

ANNUAL REPORT 2014



Serving
Reliably



Reliance Insurance Company Limited

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Company Information

BOARD OF DIRECTORS

CHAIRMAN
ISMAIL H. ZAKARIA

DIRECTORS

MOHAMMED AMIN AHMED BAWANY
A. AZIZ AYOOB
IRFAN ZAKARIA BAWANY
MUHAMMAD OMER BAWANY
ZOHAIK ZAKARIA
AHMED ALI BAWANY
NOOR M. ZAKARIA
YASIN SIDDIK
ABDUL JABBAR

CHIEF EXECUTIVE & MANAGING DIRECTOR

A. RAZAK AHMED

CHIEF ACCOUNTANT AND COMPANY SECRETARY

HAROON A. SHAKOOR

AUDIT COMMITTEE

ABDUL JABBAR	CHAIRMAN
IRFAN ZAKARIA BAWANY	MEMBER
ZOHAIK ZAKARIA	MEMBER

INVESTMENT COMMITTEE

IRFAN ZAKARIA BAWANY	CHAIRMAN
ZOHAIK ZAKARIA	MEMBER
AHMED ALI BAWANY	MEMBER
A. RAZAK AHMED	MEMBER

HUMAN RESOURCE & REMUNERATION COMMITTEE

ZOHAIK ZAKARIA	CHAIRMAN
IRFAN ZAKARIA BAWANY	MEMBER
A. RAZAK AHMED	MEMBER

CREDIT RATING

A (SINGLE A) BY JCR-VIS
OUTLOOK "STABLE"

AUDITORS

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

LEGAL ADVISOR

ABDUL SATTAR PINGAR

BANKERS

HABIB BANK LIMITED
MCB BANK LIMITED
ALLIED BANK LIMITED
STANDARD CHARTERED BANK (PAKISTAN) LIMITED
BANK ALFALAH LIMITED
NATIONAL BANK OF PAKISTAN
UNITED BANK LIMITED
THE BANK OF PUNJAB
FAYSAL BANK LIMITED
HABIB METROPOLITAN BANK LIMITED
NIB BANK LIMITED
JS BANK LIMITED

REGISTERED OFFICE

96-A, Sindhi Muslim Co-operative
Housing Society, Karachi.

HEAD OFFICE

Reliance Insurance House,
181-A, Sindhi Muslim Co-operative Housing
Society,
P. O. Box No. 13356,
Karachi-74400.
Phone : 34539415-17
Fax : 92-21-34539412
E-mail : reli-ins@cyber.net.pk
ric-re@cyber.net.pk
Website: www.relianceins.com

SHARES REGISTRAR

M/s. C&K Management Associates (Pvt.) Ltd.
404-Trade Tower, Abdullah Haroon Road,
Near Hotel Metropole, Karachi-75530.
Tel: (021) 35687839 & 35685930



Our Vision

To be recognized as a professional and dependable business entity committed to play a meaningful role in the development of insurance industry in Pakistan and to safeguard the legitimate interests of all stakeholders, namely policy-holders, shareholders, reinsurers, employees and all other business associates / partners.

Our Mission

To provide quality service and protection to its clients aiming at achieving a respectable volume of business and become a prominent player through good governance and sound professionalism focusing to become a well-known and respected Corporate entity in the eyes of Society and Government.



Code of Conduct

Reliance Insurance Company Limited is engaged in general insurance business with the objective to achieve sustainable productivity, profitability and high standards of service. The Company solemnly believes in the application of business ethics as have been embodied in this document.

- The credibility, goodwill and repute earned over the years can be maintained through continued conviction in our corporate values of honesty, justice, integrity and respect for people. The Company strongly promotes trust, openness, teamwork and professionalism in its entire business activities.
- The Company conducts its business in accordance with all applicable laws and Regulations.
- RICL recognizes following obligations, which need to be discharged with best efforts, commitment and efficiency:
- Safeguarding of shareholders' interest and a suitable return on equity.
- Service to customers / policyholders by providing products, which offer value in terms of price, quality, safety and honest and fair dealing with people and organization.
- Respect human right, provide congenial working environment, offer competitive terms of employment, develop human resource and be an equal opportunity employer.
- Seek mutually beneficial business relationship with policyholders, business development staff / officers, investment partners and Banks.
- The Company believes that profit is essential for business survival. It is a measure of efficiency and the value that the customer place on services provided by the Company.
- The Company requires honesty and fairness in all aspect of its business and in its relationships with all those with whom it does business. The direct or indirect offer, payment, soliciting and accepting of bribe in any form are undesirable.
- The Company requires all its employees to essentially avoid conflict of interest between private financial activities and their professional role in the conduct of Company business.
- The Company does not support any political party or contributes funds to group having political interests. The Company will however, promote its legitimate business interests through trade associations.
- The Company, consistent with its priority, has the approach for protecting the health and safety of employees at the work-place.
- All employees are duty-bound to make business decisions in the best interest of the Company and not based on their personal interest and are obliged to protect all the assets including software and use all such properties for the exclusive benefit of the Company only.
- The Company is committed to observe laws of Pakistan and is fully aware of its social responsibility. It would assist the community in activities such as training programs, skills development and employment within the parameters of its commercial objectives.
- The Company supports free market system. It seeks to compete fairly and ethically within the framework of applicable competition laws in the country. The Company will not stop others from competing freely with it.
- In view of the critical importance of its business and impact on national economy, the Company provides all relevant information about its activities to legitimate interested parties, subject to any overriding constraints of confidentiality and cost. The members of RICL are forbidden to pass on inside information at any time or to any other person inside or outside the Company.

Company Profile

Reliance Insurance Company Limited, was incorporated in Pakistan in the year 1981 with a Share Capital of Rs. 5.0 Million by two Leading Industrial Houses of Pakistan, namely (i) Al-Noor Group and (ii) Amin Bawany Group. Al-Noor Group is headed by renowned industrialist Mr. Ismail H.Zakaria, who is also the Chairman of Reliance Insurance, while Amin Bawany Group is headed by Mr. Mohammed Amin Ahmed Bawany, who is also the Director of Reliance Insurance. Both the groups having successfully implemented a number of projects are currently reputed industrial groups of Pakistan.

RICL underwrites all classes of General Insurance and enjoys reputation second to none. Apart from the traditional covers such as Fire, Accident, Motor, Marine (Import & Exports), Loss of Profits, Personal Accident, Group Hospitalization, Workmen's Compensation, Burglary, Cash-in-Safe or in Transit etc., it also transacts non-traditional covers such as Machinery Breakdown, and Loss of Profits following Machinery Breakdown, Terrorism, Contractors All Risks, Erection All Risks, Bond, Aviation and the like.

The Company's results have been consistently improving yielding handsome results.

The Present Authorised Capital of the Company is Rs. 500 Million while Paid-up Capital has increased to 403.458 million. General Reserve to Rs. 180 million & the Shareholders' equity to Rs. 725.218 million.

Reliance is one of the leading General Insurance Company of Pakistan having a network of 26 Branches at all important places throughout Pakistan employing a full time work force of 200 persons.

Since its establishment Reliance has progressed smoothly and steadily. Its Gross Premium Income has increased from Rs. One Million in 1983 to Rs. 1028.136 million at the end of the year 2014 and the Technical Reserves at Rs. 764.834 million.

RICL has an excellent Treaty Reinsurance arrangements under the lead of world's renowned reinsurer namely **Swiss Re**, having handsome automatic Treaty Capacity.

JCR-VIS Credit Rating Company an affiliate of Japan Credit Rating Agency has assigned Insurers Financial Strength Rating (IFS) at A (Single A). Outlook on the assigned Rating is "(Stable)".

Directors' Profile



Ismail H. Zakaria Chairman

Mr. Ismail H. Zakaria is Chairman of the Board of Directors of Reliance Insurance Company Limited since its inception. He has diversified experience of over forty five years covering various industrial, commercial and financial sectors. He is also Chairman of First Al Noor Modaraba, and Shahmurad Sugar Mills Limited. The depth of knowledge and breadth of experience of Mr. Ismail H. Zakaria is an invaluable asset and a guiding force to the Board of Reliance Insurance. He also holds the office of Honorary Consul General of Mauritius.



Muhammad Amin Ahmed Bawany Director

Mr. Muhammad Amin Ahmed Bawany is a non-executive Director of Reliance Insurance Company Limited since its inception. He obtained his secondary education from St.Patrick School, Karachi and acquired his professional education from Tokyo University, Yokohama, Japan. He has rich and diversified experience in trade and commerce including textile, sugar and financial sector. He is also Chairman of Faran Sugar Mills Limited.



