produced by the Proxy holder at the time of the meeting.

3. No persons shall be appointed as a Proxy unless he/she is a member of the company.

4. In case of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signature of the representative shall be submitted alongwith Proxy Form to the Company.

5. CDC account holders and their proxies must attach attested photocopy of their CNIC/Passport with the Proxy Form.

DIRECTORS' REPORT

The Directors of your Company take pleasure in presenting to you the 19th Annual Report along with the audited financial statements for the year ended December 31, 2013.

GENERAL ECONOMIC REVIEW

The year 2013 remain burdened with challenges, which impacted the macroeconomic landscape of the country. During the year, law and order situation negatively impacted the prevailing business conditions all over Pakistan including insurance sector and unfortunately, your company was not an exception to this situation. For the fiscal year 2013-2014 GDP growth of 4.4% is planned and decrease in inflation to a single digit. The present government is eager to resolve energy crises and addressing the adverse law and order situation. We all can hope that it will ultimately revive the economy of Pakistan. Thus it will have a positive impact on the insurance industry.

INDUCTION OF NEW BOARD AND MANAGEMENT

During the year most of the Directors including the Chairman were replaced with new ones due to unavoidable circumstances. The new management made extra-ordinary efforts to check the downward trend reflected through the financial statement for the year ended 2012, 2011 and 2010. The management control has been made prudent and effective. A serious view has been taken of the liquidity, solvency issues, lack of internal controls and other regulatory requirements and measures instituted to improve upon the financial health of the Company. New CEO, COO and CFO & Company Secretary have also been appointed.

Board made significant policies in Operations which include Underwriting and Claims, Salvage, HR & Admn, Finance, Risk/ Cash management and in other areas where required. Similarly in Claims authentication and settlement procedures have been defined. SECP majority show cause notices had been settled except for one i.e. Investment of Rs. 188 million in First Capital Equity Limited. Board is considering options to settle this matter expeditiously as this has badly damage the investment portfolio and created problems in the Solvency, in-addition to the recovery of other outstanding Premium due from First Capital group and World Call. All the periodical accounts had been prepared successfully in a transparent manner.

Audit Committee, Investment Committee and Human Resource & Remuneration Committee have been formed. Internal Committees of Business & Claims, Finance Committee, HR/ Admn Committee and Outstanding Recovery Drive Committee has also been formed in previous year. Restructuring of SICL was made to slim down excess manpower, admin and management expenses were controlled and merging of branches to make SICL more cost effective.

Outstanding Claims have increased from last year due to major fire claim of Cotton which SICL has resolved to settle. Due to past bad decisions loss after tax increased significantly as the Claims piled up without noticing and damage the Company reputation as well. Now plan has been chalked to settle the Claims. We appreciate the efforts of Claim Department for their hard work.

Gross Premium has deteriorated from last year significantly. Due to risk management renewal of loss making business and those who failed to pay the premium were no more renewed. Thereby a decrease in Premium was evident. Relating to Premium Commissions and underwriting provisions also decreased. This resulted in higher losses in underwriting business. Company expects to pick up growth in business during the year 2014.

This year due to strict measures and restructuring Rs. 6,531,072/- was saved in Management expenses and administration & general expenses decreased by Rs. 7,329,752/-. Investment income increased marginally despite the fact company had little room for investments and major investment was in FCEL. Due to this investment Auditors have added emphasis paragraph two times- one as Investment decision not being rationale and second Company has not complied with Solvency requirements of Insurance Ordinance, 2000. We believe that if the amount of Rs. 188 million had been properly invested in the past, it would have earned income and recognized fully for Solvency requirements. Investments has decreased as the Company sold Shares and invested in TDRs to earn higher income. Gain of more than Rs. 9 million was made on sale of shares.

Premium due but unpaid has decreased by more than Rs. 43 million on account of better risk management and recoveries by Branch managers. Only Shaheen Foundation group has almost paid all the amount of Premium due but unpaid. Auditors have pointed out on non- recovery in Premium due but unpaid of Rs. 27 million. This related to PACE group of Rs. 22.22 million and Media Times of Rs. 5.509 million. Efforts are in hands to settle the outstanding Rs. 27 million. Reinsurance recoveries from Claim increased on account of Cash Call due to Cotton fire claim in March 2013. Sale of vehicles has resulted in decrease in Fixed Assets, it generated Rs. 5 million in cash. Earnings per share decreased to Rs. (3.54) due to conditions mentioned above.

One more positive development has been improvement in Cash from Operating activities which now is only in negative of Rs. 1.6 million. We hope to achieve positive Cash flow from Operating activities this year.

INCREASE IN AUTHORISED CAPITAL TO RS. 600 MILLION AND PAID UP CAPITAL TO RS. 450 MILLION THROUGH RIGHT SHARE ISSUANCE

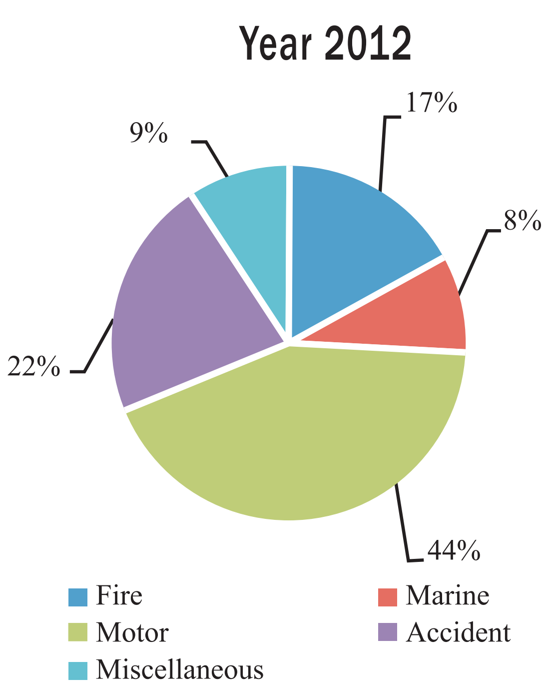
Due to imprudent decisions another problem was of liquidity in Company. Board first approved increase in Authorized Capital to Rs. 600 million and then approved the increase in Paid up Capital from Rs. 300 million to Rs. 450 million. The increase in Paid up Capital was achieved through injection of Rs. 150 million as Right Shares issuance. Consultant was appointed for the Right Shares and everyone was invited to participate so that Company could be revitalized. Only Shaheen Foundation participated in the exercise first as subscribers and then as underwriters and injected Rs. 150 million. Since then Company is now able to stand on its own feet and hence revival of Company has started.

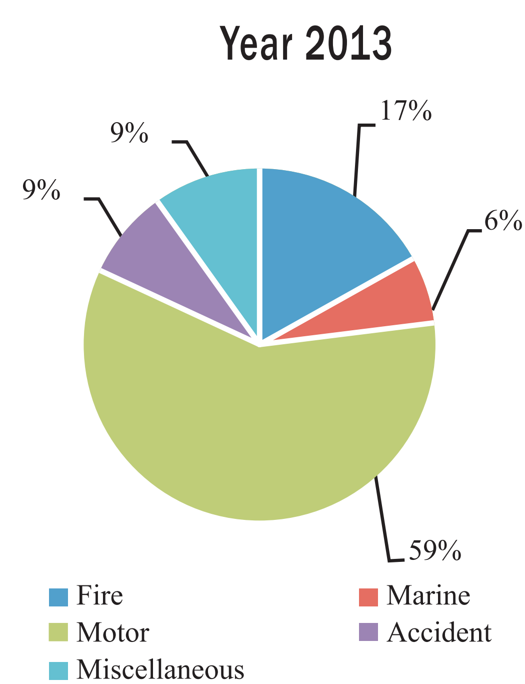
Business Plan was also introduced for three years and guidelines have been issued to achieve those objectives.

UNDERWRITING RESULTS

Due to the difficult economic and business conditions, your Company showed a significant decline in underwriting profits with heavy claims and increased costs due to inflationary trend also affecting adversely the operating results. During the year under review, the Company showed a decline in underwriting results of more than 200% from the last year and amount of premium written decreased to PKR 343.5 M as compared to PKR 562.8 M in 2012.

Gross Premium written:-

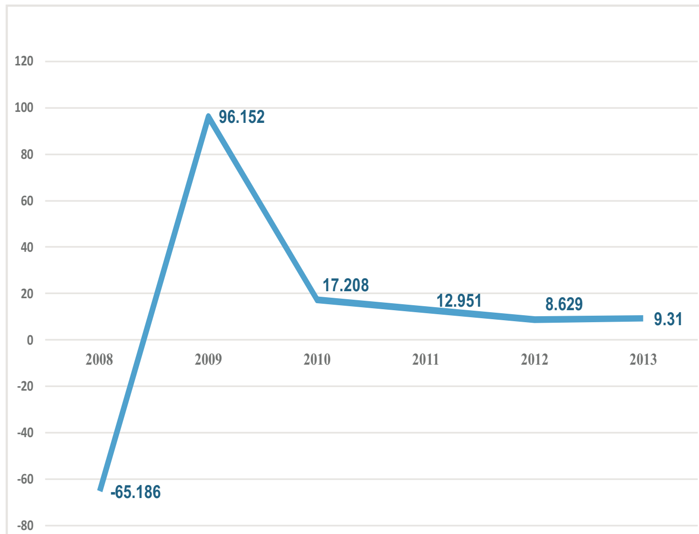




INVESTMENTS

During the year, investment income of your Company increased by 8% to reach at Rs. 9.310 M as compared to Rs. 8.63 M during the previous year. This increase was due to sale of investments and increase in market value of Investment held-for-trading as stock markets showed positive trends.

Amounts in million



CREDIT RATING

Last year Pakistan Credit Rating Agency Limited (PACRA) revised down the Insurer Financial Strength (IFS) Rating of your Company to 'BBB-'(Triple B minus) on August 01, 2013 with a negative look. Increase in paid up capital and injection of Rs. 150 million through right share issuance at par, we are hopeful that in the current year your Company rating will definitely improve considerably.

DIVIDEND PAYMENT TO THE SHAREHOLDERS

Due to financial constraint the Company Directors have not recommended payment of dividend.

EARNING PER SHARE

Basic and Diluted Loss per Share of the Company for the year ended December 31, 2013 was Rs. (3.54) per share and in December 31, 2012 Earning per Share was Rs. (1.15) per share.

CONTRIBUTORY PROVIDENT FUND

The value of investment including accrued income of provident fund on the basis of audited accounts as on December 31, 2013 is as follows:

Bank deposits in PLS Account	Rupees 11.859 million

STATUTORY PAYMENTS ON ACCOUNT OF TAXES, DUTIES

There are no statutory payments on account of taxes, duties, levies, and charges which are outstanding except in the ordinary course of business and disclosed in the financial statements.

AUDIT COMMITTEE

During the year under review, one meeting of the audit committee was held which were attended by all members of the committee comprises of the following:

1. Air Cdre. (Retd.) Mahmood Ahmad
2. Air Cdre. (Retd.) M. Masud Akhtar
3. Mr. Shahid Hamid- Resigned December 18, 2013. He was replaced by Mr. Amir Shahzad Mughal.

INVESTMENT COMMITTEE AND HUMAN RESOURCE & REMUNERATION COMMITTEE

Above Committees have been formed in December 2013 but there was no need to hold a meeting.

KEY OPERATIONAL AND FINANCIAL DATA

Tabulated below are the financial data for the last six years against the head of account:-

	Rupees in Millions					
HEAD OF ACCOUNT	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
Gross Premium Written	343.566	562.846	644.325	553.084	596.327	701.245
Investment Income	9.310	8.629	12.951	17.208	32.511	(64.649)
Claims Expense	377.563	395.058	322.392	343.555	391.264	333.831
Net Commission Exp	70.317	97.559	91.894	94.997	138.007	115.711
Management & Admin Expenses	158.867	170.886	165.454	133.895	124.558	131.172
Profit/ (Loss) after tax	(106.253)	(32.092)	19.244	(28.958)	17.466	(71.735)
Share Holders Equity	177.120	283.373	265.464	196.295	225.253	207.787
Claim Outstanding	347.858	236.233	146.407	185.190	165.695	169.724
Premium Due But Unpaid	219.085	262.200	305.080	166.082	134.056	114.417
Investment	229.970	240.948	51.782	155.721	177.519	175.907
Investment Properties	60.374	27.463	29.303	4.551	5.089	5.089

STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The corporate laws, rules and regulations framed here- under spelled out the overall functions of the Board of Directors of the Company. The Board is fully aware of its corporate responsibilities as envisaged under the Code of Corporate Governance, prescribed by the Securities and Exchange Commission of Pakistan and is pleased to certify that:

1) The financial statements, prepared by the Company, presents fairly its state of affairs, the results 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 and Insurance Ordinance, 2000.

3) The auditors have qualified and added emphasis of matters paragraph in their report on the following matters;

   i) Qualification- Unable to satisfy that Premium due but unpaid of Rs. 27.73 million is recoverable

   ii) Emphasis of matters:-

   a) Investment in FCEL of Rs. 188 million against the settlement of reverse repo and premium due but unpaid balances; and

   b) Non-compliance with solvency requirements.

4) The directors are of the opinion that the Company will overcome deficiencies in recoveries of premium due but unpaid balances and resolving the investment in FCEL will result in improving Solvency margin;

5) The Company has consistently followed appropriate accounting policies in preparation of the financial statements and accounting estimates are on the basis of prudent and reasonable judgment.

6) Financial statements have been prepared by the Company in accordance with the requirements of S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan in December 2002, Insurance Ordinance, 2000, Companies Ordinance 1984 and approved accounting standards as applicable to the insurance companies in Pakistan.

7) The Board has established a system of internal controls, which are implemented at all levels within the Company. The Company is making efforts and arrangements to include all necessary aspects of internal controls given in the code of corporate governance, except for the matters highlighted by the auditors in their review report on statement of compliance with best practices of code of corporate governance, and there has been no material departure there from.

8) The fundamentals of the Company are strong and there is no doubt about its ability to continue as a going concern.

9) The Company has followed the best practices of Corporate Governance as laid down in the Listing Regulations of the stock exchanges except for the matters highlighted by the auditors in their CCG report and there has been no material departure there from.

10) The Company has at all times in the year, except as otherwise stated in the annexed financial statements, complied with and as at the date of the statement, the Company continues to be in compliance with the provisions of the Insurance Ordinance, 2000 and rules framed there under.

Changes in the Board of Directors

During the financial year Air Marshal (Retd.) M. Arif Pervaiz, Air Cdre. (Retd.) Zafar Yasin, Air Cdre. (Retd.) Mahmood Ahmad, Air Cdre. (Retd.) Shahid Jamil Hashmi, Gp. Capt. (Retd.) Ehsan-ur-Rauf Shiekh, Air Cdre. (Retd.) M. Masud Akhtar and Mr. Aamir Shahzad Mughal were appointed as director in places of AVM. (Retd.) Ikramullah Bhatti, Air Cdre. (Retd.) Tanveer, Air Cdre. (Retd.) Zafar Iqbal Mir, Mrs. Aamna Taseer, Mr. Shehryar Ali Taseer, Mr. Imran Hafeez and Mr. Shahid Hameed.

Board of Director

During last year seven meetings of the board of Directors were held and position of attendance by each director is explained below:

Name of Director	No. of meetings held during the tenure	No. of meetings attended
Air Marshal (Retd.) M. Arif Pervaiz	7	7
AVM (Retd.) M. Ikramullah Bhatti	1	1
Air Cdre. (Retd.) Zafar Yasin	5	2
Air Cdre. (Retd.) Mahmood Ahmad	5	3
Air Cdre. (Retd.) Shahid Jamil Hashmi	2	1
Gp. Capt. (Retd.) Ehsan-ur-Rauf Shiekh	2	2
Air Cdre. (Retd.) M. Masud Akhtar	2	2
Mr. Shahid Hameed	7	7
Mrs. Aamna Taseer	4	2
Mr. Shehryar Ali Taseer	4	1
Mr. Imran Hafeez	4	4
Air Cdre. (Retd.) Zafar Iqbal Mir	2	0
Air Cdre. (Retd.) Tanveer M. Sheikh	2	0

Leave of absence was granted in case the directors were not able to attend the Board Meeting.

Pattern of Share Holding

A statement of pattern of shareholding is separately shown in the report.

TRADING IN COMPANY'S SHARES

No trading in the shares of the Company was carried out by the directors, CEO, CFO and Company Secretary, their spouses or minor children.

DIRECTORS' TRAINING

Almost all the Directors have changed during the year 2013, therefore a suitable slot could not be availed in the previous year training program.