A. Aziz Ayoob Director

Mr. A. Aziz Ayoob is a Non-Executive Director since 1995. Mr. A. Aziz Ayoob is a graduate having over 45 years of diversified industrial and commercial experience in various fields. He is also a Director on the Board of First Al Noor Modaraba, Al Noor Sugar Mills Limited and Shahmurad Sugar Mills Limited.



Irfan Zakaria Bawany Director

Mr. Irfan Zakaria Bawany is a Non-Executive Director of Reliance Insurance Company Limited since 1991. He is CEO of Anam Fabrics (Pvt) Limited. He has served on The Board of Pioneer Cables Limited from 1983 to 1991. He has diversified experience in Electrical Cable Manufacturing and Textile made up business. After receiving a B.B.A. (accounting) from The University of Houston, USA, he was certified as a Fellow Member of the Texas Society of Certified Public Accountants. He is a certified Director from Pakistan Institute of Corporate Governance (P.I.C.G.)

Directors' Profile

Mr. Zohair Zakaria is a Non-Executive Director of Reliance Insurance Company Limited since 1998 . He is also serving on the Board of Directors of Al-Noor Sugar Mills Limited, Shahrurad Sugar Mills Limited, First Al-Noor Modaraba. Mr. Zohair Zakaria has diversified experience of working in senior management positions. He holds BBA Degree from Boston. He is a Certified Director from Pakistan Institute of Corporate Governance. (P.I.C.G)



Zohair Zakaria Director

Mr. Muhammad Omer Bawany is a Non-Executive Director of Reliance Insurance Company Limited, since 1995. He acquired his early education from Karachi American School and proceeded to American College, Switzerland and obtained an Associate Degree in Business Administration. He has extensive experience in textile, sugar and financial sectors. He is on the Board of Directors of Faran Sugar Mills Limited since 1984, and is currently its Vice chairman. He is also the Chief Executive of B.F. Modaraba.



Muhammad Omer Bawany Director

Mr. Ahmed Ali Bawany is a Non-Executive Director of Reliance Insurance Company Limited since 2001. He acquired his early education from CAS, Karachi and degree in business entrepreneurship from University of Southern California. His special field of interest includes finance, procurement and marketing. He is the Chief Executive of Faran Sugar Mills Limited and Chairman of B.F. Modaraba. He is a Certified Director from Pakistan Institute of Corporate Governance. (P.I.C.G)



Ahmed Ali Bawany Director

Mr. Noor Mohammed Zakaria is a Non-Executive Director since 2003. He has over 40 years of diversified industrial and commercial experience. He is B.A. (Hons) from University of Karachi. He is also on the Board of (Non-Executive Director) Al Noor Sugar Mills Limited. He is socially very well connected and active and is a member of various Clubs of Karachi.



Noor Mohammed Zakaria Director

Directors' Profile



Yasin Siddik Director

Mr. Yasin Siddik is an independent Non-Executive Director since 2007. He belongs to a well reputed business family. After completion of his Master in International Marketing Research from IBA, Karachi, he commenced his practical carrier in Ship-Breaking. In 1987 Mr. Yasin entered into Textile Spinning Business under the title of Premium Textile Mills limited now having Four Units under production.

In addition to the above Mr. Yasin is also running business of Iron & Steel under the title of Y.S. (Pvt.) Limited and Zaid Traders.



Abdul Jabbar Director

Mr. Abdul Jabbar is an independent Non-Executive Director elected in the election held on 30th April 2013. He comes from a well reputed business family, having extensive and diversified experience in business and commerce. He is a leading importer of Metal ores for the last 25 years. He is a Graduate from University of Karachi. He is the Chairman of Audit committee.



A. Razak Ahmed
Chief Executive & M.D.

Mr. A. Razak Ahmed is the Chief Executive Officer/Managing Director of the Company since 1st November 1995. He has over 45 years of extensive and varied experience-both in public & private sectors. Prior to joining Reliance he had worked with Adamjee Insurance, Pakistan Insurance Corporation (now PRCL) National Insurance Corporation & Premier Insurance Company. He has been on the Executive Committee of the Insurance Association of Pakistan (IAP) several times and had also been the Chairman of Accident & Fire Committees for several terms, beside being Council Member of the Karachi Insurance Institute and member standing committee on Banking and Insurance of the Federation of Pakistan Chamber of Commerce & Industry. He is a Commerce Graduate and a fellow of the Chartered Insurance Institute (FCII) London. He is a Chartered Insurer.



Our Services

Reliance Insurance Company Limited underwrites all classes of General Insurance and enjoys reputation second to none. Apart from the traditional covers such as Fire and Allied perils, Accident, Motor, Marine (Import and Exports), Loss of Profits, personal Accident, Group Hospitalization, Workmen's Compensation, Burglary, Fidelity Guarantee, Public Liability, Products Liability, Cash-in-Safe or in Transit etc.

RICL also transact non-traditional covers such as Machinery Breakdown and Loss of Profits following Machinery Breakdown, Contractors All Risks, Erection All Risks, Bonds, Aviation Hull and Liabilities, Terrorism Insurance and the like.



Fire Insurance



The Standard Fire Policy covers loss and / or damage caused by fire and lightning. The basic fire policy can be extended to include a number of additional / extraneous risks known as 'special perils' or 'allied perils'. These include: riot and strike damage, malicious damage, atmospheric disturbance (including flood), earthquake fire and shock, explosion, impact damage, aircraft damage. The property insured normally includes residential/commercial buildings, factory / warehouse buildings, household goods, stock and stock in process, fixtures and fitting, plant and machinery etc.

Consequential Loss Due to Fire

RICL also provides this coverage in conjunction with Fire Policy. It provides protection against Loss of Profit incurred as a result of business interruption or interference in Business caused by an event indemnifiable under Fire Policy.

Cargo Insurance



Marine cargo insurance provides protection to Imports and Exports of goods by any mode of transport viz by Sea, by Air or by Road/Rail. Cargo is usually insured on a warehouse (of departure) to warehouse (of arrival) basis and usually covering all risks as per Institute Cargo Clauses "A". For lesser risk Institute Cargo Clauses "B" & "C" are available. Even cover on TLO (Total Loss only, due to total loss of the vessel/aircraft) basis is also available. Marine Inland Transit insurance policy provides adequate cover to protect goods in transit by any mode of transport within the territory of Pakistan.

Motor Insurance



The minimum requirement by law under Motor Vehicles Act 1939 is in respect of legal liability to pay damages arising out of bodily injury caused to any third party person. The following policies are available under this section: Act Liability only : provides cover in respect of liability incurred through death or injury to a third party person. This is minimum legal cover available under Motor Vehicles Act, 1939. Third Party: provides cover as above plus damage to third party property. Comprehensive Insurance: provides cover for third party liability plus protection against loss and/or damage to the car/vehicle itself as well as snatching/theft. The policy can be extended to include accidental personal injuries to and death of the Driver and Passengers.

Engineering Insurance



Engineering policies mainly cover damage to, or breakdown of specific items of plant and machinery, cost of repair of own/surrounding property, legal liability for damage to property of others, caused by the aforesaid damage or breakdown. Cover for loss of profits and standing charges following machinery breakdown is also available. Cover against Contractor's All Risks (CAR), Erection All Risks (EAR), Contractor's Plant and Machinery insurance, Boiler & Pressure vessel insurance, Electronic Equipment insurance etc. are also available.

Bond & Surety Insurance



Contractors undertaking the construction of public works like buildings, roads, bridges, dams, civil works etc., are usually required to furnish guarantees/bonds guaranteeing the fulfillment of their contractual obligations to the principals. Traditionally, Bid Bonds, Advance Payments/Mobilization Bonds, Performance Bonds, Supply Bonds, Maintenance Bonds & Customs and Excise Bonds are available.

Aviation Insurance



Reliance Insurance is amongst the few Pakistani insurance companies who offer aviation insurance plans to the commercial as well as private airlines. Our comprehensive aviation insurance plan protects the insured from probable risks. Reliance Insurance provides amongst others following aviation insurance products:

- Aviation Hull All Risks
- Aviation Legal Liabilities
- Aviation Hull War & Allied Perils
- Loss of License of Pilots
- Aircraft's Ferry Flight Insurance
- Crew Legal Liabilities
- Airline's Airport Booth Insurance

Miscellaneous Insurance

The wide range of products available under miscellaneous head includes, but not limited to, Personal Accident Insurance, House-breaking and Burglary Insurance, Travel Insurance, Cash-in-safe/Cash-in-transit Insurance, Public Liability and Products Liability Insurance General Third Party Liability, Fidelity Guarantee, Workmen's Compensation / Employer's Liability Insurance, Professional Indemnity, Group Hospitalization Insurance, Plate glass Insurance, Baggage Insurance etc.



Notice of the Thirty Third Annual General Meeting

Notice is hereby given that the 33rd Annual General Meeting of the Shareholders of **RELIANCE INSURANCE COMPANY LIMITED** will be held on Wednesday the 29th April, 2015 at 12.30 pm at the Head Office of the Company at RELIANCE INSURANCE HOUSE 181-A Sindhi Muslim Housing Society Near Mehdi Tower, off: Shahrah-e-Faisal Karachi, to transact the following business:

ORDINARY BUSINESS:

1. To confirm the Minutes of the 3rd Extra Ordinary General Meeting of the company held on 4th September, 2014.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended 31st December, 2014 together with Directors' and Auditors' Reports thereon.
3. To consider and approve Cash Dividend @ 5% for the year ended 31st December, 2014 as recommended by the Board of Directors.
4. To appoint auditors and fix their remuneration for the year ending December 31, 2015. The present auditors M/s. BDO Ebrahim & Co, Chartered Accountants, retire and being eligible, offer themselves for reappointment.

SPECIAL BUSINESS:

5. To consider and approve the issuance of bonus shares @15% i.e.15 ordinary shares for every 100 ordinary shares held, out of the profit for the year ended December 31, 2014, as recommended by the Board of Directors by passing the following Ordinary Resolution:

To consider and if thought fit to pass with or without modification the following resolution:

Resolved:

"that a sum of Rs.60,518,810 out of the Company's Profit be capitalized for issuing of 6,051,881 fully paid ordinary shares of Rs.10 each and allotted as fully paid up Bonus Shares to the Members who are registered in the Book of the Company at the close of business on April 17, 2015 in the proportion of 15 new shares for every 100 existing ordinary shares held and that such new shares shall rank paripassu with existing ordinary shares of the Company as regards future dividends and in all other respects".

Further Resolved:

"that Bonus Shares forming part of such fraction holding which is not in exact multiple of 15:100 shares will be sold in the Stock Market and to pay the proceeds of sales thereof, when realized, to a Charitable Institution.

That for the purpose of giving effect to the foregoing, the Chief Executive and Company Secretary be and hereby authorized to give such directions as may be necessary and as they deem fit to settle any questions or any difficulties that may arise in the distribution of the said new shares or in the payment of the sale proceeds of the fractional shares".

6. **Resolved:**
"that the Authorized Share Capital of the Company be and hereby increased from Rs.500,000,000 to Rs.750,000,000 by creation of 25,000,000 new shares of Rs.10/- each and the Memorandum and Articles of Association be amended as under:"

That the words and figures Rs.500,000,000 (Rupees Five Hundred Million) divided into 50,000,000 Ordinary Shares Rs.10/- each "appearing in Clause V of Memorandum of Association and Clause 4 of Articles of Association of the company be substituted with words and figures Rs.750,000,000 (Rupees Seven Hundred Fifty Million) divided into 75,000,000 Ordinary Shares of Rs.10/- each."

7. To enhance the Fees payable to Directors for attending Board of Directors meeting from Rs.5,000/- to Rs.10,000/- and pass the following Resolution:

Resolved:

"that the Fees payable to Directors for attending Board Meeting be and is hereby increased from Rs.5,000/- (Rupees Five Thousand) to Rs.10,000/- (Rupees Ten thousand)".

Further Resolved:

"that the figure Rs.5,000/- (Rupees Five thousand) appearing in Article 137 of Article of Association be and is hereby substituted by the figure Rs.10,000/- (Rupees Ten Thousand)".

Further Resolved

"that the Chief Executive/Company Secretary of the Company be and is hereby authorized to do all acts to effect the Special Resolution and authorize them to comply with all the necessary requirements of the law in this behalf.

The Statement Under Section 160(1(b) of the Companies Ordinance, 1984, pertaining to the special business referred to above is being circulated to the members along with the Notice of the Meeting.

OTHER BUSINESS:

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

The Share Transfer Books of the Company will remain closed from 18th April, 2015 to 29th April, 2015 (both days inclusive).

By order of the Board

HAROON A. SHAKOOR
Chief Accountant & Company Secretary

Karachi: 24th March, 2015

NOTES:

1. A member of the Company entitled to attend and vote may appoint any member as his/her proxy to attend and vote on his/her behalf.
The proxy forms duly completed and signed by the member appointing a proxy must be deposited at the Head Office of the company not later than forty-eight 48 hours before the time of the meeting.
2. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting:

- i) In case of individuals, the account holder or sub-account holder and/or person whose securities are in group account and their registration details are up-loaded as per the Regulations, shall authenticate his identity by showing his Original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing Proxies:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirements.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii) Attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his original CNIC or Original Passport at the time of the meeting.
- v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

3. CNIC Number

Securities and Exchange Commission of Pakistan (SECP) has directed vide Notification No.SRO.831(1)/2012 of July 5, 2012 in supersession of earlier Notification No.SRO.779(1)2911 of August 18, 2011 has directed all listed Companies to ensure that Dividend Warrants should bear the Computerized National Identity Card (CNIC) Numbers of the registered members. Members who have not yet provided attested copies of their valid CINC/NTNs (in case of corporate entities) are requested to send the same directly to the Registrar of the Company at the earliest. No dividend will be payable unless the CNIC number is printed on the dividend warrants, so please let us have your CNIC numbers, failing which we will not be responsible if we are not able to pay the dividend.

4. Shareholders are requested to inform the Company of any change in their address, if any immediately.

Dividend Mandate - Payment of Cash Dividend Electronically (Optional)

In compliance with the SECP's Circular No 18 of 2012 dated June 6, 2012, the Company wishes to inform its shareholders, that under the law they are also entitled to receive their cash dividend directly in their bank accounts instead of receiving it through dividend warrants. Shareholders, wishing to exercise this option, may submit their application to the Company's share registrar, giving particulars relating to their name, folio number, bank account number, title of account and complete mailing address of the bank, CDC account holders should submit their request directly to their broker (participant) / CDC.

Electronic Transmission of Annual Financial Statements and Notices

Pursuant to notification vide SRO.787(1) / 2014 of September 8, 2014, the SECP has directed to facilitate the members of the Company receiving annual financial statements and notices through electronic mail system (e-mail). We are pleased to offer this facility to our members who desire to receive annual financial statements and notices of the Company through email in future. In this respect members are hereby requested to convey their consent via email on a standard request form which is available at the Company website www.relianceins.com. Please ensure that your email has sufficient rights and space available to receive such email which may be larger than 5 MB file in size. Further, it is the responsibility of the member to timely update the share registrar of any change in their registered email address.

Deduction of Withholding Tax on the Amount of Dividend

Pursuant to SECP directives vide Circular No. 19/2014 dated October 24, 2014, the SECP has directed all companies to inform shareholders about changes made in Section 150 of the Income Tax Ordinance 2001, we hereby advise shareholders as under:

The government of Pakistan through Finance Act, 2014 has made certain amendments in section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

- | | |
|---|-----|
| a. For filers of income tax returns | 10% |
| b. For non-filers of income tax returns | 15% |

To enable the Company to make tax deduction on the amount of cash dividend @10% instead of 15%, all the shareholders whose names are not entered into the Active Tax payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL for future payment of dividend if any. For any query / problem / information, the investors may contact our share registrar.

In case of Joint account, each holder is to be treated individually as either a file or non-filer and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder. In this regard shareholders are requested to provide shareholding proportions alongwith the CNIC Nos. of Principal shareholder and Joint shareholder(s) in respect of shares held by them to our Share Registrar in writing by April 17, 2015, or if no notification is received, each joint holder shall be assumed to have an equal number of shares.

Individual and corporate shareholders having CDC account are required to have their National Tax Number (NTN) updated with their respective participants, whereas non-CDC shareholders should send a copy of their NTN certificate to the Company or its share registrar. The shareholders while sending NTN or NTN certificates, as the case may be, must quote Company name and their respective folio numbers.