FUTURE OUTLOOK FOR THE COMPANY

Viewing the period ahead, it is expected that the measures adopted by Board of Directors with respect to prudent and effective management controls, the company is well geared up to show you a definite improvement towards settling the claims and ensuring timely receipt of premiums and increasing its market share gradually within the current year. Let you be assured that Board of Directors, Key Officers and marketing team is fully motivated to achieve it's business targets for the year.

ACKNOWLEDGMENTS

We would like to record our appreciation for the continued guidance and support being extended by the regulators, namely Securities and Exchange Commission of Pakistan (SECP).

We also appreciate and acknowledge the role of our reinsurers for their valued support to us.

We are also grateful to our customers for their continued trust and confidence which made it possible for us to achieve these results despite prevailing economic conditions. We would like to convey our profound gratitude to the management and staff at all levels, for those who remained loyal, dedicated, honest, devoted and committed to hard work.

For and on behalf of Board

Muhammad Arif Pervaiz
Air Marshal (Retd.)
Chairman

April 08, 2014

OPERATIONAL RESULTS AND FINANCIAL STRENGTH

From 2004 to 2013

Rupees in '000

		2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
1	Gross Direct Premium	**343,566**	562,845	664,326	553,084	596,327	701,245	746,419	671,328	670,609	641,164
	Increase %	**(38.96)**	(15.28)	20.11	(7.25)	(14.96)	(6.05)	11.19	0.11	4.59	62.20
2	Net Premium	**331,124**	508,120	482,963	417,389	481,636	575,732	570,800	656,327	527,103	376,765
	Increase %	**(34.83)**	5.21	15.71	(13.34)	(16.34)	0.86	0.97	7.25	39.90	36.19
	% to 11	**110.37**	169.37	193.19	208.69	240.82	328.99	326.17	565.33	658.88	470.96
3	Claims Incurred	**235,003**	303,949	247,643	263,041	267,997	333,832	369,997	352,571	353,150	273,807
	% to 2	**70.97**	59.82	51.28	63.02	55.64	57.98	64.82	62.37	67.00	72.67
4	Commission	**56,515**	70,163	64,419	68,272	104,711	115,711	105,860	87,891	69,613	33,430
	% to 2	**17.07**	13.81	13.34	16.36	21.74	20.10	18.55	15.55	13.21	8.87
5	Management Expenses	**83,820**	90,351	87,336	65,809	59,773	62,105	59,303	56,488	49,623	49,623
	% to 1	**24.40**	16.05	13.15	11.90	10.02	8.86	7.95	8.41	7.40	7.66
	% to 2	**25.31**	17.78	18.08	15.77	12.41	10.79	10.39	9.99	9.41	13.03
6	Investment income / (Loss)	**9,310**	8,629	11,654	16,671	100,650	(64,649)	83,774	28,820	44,103	26,851
	% to 22	**3.09**	2.53	14.92	5.70	32.44	(18.86)	18.06	7.06	13.46	10.84
7	Other Income	**5,473**	3,715	6,004	6,145	2,291	1,734	1,324	9,061	129	10,728
8	Provision for Taxation	**3,466**	2,846	5,954	5,557	3,536	7,906	2,854	8,371	2,464	5,456
9	Profit/(Loss) before Tax	**(102,786)**	29,245	25,199	(23,476)	21,002	(63,847)	63,061	59,350	57,852	17,326
10	Profit/(Loss) after Tax	**(106,252)**	(32,092)	19,245	(29,033)	17,466	(71,753)	60,207	50,979	55,388	11,870
	% to 2	**(32.09)**	(6.32)	3.98	(6.96)	3.63	(12.46)	10.55	9.02	10.51	3.15
11	Paid-up Capital	**300,000**	300,000	250,000	200,000	200,000	175,000	175,000	100,000	80,000	80,000
12	General Reserve	**20,000**	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
13	Reserve for Unexpired Risks	**103,507**	174,492	225,848	187,664	169,764	221,456	267,567	225,820	212,175	211,456
14	Unappropriated Profit/(Loss)	**(142,879)**	(36,627)	(4,535)	(23,780)	5,253	12,787	84,540	99,333	48,354	12,966
15	Capital Available for Shares	**177,120**	283,373	265,465	196,220	225,252	207,787	279,540	219,333	148,354	112,966
16	Total Net Outstanding Claims	**235,250**	187,789	123,688	126,179	93,004	113,117	126,661	98,646	85,384	90,509
	% to 2	**71.05**	36.96	25.61	30.23	19.31	19.65	22.19	17.45	16.20	24.02
17	Other Liabilities	**188,111**	133,560	125,882	78,010	89,947	78,628	84,593	61,251	96,287	78,053
18	Total Equity & Liabilities	**864,392**	879,077	832,521	717,706	729,670	75,242	871,716	674,977	635,735	614,669
19	Land & Properties	**60,373**	62,213	169,893	39,302	39,839	34,296	6,164	6,701	16,794	17,331
	% to 2	**18.23**	12.24	35.18	9.42	8.27	5.96	1.08	1.19	3.19	4.60
20	Cash & Bank Balances	**71,531**	48,490	26,324	136,970	132,727	166,841	235,860	197,362	155,720	135,302
	% to 2	**21.60**	9.54	5.45	32.82	27.56	28.98	41.32	34.91	29.54	35.91
21	Investment	**229,970**	240,948	51,782	155,721	177,520	175,907	227,940	211,114	172,032	112,466
22	Total Cash & Investment	**301,502**	289,439	78,106	292,691	310,247	342,748	463,800	408,476	327,752	247,768
23	O/S Premium	**219,085**	262,200	305,080	166,083	134,056	114,417	155,426	84,586	131,929	131,272
	% to 1	**66.16**	46.58	45.92	30.03	22.48	16.32	20.82	12.60	19.67	20.47
24	Fixed Assets	**25,295**	38,050	43,721	25,741	16,468	24,277	39,422	24,084	21,995	27,540
	% to 2	**7.64**	7.49	9.05	6.17	3.42	4.22	6.91	4.26	4.17	7.31
25	Total Assets	**864,392**	879,077	832,521	717,706	729,670	755,242	871,716	674,977	635,735	614,669
26	Break-up Value Per Share	**(1.67)**	9.45	10.62	9.81	11.26	11.87	15.97	21.93	18.54	14.12
27	Earning Profit / (Loss)Per Share (After Tax)	**(3.54)**	(1.15)	(0.79)	(1.38)	0.87	(3.59)	3.44	5.10	6.92	1.46

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended December 31, 2013

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange 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 all the directors on the board are non-executive directors from Shaheen Foundation which include:-

Name of Non- Executive Director

1. Mr. Muhammad Arif Pervaiz
2. Mr. Mahmood Ahmad
3. Mr. Zafar Yasin
4. Mr. Muhammad Masud Akhtar
5. Mr. Ehsan ur Rauf Sheikh
6. Mr. Shahid Jamil Hashmi
7. Mr. Aamir Shahzad Mughal

The independent Director(s) will be appointed in the upcoming election of Directors, who meet criteria of independence under clause i(b) of the Code.

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. Casual vacancies occurring on the board in March, June and December of 2013 were filled

up by the directors within 30 days. However, the approval of appointment of one director from SECP, under sub-regulation 3 of Insurance Companies (Sound and Prudent Management) Regulation, 2012 is under process.

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. However, the Company is in the process of further strengthening its policies and procedures. .A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, CFO & Company Secretary, Key Officers and non-executive directors, have been taken by the board whenever and wherever required.

8. The meetings of the board were presided over by the Chairman and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Since a number of new Directors have recently joined the Board of SICL, training programs will be conducted as per Code of Corporate Governance (CCG) from next year.

10. The board has approved appointment of COO, CFO & Company Secretary including their remuneration and terms and conditions of employment. The Company has appointed CEO however his case is in the last stage of approval process from SECP.

11. The directors’ report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the company are duly presented by CEO and CFO before approval of the Board.

13. The directors and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee, Investment Committee and Human Resource & Remuneration Committee.

16. The audit committee was non-existent during the period from July 6, 2013 to December 2, 2013. Further, only one meeting of Audit Committee was held during the year. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises four members out of which three are non-executive directors and the chairman of the committee is a non-executive director.

18. The board is in process to set up an effective internal audit function either internally or through outsourcing the internal audit department.

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

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

21. The ‘closed period’, prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company’s securities, was determined and intimated to directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. The Company has established Underwriting Committee, Claims Committee and Reinsurance Committee in line with the Code of Corporate Governance for Insurance Companies. However no meetings of the committees were conducted during the year.

24. The actuary appointed by the Company has confirmed that neither he nor his spouse and minor children hold shares of the company.

25. The Board ensures that the appointed actuary complies with the requirements set for him in the Code for Insurance Companies.

26. We confirm that all other material principles enshrined in the CCG have been complied with except for the internal audit function, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

Muhammad Arif Pervaiz
Air Marshal (Retd.)
Chairman

April 08, 2014

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

We have reviewed the enclosed Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of **Shaheen Insurance Company Limited** (the Company) for the year ended December 31, 2013 to comply with the requirements of Listing Regulations No 36(xi), 35(xiv) and 35(xi) of the Karachi, Lahore and Islamabad Stock Exchanges respectively where the Company is listed.

The responsibility for compliance with the Code is that of the Board of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement 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 financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedure and risk.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, to place before the Board for their review and approval, its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of the requirement to the extent of approval of related party transactions by the Board on 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 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, 2013.

Further, we highlight below instances of non-compliance with the requirements of the Code and reflected in the paragraphs 9, 16, 18 and 23, where these are stated in the Statement.

S. No	Reference clause	Description
i	xi	No directors training program held during the year.
ii	xxvii	The audit committee was non-existent during the period from July 6, 2013 to December 1, 2013. Further, only one meeting of audit committee was held during the year.
iii	xxxi	The Company does not have an internal audit department.
iv	v, vi, vii of the code of corporate governance of insurance companies	No meetings of underwriting, claim and reinsurance Committees have been conducted during the year.

Anjum Asim Shahid Rahman
Chartered Accountants
Shahzada Saleem Chughtai

Karachi
Dated: April 9, 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHAHEEN INSURANCE COMPANY 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 **Shaheen Insurance Company Limited** (the Company) as at December 31, 2013 together with the notes forming part thereof, for the year then ended.

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

Except for the matters stated in paragraph 1 below, we conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the management, as well as, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

1. Premium due but unpaid includes Rs. 27.73 million which has accumulated over the years. In the absence of recovery and detailed assessment of recoverability, we are unable to satisfy ourselves whether the Company would be able to recover this amount completely or not. Had the provision been made, the loss for the year ended December 31, 2013 would have been higher and premium due but unpaid and the total shareholder's equity would have been lower by the amount of provision so made.

Except for the financial effects of the matter referred to in the preceding paragraph, 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, 2013 and of its loss, its comprehensive loss, its cash flows and changes in equity for the year then ended in accordance with the International Accounting Standards as applicable in Pakistan, and 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

We draw attention to the following:

i) note 10.1.1 and 32 to these financial statements, which fully explains the matter that the Company has not complied with solvency requirements as prescribed under Insurance Ordinance, 2000 as at December 31, 2011, 2012 and 2013; and

ii) note 13.6 and 20.2.2 to these financial statements, which fully explain the matter that the Company through an agreement dated November 29, 2012 settled balance of reverse repo/capital work in progress and premium due but unpaid against 4.7 million shares of a previously a related party.

Our opinion is not qualified on above matters.

Karachi:
Dated: April 9, 2014

Anjum Asim Shahid Rahman
Chartered Accountants
Shahzada Saleem Chughtai

BALANCE SHEET

	Note	2013	2012
		------------- Rupees -------------	
SHARE CAPITAL and RESERVES			
Authorized share capital			
30,000,000 (2012: 30,000,000) ordinary shares of Rs. 10 each	5.1	**300,000,000**	300,000,000
Issued, subscribed and paid-up capital	5.2	**300,000,000**	300,000,000
Accumulated loss		**(142,879,328)**	(36,626,704)
Reserve		**20,000,000**	20,000,000
Shareholders' equity		**177,120,672**	283,373,296
Underwriting provisions			
Provision for outstanding claims (including IBNR)	4.4	**347,857,817**	236,223,065
Provision for unearned premiums		**143,404,901**	214,835,890
Premium deficiency reserve	4.12	**3,764,066**	3,278,626
Commission income unearned		**4,133,598**	7,806,009
Total underwriting provisions		**499,160,382**	462,143,590
Creditors and accruals			
Premiums received in advance		**10,100,690**	12,939,961
Amounts due to other insurers / reinsurers	6	**76,120,706**	53,309,193
Accrued expenses	7	**11,269,789**	3,848,390
Agent balances		**36,737,482**	33,443,746
Taxation - provisions less payments		**4,359,565**	1,544,203
Current portion of liabilities against assets subject to finance lease	9	**603,672**	1,243,485
Other creditors and accruals	8	**48,010,400**	25,079,625
		187,202,304	131,408,603
Borrowings			
Liabilities against assets subject to finance lease	9	**510,438**	1,752,709
Other liabilities			
Unclaimed dividend		**398,934**	398,934
TOTAL LIABILITIES		**687,272,058**	595,703,836
TOTAL EQUITY AND LIABILITIES		**864,392,730**	879,077,132
CONTINGENCIES AND COMMITMENTS	10		

The annexed notes from 1 to 38 form an integral part of these financial statements.

AS AT DECEMBER 31, 2013

	Note	**2013**	2012
		Rupees	
Cash and bank deposits	11		
Cash and other equivalents		**2,173,746**	125,625
Current and saving accounts		**37,563,938**	48,360,980
Deposits maturing within 12 months		**31,793,955**	3,572
		71,531,639	48,490,177
Loans - secured and considered good			
To employees	12	**771,068**	3,556,269
Investments	13	**229,970,516**	240,948,429
Investment properties	14	**60,373,499**	27,463,328
Current Assets - Others			
Premiums due but unpaid - net	15	**219,085,622**	262,200,458
Amounts due from other insurers / reinsurers	16	**66,606,611**	61,672,193
Accrued investment income	17	**15,408**	29,753
Reinsurance recoveries against outstanding claims		**94,607,453**	48,434,185
Deferred commission expense		**23,298,473**	34,314,746
Advances, deposits and prepayments	18	**63,313,951**	69,542,850
Other receivables	19	**9,523,218**	9,624,703
		476,450,736	485,818,888
Fixed assets	20		
Owned			
Furniture, fixtures and office equipment		**10,204,547**	11,138,726
Motor vehicles		**10,357,338**	18,890,819
Capital work-in-progress		**-**	34,750,008
		20,561,885	64,779,553
Intangible			
Computer software		**2,687,684**	5,208,456
Leased			
Motor vehicles		**2,045,703**	2,812,032
TOTAL ASSETS		**864,392,730**	879,077,132

The annexed notes from 1 to 38 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	Fire and property damage	Marine, aviation and transport	Motor	Accident and Health	Miscellaneous	2013 Aggregate	2012 Aggregate
		------ Rupees ------						
Revenue account								
Net premium revenue		27,370,146	2,702,674	210,101,339	68,697,448	22,252,935	**331,124,542**	508,120,342
Net claims		(55,217,381)	(2,289,172)	(112,144,700)	(61,850,436)	(3,501,737)	**(235,003,426)**	(303,949,459)
Premium deficiency expense	4.12	-	-	-	(485,440)	-	**(485,440)**	(3,278,626)
Management expenses	21	(6,160,679)	(4,228,410)	(49,196,245)	(15,462,941)	(8,771,759)	**(83,820,034)**	(90,351,106)
Net commission		(10,864,700)	(2,733,364)	(30,553,880)	(8,944,985)	(3,418,340)	**(56,515,269)**	(70,162,736)
Underwriting result		(44,872,614)	(6,548,272)	18,206,514	(18,046,354)	6,561,099	**(44,699,627)**	40,378,415
Investment income							**9,310,043**	8,629,542
Rental income							**2,175,440**	2,125,038
Other income	22						**5,473,505**	3,715,267
General and administration expenses	21						**(75,045,975)**	(82,375,727)
Workers Welfare Fund (WWF)	23						**-**	(1,717,641)
Loss before tax							**(102,786,614)**	(29,245,106)
Taxation	24						**(3,466,010)**	(2,846,496)
Loss after tax							**(106,252,624)**	(32,091,602)
Accumulated loss account:								
Balance at commencement of the year							**(36,626,704)**	(4,535,102)
Loss after tax for the year							**(106,252,624)**	(32,091,602)
Balance of accumulated loss at end of the year							**(142,879,328)**	(36,626,704)
Loss per share basic and diluted	25						**(3.54)**	(1.15)