STATEMENT UNDER SECTION 160 (1) (b) OF THE COMPANIES ORDINANCE 1984 PERTAINING TO THE SPECIAL BUSINESS

The statement set out the material facts pertaining to the "Special Business" to be transacted at the 33rd Annual General Meeting of the Company to be held on April 29, 2015.

Capitalization out of Company's appropriated Profit/Reserve

Resolved:

"that the decision of the Board of Directors of the Company to issue 6,051,881 ordinary shares of Rs.10 each by capitalizing Rs. 60,518,810/- out of the Free Reserve of the Company and allotted as fully paid up bonus shares to the members of the company who were registered in the book of the company on 17th April, 2015 in the ratio of 15 shares such new shares for every 100 existing ordinary shares held ranking paripassu with the existing ordinary shares of the Company".

None of the Directors of the Company are interested in this business except to the extent of their entitlement to bonus shares as shareholder.

Revision of Authorized Share Capital

The Authorized Share Capital of Reliance Insurance Company Limited at present is Rs.500 million. In order to take care of expansion, it is considered necessary to increase the Authorized Share Capital from Rs. 500,000,000/- to Rs. 750,000,000/-.

The Directors of the Company has no interest directly or indirectly in the proposed amendments in the Memorandum and Articles of Association of the Company except to the extent of the proposed amendments in the clause of Authorized Capital.

A special Resolution to amend the sub-clause in the Articles of Association of the Company. Approval of the Shareholders of the Company will be sought for amendment in Article 137. The amendment seeks to increase Fees payable to directors from existing limit of Rs. 5,000/- to Rs. 10,000/- .

HORIZONTAL ANALYSIS OF BALANCE SHEET & INCOME STATEMENT

	Rupees '000						% Increase / (Decrease) over preceeding year					
	2014	2013	2012	2011 Restated	2010 Restated	2009	2014	2013	2012	2011	2010	2009
BALANCE SHEET												
Cash and Bank Deposit	104.499	103.079	68.760	79.824	57.542	63.046	1.37	49.91	(13.86)	38.72	(8.73)	(25.85)
Loan to Employees	1.534	1.517	1.566	0.921	0.756	1.061	1.12	(3.13)	70.03	21.82	(28.75)	9.95
Investment	584.858	500.322	436.862	406.541	348.699	282.690	16.90	14.53	7.46	16.59	23.35	(1.11)
Other Assets	823.391	780.381	1,062.035	558.414	495.898	491.243	5.51	(26.52)	90.19	12.61	(0.95)	(0.57)
Fixed Assets - Tangible and Intangible	81.651	71.281	63.801	63.234	64.658	66.308	14.48	11.72	0.89	(2.20)	(2.49)	(8.90)
Total Assets	1595.944	1456.580	1,633.024	1,108.934	967.553	904.348	9.57	(10.80)	47.26	14.61	6.99	(3.66)
Total Equity	725.219	653.418	578.713	515.428	438.611	322.582	10.99	12.91	12.28	17.51	35.97	(9.19)
Underwriting Provisions	764.835	679.626	947.898	465.335	437.162	493.360	12.54	(28.30)	103.70	6.44	(11.39)	(6.40)
Creditors and Accruals	104.980	122.987	105.841	128.064	91.665	88.291	(14.64)	16.20	(17.35)	39.70	3.82	74.78
Other Liabilities	0.910	0.549	0.572	0.107	0.115	0.115	65.75	(4.02)	(434.58)	(6.95)	-	98.04
Total Equity and Liabilities	1595.944	1456.580	1,633.024	1,108.934	967.553	904.348	9.57	(10.80)	(47.28)	14.61	6.99	(3.66)
PROFIT AND LOSS ACCOUNT												
Net Premium Revenue	295.757	260.758	240.703	238.706	267.920	326.555	13.42	8.33	0.84	(10.90)	(17.95)	(26.70)
Net Claims	94.300	87.893	83.096	86.322	96.430	227.457	7.29	5.77	(3.74)	(10.48)	(57.60)	9.16
Management Expenses	122.763	116.698	106.778	99.150	99.462	106.602	5.19	9.29	7.69	(0.31)	(6.70)	(22.81)
Net Commission	39.246	36.568	33.748	37.990	40.099	44.482	7.32	8.36	(11.07)	(5.26)	(9.85)	(12.62)
Underwriting Results	39.447	19.599	17.044	15.243	31.929	(51.986)	101.27	14.99	11.81	(52.26)	38.58	7.92
Investment Income	96.216	97.437	110.252	94.858	118.954	53.862	(1.25)	(11.62)	16.23	72.91	1.85	194.92
Other Income	2.812	2.903	2.590	3.012	1.406	1.578	(3.13)	12.08	14.01	121.91	(10.89)	14.51
Financial Charges	0.464	0.088	0.625	0.453	0.193	0.458	(0.30)	(85.92)	37.96	134.71	(57.86)	130.15
General and Admin Expenses	41.888	38.646	35.357	29.342	31.319	33.990	8.39	9.30	20.50	(6.31)	(7.86)	121.37
Profit and Loss before Tax	96.540	81.205	93.905	83.317	116.028	(30.994)	18.88	(13.52)	13.76	44.98	83.69	159.30
Taxation Net	(6.400)	(6.500)	(6.700)	(6.500)	(4.750)	(1.650)	(1.54)	(2.99)	3.07	36.84	187.88	(85.95)
Profit and Loss after Tax	90.140	74.705	87.205	76.817	120.778	(32.644)	20.66	(14.33)	14.67	46.42	259.09	(180.58)

VERTICAL ANALYSIS OF BALANCE SHEET & INCOME STATEMENT

Rupees '000

	2014		2013		2012		2011		2010		2009	
	Rupees	%	Rupees	%	Rupees	%	Rupees	%	Rupees	%	Rupees	%
BALANCE SHEET												
Cash and Bank Deposit	104.499	6.55	103.079	7.08	68.760	4.21	79.824	7.20	57.542	5.95	63.046	6.97
Loan to Employees	1.534	0.09	1.517	0.10	1.566	0.10	0.921	0.08	0.756	0.08	1.061	0.12
Investment	584.868	36.65	500.322	34.35	436.862	26.75	406.541	36.66	348.699	36.04	282.690	31.26
Other Assets	823.391	51.59	780.381	53.58	1,062.035	65.03	558.414	50.36	495.898	51.25	491.243	54.32
Fixed Assets - Tangible and Intangible	81.652	5.12	71.281	4.89	63.801	3.91	63.234	5.70	64.658	6.68	66.308	7.33
Total Assets	1595.944	100.00	1456.580	100.00	1,633.024	100.00	1,108.934	100.00	967.553	100.00	904.348	100.00
Total Equity	725.219	45.44	653.418	44.86	578.713	35.44	515.428	46.48	438.611	45.33	322.582	35.67
Underwriting Provisions	764.835	47.92	679.626	46.66	947.898	58.05	465.335	41.96	437.162	45.18	493.360	54.55
Creditors and Accruals	104.980	6.58	122.987	8.44	105.841	6.48	128.064	11.55	91.665	9.47	88.291	9.76
Other Liabilities	0.910	0.06	0.549	0.04	0.572	0.04	0.107	0.01	0.115	0.01	0.115	0.01
Total Equity and Liabilities	1595.944	100.00	1456.580	100.00	1,633.024	100.00	1,108.934	100.00	967.553	100.00	904.348	100.00
PROFIT AND LOSS ACCOUNT												
Net Premium Revenue	295.757	100.00	260.758	100.00	240.703	100.00	238.706	100.00	267.920	100.00	326.555	100.00
Net Claims	94.300	31.88	87.893	33.71	83.096	34.52	86.322	36.16	96.430	35.99	227.457	69.65
Management Expenses	122.763	41.51	116.698	44.75	106.778	44.36	99.150	41.54	99.462	37.12	106.602	32.64
Net Commission	39.246	13.27	36.568	14.02	33.784	14.04	37.990	15.91	40.099	14.97	44.482	13.62
Underwriting Results	39.447	13.34	19.599	7.52	17.044	7.08	15.243	6.39	31.929	11.92	(51.986)	(15.92)
Investment Income	96.216	32.53	97.437	37.37	110.252	45.80	94.085	39.41	54.860	20.48	53.862	16.49
Other Income	2.812	0.95	2.903	1.11	2.590	1.08	3.012	1.26	1.406	0.52	1.578	0.48
Financial Charges	0.464	0.16	0.088	0.03	0.624	0.26	0.453	0.19	0.193	0.07	0.458	0.14
General and Admin Expenses	41.888	14.16	38.646	14.82	35.357	14.69	29.342	12.29	31.319	11.69	33.990	10.41
Profit and Loss before Tax	96.540	32.64	81.205	31.14	93.905	39.01	82.544	34.58	56.934	21.25	(30.994)	(9.49)
Taxation Net	6.400	2.16	6.500	2.49	6.700	2.78	6.500	2.72	4.750	1.77	1.650	0.51
Profit and Loss after Tax	90.140	30.48	74.705	28.65	87.205	36.23	76.044	31.86	51.934	19.38	(32.644)	(10.00)

KEY FINANCIAL DATA

10 Years Growth At A Glance

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
PAID-UP CAPITAL	403.46	366.78	318.93	318.93	252.01	252.01	229.09	176.25	132.50	100.00
SHARE HOLDER'S EQUITY	725.22	653.42	578.71	515.42	374.52	322.58	355.23	314.72	243.97	185.64
GENERAL RESERVE	180.00	160.00	90.00	90.00	87.50	87.50	80.00	62.50	62.50	48.00
CASH AND BANK DEPOSIT	104.50	103.08	68.76	79.82	57.54	63.05	85.03	94.95	105.23	87.21
INVESTMENTS	584.86	500.32	436.86	406.54	348.64	282.68	285.85	298.94	234.97	168.16
UNDERWRITING PROVISIONS	764.85	679.63	947.90	465.33	437.16	493.36	527.08	354.07	273.24	233.83
TOTAL ASSETS BOOK VALUE	1595.94	1456.58	1633.02	1108.93	967.55	904.35	938.72	712.73	575.38	460.90
RETURN ON ASSETS	5.65%	5.13%	5.34%	6.93%	11.99%	(3.61%)	4.31%	9.92%	10.14%	9.16%
RETURN ON EQUITY	12.43%	11.43%	15.07%	14.90%	13.86%	(10.11)%	11.40%	22.48%	23.90%	22.75%
PAID-UP CAPITAL TO ASSETS	25.28%	25.18%	19.53%	28.76%	26.04%	27.86%	24.40%	24.72%	23.03%	21.69%
EQUITY / TOTAL ASSETS	45.44%	44.86%	35.43%	46.48%	45.33%	35.67%	37.84%	44.17%	42.40%	40.27%
GROSS PREMIUM	1028.14	837.23	613.72	543.40	529.54	506.34	603.19	632.16	526.88	427.08
NET PREMIUM	295.76	260.76	240.70	238.7	267.92	326.55	445.54	395.81	315.02	250.44
RATIO TO GROSS PREMIUM	28.77%	31.14%	39.22%	43.93%	50.59%	64.49%	73.86%	62.61%	59.79%	58.64%
NET CLAIMS INCURRED	94.30	87.89	83.09	86.32	96.43	227.46	208.36	156.97	100.21	82.66
RATIO TO NET PREMIUM	31.88%	33.71%	34.52%	36.16%	35.99%	69.65%	46.77%	39.66%	31.81%	33.01%
EXPENSES	164.69	155.34	142.76	128.95	130.78	140.59	153.65	148.43	128.06	113.21
RATIO TO GROSS PREMIUM	16.02%	18.55%	23.26%	23.73%	24.70%	27.77%	25.47%	23.48%	24.31%	26.51%
RATIO TO NET PREMIUM	55.68%	59.57%	59.31%	54.02%	48.81%	43.05%	34.49%	37.50%	40.65%	45.20%
INVESTMENT INCOME	96.22	97.44	110.25	94.86	54.86	53.86	18.26	43.23	30.41	23.62
RETUN ON INVETMENT	16.45%	19.47%	25.24%	23.33%	15.73%	19.05%	6.39%	14.46%	12.94%	14.04%
U/W PROFIT/(LOSS)	39.45	19.60	17.04	15.24	31.93	(51.98)	48.17	58.53	62.46	44.08
PRE TAX PROFIT	96.54	81.21	93.9	83.31	56.68	(30.99)	52.26	88.34	80.63	57.44
PERCENTAGE TO GROSS PREMIUM	9.39%	8.92%	14.21%	14.14%	99.81%	(6.45)%	6.71%	11.19%	11.07%	9.90%
PROFIT AFTER TAX	90.14	74.70	87.21	76.82	51.93	(32.64)	40.51	70.75	58.33	42.24
PERCENTAGE TO NET PREMIUM	30.48%	28.65%	36.23%	32.18%	19.38%	(10.00)%	9.09%	17.87%	15.52%	16.87%
EARNINGS PER SHARE	2.23	2.03	2.73	2.41	2.06	(1.30)	1.77	3.09	4.40	4.22
DIVIDEND /BONUS	15%(B)5%(C)	10%(B)5%(C)	15%(B)	12.5%(B)7.5%(C)	12.5%(B)	NIL	10%(B)	30%(B)	33%(B)	32.5%(B)
BREAK UP VALUE PER SHARE	17.97	17.81	18.15	16.16	14.86	12.80	15.50	13.74	11.36	18.56

Shareholders' Information

Registered Office

96-A, Sindhi Muslim Co-operative Housing Society
Karachi.

Head Office

Reliance Insurance House, 181-A, Sindhi Muslim
Co-operative Housing Society, Karachi

Share Registrar Office

C&K Management Associates (Pvt.) Ltd. 404-Trade
Tower, Abdullah Haroon Road, Near Hotel Metropole,
Karachi-75530.

Tel: (021) 35687839 & 53685930

Listing on Stock Exchanges

RICL equity shares are listed on Karachi Stock
Exchange (KSE) and Lahore Stock Exchange (LSE).

Listing Fees

The annual listing fee for the financial year 2014-2015
has been paid to both the stock exchanges within the
prescribed time limit.

Stock Code

The stock code for dealing in equity shares of RIC at KSE
and in LSE is RICL.

Statutory Compliance

During the year the Company has complied with all
applicable provisions, filed all returns / forms and
furnished all relevant informations as required under
the Companies Ordinance, 1984 and allied laws and
rules, the Securities and Exchange Commission of
Pakistan (SECP) Regulations and the Listing
Regulations.

Book Closure Dates

The register of Members and share transfer books of the
Company will remain closed from 18th April to 29th
April 2015, (both days inclusive).

33rd Annual General Meeting

Date : 29th April, 2015
Time : 12:30 p.m
Venue : Reliance Insurance House,
181-A, SMCHS, Karachi

Website of the Company

A website of your Company has been developed which
allows the users to get the Company related information
about its financial, history, types of insurance available
with the Company and list of reinsurers etc.

An online complaint system is also available to improve
the efficiency.

Website www.relianceins.com

Annual, half yearly and quarterly financial statements of
the Company are available at
<http://www.relianceins.com>

Disclosures to the Stock Exchanges on strategic events
are made as and when required.

CNIC Number

Securities and Exchange Commission of Pakistan
(SECP) has directed vide Notification
No.SRO.831(1)/2012 of July 5, 2012 in supersession of
earlier Notification No.SRO.779(1)2911 of
August 18, 2011 to issue dividend warrants only
crossed as "A/c Payee only" and should bear the valid
Computerized National Identity card (CNIC) number of
the registered members, those members who have not
yet submitted photocopy of their valid CNIC are
requested to send the same at the earliest directly to the
Company Share Registrar.

Dividend Mandate Option

As directed by SECP vide Circular No.18 of 2012 dated
June 5, 2012 we give the shareholders the opportunity
to authorize the Company to directly credit in their bank
account with Cash dividend, if any, declared by the
Company in future. If they wish that the cash dividend if
declared by the Company be directly credited into their
bank account, instead of issuing a dividend warrant.
Please provide the following details to our Registrar
M/s. C&K Management Associates (Pvt.) Ltd.:

Title of Bank Account	Branch Name and address
Bank Account Number	Cell number of Shareholder
Bank's Name	Landline number of Shareholder, if any

Change of Address

Members are requested to immediately notify the
change of address, if any, to the Company's Registrar.