The annexed notes from 1 to 38 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
	Rupees	
Loss for the year	**(106,252,624)**	(32,091,602)
Other comprehensive income for the year	**-**	-
Total comprehensive loss for the year	**(106,252,624)**	(32,091,602)

The annexed notes from 1 to 38 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	Paid-up share capital	Revenue reserves		Total
			General reserve	Accumulated loss	
		---------- Rupees ----------			
Balance as at January 1, 2012		250,000,000	20,000,000	(4,535,102)	265,464,898
Changes in equity for the year ended December 31, 2012					
Loss for the year		-	-	(32,091,602)	(32,091,602)
Issue of right shares during the year	5.2	50,000,000	-	-	50,000,000
Balance as at December 31, 2012		300,000,000	20,000,000	(36,626,704)	283,373,296
Changes in equity for the year ended December 31, 2013					
Loss for the year		**-**	**-**	**(106,252,624)**	**(106,252,624)**
Balance as at December 31, 2013		**300,000,000**	**20,000,000**	**(142,879,328)**	**177,120,672**

The annexed notes from 1 to 38 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	**2013**	2012
		------------- Rupees -------------	
OPERATING ACTIVITIES			
a) Underwriting activities			
Premiums received		**383,841,625**	522,660,231
Reinsurance premiums paid		**(65,549,289)**	(89,697,383)
Claims paid		**(265,928,492)**	(305,242,656)
Reinsurance and other recoveries received		**96,386,550**	65,394,124
Commissions paid		**(56,006,766)**	(85,793,715)
Commissions received		**10,129,095**	22,942,471
Other underwriting receipts / (payments)		**5,884,261**	(6,019,447)
Net cash flows from underwriting activities		**108,756,984**	124,243,625
b) Other operating activities			
Income tax paid		**(650,648)**	(1,704,318)
Management and administrative expenses paid		**(112,573,518)**	(158,160,572)
Loans received / (advanced) - net		**2,785,201**	(782,210)
Net cash flows used in other operating activities		**(110,438,965)**	(160,647,100)
Total cash used in all operating activities		**(1,681,981)**	(36,403,475)
INVESTING ACTIVITIES			
Profit / Return received		**4,768,888**	4,820,847
Rentals received		**2,196,076**	2,153,868
Payments for investments		**-**	186,516,155
Proceeds from disposal of investments		**17,065,499**	(180,999,998)
Fixed capital expenditure	20.1	**(3,124,917)**	(4,938,366)
Proceeds from disposal of fixed assets	20.1.1	**5,022,000**	2,225,800
Total cash flows from all investing activities		**25,927,546**	9,778,306
FINANCING ACTIVITIES			
Financial charges paid		**(338,269)**	(505,887)
Payments of finance lease liability		**(888,731)**	(721,651)
Issue of right shares	5.2	**-**	50,000,000
Total cash inflows (used in) / from all financing activities		**(1,227,000)**	48,772,462
Net cash flows from all activities		**23,018,565**	22,147,293
Exchange gain on cash and cash equivalents	22	**22,897**	19,069
Cash and cash equivalents at the beginning of year		**48,490,177**	26,323,815
Cash and cash equivalents at end of the year		**71,531,639**	48,490,177

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013	2012
		------------- Rupees -------------	
Reconciliation to profit and loss account			
Operating cash flows		**(1,681,981)**	(36,403,475)
Exchange gain on cash and cash equivalents	22	**22,897**	19,069
Depreciation on fixed assets	20.1	**(13,762,210)**	(13,694,318)
Depreciation on investment property	14	**(1,839,837)**	(1,839,837)
Gain on disposal of fixed assets	22	**2,904,532**	551,051
Taxes paid		**(650,648)**	1,704,318
Financial charges paid	21	**(338,269)**	(505,887)
Decrease in assets other than cash		**(5,931,909)**	45,894,857
Increase in liabilities		**(93,450,306)**	(29,368,887)
Investment and other income		**11,941,117**	4,398,003
Provision for tax	24	**(3,466,010)**	(2,846,496)
Loss after taxation		**(106,252,624)**	(32,091,602)

Definition of cash

Cash comprises of cash in hand, policy stamps, cheques in hand, bank balances and other deposits which are readily convertible to cash and which are used in the cash management function on a day-to-

Cash for the purpose of the statement of cash flows consists of:

	2013	2012
	------------- Rupees -------------	
Cash and other equivalents		
- Cash in hand	**56,702**	77,927
- Policy stamps in hand	**2,117,044**	47,698
	2,173,746	125,625
Current and saving accounts		
- Current accounts	**3,361,175**	18,890,443
- Savings accounts	**34,202,763**	29,470,537
	37,563,938	48,360,980
Deposits maturing within 12 months		
- Term deposit - local currency	**31,793,955**	3,572
	71,531,639	48,490,177

The annexed notes from 1 to 38 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer

STATEMENT OF PREMIUMS

FOR THE YEAR ENDED DECEMBER 31, 2013

Business underwritten inside Pakistan

Class	Premium written (Note 27)	Unearned premium reserve		*Premium earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	2013 Net premium revenue	2012 Net premium revenue
		Opening	Closing			Opening	Closing			
	a	b	c	d=a+b-c	e	f	g	h=e+f-g	i=d-h	
	------ Rupees ------									
Direct and facultative										
Fire and property damage	58,336,040	40,308,289	28,665,697	69,978,632	40,891,321	24,334,008	22,616,843	42,608,486	**27,370,146**	59,894,600
Marine, aviation and transport	19,639,868	1,388,877	2,243,122	18,785,623	12,617,370	4,621,566	1,155,987	16,082,949	**2,702,674**	25,808,981
Motor	204,167,926	103,609,019	89,212,029	218,564,916	9,510,000	3,708,577	4,755,000	8,463,577	**210,101,339**	254,464,064
Accident and health	29,276,267	46,356,037	6,934,856	68,697,448	-	-	-	-	**68,697,448**	120,053,063
Miscellaneous	32,145,959	23,173,668	16,349,197	38,970,430	20,407,693	7,678,964	11,369,162	16,717,495	**22,252,935**	47,899,634
Total	343,566,060	214,835,890	143,404,901	414,997,049	83,426,384	40,343,115	39,896,992	83,872,507	**331,124,542**	508,120,342
Treaty - proportional	-	-	-	-	-	-	-	-	**-**	-
Grand total	343,566,060	214,835,890	143,404,901	414,997,049	83,426,384	40,343,115	39,896,992	83,872,507	**331,124,542**	508,120,342

Note: The Company does not underwrite business outside Pakistan.

The annexed notes from 1 to 38 form an integral part of these financial statements.

Chairman **Director** **Director** **Chief Executive Officer**

STATEMENT OF CLAIMS

FOR THE YEAR ENDED DECEMBER 31, 2013

Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries	2013 Net claims expense	2012 Net claims expense
		Opening	Closing			Opening	Closing			
	a	b	c	d=a+c-b	e	f	g	h=e+g-f	i=d-h	
	Rupees									
Direct and facultative										
Fire and property damage	67,947,665	23,035,127	127,419,045	172,331,583	61,232,312	17,501,474	73,383,364	117,114,202	**55,217,381**	9,008,540
Marine, aviation and transport	3,216,665	13,897,753	11,892,559	1,211,471	1,566,501	7,335,069	4,690,867	(1,077,701)	**2,289,172**	7,957,451
Motor	135,338,492	136,947,641	131,469,840	129,860,691	24,281,918	8,514,426	1,948,499	17,715,991	**112,144,700**	136,180,286
Accident and health	46,055,445	35,392,631	51,187,622	61,850,436	-	-	-	-	**61,850,436**	137,957,728
Miscellaneous	13,370,225	26,949,913	25,888,751	12,309,063	9,305,819	15,083,216	14,584,723	8,807,326	**3,501,737**	12,845,454
Total	265,928,492	236,223,065	347,857,817	377,563,244	96,386,550	48,434,185	94,607,453	142,559,818	**235,003,426**	303,949,459
Treaty - proportional	-	-	-	-	-	-	-	-	**-**	-
Grand total	265,928,492	236,223,065	347,857,817	377,563,244	96,386,550	48,434,185	94,607,453	142,559,818	**235,003,426**	303,949,459

Note: The Company does not underwrite business outside Pakistan.

The annexed notes from 1 to 38 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer

STATEMENT OF EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2013

Business underwritten inside Pakistan

Class	Commissions paid or payable	Deferred Commission		Net commission expense	Other management expenses (Note 21)	Underwriting expense	*Commission from reinsurers	2013 Net underwriting expenses	2012 Net underwriting expenses
		Opening	Closing						
	a	b	c	d=a+b-c	e	f=d+e	g	h=f-g	
		---------- Rupees ----------							
Direct and facultative									
Fire and property damage	16,907,991	10,894,859	7,662,505	20,140,345	6,160,679	26,301,024	9,275,645	**17,025,379**	24,494,480
Marine, aviation and transport	5,193,127	377,885	502,856	5,068,156	4,228,410	9,296,566	2,334,792	**6,961,774**	11,801,335
Motor	28,132,503	14,454,635	12,022,972	30,564,166	49,196,245	79,760,411	10,286	**79,750,125**	80,289,608
Accident and health	4,726,655	5,264,771	1,046,441	8,944,985	15,462,941	24,407,926	-	**24,407,926**	31,102,663
Miscellaneous	4,340,226	3,322,596	2,063,699	5,599,123	8,771,759	14,370,882	2,180,783	**12,190,099**	12,825,755
Total	59,300,502	34,314,746	23,298,473	70,316,775	83,820,034	154,136,809	13,801,506	**140,335,303**	160,513,841
Treaty - proportional	-	-	-	-	-	-	-	**-**	-
Grand total	59,300,502	34,314,746	23,298,473	70,316,775	83,820,034	154,136,809	13,801,506	**140,335,303**	160,513,841

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

Note: The Company does not underwrite business outside Pakistan.

The annexed notes from 1 to 38 form an integral part of these financial statements.

Chairman | **Director** | **Director** | **Chief Executive Officer**

STATEMENT OF INVESTMENT INCOME

FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013	2012
		------------- Rupees -------------	
Income from trading investments			
Capital gain on sale of held for trading investments - net		**8,787,221**	-
Dividend income		**1,686,015**	1,283,909
		10,473,236	1,283,909
Income from non-trading investments			
Held-to-maturity			
Return on other fixed income securities		**1,479,469**	663,115
Unrealized (loss) / gain on revaluation of held-for-trading investments		**(2,491,012)**	7,376,686
Impairment of held to maturity investments	13.3	**(545,000)**	(545,000)
Investment related expenses	13.8	**(151,650)**	(149,168)
Net investment income		**9,310,043**	8,629,542

The annexed notes from 1 to 38 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer

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

1 STATUS AND NATURE OF BUSINESS

Shaheen Insurance Company Limited (the Company) was incorporated under the Companies Ordinance, 1984, as a public company in March 1995 and obtained the certificate of commencement of business in July 1995. It was registered with the Controller of Insurance in November 1995 to carry out non-life insurance business comprising fire, marine, motor, aviation, engineering, transportation, etc. The Company is listed on all the stock exchanges in Pakistan. Its registered office is located at Shaheen Commercial Complex, Karachi.

2 BASIS OF PREPARATION

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

2.1 Statement of compliance

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

The SECP has allowedinsurance companies to defer application of International Accounting Standard 39 (IAS 39) “Financial Instruments, recognition and measurement” in respect of valuation of “available-for-sale” investments. Accordingly, the requirements of IAS 39, to the extent allowed by the SECP as aforesaid, have not been considered in the preparation of these financial statements.

2.2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.2.1 Standards, interpretations and amendments to published approved accounting standards those are effective in the current period

The following new standards and amendments to existing standards are mandatory for the first time for the financial period beginning on or after January 1, 2013:

IAS 19 (Amendment), 'Employee benefits', is effective for the accounting periods beginning on or after 1 January 2013. It eliminates the corridor approach and recognizes all actuarial gains and losses in other comprehensive income as they occur, immediately recognizes all past service costs and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. However the Company does not have any such benefits plan for employees.

2.2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period however not adopted by Institute of Chartered Accountants of Pakistan (ICAP).

Following new standards, amendments to approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2013 but have not yet been adopted by ICAP.

Title of Standard	Effective for accounting periods beginning on or after
IFRS 1 First-time Adoption of International Financial Reporting Standards	January 01, 2013
IFRS 10 Consolidated Financial Statements	January 01, 2013
IFRS11 Joint Arrangements	January 01, 2013
IFRS 12 Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 Fair Value Measurements	January 01, 2013

The non-adoption of above standards has no impact on the financial statements of the Company other than enhanced disclosures.

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

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

Title of Standard	Effective for accounting periods beginning on or after
IFRS 9 Financial Instruments	January 01, 2015
IFRIC 21 Levies	January 01, 2014
Amendments to	
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting	January 01, 2014
- IAS 36 Recoverable Amount Disclosures for Non-Financial Assets	January 01, 2014
- IFRS 10, 12 and IAS 27 Investment Entities	January 01, 2014
- IAS 32 Offsetting Financial Assets and Financial Liabilities	January 01, 2014

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except 'held-to-maturity' investments which are stated at amortised cost (refer note 13.2 and 13.3), provision for IBNR and premium deficiency reserve on the basis of actuarial valuation (refer note 4.4 and 4.12) and investment 'at fair value through profit or loss – held-for-trading investments 'which are stated at fair value (refer note 13.4). These financial statements have been prepared on accrual basis of accounting except for cash flow information which has been prepared on cash basis.

3.1 Use of critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going 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 the revision and future periods if the revision affects both current and future periods.

Significant areas where assumptions and estimates were exercised in application of accounting policies relate to:

- Classification of investments

In classifying investments as "held-for-trading" the Company has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements.

In classifying investments as "held-to-maturity" the Company has determined financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Company evaluates its intention and ability to hold such investments to maturity.

The investments which are not classified as held-for-trading or held-to-maturity are classified as available-for-sale.

- Provision for outstanding claims (including IBNR)

The Company records claims based on the amount of claim lodged by the insured. However, the settlement of all the claims is made based on the surveyor's assessment appointed for ascertainment of the Company's liability. The surveyor's assessment could differ significantly with the claims lodged by the insured, and accordingly amount of claims settled could materially differ with the amount of liability accrued.

The provision of claims incurred but not reported (IBNR) is made on the basis of actuarial valuation. The actuarial valuation is made on the basis of past trend and pattern of reporting of claims. The actual amount of IBNR may materially differ from the actuarial estimates.

- Additional provision for unexpired risks

Additional provision for unexpired risks is based on actuarial valuation for class wise insurance business. The actuary considers the trends of gross and net loss ratio of the Company. Accordingly, the actual results may differ with the assumption (based on historical trend) used by the actuary.

- Reinsurance recoveries against outstanding claims

Reinsurance recoveries are accrued on the basis of share of reinsurers in outstanding claims including IBNR as stated above. The recoveries are finalized when the amounts of outstanding claims are finalized based on surveyor's assessment. Therefore, reinsurance recoveries booked against settled claims could proportionately differ with the amount of reinsurance recoveries accrued against outstanding claims at the balance sheet date.

- Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Company's future taxable profits are taken into account.

- Impairment - (available-for-sale)

The Company determines that investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in prices. In addition the impairment may be appropriate when there is an evidence of deterioration in the financial health of the investee, industry, sector performance, changes in technology and operational and financial cash flows.

- Impairment of other assets, including premium due but unpaid

The Company also considers the need for impairment provision against other assets, including the premium due but unpaid and the provision required there against. While assessing such a requirement, various factors including delinquency in the account and financial position of the insured are considered.

- Fixed assets, investment properties and depreciation / amortization

The Company carries investment properties at their respective costs. The fair values are determined by the independent valuation experts and such valuations are carried out every year to determine the recoverable amount.

In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Company. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard - 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

The assets residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

The Company also reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of fixed assets with a corresponding effect on the charge for depreciation and impairment.

- Premium deficiency reserve (refer note 4.12)

3.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company’s functional and presentation currency and have been rounded off to the nearest rupee.