Financial Calendar

29th March, 2014	Meeting of the Board of Directors for approval of the audited financial statements for the year ended December 31, 2013.
29th April, 2014	The Annual General Meeting of the Company was held at the Registered Office for approval of annual audited financial statements for the year ended December 31, 2013, appointment of auditors, approval of Bonus Shares Entitlement @ 10% for every 100 ordinary shares and cash dividend @ 5%.
29th April, 2014	Meeting of the Board of Directors for approval of the unaudited first quarter financial statements for the period ended March 31, 2014.
26th May, 2014	Issuance of Bonus Shares advised Central Depository Company, to credit participant Account and dispatch of Dividend Warrants.
26th May, 2014	Bonus Shares Certificates issued to Physical Share holders.
28th June, 2014	Board of Directors Meeting for approval of Takaful window operation.
28th August, 2014	Meeting of the Board of directors for approval of the half yearly Unaudited financial statements for the period ended June 30, 2014.
4th September 2014	Extra Ordinary General Meeting of Members for approval of Takaful window operation.
30th October, 2014	Meeting of the Board of Directors for approval of the unaudited financial statements for the nine months, period ended September 30, 2014.



Categories of Shareholding

as at December 31, 2014

Information required under the Code of Corporate Governance

Categories of share holders	Number of share holders	Number of shares held	Percentage of shares held %
ASSOCIATE COMPANIES UNDERTAKINGS AND RELATED PARTIES			
Anam Fabrics	1	101,360	0.25
NIT / ICP/ IDBP			
Investment Corporation of Pakistan, IDBP ICP Units	6	645	0.00
DIRECTORS, CEO & OTHER SPOUSES AND MINOR CHILDREN			
The detail are as under:			
MR. ISMAIL H. ZAKARIA	1	408,937	
MR. MOHD. AMIN AHMED BAWANY	1	47,175	
MR. A. AZIZ AYOOB	1	172,602	
MR. IRFAN ZAKARIA BAWANY	1	2,511,099	
MR. MOHD. OMER BAWANY	1	242,979	
MR. ZOHAIK ZAKARIA	1	184,248	
MR. AHMED ALI BAWANY	1	64,923	
MR. NOOR M. ZAKARIA	1	162,515	
MR. YASIN SIDDIK	1	5,119	
MR. ABDUL JABBAR	1	6,325	
MRS. ZARINA BAI ISMAIL	1	346,553	
MRS. ROSHANARA AMIN	1	758,540	
MRS. MEHRUNNISA A. AZIZ	1	191,682	
MRS. SHEHLA IRFAN	1	2,429,396	
MRS. RUKHSANA BAI OMER	1	825,972	
MRS. AMBREEN AHMED ALI	1	1,578,197	
MRS. SHAHNAZ NOOR MOHAMMAD	1	254,531	
ALTAMASH AHMED ALI	1	94,784	
EXECUTIVE			
	-	-	
PUBLIC SECTOR COMPANIES AND CORP.			
	-	-	
BANK, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INSTITUTION, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS			
	3	640	0.00
JOINT STOCK COMPANIES			
	23	7,230,302	17.92
INDIVIDUALS			
	1,119	22,217,524	55.07
STOCK EXCHANGE			
Islamabad Stock Exchange Limited			
	1	1,479	0.00
WAKF ALAL AULAD			
Trustees Mohammad Amin WAKF			
	2	430,833	1.07
Trustees Saeeda Amin WAKF			
WELFARE SOCIETY			
Pakistan Memon Educational			
	1	48,029	0.12
CHARITABLE TRUSTS			
Trustees AAI-Bawany Foundation			
	1	29,000	0.07
TRADE			
Haral Sons (Pvt.) Limited			
	1	486	0.00
TOTAL:-	1,176	40,345,875	100.00
SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTEREST .			
M/s.Irfan Ashfaq & Company (Pvt.) Ltd.,	1	5,940,957	14.73
Mr. Irfan Zakaria Bawany	1	2,511,099	6.22
Mrs.Shehla Irfan	1	2,428,127	6.02

Pattern of Shareholding

as at December 31, 2014

Number of Shareholders	Shareholdings		Total shares held
	From	To	
367	1	100	7,528
169	101	500	47,193
127	501	1000	94,577
236	1001	5000	595,246
84	5001	10000	598,966
43	10001	15000	528,576
26	15001	20000	459,154
6	20001	25000	140,209
15	25001	30000	419,681
5	30001	35000	169,673
6	35001	40000	226,217
5	40001	45000	209,560
6	45001	50000	284,979
2	50001	55000	107,708
3	55001	60000	174,341
2	60001	65000	126,007
2	65001	70000	136,908
1	75001	80000	78,271
5	80001	85000	409,220
3	85001	90000	260,754
2	90001	95000	185,993
2	95001	100000	195,118
1	100001	105000	101,360
2	105001	110000	216,712
1	110001	115000	112,445
2	115001	120000	235,824
5	145001	150000	732,288
1	155001	160000	158,474
1	160001	165000	162,515
2	165001	170000	334,887
3	170001	175000	518,265
2	175001	180000	351,892
1	180001	185000	184,248
1	190001	195000	191,682
1	215001	220000	216,093
1	220001	225000	221,900
1	240001	245000	242,979
2	250001	255000	508,880
1	270001	275000	273,244
4	300001	305000	1,213,512
1	335001	340000	339,861
1	360001	365000	361,656
1	375001	380000	376,553
1	400001	405000	403,333
1	405001	410000	408,937
1	425001	430000	426,960
1	445001	450000	445,429
1	495001	500000	498,218
1	540001	545000	543,103
2	575001	580000	1,155,836
1	615001	620000	615,997
1	640001	645000	641,470
1	725001	730000	727,664
1	755001	760000	758,540
1	825001	830000	825,972
1	935001	940000	938,701
1	1010001	1015000	1,010,750
1	1175001	1180000	1,177,939
1	1215001	1220000	1,218,019
1	1290001	1295000	1,293,080
1	1505001	1510000	1,507,250
1	1550001	1555000	1,554,282
1	1575001	1580000	1,578,197
1	1735001	1740000	1,735,965
1	2425001	2430000	2,428,127
1	5940001	5945000	5,940,957
<u>1176</u>			<u>40,345,875</u>

Sr. No.	Categories of share holders	Number of share holders	Number of shares held	Percentage of shares held
1	INDIVIDUALS	1137	32503101	80.56 %
2	INVESTMENT COMPANIES	6	645	0 %
3	INSURANCE COMPANIES	1	474	0 %
4	JOINT STOCK COMPANIES	24	7331662	18.18 %
5	FINANCIAL INSTITUTIONS	1	165	0 %
6	STOCK EXCHANGE	1	1,479	0 %
7	WELFARE SOCIETY	1	48,029	0.12 %
8	CHARITABLE TRUSTS	1	29,000	0.07 %
9	MODARABA MANAGEMENT CO.	1	1	0 %
10	WAKF ALAL AULAD	2	430,833	1.07 %
11	TRADE	1	486	0 %
		<u>1176</u>	<u>40,345,875</u>	<u>100 %</u>

Directors' Report

Gross Premium Crossed
Billion Rupees Mark
at Rs. 1028.136

Your directors take pleasure in presenting the Thirty Third Annual Report alongwith Audited Accounts of the Company for the year ended 31st December 2014. Your company has attained **Billion Rupees Mark** by underwriting gross premium of over Rs.1 billion.

The year 2014 commenced with European union granting GSP plus Status to Pakistan Textile Export. GDP growth rate rising to 4.1% in 2014 against 3.7% in 2013. The benchmark policy rate - Discount rate has been revised downward by 150 bps (50 bps in November 2014 and 100 bps in January 2015) to 8.5% by the SBP in view of marked decline in inflation. Substantial reduction in global oil prices have provided a golden opportunity to our economic managers for better strategy and planning. These measures are expected to boost corporate earnings and increase in Export. Government seems to be committed to revive the economy and boost investment in the country but still the results are not encouraging. The Security Concerns, continued power and gas shortages and law and order situation, - all these factors compounding to below performance of economy of its potential.