3.3 Foreign currency translations

Foreign currency transactions during the year are recorded at the exchange rate approximating those ruling on the date of transaction. Monetary assets and liabilities in foreign currencies are translated at the rate of exchange which approximates those prevailing on the balance sheet date. Gains and losses on translations are taken to income currently. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Insurance Contracts

Insurance contracts are those contracts under which the Company as insurer has accepted insurance risk from the insurance contract holder (the insured) by agreeing to compensate the insured if a specified uncertain future event (the insured event) adversely affects the insured. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its tenure, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Insurance contracts are classified into following main categories, depending on the nature and duration of risk and whether or not the terms and conditions are fixed:

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

These contracts are normally one year insurance contracts except marine and some contracts of fire and property and miscellaneous class, where the coverage period varies. Normally all marine insurance contracts and some fire and property contracts are of three months period. In miscellaneous class, some engineering insurance contracts are of more than one year period, whereas, normally travel insurance contracts expire within one month time.

These contracts are provided to all types of customers based on assessment of insurance risk by the Company. Normally personal insurance contracts e.g. vehicle, travel, personal accident, etc. are provided to individual customers, whereas, insurance contracts of fire and property, marine, aviation and transport, accident and health and other commercial line products are provided to commercial organizations.

Fire and property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities.

Marine insurance covers the loss or damage of vessels, cargo, terminals, and any transport or property by which cargo is transferred, acquired, or held between the points of origin and final destination.

Motor insurance provides protection against losses incurred as a result of theft, traffic accidents and against third party liability that could be incurred in an accident.

Accident and health insurance covers unforeseen cash flows and financial hardships arising due to ailments, accidents and other natural causes necessitating hospitalization.

Other various types of insurance are classified in miscellaneous category which includes mainly engineering, terrorism, worker compensation, and travel insurances, etc.

The Company also accepts insurance risk pertaining to insurance contracts of other insurer as reinsurance inward. The insurance risk involved in these contracts is similar to the contracts undertaken by the Company as insurer. All reinsurance inward contracts are facultative (specific risk) acceptance contracts.

4.2 Premium income and provision for unearned premiums

Premium under a policy is recognized at the time of the issuance of insurance policy.

Revenue from premiums is recognized after taking into account the unearned portion of premium which is calculated using the 1/24th method except for premium revenue relating to marine which is calculated using the 1/6th method. The unearned portion of premium income is recognized as a liability. Under this method, the liability for above unearned premium is equal to 1/24 of the premiums relating to policies commencing in the first month of financial year, 3/24 of the premiums relating to policies commencing in the second month of the financial year, and so on.

4.3 Reinsurance contracts held

These are contracts entered into by the Company with reinsurers for compensation of losses suffered on insurance contracts issued. These reinsurance contracts include both facultative and treaty arrangement contracts and are classified in same categories of insurance contracts for the purpose of these financial statements. The Company recognizes the entitled benefits under the contracts as various reinsurance assets.

4.4 Provision for outstanding claims including incurred but not reported (IBNR)

A liability for outstanding claims is recognized in respect of all claims incurred as at the balance sheet date which represents the estimates of the claims intimated or assessed before the end of the accounting year and are measured at the undiscounted value of expected future payments.

Provision for outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs. Provision for IBNR of Rs. 1.396 million (2012: Rs. 0.464million) is made for the cost of settling claims incurred but not reported at the balance sheet date on the basis of actuarial valuation. The latest valuation was carried out as of December 31, 2013.

The actuary uses statistical methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The method used is the chain-ladder method which involves the analysis of historic claims development factors and the selection of estimated development factors based on the historic pattern. The selected development factors are then applied to cumulative claims data for each accident year. Study of claim lag pattern is conducted annually to account for any changes in experience. The development factors are based on these studies and are updated accordingly. Adequate margins are also built in to compensate for any adverse deviations in claims experience.

The actuary recommends that month wise factor based on an analysis of the past claims reporting pattern be applied to estimation of provision for IBNR. The historic chain-ladder method is used for determination of month wise factor for each class of business. Accordingly, provision has been made based on IBNR factors applied on incurred claims recommended by the actuary.

4.5 Reinsurance recoveries against outstanding claims

Reinsurance recoveries against outstanding claims are recognized as an asset and measured at the amount expected to be received.

4.6 Commission expense and deferred commission expense

Commission incurred in obtaining and recording policies is recognized as expense after taking into account the proportion of deferred commission expense which is calculated using 1/24th method.

4.7 Claims expense

General insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from the previous years.

The Company recognizes liability in respect of all claims incurred up to the balance sheet date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract. The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. Provision for IBNR is based on the actuarial valuation which takes in to account the past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date.

4.8 Administrative surcharge

Administrative surcharge is included in the profit and loss account (as premium revenue) at the time the policies are issued.

4.9 Receivables and payables related to insurance contracts

Receivables and payables relating to insurance contracts are recognized when due. These include premiums due but unpaid, premiums received in advance and claims payable to insurance contract holders. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any.

If there is an objective evidence that any premiums due but unpaid is impaired, the Company reduces the carrying amount of the insurance receivable and recognizes the loss in the profit and loss account.

4.10 Reinsurance expense and prepaid reinsurance premium ceded

Reinsurance premium is recognized as expense after taking into account the proportion of deferred premium expense which is calculated using 1/24th method. The deferred portion of premium expense is recognized as a prepayment.

4.11 Commission income and unearned commission income

Commission from reinsurers is recognized as income after taking into account the unearned portion of commission which is calculated using the 1/24th method (in accordance with the pattern of recognition of reinsurance premium). The unearned portion of commission is recognized as liability.

4.12 Premium deficiency reserve

The Company is required under SEC (Insurance) Rules, 2002 to maintain a provision in respect of premium deficiency for the individual class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve (PDR) is recognised in the profit and loss account for the year.

The requirement for additional provision for unexpired risks is determined on the basis of an actuarial valuation. The latest valuation was carried out as of December 31, 2013. Based on the actuarial valuation so carried out, the Company is required to make provision for PDR in respect of Accident and Health class amounting to Rs. 0.485 million (2012: Rs. 3.279 million).The actuary determines adequacy of liability of premium deficiency by carrying out analysis of the Company's loss ratio of expired periods. For this purpose average loss ratio of last five years inclusive of claim settlement cost but excluding major exceptional claims are taken into consideration to determine ultimate loss ratio to be applied on unearned premium.

4.13 Claim and salvage recoveries

Claims recoveries receivable from the reinsurers are recognised as an asset at the same time as the claims which give rise to the right of recovery are recognised and are measured at the amount expected to be received. Claims expenses are reported net-off reinsurance in the profit and loss account.

Salvage value recoverable is recognised only if a firm and irrevocable contract and price thereon have been agreed with the buyer.

4.14 Creditors, accruals and provisions

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

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

4.15 Fixed assets

Tangibles

Owned

Operating fixed assets are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged over the estimated useful life of the asset on a systematic basis to income applying straight line method at rates given in note 20.1 to these financial statements.

Depreciation is charged from the month the asset is available for intended use. No depreciation is charged from the month of disposal of the asset.

The assets' residual value, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

Gains and losses on disposal of fixed assets are taken to profit and loss account currently.

Expenditure incurred subsequent to the initial acquisition of asset is capitalised only when it increases the future economic benefits embodied in the items of fixed assets. All other expenditure is recognised in the profit and loss account as an expense.

Leased

Assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception of lease less accumulated depreciation and impairment losses, if any. Finance charge on lease obligation is recognised in the profit and loss account over the lease term in a manner so as to provide a constant periodic rate of charge on the outstanding balance.

Depreciation on assets subject to finance lease is recognised in the same manner as owned assets.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortized over the lease term.

Intangibles

These are stated at cost less accumulated amortisation and impairment loss, if any. Amortisation is charged over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 20.1 to the financial statements.

Software development costs are only capitalised to the extent that future economic benefits are expected to be derived by the Company.

The carrying amounts are reviewed at each balance sheet date to assess whether these are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amounts.

Capital work in progress

Capital work in progress is stated at cost less any impairment in value (if any).

4.16 Investments

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs except for 'investments at fair value through profit or loss - held-for-trading investments' in which case the transaction costs are charged to the profit and loss account.

All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investments. These are recognised and classified as follows:

4.16.1 Investments at fair value through profit or loss - held-for-trading

Quoted investments which are acquired principally for the purpose of generating profit from short-term fluctuations in price or are part of the portfolio in which there is a recent actual pattern of short-term profit taking are classified as held-for-trading.

Subsequent to initial recognition these are re-measured at fair value by reference to quoted market prices with the resulting gain or loss being included in profit or loss of the period in which it arises.

4.16.2 Held-to-maturity

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

Subsequently, these are measured at amortised cost. Premium paid or discount availed on the acquisition of held-to-maturity investment is deferred and amortised over the term of investment using the effective yield method.

Profit on held-to-maturity instruments is recognised on a time proportion basis taking into account the effective yield on the investments.

These are reviewed for impairment at each reporting period and losses arising, if any, are charged to the profit and loss account of the period in which they arise.

4.16.3 Available-for-sale

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

Quoted

Subsequent to initial recognition at cost, quoted investments are stated at the lower of cost or market value (market value on an individual investment basis being taken as lower if the fall is other than temporary) in accordance with the requirement of the S.R.O. 938 issued by the SECP in December 2002. The Company uses Stock Exchange quotations at the balance sheet date to determine the market value of listed shares and closed-end mutual funds. Further, market value of open-ended mutual funds is determined by using MUFAP rates at the balance sheet date.

Had the Company adopted International Accounting Standard (IAS) 39 “Financial instruments-recognition and measurement” in respect of recognition of gain / (loss) on measurement of available-for-sale securities directly into equity, the investments of the Company would have been higher by Rs. 73.931million (2012: Rs. 91.667 million) and the net equity would have increased by the same amount.

Unquoted

Unquoted investments are recorded at cost less impairment (if any) in accordance with the above requirement.

4.16.4 Recognition / de-recognition of investments

Investments are recognised / derecognised by the Company on the date it commits to purchase / sell the investments.

4.17 Securities under repurchase / resale agreements

Transactions of purchase under resale (reverse-repo) of marketable securities are entered into at contracted rates for specified periods of time. These securities are not recognized in the financial statements as investments, as the Company does not obtain control over the assets. Amounts paid under these agreements are included in the financial statements as balance receivables for securities purchased under resale arrangements in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from the date of reverse repurchase transaction and accrued over the period of the reverse-repo agreement.

Transactions of sale under repurchase (repo) of marketable securities are entered into at contracted rates for specified periods of time. These securities are not derecognized from the financial statements and continue to be recognized as investments and measured in accordance with accounting policies for investment securities. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the period of the repo agreement.

4.18 Investment properties

Investment properties are accounted for under the cost model in accordance with International Accounting Standard 40, Investment Property, and S.R.O. 938 issued by SECP. Accordingly:

- premises is depreciated so as to write-off the assets over their expected economic lives under the straight line method at rates given in note 14 to these financial statements; and

- subsequent capital expenditures on existing properties and gains or losses on disposals are accounted for in the same manner as operating fixed assets.

4.19 Other receivables

These are stated at cost less impairment losses, if any. Full provision is made against the impaired debts.

4.20 Retirement benefits

Defined Contribution Plan (Provident Fund)

The Company operates a contributory provident fund scheme for its permanent employees. Contribution to the fund is made by the employees and the Company at the rate of 10 % of their basic salaries.

4.21 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts used for financial reporting purpose and amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets may be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date.

4.22 Financial instruments

Financial instruments carried on the balance sheet include cash and bank deposits, loans, premiums due but unpaid, amount due from other insurers / reinsurers, premium and claim reserves retained bycedants, accrued investment income, reinsurance recoveries against outstanding claims, security deposits, investments, sundry receivables, amount due to other insurers / reinsurers, accrued expenses, provision for outstanding claims including incurred but not reported, agent's balances, liabilities against assets subject to finance lease, other creditors and accruals and other payables.

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company losses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Any gain or loss on de-recognition of financial assets and financial liabilities are taken to income directly.

4.23 Revenue recognition

Underwriting result

The earned premium less reinsurance, claims, commission and allocable expenses of management are reflected in the profit and loss account as the underwriting result for each class of insurance business undertaken.

Investment income

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

Dividend income is recognised when the right to receive the same is established.

Entitlement of bonus shares is recognised when the right to receive the same is established by increasing the number of shares to which the Company is entitled without giving any monetary effect in the financial statements either in terms of cost or value thereof.

Gains / Losses on sale of investments are recognised in the profit and loss account at the time of sale. Return on bank accounts, term financecertificates and certificates of investments

Return on bank accounts, term finance certificates and certificates of investments are accounted for on accrual basis.

Income from investment properties

Rental income from investment properties is recognised on time proportion basis.

4.24 Expenses of management

These are allocated to various classes of business in proportion to respective net premium revenue for the year. Expenses not allocable to the underwriting business are charged as general and administration expenses.

4.25 Off setting

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

4.26 Impairment

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account. In addition impairment on available-for-sale investments and reinsurance assets are recognised as follows:

- Available-for-sale

The Company determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

- Reinsurance assets

The Company determines the impairment of the reinsurance assets by looking at objective evidence, as a result of an event that occurred after initial recognition of the reinsurance assets, which indicates that the Company may not be able to recover amount due from reinsurer under the terms of reinsurance contract. In addition, the Company also monitors the financial ratings of its reinsurers on each reporting date.

4.27 Segment reporting

A business segment is a distinguishable component of the Company that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Company accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002 as the primary reporting format.

The Company has five primary business segments for reporting purposes namely fire, marine, motor,accident and health and miscellaneous.

Fire insurance segment provides insurance covers against damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and impact.

Marine insurance segment provides coverage against cargo risk, war risk and damages occurring in inland transit.

Motor insurance provides comprehensive vehicle coverage and indemnity against third party loss.

Accident and health insurance provides cover against loss due to accidental injury or sickness.

Miscellaneous insurance provides cover against loss of cash in safe and cash in transit, money, engineering losses and others coverage.

Assets and liabilities that are directly attributable to segments have been assigned to them while the assets and liabilities pertaining to two or more segments have been allocated to segments on a net premium revenue basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities. Depreciation and amortisation are allocated to a particular segment on the basis of premium earned.

4.28 Cash and cash equivalents

Cash and cash equivalents include cash, cheques and policy stamps in hand and balance with banks in current, saving and deposit accounts.

4.29 Amount due to other insurers / reinsurers

Liabilities for other insurers / reinsurers are carried at cost which is the fair value of consideration to be paid in the future for services.

4.30 Premiums due but unpaid

These are recognized at cost, which is the fair value of the consideration to be received less provision for impairment, if any.

4.31 Amount due from other insurers / reinsurers

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

4.32 Dividend distributions and appropriation

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.

4.33 Earnings / (Loss) per share

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

4.34 Related parties transactions

All transactions with related parties are carried out by the Company at arm's length prices or as otherwise disclosed. The Company follows the "Comparable Uncontrolled Price Method" to measure and value the transactions with the related parties, without exceptions.

5 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

5.1 Authorized share capital

2013	2012		2013	2012
Number of shares			---------- Rupees ----------	
30,000,000	30,000,000	Ordinary shares of Rs. 10 each	**300,000,000**	300,000,000

5.2 Issued, Subscribed and Paid - up capital

2013	2012		2013	2012
8,000,000	8,000,000	Ordinary shares of Rs. 10 each, fully paid in cash	**80,000,000**	80,000,000
12,000,000	12,000,000	Ordinary shares of Rs. 10 each, issued as fully paid bonus shares	**120,000,000**	120,000,000
10,000,000	10,000,000	Ordinary shares of Rs. 10 each, issued as right shares	**100,000,000**	100,000,000
30,000,000	30,000,000		**300,000,000**	300,000,000

5.2.1 The Company is required to maintain minimum paid-up capital requirement as disclosed in note 32.

5.2.2 At December 31, 2013, 16.75 million (2012: 24.11 million) shares of the Company are held by associated companies / undertakings. Details of these holdings are as follows:

	2013	2012
	Number of shares	
Shaheen Foundation, Pakistan Air Force	**7,902,874**	7,904,374
Central Non Public Fund, Pakistan Air Force	**2,500,000**	2,500,000
The Hollard Company Limited, South Africa	**6,345,296**	6,345,296
First Capital Mutual Fund	**-**	2,062,318
First Capital Securities Corporation Limited	**-**	1,870,027
First Capital Equities Limited	**-**	-
WorldCall Telecom Limited	**-**	3,136,963
Pace Pakistan Limited	**-**	294,037
	16,748,170	24,113,015
Percentage of shareholding by associated companies / undertakings	**55.83%**	80.38%

First Capital group companies and World Call group companies were classified as associated undertakings / related parties in prior year. However, the directors of the First Capital group companies and World Call group companies resigned from the Board on June 21, 2013, which was accepted at the meeting of the Board held on July 5, 2013. Therefore, these companies were treated as related parties till July 5, 2013. However, these are not related parties as at the balance sheet date.