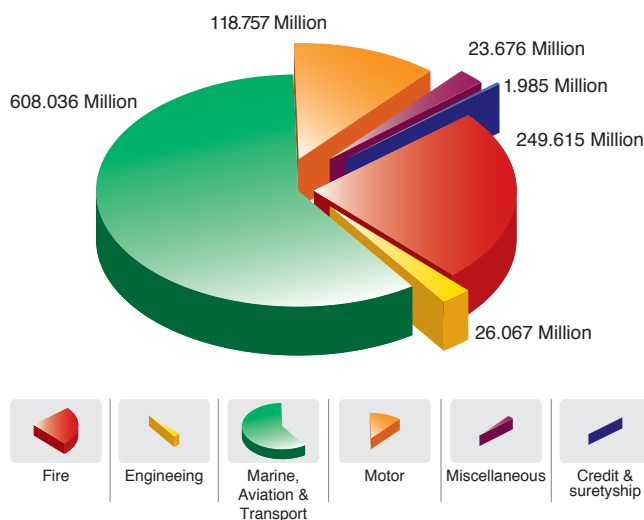
However despite these challenging and adversary environment, your Company managed to increase the Gross Premium by over Rs.1028.136 million - an increase of 22.80% over previous year.

OPERATIONAL RESULTS FOR THE YEAR 2014

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

	2014	2013
	Rs. in Million	
Gross Premium	1028.136	837.228
Net Premium	295.756	260.757
Net Incurred Claims (including IBNR)	94.300	87.892
Management Expenses	122.763	116.698
Underwriting Profit	39.447	19.599
Investment Income	96.216	97.437
Profit before Taxation	96.539	81.205
Profit after Taxation	90.139	74.705
Earnings per Share (EPS)	2.23	2.03

Gross Premium by Class of Business -2014

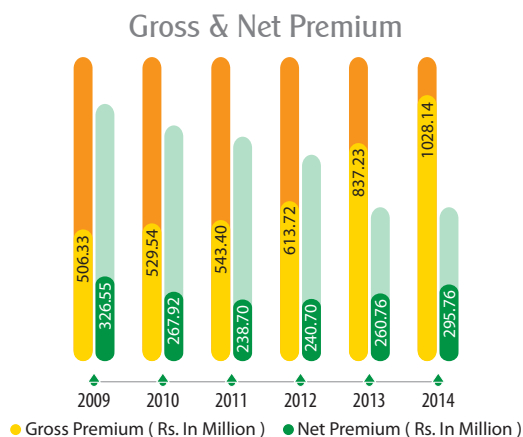


Your Company underwrote gross premium of Rs.1028.136 million against Rs.837.228 million of the last year showing an increase of 22.80%. The net premium has marginally increased to Rs.295.756 from Rs.260.757 million, i.e. 13.42%

Claims incurred during the year were Rs.94.300 million against Rs.87.892 million of the previous year, showing an increase of 7.29%. However Management Expenses and General & Administration Expenses increased from Rs.155.430 million to Rs.164.698 - an increase of 5.96%.

Over the years, we have been constantly highlighting the unilateral and arbitrary fixing of the so called 'Bank Limits' and delisting / non listing / prequalifying by some Banks, DFI's Financial institutions and various Authorities /Organizations, thus depriving level playing field to all the market participants. However, IAP is seized with this issue and we do hope that this long outstanding matter would be amicably resolved.

Investment Portfolio Surged
to Rs. 584,867 Million



INVESTMENT

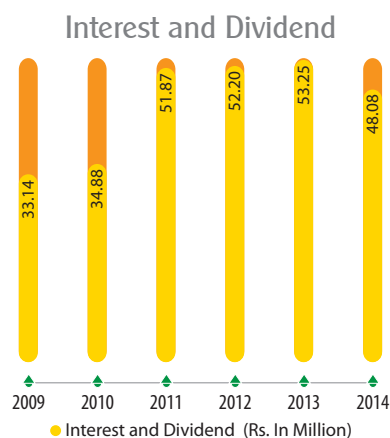
The year 2014 was yet another excellent year for the KSE Index witnessed a bullish trend and was one of the best performing equity markets in the world. An upward trend was set which persisted throughout the year reaching all time high of 100 index at 32131 points as at 31st December 2014. Thanks to improved corporate results and handsome payouts by blue chips scrips.

The investment policy of your company continues to be unchanged emphasizing preference to Shariah Compliant long term investment securing risk – free returns.

Considering the volatile nature of stock market, the shares portfolio of RICL is well spread and diversified amongst various sectors primarily focusing on blue chip scrips paying historically regular cash dividend and bonus shares and growth prospects. The portfolio remains under constant surveillance of the investment committee.

Dividend Income had stood at Rs.32.765 million in 2014 compared to previous year of Rs.38.664 showing a decrease of 15.25%. Your company has also realized capital gain of Rs.10.998 million against Rs.5.516 of the previous year and booked unrealized gain for Rs.37.062 million compared to previous years Rs.37.876 million.

Your company continues to endeavour generating a significant portion of its investment income from sustainable sources such as interest & dividends, capital gain thus generating healthy cash flow. The market value of Investment portfolio stood at Rs.595.029 million as at 31st December 2014 and investment in Bank Deposits Accounts stood at Rs.25.984 million.



Appropriation of Profit :

Amount brought forward from previous years	Rs. 51,620,424
Profit after tax for the year ended 31st December 2014	Rs. 90,139,824
Un-appropriated amount available for appropriation	Rs. 141,760,248

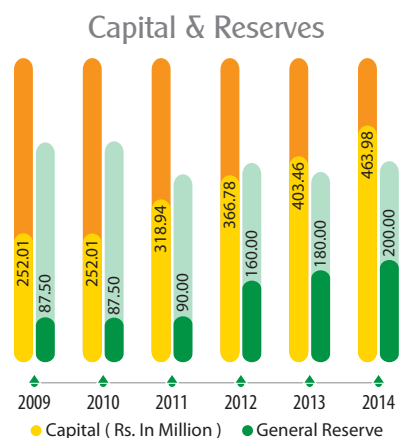
Your Directors recommend that the profit be appropriated in the following manner:

Appropriation:

Proposed Cash Dividend @ 5% (2013 : 5%)	Rs. 20,172,938
Proposed Issue of Bonus Shares @ 15% (2013 : 10%)	Rs. 60,518,810
Transfer to General Reserve	Rs. 20,000,000
Un-appropriated balance carried forward	Rs. 41,068,500
	Rs. 141,760,248

ENHANCED PAID-UP CAPITAL AND GENERAL RESERVES

Your Directors strongly believe in strengthening the Capital base and Reserves commensurate with the growth and future prospects of the Company. In line with this strategy, the Board of Directors have approved above appropriations increasing Paid-up Capital to Rs.463.98 million and General Reserve to Rs.200.00 million.



Appropriation would increase
Paid up Capital **Rs. 463.977 Million**
and General Reserve to **Rs. 200.000 Million**

INFORMATION TECHNOLOGY (IT)

In line with continues endeavors to regularly upgrade information systems to meet ever growing needs of the present day requirements and to optimize quality and standard of services to our valued clients, your company has already implemented Oracle based General Insurance Accounting software (GIAS) which is an integrated management information system bringing branches on-line through web base system. The software system would ensure regular and real time MIS reports facilitating meaningful decision making. The Underwriting premium and management of premium receivable is very important. GIAS manages Underwriting Premium and monitor Premium collection and receivable.

REINSURANCE

Your Company has successfully concluded the reinsurance arrangements for the year 2015. Swiss Re world's renowned Re-Insurer is the leader of RIC's reinsurance programme for the year 2015. Underwriting capacity for traditional lines of business have increased further in 2015, thus your Company will now be able to underwrite larger risks. We are thankful to all our re-insurers for the unwavering confidence and continued support.

WINDOW TAKAFUL OPERATION

Your company, in line with other conventional insurance companies, is taking necessary measures to seek authorization \ permission from Securities and Exchange Commission of Pakistan (SECP) to commence window Takaful operations.

JCR VIS CREDIT RATING

JCR VIS Credit Rating Company Limited – an affiliate of Japan Credit Rating Agency Limited has reaffirmed the Insurer Financial Strength (IFS) of Reliance Insurance Company Limited at A (single A). Outlook on the assigned Rating is 'Stable'. The rating incorporates sound capitalization level of the company that has strengthened over time on the back of retained earnings.

Related Party Transactions

All related party transactions are put up before the Audit Committee and Board for their review and approval. These transactions have been reviewed / recommended by the Audit Committee and approved by the Board of Directors in their respective meetings. All transactions executed with related parties are on arm's length basis.

CORPORATE GOVERNANCE LEADERSHIP SKILL PROGRAM:

Following directors have already completed Corporate Governance Leadership skills (CGLS) program of Pakistan Institute of Corporate Governance (PICG).