The status of the shareholding pattern of these parties at the time of resignation was same as on December 31, 2012.

6 AMOUNTS DUE TO OTHER INSURERS / REINSURERS

		2013	2012
		---------- Rupees	**----------**
Foreign companies		**24,970,887**	13,499,846
Local companies		**51,149,819**	39,809,347
		76,120,706	53,309,193

7 ACCRUED EXPENSES

Rent payable		**2,042,532**	2,387,119
Advisory fee payable		**859,938**	-
Accrual against utilities		**523,924**	488,928
Accrued salaries		**6,646,052**	-
Others		**1,197,343**	972,343
		11,269,789	3,848,390

8 OTHER CREDITORS AND ACCRUALS

Federal excise duty payable		**33,015,941**	13,434,267
Withholding tax payable	8.1	**2,634,856**	2,421,086
Workers welfare fund payable		**215,074**	2,532,715
Unearned rental income		**380,624**	359,988
Payable to provident fund		**5,433,745**	2,166,952
Others		**6,330,160**	4,164,617
		48,010,400	25,079,625

8.1 Subsequent to the year-end, amount of Rs. 1.973 million (2012: Rs. 1.9 million) was paid by the Company.

9 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

9.1 Details are as follows:

	2013			2012		
	Minimum lease payments	**Financial charges for future periods**	**Present value**	Minimum lease payments	Financial charges for future periods	Present value
	Rupees					
Within one year	**769,620**	**165,948**	**603,672**	1,340,400	96,915	1,243,485
More than one year	**565,730**	**55,292**	**510,438**	2,215,251	462,542	1,752,709
	1,335,350	**221,240**	**1,114,110**	3,555,651	559,457	2,996,194

The total lease rentals due under the various lease agreements are Rs. 1.335 million (2012: Rs. 3.555 million) and are payable in equal monthly installments till 2015. Taxes, repairs and insurance costs are to be borne by the Company. Financing rate of 21% per annum (2012: 21% per annum) has been used as the discounting factor. Purchase option can be exercised by the Company, paying 20% to 30% of the leased amount of respective vehicles.

10 CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

10.1.1 The Company has filed an appeal before the Appellate Bench of Securities and Exchange Commission of Pakistan (SECP) in relation to order dated December 17, 2012 by the SECP with regards to non compliance of the minimum solvency requirements as at December 31, 2011.

The SECP order explains that the Company is in default of the minimum solvency requirements by Rs. 49.328 million as on December 31, 2011. On request of legal counsel of the Company, the SECP instructed the Company to provide revised solvency statement as at September 30, 2012. However, the new solvency statement showed a shortfall of Rs. 82.6 million.

Taking into consideration the new solvency statement, SECP imposed a fine of Rs. 0.3 million on the Company and Rs. 0.1 million each on the directors of the Company. The Company has filed an appeal before the Appellate Bench of the SECP against the order. Subsequent to the year end, the Order on the appeal was announced by the Appellate Bench Securities and Exchange Commission of Pakistan on February 13, 2014 deciding that the appeal is dismissed with no order as to cost.

10.1.2 The income tax assessments of the Company have been finalized up to and including the assessment year 2002-03 (financial year ended December 31, 2001), while returns have been filed for the financial years ended December 31, 2002 to December 31, 2012 which under the Income Tax Ordinance, 2001 are considered to be deemed assessments unless amended.

However, the assessment for tax year 2004, 2006 and 2007 had been amended by the taxation officer, against which the Company had preferred an appeal before the Commissioner Inland Revenue (Appeal). The demand raised was of Rs. 2.045 million for the tax year 2004, Rs. 9.993 million for the tax year 2006, and Rs. 14.486 million for tax year 2007 against the apportionment of expenses and reverse repo.

During the year 2010, Commissioner Inland Revenue (Appeals) has passed the order, in which the order of the taxation officer was confirmed for the tax year 2004, 2006 and 2007. Against the order of the Commissioner Inland Revenue (Appeal), the Company had preferred an appeal before the Appellate Tribunal Inland Revenue. The matters of the assessment of tax year 2004, 2006 and 2007 have been decided in favor of the Company through order of Appellate Tribunal Inland Revenue dated April 4, 2012. The case was decided in the Company's favour in the High Court as well through the order dated September 5, 2013. However, the Company received a legal notice on October 09, 2013 which stated that the Commissioner Inland Revenue intends to file civil petition against the order in the Supreme Court of Pakistan. The tax advisor of the Company is of the view that the Company is likely to be successful in respect of these appeals. Therefore, no provision has been made in the financial statements.

The Additional Commissioner Inland Revenue amended the assessment for the tax year 2005 through order dated December 27, 2011. As per the order, the additional tax demanded from the Company amounted to Rs. 4.435 million. Against the order of the Commissioner Inland Revenue, the Company preferred an appeal before the Commissioner Inland Revenue (Appeals). The Commissioner (Appeals) gave pertial relief where by demand reduced to Rs. 3.245 million. Against the order of Commissioner (Appeals) appeal has been preferred before the Appellate Tribunal Inland Revenue (ATIR) Karachi. Appeal is still pending. However, the management and tax advisor of the Company are confident of a favourable outcome from appellate proceedings and provisions already created in the financial statements are sufficient to accomodate this tax demand.

10.1.3 A claim was raised by General Trading in 2011 amounting to Rs. 60.65 million, which was rejected by the surveyor. The aggrieved party filed a suit against the Company. The legal advisor of the Company is of the view that the Company is likely to be successful in respect of this suit. Therefore, no provision has been made in the financial statements.

10.1.4 The Company has repossessed salvage vehicles at its warehouse as at December 31, 2013, whose fair value amounted to Rs. 7.99 million (2012: Rs. 18.325 million). The valuation was carried out by Nadeem Surveyor (Private) Limited. The Company has not recorded the salvage vehicles in its books of accounts due to the reason that the Company has not obtained relevant approvals from the Court as at the year end and consequently, the right to sell the vehicles. The Company is confident that the relevant approvals will be obtained from the Court in the subsequent period.

10.2 Commitments

There were no commitments as at December 31, 2013 (2012: Nil).

11 CASH AND BANK DEPOSITS

	Note	2013	2012
		---------- Rupees ----------	
Cash and other equivalents			
- Cash in hand		**56,702**	77,927
- Policy stamps and bond papers in hand		**2,117,044**	47,698
		2,173,746	125,625
Current and saving accounts			
- Current accounts		**3,361,175**	18,890,443
- Saving accounts	11.1	**34,202,763**	29,470,537
		37,563,938	48,360,980
Deposits maturing within 12 months			
Term deposit - local currency	11.2	**31,793,955**	3,572
		71,531,639	48,490,177

11.1 These carry profit rates ranging between 0.5% to 10% (2012: 0.5% to 10%) per annum.

11.2 The rate of return on term deposits with various banks range from 7% to 9% per annum (2012: 11% to 11.5% per annum) due on maturity. These term deposits have maturities upto January 27, 2014.

12 LOANS - secured and considered good

	Note	**2013**	2012
		---------- **Rupees** ----------	
Due from employees other than executives	12.1	**771,068**	3,556,269

12.1 This represents mark-up free loans to the employees of the Company in accordance with the terms of their employment and are secured against their retirement benefits. These loans are recoverable in monthly installments over a period of less than two years.

13 INVESTMENTS

13.1 Type of investments	Note	**2013**	2012
		---------- **Rupees** ----------	
Held-to-maturity			
Certificates of Investments	13.2	**-**	712,646
Term Finance Certificates - listed	13.3	**-**	-
		-	712,646
At fair value through profit or loss - Held-for-trading	13.4	**9,907,790**	20,173,057
Available-for-sale investments	13.5 & 13.5.2	**220,062,726**	220,062,726
		229,970,516	240,948,429

13.2 This represents investment in Certificates of Investments issued by SME Leasing Limited carrying mark-up at the rate of nil (2012: 10.5%) per annum matured on May 23, 2013.

13.3 Term Finance Certificates - listed

2013	2012		Note	**2013**	2012
Number of certificates				---------- **Rupees** ----------	
109	109	Invest Capital Investment Bank Limited (formerly Al-Zamin Leasing Corporation Limited)	13.3.1	**545,000**	545,000
		Less: Impairment of non-performing TFC		**(545,000)**	(545,000)
				-	-

13.3.1 This represents listed term finance certificates (face value of Rs. 5,000 each) and carried mark-up rate equal to five years Pakistan Investment Bond rate plus 2% per annum, receivable semi-annually in arrears with floor of 12% per annum and cap of 15.75% per annum. The principal amount was due on maturity in September 2013.

At December 31, 2012, the TFC was classified as non-performing as per the valuation report of debt securities by the Mutual Fund Association of Pakistan under SECP Circular 33 of 2012 dated October 24, 2012.

13.4 At fair value through profit or loss - Held-for-trading - quoted shares

The details of investments in ordinary shares of face value of Rs. 10 each is as follows:

2013	2012	**Name of the investee entity**		**2013**	2012
Number of shares			**Note**	**Carrying (market) value** --------- **Rupees** ---------	
		Chemicals			
-	420,000	Nimir Industrial Chemical Limited		**-**	1,604,400
		Banks			
860,000	860,000	KASB Bank Limited		**1,651,200**	2,089,800
40,250	40,250	Askari Bank Limited		**563,500**	693,105
500,885	500,885	Summit Bank Limited		**1,076,903**	1,487,628
376	393,376	Bank Alfalah Limited		**10,167**	6,616,584
		Financial Services			
71,500	546,000	First Capital Securities Corporation Limited	13.6	**207,350**	1,998,360
		Electricity			
85,000	85,000	Hub Power Company Limited		**5,161,200**	3,845,400
57,000	57,000	Pakgen Power Limited		**1,237,470**	1,199,280
		Personal Goods			
-	10,000	Nishat Mills Limited		**-**	638,500
				9,907,790	20,173,057

13.5 Available-for-sale investments

2013	2012			2013	2012
Number of shares			**Note**	**Cost**	
				--------- Rupees ---------	
		Quoted shares			
4,700,000	4,700,000	First Capital Equities Limited	13.6 & 13.7	**188,000,000**	188,000,000
Number of units					
		Open-end mutual fund			
629,629	586,405	Pakistan Income Fund	13.5.1	**27,131,960**	27,131,960
5,427	5,008	Pakistan Cash Management Fund		**233,929**	233,929
5,734	5,295	Faysal Saving Growth Fund		**493,676**	493,676
99,120	92,622	ABL Income Fund		**835,585**	835,585
764	708	Atlas Islamic Income Fund		**336,171**	336,171
106,396	87,407	Pakistan Strategic Allocation Fund		**616,012**	616,012
16,398	15,218	PICIC Cash Fund		**1,472,515**	1,472,515
4,497	4,177	Lakson Money Market Fund		**388,204**	388,204
6,646	6,150	HBL Money Market Fund		**554,674**	554,674
				32,062,726	32,062,726
				220,062,726	220,062,726

13.5.1 These units are pledged with the State Bank of Pakistan under the provisions of Insurance Ordinance, 2000 (XXXIX of 2000).

13.5.2 Market value of available-for-sale securities is Rs. 293.994 million (2012: Rs. 311.728 million).

13.6 The Company has settled other receivables (refer note no. 19) from First Capital Equities Limited (previously a related party) against the shares of First Capital Securities Corporation Limited (refer note 19 and 20.2.2).

13.7 This represent investment in a previously related party.

13.8 Investment related expenses (refer statement of investment income)

	Note	2013	2012
		--------- Rupees ---------	
Brokerage commission	13.8.1	**151,650**	149,168

13.8.1 This represents brokerage commission to First Capital Equities Limited (previously a related party).

14 INVESTMENT PROPERTIES - at cost less accumulated depreciation

		2013							
		Cost			**Depreciation**			**Written down**	**Depreciation**
		As at January 1, 2013	**Additions/ (Deletions)**	**As at December 31, 2013**	**As at January 1, 2013**	**For the year**	**As at December 31, 2013**	**value as at December 31, 2013**	**rate %**
	Note	---------- **Rupees** ----------							
Shop premises	14.1	**33,948,414**	**-**	**33,948,414**	**7,197,166**	**1,697,421**	**8,894,587**	**25,053,827**	5
Office premises	14.1	**2,848,320**	**-**	**2,848,320**	**2,136,240**	**142,416**	**2,278,656**	**569,664**	5
Advance against purchase of investment property	14.2	**-**	**34,750,008**	**34,750,008**	**-**	**-**	**-**	**34,750,008**	-
		36,796,734	**34,750,008**	**71,546,742**	**9,333,406**	**1,839,837**	**11,173,243**	**60,373,499**	

	2012							
	Cost			Depreciation			Written down	Depreciation
	As at January 1, 2012	Additions/ (Deletions)	As at December 31, 2012	As at January 1, 2012	For the year	As at December 31, 2012	value as at December 31, 2012	rate %
	---------- Rupees ----------							
Shop premises	33,948,414	-	33,948,414	5,499,745	1,697,421	7,197,166	26,751,248	5
Office premises	2,848,320	-	2,848,320	1,993,824	142,416	2,136,240	712,080	5
	36,796,734	-	36,796,734	7,493,569	1,839,837	9,333,406	27,463,328	

14.1 Shops and office premises (leasehold properties) have been valued under the market value basis by Maqsood Ahmed (Private) Limited and GIP Surveyors (Private) Limited. Market value of shop and office premises based on the valuations as of January 30, 2014 and January 31, 2014 amounted to Rs. 100.6 million, and 13.4 million {2012: March 28, 2013 and March 25, 2013 amounted to Rs. 99.726 million and Rs.13 million by Maqsood Ahmed (Private) Limited and M.J. Surveyors (Private) Limited} respectively.

14.2 The advance is given against the purchase of property from Pace Pakistan Limited (previously a related party), refer note 20.2.1situated at First floor of Pace tower project, 27-H, Gulberg II, Lahore.This was previously classified under capital work in progress (refer note 20.2.2). The property has been valued under the market value basis by Maqsood Ahmed (Private) Limited, the market value of the premises based on the valuations as of April 3, 2014 amounted to Rs. 37.53 million {2012: April 10, 2013 amounted to Rs. 36.83 million by Masud Associates (Private) Limited}.

14.3 Based on the intention of the management, the property has been transferred from "capital work in progress" to "investment properties" (refer note 20.2).

15 PREMIUMS DUE BUT UNPAID - NET

	Note	2013	2012
		------------ Rupees ------------	
Considered good	15.1	**219,085,622**	262,200,458
Considered doubtful		**13,742,644**	13,742,644
		232,828,266	275,943,102
Provision against doubtful receivables	15.2	**(13,742,644)**	(13,742,644)
		219,085,622	262,200,458

15.1 Premiums due but unpaid from related parties include:

	2013	2012
Ever Green Water Valley (Private) Limited	-	1,891,263
First Capital Investment (Private) Limited	-	114,846
First Capital Securities Corporation Limited	-	289,265
Media Times (Private) Limited	-	4,489,098
Northway Investments Limited	-	153,310
Pace Baraka Properties Limited	-	6,243,121
Pace Pakistan Limited	-	13,861,972
Pace Woodlands (Private) Limited	-	1,083,084
Shaheen Air Port Services (SAPS)	**2,597,427**	4,423,338
Shaheen Foundation, PAF	**916,035**	994,228
Shaheen Knitwear	**17,098**	38,930
Shaheen Complex	**97,541**	-
Hawks Advertising and Communication	**52,483**	-
Total Media Limited	-	28,625
Trident Construct (Private) Limited	-	9,948
World Press (Private) Limited	-	182,104
WorldCall Cable (Private) Limited	-	4,587
WorldCall Services (Private) Limited	-	12,007,085
WorldCall Telecom Limited	-	89,350,341
	3,680,584	135,165,145
Percentage of premium due but unpaid	**2%**	52%

First group Companies and World Call Telecom Limited were classified as associated undertakings / related parties in prior year. However, the directors of the First Capital group resigned from the Board on June 21, 2013, which was accepted at the meeting of the Board held on July 5, 2013. Therefore, these companies were treated as related parties till July 5, 2013. However, these ceased to be related parties as at the balance sheet

The premium due but unpaid from First Capital group, Media Time (Private) Limited, Pace Pakistan group and World Call group at the time of cessation of related parties was Rs. 814,983, Rs. 5,551,952, Rs. 22,230,984 and Rs. 119,909,335 respectively .

15.2 Reconciliation of provision against doubtful receivables

	Note	2013	2012
		------------ Rupees ------------	
Balance as at beginning of the year		**13,742,644**	13,742,644
Charge for the year		**-**	-
Balance as at end of the year		**13,742,644**	13,742,644

15.3 The age analysis of premium due but unpaid is as follows:

Upto 1 year	**25,509,774**	146,358,108
1 - 2 years	**75,074,645**	70,089,247
2 - 3 years	**63,889,317**	31,343,092
Over 3 years	**54,611,886**	14,410,011
	219,085,622	262,200,458

	Note	**2013**	2012
		------------ **Rupees** ------------	
16 AMOUNTS DUE FROM OTHER INSURERS \ REINSURERS			
Considered good - foreign		**7,585,719**	13,493,632
- local		**59,020,892**	48,178,561
		66,606,611	61,672,193
17 ACCRUED INVESTMENT INCOME			
Mark-up accrued on Term Finance Certificates		**-**	21,737
Profit accrued on Certificates of Investments		**15,408**	8,016
		15,408	29,753
18 ADVANCES, DEPOSITS AND PREPAYMENTS			
Advances		**869,062**	1,156,034
Security deposits	18.1	**10,123,945**	10,141,857
Prepaid reinsurance premium ceded		**39,896,992**	40,343,116
Prepayments	18.2	**12,393,952**	17,225,384
Others		**30,000**	676,459
		63,313,951	69,542,850

18.1 This includes Rs. 4.15 million (2012: 4.15 million) in respect of security deposits paid against rental properties to Shaheen Foundation, Pakistan Air Force - related party.

18.2 This includes Rs. 12.2 million (2012: 17.2 million) in respect of prepayment of rent to Shaheen Foundation, Pakistan Air Force - related party.

19 OTHER RECEIVABLES - unsecured, considered good	Note	**2013**	2012
		------------ **Rupees** ------------	
Receivable:			
-against Federal Insurance Fee		**137,977**	731,266
- against trading in marketable securities	19.1 & 13.6	**957,649**	957,648
Others		**8,427,592**	7,935,789
		9,523,218	9,624,703

19.1 This represents amount receivable from First Capital Equities Limited (previously a related party).

20 FIXED ASSETS

Operating fixed assets	20.1	**25,295,272**	38,050,033
Capital work-in-progress	20.2	**-**	34,750,008
		25,295,272	72,800,041

20.1 Operating fixed assets - at cost less accumulated depreciation

Particulars	2013							
	COST			**DEPRECIATION / AMORTIZATION**			**Written down value as at December 31, 2013**	**Depreciation/ Amortization rate %**
	As at January 1, 2013	**Additions/ (Deletions)**	**As at December 31, 2013**	**As at January 1, 2013**	**For the year**	**As at December 31, 2013**		
	---------- Rupees ----------							
Tangible								
- Owned								
Furniture and fixtures	**15,544,882**	**408,650**	**15,086,490**	**10,055,611**	**936,193**	**10,134,339**	**4,952,151**	10
		(867,042)			**(857,465)**			
Office and electrical equipment	**10,575,325**	**1,996,472**	**12,314,824**	**8,825,578**	**995,652**	**9,570,857**	**2,743,967**	15 - 20
		(256,973)			**(250,373)**			
Computer equipment	**16,698,175**	**578,150**	**17,249,825**	**12,798,467**	**1,969,429**	**14,741,396**	**2,508,429**	33.3
		(26,500)			**(26,500)**			
Furniture, fixtures & office equipment	**42,818,382**	**2,983,272**	**44,651,139**	**31,679,656**	**3,901,274**	**34,446,592**	**10,204,547**	
		(1,150,515)			**(1,134,338)**			
Motor vehicles	**46,251,367**	**141,645**	**38,823,002**	**27,360,548**	**6,573,835**	**28,465,664**	**10,357,338**	20
		(7,570,010)			**(5,468,719)**			
	89,069,749	**3,124,917**	**83,474,141**	**59,040,204**	**10,475,109**	**62,912,256**	**20,561,885**	
		(8,720,525)			**(6,603,057)**			
- Leased								
Motor vehicles	**4,003,000**	**-**	**4,003,000**	**1,190,968**	**766,329**	**1,957,297**	**2,045,703**	20
Intangible								
Computer software	**10,178,944**	**-**	**10,178,944**	**4,970,488**	**2,520,772**	**7,491,260**	**2,687,684**	33.3
	103,251,693	**3,124,917**	**97,656,085**	**65,201,660**	**13,762,210**	**72,360,813**	**25,295,272**	
		(8,720,525)			**(6,603,057)**			

Particulars	2012							
	COST			DEPRECIATION / AMORTIZATION			Written down value as at December 31, 2012	Depreciation/ Amortization rate %
	As at January 1, 2012	Additions/ (Deletions)	As at December 31, 2012	As at January 1, 2012	For the year	As at December 31, 2012		
	---------- Rupees ----------							
Tangible								
- Owned								
Furniture and fixtures	14,999,882	575,000	15,544,882	9,092,411	963,200	10,055,611	5,489,271	10
		(30,000)						
Office and electrical equipment	10,739,675	190,650	10,575,325	8,595,326	569,502	8,825,578	1,749,747	15 - 20
		(355,000)			(339,250)			
Computer equipment	15,300,684	1,397,491	16,698,175	10,760,810	2,037,657	12,798,467	3,899,708	33.3
Furniture, fixtures & office equipment	41,040,241	2,163,141	42,818,382	28,448,547	3,570,359	31,679,656	11,138,726	
		(385,000)			(339,250)			
Motor vehicles	50,458,572	670,795	46,251,367	23,911,876	6,657,673	27,360,548	18,890,819	20
		(4,878,000)			(3,209,001)			
	91,498,813	2,833,936	89,069,749	52,360,423	10,228,032	59,040,204	30,029,545	
		(5,263,000)			(3,548,251)			
- Leased								
Motor vehicles	4,003,000	-	4,003,000	390,368	800,600	1,190,968	2,812,032	20
Intangible								
Computer software	3,274,514	6,904,430	10,178,944	2,304,802	2,665,686	4,970,488	5,208,456	33.3
	98,776,327	9,738,366	103,251,693	55,055,593	13,694,318	65,201,660	38,050,033	
		(5,263,000)			(3,548,251)			

20.1.1 Disposal of operating fixed assets

Particulars of the assets	Cost	Written down value	Sale proceeds	Gain / (Loss) on disposal	Mode of disposal	Sold to	Address
MOTOR VEHICLES	Rupees						
Suzuki Shogun	59,900	-	7,000	7,000	Negotiation	Nadeem Masih	House # 916, Haider Town Block B 3 Gogarpura, Lahore.
Suzuki Shogun	59,900	-	7,000	7,000	Negotiation	Nadeem Masih	House # 916, Haider Town Block B 3 Gogarpura, Lahore.
Honda Civic	1,466,000	48,866	1,042,500	993,634	Negotiation	Car Corporation (M.Ali)	111/B, Block-2, Khalid Bin Waleed Road, PECHS, Karachi.
Honda Accord	1,640,000	328,000	1,042,500	714,500	Negotiation	Car Corporation (M.Ali)	111/B, Block-2, Khalid Bin Waleed Road, PECHS, Karachi.
Toyota Vitz	807,710	444,240	414,000	(30,240)	Negotiation	Adnan Niaz	House # 1859, PIB Colony, Karachi.
Honda City	1,270,000	571,500	828,000	256,500	Negotiation	Omer Zubairi	A-338, Gulshan-e-Iqbal Block-2,
Honda Accord	1,450,000	314,167	1,000,000	685,833	Negotiation	Shaheen Foundation	Sector E-9/1, PAF Complex Islamabad.
Suzuki Alto	725,000	350,417	552,000	201,583	Negotiation	M. Nasir Jamal	House # A-293, Plot 12, F.B. Area, Karachi South.
Hero Motor Cycle	42,500	-	7,000	7,000	Negotiation	M. Riaz	Ghareebabad Colony, Chak No. 18 BC, Tehsil Bahawalpur.
Dyl Dhoom	49,000	44,100	-	(44,100)	Theft	-	
Sub Total	7,570,010	2,101,290	4,900,000	2,798,710			
OTHERS							
Furniture and Fixture Item	1,124,015	16,178	120,000	103,822	Negotiation	Bushra Ghani and Others	Room # 112, 1st Floor, Plot # G-7, Block 9, Clifton, Karachi.
Computer Equipment	26,500	-	2,000	2,000	Negotiation	Irfan	House # E-19/120, PIB Colony, Karachi.
Sub Total	1,150,515	16,178	122,000	105,822			
Grand Total	8,720,525	2,117,468	5,022,000	2,904,532			
2012	5,263,000	1,714,749	2,225,800	511,051			

20.1.2 Fixed assets include fully depreciated items costing Rs. 29.384 million (2012: Rs. 28.363) million.

20.2 CAPITAL WORK IN PROGRESS

	Note	2013 Tangible	2013 Intangible	2013 Total	2012 Total
		Rupees			
Balance as on January 1	20.2.1	**34,750,008**	**-**	**34,750,008**	140,589,930
Additions during the year		**-**	**-**	**-**	-
Transferred to fixed assets		**-**	**-**	**-**	(4,800,000)
Settled against shares	20.2.2	**-**	**-**	**-**	(101,039,922)
Transferred to investment properties	14.2	**(34,750,008)**	**-**	**(34,750,008)**	-
Balance as on December 31		**-**	**-**	**-**	**34,750,008**

20.2.1 Tangible represents property acquired from Pace Pakistan Limited - previously related party. The Company has provided us a certificate from Pace Pakistan Limited (Builder) confirming that the said property stands in the name of the Company.

20.2.2 During the year ended December 31, 2011, the Company carried out reverse repo transactions with a related party, against shares of another related party. However, upon maturity, the transaction was settled through acquisition of property under construction at a value of Rs. 101.04 million, which was classified under 'capital work in progress'. However, during the year 2012, the Company reversed the settlement and classified the amount of reverse repo of Rs. 95.643 million in 'loans – others' and associated mark-up of Rs. 4.244 million in 'sundry receivable' in condensed interim financial information for the period ended June 30, 2012.

On November 29, 2012, the Company through an agreement settled balance of 'reverse repo' and 'premium due but unpaid' amounting to Rs. 99.89 million (reverse repo and associated mark-up) and Rs. 88.859 million of FCSC Group and Pace (Pakistan) Limited respectively against 4.7 million shares of First Capital Equities Limited (a related party) at Rs. 40 per share against the market value of Rs. 69 per share as at that date. The agreement was subsequently amended on March 7, 2013 to make the clause of "restriction on holding period" and "SWAP against property" null and void.

21 MANAGEMENT AND GENERAL AND ADMINISTRATION EXPENSES

	Note	2013 Management expenses	2013 General and administration expenses	2013 Total	2012 Management expenses	2012 General and administration expenses	2012 Total
		Rupees					
Salaries and other benefits		**58,611,363**	**28,445,218**	**87,056,581**	58,917,513	30,786,887	89,704,400
Provident fund contribution		**1,757,232**	**530,602**	**2,287,834**	1,823,916	771,831	2,595,747
Rent	21.1	**9,954,836**	**5,587,176**	**15,542,012**	10,183,509	5,421,593	15,605,102
Utilities		**6,154,906**	**3,154,145**	**9,309,051**	6,207,969	6,480,223	12,688,192
Repair and maintenance		**1,788,457**	**4,292,495**	**6,080,952**	1,399,750	1,783,488	3,183,238
Legal and professional charges		**170,200**	**3,202,538**	**3,372,738**	583,055	1,877,535	2,460,590
Auditors' remuneration	21.2	**-**	**990,000**	**990,000**	-	915,000	915,000
Depreciation and amortization	20.1	**-**	**15,602,047**	**15,602,047**	-	15,534,155	15,534,155
Insurance expenses		**116,126**	**491,403**	**607,529**	-	369,164	369,164
Bank charges		**56,694**	**23,126**	**79,820**	55,783	32,295	88,078
Financial charges on assets subject to finance lease		**-**	**338,269**	**338,269**	-	505,887	505,887
Interest on provident fund payable		**-**	**939,922**	**939,922**	-	-	-
Advertisement and sales promotion		**102,910**	**517,200**	**620,110**	100,150	1,061,211	1,161,361
Travelling and entertainment		**2,935,772**	**2,193,222**	**5,128,994**	7,691,468	6,698,828	14,390,296
Printing and stationery		**1,497,145**	**1,971,059**	**3,468,204**	2,206,735	4,805,709	7,012,444
Newspaper and periodicals		**77,918**	**39,788**	**117,706**	58,191	134,708	192,899
Fee and subscription		**29,100**	**3,473,627**	**3,502,727**	700	3,170,925	3,171,625
Donation		**-**	**25,000**	**25,000**	-	209,061	209,061
Software maintenance		**-**	**780,000**	**780,000**	-	-	-
Communication expense		**-**	**1,746,168**	**1,746,168**	-	-	-
Miscellaneous		**567,375**	**702,970**	**1,270,345**	1,122,367	1,817,227	2,939,594
		83,820,034	**75,045,975**	**158,866,009**	90,351,106	82,375,727	172,726,833

21.1 This amount includes Rs. 8.536 million (2012: Rs. 5.357 million) rent expense to Shaheen Foundation, Pakistan Air Force - related party.

21.2 Auditors' remuneration

	Note	2013	2012
		------------ Rupees ------------	
Annual audit fee		**600,000**	550,000
Interim review fee		**175,000**	150,000
Certification fees and review of statement of compliance with the Code of Corporate Governance		**125,000**	125,000
Out of pocket expenses		**90,000**	90,000
		990,000	915,000

22 OTHER INCOME

	Note	2013	2012
Gain on sale of fixed assets	20.1.1	**2,904,532**	551,051
Other administrative expenses recovered from policy holders		**-**	271,616
Exchange gain		**22,897**	19,069
Return on saving accounts	22.1	**2,530,904**	2,873,531
Other income		**15,172**	-
		5,473,505	3,715,267

22.1 This amount has been reclassified from income on held-to-maturity investments for better presentation purposes.

23 WORKERS WELFARE FUND (WWF)

	Note	2013	2012
For prior year	23.1	**-**	503,983
For current year		**-**	1,213,658
		-	**1,717,641**

23.1 On March 1, 2013, the Honorable Sindh High Court pronounced the verdict holding WWF a "tax" rather than "fee". This decision resulted in the applicability of amendments made in the Workers Welfare Ordinance 1971 (the Ordinance) through Finance Acts 2006 and 2008. As per the amended Ordinance, the Company has not recorded WWF liability for the current period as the company has neither accounting profit nor taxable profit during the year.

24 TAXATION

	Note	2013	2012
Current		**3,466,010**	2,846,496
Relationship between tax expense and accounting loss is as follows:			
(Loss)/Profit before taxation		**(102,786,614)**	(29,245,106)
Tax charge at enacted tax rate of 34% (2012: 35%)		**(34,947,449)**	(10,235,787)
Tax effect of expense that are not allowable in determining taxable income		**4,506,852**	(526,807)
Tax effect of exempt incomes		**(3,777,000)**	(192,868)
Tax effect of dividend and rental income taxable at normal rate		**(1,312,895)**	(887,236)
Tax effect of application of minimum tax rate		**(3,311,245)**	(2,540,601)
Deferred tax asset on losses not recognized	24.1	**49,451,041**	10,311,518
Others		**(7,143,294)**	6,918,277
		3,466,010	2,846,496

* As per Finance Act 2013, Income from Property will be taxable at 34%

24.1 Deferred tax asset on deductible temporary differences amounting to Rs. 109.379 million (2012: Rs. 14.054 million) has not been recognized in view of the uncertainty about its realization.

25 LOSS PER SHARE - basic and diluted

Loss after tax for the year - Rupees		**(106,252,624)**	(32,091,602)
Weighted average of number of ordinary shares		**30,000,000**	27,916,667
Loss per share - Rupees	25.2	**(3.54)**	(1.15)

25.1 Diluted loss per share has not been presented as the Company does not have any convertible instruments as at December 31, 2013 and December 31, 2012 which would have any effect on the loss per share if the option to convert is exercised.

25.2 There is no bonus element in the right shares issued by the Company during the year, therefore, there is no adjustment effects on (loss)/earnings per share for the prior period presented.

26 REMUNERATION TO THE CHIEF EXECUTIVE OFFICER AND EXECUTIVES

	Chief Executive Officer		**Executives**		**Total**	Total
	2013	2012	**2013**	2012	**2013**	2012
	-- **Rupees** --					
Managerial remuneration	**1,120,395**	2,687,950	**22,330,367**	13,918,776	**23,450,762**	16,606,726
Provident fund	**-**	159,996	**497,995**	319,848	**497,995**	479,844
	1,120,395	2,847,946	**22,828,362**	14,238,624	**23,948,757**	17,086,570
Number of persons	**1**	1	**17**	10	**18**	11

No performance bonuses were granted to employees during the year. In addition to the above, the Chief Executive Officer and executives have been provided with the Company maintained vehicles.

The Company does not have any other employee during the year whose annual basic salary exceeds Rs. 0.5 million. No amounts have been paid by the Company to its directors other than Chief Executive Officer.

27 PREMIUM WRITTEN

Premium written constitute direct and facultative business and administrative surcharge (which is also included in net premium revenue), class-wise details of which are as follows:-

	2013					
	Fire and property damage	**Marine, aviation and transport**	**Motor**	**Accident and Health**	**Miscellaneous**	**Total**
	Rupees					
Direct	**33,218,934**	**18,880,359**	**191,229,511**	**29,172,654**	**21,776,648**	**294,278,106**
Facultative	**24,403,920**	**64,225**	**6,816,991**	**-**	**10,099,328**	**41,384,464**
Administrative surcharge	**713,186**	**695,284**	**6,121,424**	**103,613**	**269,983**	**7,903,490**
	58,336,040	**19,639,868**	**204,167,926**	**29,276,267**	**32,145,959**	**343,566,060**

	2012					
	Fire and property damage	Marine, aviation and transport	Motor	Accident and Health	Miscellaneous	Total
Direct	75,939,871	46,185,331	231,631,664	122,019,282	47,901,955	523,678,103
Facultative	18,110,638	82,499	3,702,862	-	3,150,539	25,046,538
Administrative surcharge	1,302,166	1,901,899	9,842,388	240,805	833,660	14,120,918
	95,352,675	48,169,729	245,176,914	122,260,087	51,886,154	562,845,559

28 SEGMENT REPORTING

Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirement of Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The following table presents information regarding segment assets, liabilities as at December 31, 2013 and December 31, 2012, unallocated capital expenditures and non-cash expenses during the current and last year:

	Fire & Property Damage		Marine, Aviation & Transport		Motor		Accident and Health		Miscellaneous		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	Rupees											
SEGMENT ASSETS												
Segment assets	**46,662,640**	109,068,455	**4,607,718**	36,610,989	**358,196,231**	266,031,861	**117,120,467**	118,189,194	**37,938,442**	71,140,174	**564,525,498**	601,040,673
Unallocated corporate assets											**299,867,232**	278,036,459
Total assets											**864,392,730**	879,077,132
SEGMENT LIABILITIES												
Segment liabilities	**54,152,272**	82,923,663	**5,347,284**	21,360,395	**415,688,859**	297,220,452	**135,918,999**	112,978,362	**44,027,788**	60,787,885	**655,135,202**	575,270,757
Unallocated corporate liabilities											**32,136,856**	20,433,079
Total liabilities											**687,272,058**	595,703,836
Capital expenditure	**258,300**	1,147,908	**25,506**	494,641	**1,982,786**	4,876,924	**648,317**	2,300,874	**210,007**	918,019	**3,124,916**	9,738,366
Depreciation / Amortization	**1,289,637**	1,831,086	**127,346**	789,027	**9,899,632**	7,779,425	**3,236,911**	3,670,239	**1,048,522**	1,464,378	**15,602,048**	15,534,155

29 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Company is exposed to a variety of financial risks: market risk (comprising interest rate risk, currency risk and other price risk), liquidity risk and credit risk that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management framework. There are board committees and management committees for developing risk management policies and its monitoring.

29.1 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 other equity prices. The Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies.

29.1.1 Interest rate risk exposure

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company invests in securities and has deposits that are subject to interest / mark-up rate risk. The Company limits interest / mark-up rate risk by monitoring changes in interest / mark-up rates in the currencies in which its cash and investments are denominated.

The Company's interest / mark-up sensitivity and liquidity positions based on the contractual and maturity dates, whichever is earlier are as follows:

			2013					
			Interest / mark-up bearing financial instruments				Non-interest /	
	Note	Effective interest % per annum	Maturity up to one year	Maturity over one year to five years	Maturity more than five years	Sub total	mark-up bearing financial instruments	Total
			---------- Rupees ----------					
Financial assets								
Cash and bank deposits	11	0.5 - 10	34,202,763	-	-	34,202,763	37,328,876	71,531,639
Loans to employees	12		-	-	-	-	771,068	771,068
Investments	13	11.5 - 15	-	-	-	-	229,970,516	229,970,516
Premiums due but unpaid	15		-	-	-	-	219,085,622	219,085,622
Amounts due from other insurers / reinsurers	16		-	-	-	-	66,606,611	66,606,611
Accrued investment income	17		-	-	-	-	15,408	15,408
Reinsurance recoveries against outstanding claims			-	-	-	-	94,607,453	94,607,453
Advances and security deposits	18		-	-	-	-	10,993,007	10,993,007
Other receivables	19		-		-	-	9,523,218	9,523,218
			34,202,763	-	-	34,202,763	668,901,779	703,104,542
Financial liabilities								
Provision for outstanding claims			-	-	-	-	347,857,817	347,857,817
Amounts due to other insurers / reinsurers	6		-	-	-	-	76,120,706	76,120,706
Accrued expenses	7		-	-	-	-	11,269,789	11,269,789
Agent balances			-	-	-	-	36,737,482	36,737,482
Other creditors and accruals	8		-	-	-	-	48,010,400	48,010,400
Unclaimed dividend			-	-	-	-	398,934	398,934
Liabilities against assets subject to finance lease	9	21	603,672	510,438	-	1,114,110	-	1,114,110
			603,672	510,438	-	1,114,110	520,395,128	521,509,238
Interest risk sensitivity gap			33,599,091	(510,438)	-	33,088,653	148,506,651	181,595,304
Cumulative interest risk sensitivity gap			33,599,091	33,088,653	33,088,653			
Off balance sheet item								
Commitments for capital expenditure								-

			2012					
			Interest / mark-up bearing financial instruments				Non-interest /	
	Note	Effective Interest % per annum	Maturity up to one year	Maturity over one year to five years	Maturity more than five years	Sub total	mark-up bearing financial instruments	Total
			---------- Rupees ----------					
Financial assets								
Cash and bank deposits	11	0.5 - 8	29,474,109	-	-	29,474,109	19,016,068	48,490,177
Loans to employees	12		-	-	-	-	3,556,269	3,556,269
Investments	13	11.5 - 15	712,646	-	-	712,646	240,235,783	240,948,429
Premiums due but unpaid	15		-	-	-	-	262,200,458	262,200,458
Amounts due from other insurers / reinsurers	16		-	-	-	-	61,672,193	61,672,193
Accrued investment income	17		-	-	-	-	29,753	29,753
Reinsurance recoveries against outstanding claims			-	-	-	-	48,434,185	48,434,185
Advance and security deposits	18		-	-	-	-	11,297,891	11,297,891
Other receivables	19		-		-	-	9,624,703	9,624,703
			30,186,755	-	-	30,186,755	656,067,303	686,254,058
Financial liabilities								
Provision for outstanding claims			-	-	-	-	236,223,065	236,223,065
Amounts due to other insurers / reinsurers	6		-	-	-	-	53,309,193	53,309,193
Accrued expenses	7		-	-	-	-	3,848,390	3,848,390
Agent balances			-	-	-	-	33,443,746	33,443,746
Other creditors and accruals	8		-	-	-	-	25,079,625	25,079,625
Unclaimed dividend			-	-	-	-	398,934	398,934
Liabilities against assets subject to finance lease	9	21	1,243,485	1,752,709	-	2,996,194	-	2,996,194
			1,243,485	1,752,709	-	2,996,194	352,302,953	355,299,147
Interest risk sensitivity gap			28,943,270	(1,752,709)	-	27,190,561	303,764,350	330,954,911
Cumulative interest risk sensitivity gap			28,943,270	27,190,561	27,190,561			
Off balance sheet item								
Commitments for capital expenditure								-

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax and equity based upon average balances and rates.

	Increase / (decrease) in basis points	Effect on Profit before tax	Effect on Equity
		------------Rupees------------	
December 31, 2013	**100**	**330,887**	**218,385**
	(100)	**(330,887)**	**(218,385)**
December 31, 2012	100	271,906	176,739
	(100)	(271,906)	(176,739)

29.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Company, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pak Rupees.

29.1.3 Other price risk

Other price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's listed securities are susceptible to market price risk arising from uncertainties about the future value of investment securities. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity and term finance certificates (TFCs). In addition, the Company actively monitors the key factors that affect stock, money market and TFCs market.

The following table summarizes the Company's other price risk as of December 31, 2013 and 2012. It shows the effects of an estimated increase of 5% in the market prices as on those dates. A decrease of 5% in the fair values of the quoted securities would affect profit and equity of the Company in a similar but opposite manners.

	Fair value	Price change	Effect on fair value
December 31, 2013	**69,098,601**	**+5%**	**3,454,930**
		- 5%	**(3,454,930)**
December 31, 2012	35,650,198	+5%	1,782,510
		- 5%	(1,782,510)

29.2 Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due under normal circumstances. To guard against the risk, the Company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

The table below summarizes the maturity profile of the Company's financial liabilities. The contractual maturities of these liabilities at the year end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. Financial liabilities not having a contractual maturity are assumed to mature on the expected date on which these liabilities will be settled.

FINANCIAL LIABILITIES	Note	**2013**				2012			
		Carrying amount	**Contracted cash flows**	**Upto one year**	**More than one year**	Carrying amount	Contracted cash flows	Upto one year	More than one year
		----------------	----------------	----------------	---------------- Rupees	----------------	----------------	----------------	----------------
Provision for outstanding claims		**347,857,817**	**347,857,817**	**110,320,716**	**237,537,101**	236,223,065	236,223,065	236,223,065	-
Amounts due to other insurers / reinsurers	6	**76,120,706**	**76,120,706**	**14,067,071**	**62,053,635**	53,309,193	53,309,193	53,309,193	-
Accrued expenses	7	**11,269,789**	**11,269,789**	**5,632,232**	**5,637,557**	3,848,390	3,848,390	3,848,390	-
Agent balances		**36,737,482**	**36,737,482**	**3,293,736**	**33,443,746**	33,443,746	33,443,746	33,443,746	-
Other creditors and accruals	8	**48,010,400**	**47,087,721**	**22,008,096**	**25,079,625**	25,079,625	25,079,625	25,079,625	-
Unclaimed dividend		**398,934**	**398,934**	**-**	**398,934**	398,934	398,934	-	398,934
Obligation under finance lease	9	**1,114,110**	**1,114,110**	**603,672**	**510,438**	2,996,194	2,996,194	1,243,485	1,752,709
		521,509,238	**520,586,559**	**155,925,523**	**364,661,036**	355,299,147	355,299,147	353,147,504	2,151,643

29.3 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. The Company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of counterparties.

29.3.1 Concentration of credit risk

Concentration of credit risk arises when a number of counter parties have a similar type of business activities. As a result any change in economic, political or other conditions would affect their ability to meet contractual obligations in a similar manner. The Company manages concentration of credit risk through diversification of activities among individuals, groups and industry segment.

The Company is exposed to major credit risk on bank balances and deposits, term finance certificates, certificate of investments, premiums receivable from customers and co-insurers, sundry receivables and on commission and claim recoveries from re-insurers, etc.

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

	Note	2013	2012
		---------- Rupees ----------	
Bank deposits	11	**69,357,893**	48,364,552
Investments	13	**-**	712,646
Premiums due but unpaid	15	**219,085,622**	262,200,458
Amounts due from other insurers / reinsurers	16	**66,606,611**	61,672,193
Accrued investment income	17	**15,408**	29,753
Reinsurance recoveries against outstanding claims		**94,607,453**	48,434,185
Other receivables	19	**9,523,218**	9,624,703
		459,196,205	431,038,490

The Company did not hold any collateral against the above during the year.

The age analysis of receivables (net off provision) is as follows:

	2013	2012
Upto 1 year	**92,116,385**	208,030,301
1 - 2 years	**75,074,645**	70,089,247
2 - 3 years	**63,889,317**	31,343,092
Over 3 years	**54,611,886**	14,410,011
	285,692,233	323,872,651

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

Bank	**Rating**	**Rating agency**	**2013**	2012
			-------------- **Rupees** --------------	
Standard Chartered Bank (Pakistan) Limited	AAA/A1+	PACRA	**779,797**	538,625
Allied Bank Limited	AA/A1+	PACRA	**60,568**	60,603
Bank Al Falah Limited	AA/A1+	PACRA	**981,018**	1,673,760
Silk Bank Limited	A - 2 / A-	JCR-VIS	**331,311**	331,311
MCB Bank Limited	AA+/A1+	PACRA	**35,090,340**	1,034,953
Faysal Bank Limited	AA/A1+	PACRA	**105,317**	155,334
Bank Al Habib Limited	AA+/A1+	PACRA	**50,322**	28,331
HSBC Bank Middle East Limited	P - 1 / A1	MOODY'S	**3,707**	3,511
JS Bank Limited	A/A1	PACRA	**31,699,784**	44,252,470
National Bank of Pakistan	AAA/A1+	JCR-VIS	**243,300**	249,410
The Punjab Provincial Co-operative Bank	N/A	N/A	**2,250**	25,980
Habib Metropolitan Bank Limited	AA+/A1+	PACRA	**10,179**	10,264
			69,357,893	48,364,552

The credit quality of the Company's exposure in COIs can be assessed as follows:

	Rating	**Rating agency**	**2013**	2012
			-------------- **Rupees** -------------	
SME Leasing Limited	BB+/B	JCR-VIS	**-**	712,646
			-	712,646

The management monitors exposure to credit risk in premium receivable from customers through regular review of credit exposure and prudent estimates of provisions for doubtful receivables as disclosed in note 15.

The credit quality of premium receivable from co-insurer, and for commission and claim recoveries from reinsurer can be assessed from external ratings disclosed in note 31.

30 INSURANCE RISK

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty in the amount of compensation to the insured. Generally most insurance contracts carry the insurance risk for a period of one year.

The Company accepts insurance through issuance of general insurance contracts. For these general insurance contracts the most significant risks arise from fire, atmospheric disturbance, earthquake, terrorist activities and other catastrophes. For health insurance contracts, significant risks arise from epidemics.

The Company's risk exposure is mitigated by employing a comprehensive framework to identify, assess, manage and monitor risk. This framework includes implementation of underwriting strategies which aim to ensure that the underwritten risks are well diversified in terms of type and amount of the risk. Adequate reinsurance is arranged to mitigate the effect of the potential loss to the Company from individual to large or catastrophic insured events. Further, the Company adopts strict claim review policies including active management and prompt pursuing of the claims, regular detailed review of claim handling procedures and frequent investigation of possible false claims to reduce the insurance risk.

Geographical concentration of insurance risk

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

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

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

The ability to manage catastrophic risk is tied to managing the density of risk within a particular area. A risk management solution is implemented to help assess and plan for risk in catastrophic scenarios. It provides a way to better visualize the risk exposures so the Company determines the appropriate amount of reinsurance coverage to protect the business portfolio.

For marine risks, complete underwriting details, besides sums insured and premiums, like vessel identification, voyage input (sea / air / inland transit), sailing dates, origin and destination of the shipments, per carry limits, etc. are entered into the IT system. The reinsurance module of the IT system is designed to satisfy the requirements as laid down in the proportional treaty agreement.

Shipment declarations are also endorsed on the policies. Respective reinsurance cessions are automatically made upon the posting of policy documents.

The voyage cards so maintained for the particular set of policies for a single vessel voyage are automatically logged into the system showing actual gross, treaty and net exposure, both in terms of sums insured and premiums.

Frequency and severity of claims
Risk associated with general insurance contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the insured events. This has been managed by having in place underwriting strategy, reinsurance arrangements and proactive claim handling procedures.

The reinsurance arrangements against major risk exposure include excess of loss, surplus arrangements, and quota arrangement. The objective of having such arrangements is to mitigate adverse impacts of severe losses on the Company's net retentions. As the motor reinsurance arrangements are on excess of loss basis, therefore the reinsurance coverage against the Company's risk exposures on motor business is not quantifiable.

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

Class	**2013**	2012	**2013**	2012	**2013**	2012
	Gross sum insured		**Reinsurance**		**Net exposure of risk**	
	----------	----------	---------- **Rupees** ----------	----------	----------	----------
Fire and property damage	**44,304,783,082**	51,877,044,717	**22,804,970,072**	25,442,626,597	**21,499,813,010**	26,434,418,120
Marine and transport	**16,445,690,925**	24,465,610,113	**9,675,631,197**	12,305,656,884	**6,770,059,728**	12,159,953,229
Aviation	**521,500,000**	473,500,000	**494,950,000**	449,825,000	**26,550,000**	23,675,000
Miscellaneous	**12,657,383,943**	11,437,091,466	**7,593,198,136**	5,258,401,918	**5,064,185,807**	6,178,689,548
	73,929,357,950	88,253,246,296	**40,568,749,405**	43,456,510,399	**33,360,608,545**	44,796,735,897

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 including the event reported after the expiry of the insurance contract term.

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on 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 follows the recommendation of actuary to apply month wise factor based on analysis of the past claim reporting pattern. For this purpose, the claim chain-ladder method is used for each class of business. The month wise factor is applied on claims incurred to determine the amount of IBNR.

There are several variable factors which affect the amount and timing of recognized claim liabilities. 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 initial recognized amount. Similarly, the provision for IBNR is based on historic reporting pattern of the claims; hence, actual amount of IBNR may differ from the amount estimated.

Key assumptions

The principal assumption underlying the liability estimation of IBNR and PDR 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. The internal factors such as portfolio mix, policy conditions and claim handling procedures are further used in this regard.

The assumed net off reinsurance loss ratios has taken on the basis of last five years analysis for each class of business are as follows:

Class	2013	2012
	Assumed net loss ratio	
Fire and property	**69%**	28%
Marine, aviation and transport	**59%**	43%
Motor	**78%**	77%
Accident and health	**107%**	100%
Miscellaneous	**43%**	58%

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, showing an impact on profit / (loss) before tax net of reinsurance:

	Pre-tax loss		**Shareholders' equity**	
	2013	2012	**2013**	2012
10% increase in loss	---------------------------------- Rupees ----------------------------------			
Fire and property damage	**(5,521,738)**	(900,854)	**(3,644,347)**	(585,555)
Marine, aviation and transport	**(228,917)**	(795,745)	**(151,085)**	(517,234)
Motor	**(11,214,470)**	(13,618,029)	**(7,401,550)**	(8,851,719)
Accident and health	**(6,185,044)**	(13,795,773)	**(4,082,129)**	(8,967,252)
Miscellaneous	**(350,174)**	(1,284,545)	**(231,115)**	(834,955)
	(23,500,343)	(30,394,946)	**(15,510,226)**	(19,756,715)
10% decrease in loss				
Fire and property damage	**5,521,738**	900,854	**3,644,347**	585,555
Marine, aviation and transport	**228,917**	795,745	**151,085**	517,234
Motor	**11,214,470**	13,618,029	**7,401,550**	8,851,719
Accident and health	**6,185,044**	13,795,773	**4,082,129**	8,967,252
Miscellaneous	**350,174**	1,284,545	**231,115**	834,955
	23,500,343	30,394,946	**15,510,226**	19,756,715

Claim development

The development of claims against insurance contracts issued is not disclosed as uncertainty about the amount and timing of claim settlement is usually resolved within a year.

31 REINSURANCE RISK

Reinsurance ceded does not relieve the Company from its obligation towards policy holders and, as a result, the Company remains liable for the portion of outstanding claims reinsured to the extent that reinsurer fails to meet the obligation under the reinsurance agreements.

To minimize its exposure to significant losses from reinsurer insolvencies, the Company obtains reinsurance rating from a number of reinsurers, who are dispersed over several geographical regions.

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

Rating	**Amount due from other insurers / reinsurers**	**Reinsurance recoveries against outstanding claims**	**Prepaid reinsurance premium ceded**	**2013**	2012
	-- Rupees --				
A- or above including Pakistan Reinsurance Company Limited	**63,719,765**	**88,931,006**	**39,896,992**	**192,547,763**	141,511,058
BBB	**2,645,653**	**5,676,447**	**-**	**8,322,100**	7,403,949
Others	**241,193**	**-**	**-**	**241,193**	1,534,487
	66,606,611	**94,607,453**	**39,896,992**	**201,111,056**	150,449,494

32 CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is, to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to the shareholders and benefits to other stakeholders and to maintain a strong capital base to support the sustained development of its businesses. The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares. The Securities and Exchange Commission of Pakistan (SECP) through its Circular No. 03 dated April 4, 2007 required the minimum paid up capital for Insurance Companies to be raised to Rs. 300 million by the year ended December 31, 2011. The Company has complied with the requirements as at December 31, 2013.

	2010	2011	2012	2013
	Rupees			
Minimum paid-up capital	250,000,000	300,000,000	300,000,000	**300,000,000**

The Company has not complied with the minimum solvency requirements as at December 31, 2011 (refer note 10.1.2), December 31, 2012 and as at December 31, 2013 as against the requirements of section 36 of the Insurance Ordinance, 2000. Management is considering various options to improve its liquidity and subsequently issued right shares of Rs. 150 million to overcome the solvency issue after year ended December 31, 2013 (refer note 37).

33 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 transactions. Consequently, difference may arise between the carrying values and the fair value estimates.

The fair value of all the financial instruments are estimated to be not significantly different from their carrying values except for the following investments:

	Carrying value		Market value	
	2013	2012	**2013**	2012
	Rupees			
Available-for-sale investments				
- quoted shares (FCEL)	**188,000,000**	188,000,000	**224,895,000**	271,895,000
- mutual funds	**32,062,726**	32,062,726	**69,098,601**	35,650,198
(Based on the quoted redemption rates)				

34 TRANSACTIONS WITH RELATED PARTIES

The Company has related party relationship with its employee provident fund, key management personnel, entities indicated in note 5.2.2 to the financial statements and companies with common directors.

Transactions with related parties during the year and balances with them as at the year-end are as follows:

Transactions and balances with associated companies	Note	**2013**	2012
		Rupees	
Insurance premium			
Balance at beginning of the year		**5,456,496**	215,612,173
Gross insurance premium written (including government levies, administrative surcharge and policies stamps)		**28,231,323**	77,589,650
Received / Adjusted during the year		**(30,007,235)**	(158,036,678)
Balance at end of the year	15.1	**3,680,584**	135,165,145

	Note	2013	2012
		------------- Rupees	-------------
Insurance claim expense			
Outstanding claims at beginning of the year		**596,023**	16,297,522
Gross claim expense for the year		**2,449,798**	63,707,990
Claims paid during the year		**(1,165,740)**	(58,774,913)
Outstanding claims at end of the year	34.1	**1,880,081**	21,230,599
Other transactions during the year with associated companies			
Rental expense	21.1	**8,535,984**	5,357,059
Brokerage, commission and advisory expenses	13.8	**-**	149,168
Advertisement expenses		**620,110**	671,166
Addition to investments - held-for-trading	13.4	**-**	1,998,360
Addition to investments - available-for-sale	13.5	**-**	188,000,000
Gain on sale of vehicle	20.1.1	**685,833**	-
Other balances with associated companies			
Other receivables	19.1	**-**	957,648
Premiums received in advance	34.3	**-**	2,319,180
Rent paid in advance	18.2	**12,393,952**	17,180,191
Security deposits	18.1	**4,147,200**	4,147,200
Purchase of office premises under construction	20.2	**-**	34,750,008
Transactions during the year with other related parties (key management personnel)			
Contribution to the Provident Fund	34.4	**2,287,834**	2,595,747
Remuneration of key management personnel	34.5	**23,948,757**	17,086,570
Balances with other related parties (key management personnel)			
Payable to the Provident Fund	8	**5,433,745**	2,166,952

34.1 Outstanding claims - related parties

	2013	2012
Ever Green Water Valley (Private) Limited	**-**	429,888
Hawk Advertising	**15,000**	15,000
Media Times (Private) Limited	**-**	356,117
Pace Baraka Properties Limited	**-**	29,000
Pace Pakistan Limited	**-**	338,310
Shaheen Aero Traders	**11,000**	-
Shaheen Air Port Services (SAPS)	**204,000**	238,100
Shaheen Foundation, PAF	**1,619,372**	312,214
Shaheen Knitwear	**30,709**	30,709
Trident Construct (Private) Limited	**-**	5,000
World Press (Private) Limited	**-**	350,000
WorldCall Services (Private) Limited	**-**	1,150,865
WorldCall Telecom Limited	**-**	17,803,013
WorldCall Multimedia	**-**	172,383
	1,880,081	21,230,599

34.2 Insurance and claim related transactions with related parties are carried in normal course of business.

34.3 Premium received in advance - related parties	**2013**	2012
	------------- **Rupees** ---------------	
Media Times (Private) Limited	-	2,100,380
Pace Pakistan Limited	-	160,424
Worldcall Telecom Limited	-	58,376
	-	2,319,180

34.4 Contribution to the Provident Fund is in accordance with the Company's staff services rules.

34.5 Remuneration to the key management personnel are in accordance with the terms of their employment.

34.6 Other transactions are at agreed terms.

34.7 First group companies and World Call group were classified as associated undertakings / related parties in prior year. However, the directors of the First group companies and World Call group companies resigned from the Board on June 21, 2013, which was accepted at the meeting of the Board held on July 5, 2013. Therefore these companies were treated as related parties till July 5, 2013. However, these are not related parties as at the balance sheet date.

Transactions with First group companies and World Call group (previously related parties) during the year and balances with them at the time of cessation of classifying as related parties are as follows:

Transactions and balances with associated companies	**2013**	2012
	-------------- **Rupees** --------------	
Insurance premium		
Balance at beginning of the year	**129,708,649**	215,612,173
Gross insurance premium written (including government levies, administrative surcharge and policies stamps)	**20,298,605**	77,589,650
Received / Adjusted during the year	**(1,500,000)**	(158,036,678)
Balance at end of the year	**148,507,254**	135,165,145
Insurance claim expense		
Outstanding claims at beginning of the year	**20,634,576**	16,297,522
Gross claim expense for the year	**17,576,908**	63,707,990
Claims paid during the year	**(6,421,968)**	(58,774,913)
Outstanding claims at end of the year	**31,789,516**	21,230,599

The balance pertaining to them was not included in the balance as at December 31, 2013.

35 PROVIDENT FUND RELATED DISCLOSURE

The Company operates contributory provident fund scheme for its permanent employees. Details of net assets and investments of this fund are as follows:

	2013	2012
	------------- **Rupees** ---------------	
Size of the fund - Net assets	**13,685,312**	16,552,616
Cost of the investment made	**11,859,110**	14,390,424
Percentage of the investment made	**87%**	87%
Fair value of the investment made	**11,859,110**	14,390,424

The breakup of fair value of the investment is:

	2013 Amount	%	2012 Amount	%
Bank Balances	**11,859,110**	**100%**	14,390,424	100%
	11,859,110		14,390,424	

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

The financial statements of the provident fund for the year ended December 31, 2012 and December 31, 2013 was audited by Sajid & Co., Chartered Accountants.

36 EMPLOYEES

	2013	2012
Number of employees as on December 31	**129**	206
Average number of employees as on December 31	**167**	209

37 SUBSEQUENT EVENTS

On December 10, 2013 the Board of Directors of the Company approved the issuance of right shares of Rs. 150 million and recommending increase in authorised capital from Rs. 300 million to Rs. 600 million. On January 06, 2014 shareholders approved the increase in authorised capital from Rs. 300 million to Rs. 600 million and accordingly amendments have been made in Clause 5 and 6 of Memorandum of Association and Article of Association of the Company respectively. Subsequent to year end all the legal formalities have been complied with in this regard.

38 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company in its meeting held on April 08, 2014.

Chairman | **Director** | **Director** | **Chief Executive Officer**

PATTERN OF SHARE HOLDING

HELD BY THE SHARE HOLDERS AS AT 31ST DECEMBER, 2013

No. of Share Holders	From	To	Total Shares Held
202	1	100	3,272
128	101	500	38,685
83	501	1000	64,494
127	1001	5000	257,429
25	5001	10000	199,011
6	10001	15000	76,133
4	15001	20000	75,000
3	20001	25000	67,249
1	35001	40000	39,824
1	45001	50000	48,000
1	155001	160000	158,037
1	1720001	1725000	1,721,963
1	1815001	1820000	1,819,318
1	1870001	1875000	1,870,027
1	2495001	2500000	2,500,000
1	3135001	3140000	3,136,963
1	3675001	3680000	3,676,425
1	6345001	6350000	6,345,296
1	7900001	7905000	7,902,874
589			30,000,000

CATEGORIES OF SHARE HOLDERS AS REQUIRED UNDER (CCG)

AS ON 31ST DECEMBER, 2013

Name	Holding	% AGE
ASSOCIATED COMPANIES	16,748,170	55.8272
DIRECTORS, CEO THEIR SPOUSES & MINOR CHILDREN	3,713	0.0124
SHARES HELD BY THE GENERAL PUBLIC	804,379	2.6813
SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL	21,061,558	70.2052
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND LTD. (CDC)	1,819,318	6.0644
BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INTITUTIONS, INSURANCE COMPANIES AND MODARABAS:	39,824	0.1327

NAME OF SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL

AS ON 31ST DECEMBER, 2013

Name	Holding	% AGE
SHAHEEN FOUNDATION PAF	7,902,874	26%
THE HOLLARD COMPANY LIMITED (CDC)	6,345,296	21%
ENSIGN COMMUNIQUE (PVT) LIMITED	3,676,425	12%
WORLDCALL TELECOM LTD. (CDC)	3,136,963	10%

Information as required under Code of Corporate Governance Categories of Shareholders as at December 31, 2013

Name	Holding	% AGE
DIRECTORS, CEO THEIR SPOUSES & MINOR CHILDREN		
AIR MARSHAL (R.) MUHAMMAD ARIF PERVAIZ	500	0.0017
AIR COMMODORE (R.) MEHMOOD AHMAD	500	0.0017
MR. SHAHID HAMEED	713	0.0024
AIR COMMODORE (R.) ZAFAR YASIN	500	0.0017
AIR COMMODORE (R.) MUHAMMAD MASUD AKHTAR	500	0.0017
AIR COMMODORE (R.) SHAHID JAMIL HASHMI	500	0.0017
GROUP CAPTAIN (R.) EHSAN-UR-RAUF SHEIKH	500	0.0017
	3,713	0.0124
ASSOCIATED COMPANIES		
SHAHEEN FOUNDATION PAF	7,902,874	26.3429
CENTRAL NON PUBLIC FUND. PAF	2,500,000	8.3333
THE HOLLARD COMPANY LIMITED (CDC)	6,345,296	21.1510
	16,748,170	55.8272

PROXY FORM

I/We, ____________________________________of___________________________

being member of Shaheen Insurance Company Limited and holder of_______________

ordinary shares as per Share Register Folio No.______________________ and/or CDC

Participant ID No.___________________ and Account/Sub-Account No._____________

hereby appoint____of______________ as

my/our proxy to attend and vote for me/us and on my/our behalf at the 19th Annual General Meeting of the Company to be held on April 30, 2014 at 2:00 pm 10th Floor, Shaheen Insurance, Shaheen Complex, M.R. Kayani Road, Karachi. and at any adjournment thereof.

Signed this_________________ day of, ___________________2014.

Witness: 1

Signature ____________________
Name ____________________
CNIC No. ____________________
Address ____________________

Witness: 2

Signature ____________________
Name ____________________
CNIC No. ____________________
Address ____________________

Signature on
Revenue
Stamp of Rs. 5/-

Notes:

1. The Proxy Form duly completed and signed alongwith attested copies of CNIC/Passport of the member, Proxy holder and the witnesses must be deposited at the Registered Office of the Company not later than 48 hours before the time of holding of the meeting. Original CNIC/Passport will be produced by the Proxy holder at the time of the meeting.
2. No persons shall be appointed as a Proxy unless he/she is a member of the company.
3. In case of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signature of the representative shall be submitted alongwith Proxy Form to the Company.
4. CDC account holders and their proxies must attach attested photocopy of their CNIC/Passport with the Proxy Form.

Shaheen Insurance
10th Floor, Shaheen Complex, M.R. Kayani Road, Karachi - 74200
Tel: (9221) 32630370-75 (06 Lines) 32213950-51 (02 Lines)
Fax: (9221) 32626674 Website: www.shaheeninsurance.com
UAN: (021) 111-765-111