1. Mr. Irfan Zakaria Bawany
2. Mr. Zohair Zakaria
3. Mr. Ahmed Ali Bawany

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi and Lahore Stock Exchanges in their listing Rules, relevant to the year ended December 31, 2014 have been duly complied with. A statement to this effect is annexed with the report.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Company has been in compliance with the provision set out by the Securities and Exchange Commission of Pakistan and the listing rules of the Stock Exchanges of Karachi and Lahore. There has been no material departure from best practices of the Corporate Governance, as detailed in the listing regulation.

- a) The financial statements prepared by the management of the company fairly present its state of affairs, the results of the operations, cash flow and changes in equity.
- b) Proper books of account of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statement and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting standards, as applicable in Pakistan, have been followed in preparation of financial statement and any departure there-from has been adequately disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) The pattern of shareholding as at 31st December, 2014 is annexed to the accounts.
- g) There are no significant doubts upon the Company's ability to continue as a going concern.

h) There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.

i) Key operating and financial data for the last Ten years in summarized form is annexed.

j) The Value of investments based on the unaudited accounts as at 31st December 2014, in respect of the Provident Fund Stands at Rs.42.437 million.

BOARD OF DIRECTORS

The Board was actively involved during the year in performing its duties including those to be performed under various relevant Laws and Memorandum and Article of Association of the Company, with the ultimate objectives of self guarding the interest of the Shareholders, increase in profitability of the Company and ultimate goal to increase shareholders wealth and promoting market confidence.

All the directors represent rich exposure of diverse field of business and professions and possess all the necessary skills and understanding to deal with the various business and Corporate issues and have the ability to review, analyze and challenge the management performance. They have contributed immensely in terms of their experience and practical advice.

BOARD COMMITTEES

The Board has constituted Audit, Investment and Human Resource & Remuneration Committees, comprising of the following Non Executive Directors.

The following are the members of Audit committee.

AUDIT COMMITTEE

1. Mr. Abdul Jabbar	Chairman (Independent Director)
2. Mr. Irfan Zakaria Bawany	Member (Non Executive Director)
3. Mr. Zohair Zakaria	Member (Non Executive Director)
4. Mr. Saleem Memon	Secretary to the Committee.

The terms of reference of the Audit Committee shall include the following :

- i. Recommending to the Board of Directors the appointment of External Auditors and consider any questions of audit fee; the provision by the external auditors of any service in addition to the audit.

ii. Consideration of questions regarding resignation or removal of External Auditors

iii. Determination of appropriate measures to safeguard the company's assets.

iv. Review of quarterly, half yearly and annual financial statements of the Company, prior to the approval by the Board of Directors.

v. Review of adjustments resulting from audit.

vi. Review of preliminary announcement of results prior to publication.

vii. Review and recommend significant related party transactions.

viii. Compliance with applicable accounting standards.

ix. Compliance with listing regulations and other statutory and regulatory requirements.

x. Monitoring compliance with the best practices of corporate governance and identification of any significant violations thereof

xi. Focusing on the going concern assumption, and any changes in accounting policies and practices

xii. Review of the scope and extent of internal audit

xiii. Consideration of major findings of internal investigation of activities characterized by fraud, corruption and abuse of power.

xiv. Consideration of any other issue or matter as may be assigned by the board of directors.

INVESTMENT COMMITTEE

Investment Committee consists of four members including Chief Executive Officer.

1. Mr. Irfan Zakaria Bawany	Chairman (Non Executive Director)
2. Mr. Zohair Zakaria	Member (Non Executive Director)
3. Mr. Ahmed Ali Bawany	Member (Non Executive Director)
4. Mr. A. Razak Ahmed	Member (Executive Director)

The terms of reference of this Committee shall include the following:-

- It reviews the Investment Portfolio every quarter
- The Committee recommends for the investments to be made in equities, mutual funds, fixed income securities Shariah compliant and Government (Sukuk) Securities.
- Review purchase and sale of investments made during the quarter the income accruing from each sector
- Establish the benchmarks against which performance of the overall investment portfolio and its sectors are to be assessed.

HUMAN RESOURCE & REMUNERATION COMMITTEE

The committee comprises of three members including the Chairman of this committee and two Non Executive Directors, one Executive Director and Head of HR Department as Secretary to Chairman.

1. Mr. Zohair Zakaria	Chairman (Non Executive Director)
2. Mr. Irfan Zakaria Bawany	Member (Non Executive Director)
3. Mr. A Razak Ahmed	Member (Executive Director)
4. Mr. Masood Alam	Secretary (Secretary to the Committee)

The committee shall be responsible for:-

- Recommending human resource management policies to the board.
- Recommending to the board the selection and compensation (including retirement benefits) of CEO, CFO/Co. Secretary and Head of Internal Audit
- Periodic reviews of the amount and form of reimbursement for terminal benefits in case of retirement and death of any employee in relation to current norms.
- Consideration and approval on the recommendation of CEO on such matters for key management positions who report directly to CEO.
- Review recruitment policy and procedures for hiring of executives.
- Review and recommend annual appraisal and salary revision of Senior Executives of the company and staff members.
- Review and approve any changes required in perquisites and benefits of Senior Executives and employees.
- Approve termination and acceptance of resignations of Senior Executives
- Any other issue or matter as may be assigned by the Board of Directors.

Management Committees

The Board has also constituted three Management Committees – namely Underwriting, Claims, Reinsurance and Co-insurance committees. These committees meet on regular basis and headed by the Chief Executive Officer. The functions and composition of the committees are given below:-

Underwriting Committee

The functions of the Committee includes:-

- The Underwriting Committee formulates the underwriting policy of the Company.
- It sets out the criteria for assessing various types of insurance risks and determines the premium policy of different insurance covers.
- It regularly reviews the underwriting and premium policies of the Company with due regards to relevant factors such as the business portfolio and the market scenario.

The Committee consists of the following members:-

1. Mr. A Razak Ahmed	Chairman
2. Mr. Rizwan Akhtar	Member
3. Mr. Ishaqu Azeem	Member
4. Mr. Muhammad Amin Bawany	Member

Reinsurance & Co-Insurance Committee

The functions of the Committee includes:-

- This committee ensures that adequate re-insurance arrangements are made for company's business.
- The Committee pursues the proposed re-insurance arrangements prior to their execution, review the arrangements from time to time and subject to the consent of the participating re-insurers, suggest appropriate adjustments from time to time.
- The Committee also assesses the effectiveness of the re-insurance programme for future reference.

The Committee consists of the following members:-

1. Mr. A Razak Ahmed	Chairman
2. Mr. Rizwan Akhtar	Member
3. Mr. Ishaqu Azeem	Member
4. Mr. Abdul Rahim	Member

Claims Committee

The functions of the Committee includes:-

- It review the class wise aging of outstanding claims
- The Committee determines the circumstances under which claims disputes shall be brought to its attention and decide how to deal with such claims disputes.
- The Committee shall review matters relating to management of claims. It overseen the claim position of the company and ensure the adequate claims reserves are made.
- The Committee pays attention to significant claims cases or event which give rise to a series of claims and oversees the implementation of the measures for combating claims.

The Committee consists of the following members:-

1. Mr. A Razak Ahmed	Chairman
2. Mr. Rizwan Akhtar	Member
3. Mr. Haroon A. Shakoor	Member
4. Mr. Sadruddin Hussain	Member

Board of Director's Meetings

During the year Five (5) meetings of the Board of Directors were held and the number of meetings attended by each Director is given hereunder:

Name of Directors Attendance	No. of meetings attended
1. Mr. Ismail H. Zakaria	3
2. Mr. Mohammad Amin Ahmed Bawany	3
3. Mr. A. Aziz Ayoob	4
4. Mr. Irfan Zakaria Bawany	5
5. Mr. Mohammad Omer Bawany	5
6. Mr. Zohair Zakaria	1
7. Mr. Ahmed Ali Bawany	2
8. Mr. Noor M. Zakaria	4
9. Mr. Yasin Siddik	2
10. Mr. Abdul Jabbar	5

Leave of absence was granted to the Directors who could not attend some of the Board meetings due to their busy schedules/prior engagements.

TRADING OF COMPANY'S SHARES

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

STATEMENT OF THE ETHICS AND BUSINESS PRACTICES

The Board has adopted the statement of Ethics and Business Practices. All employees are informed and are required to observe these rules of conduct.

AUDITORS

Our present Auditors, M/s. BDO Ebrahim & Co., Chartered Accountants, retire at the conclusion of the Annual General Meeting and being eligible, offer themselves for re-appointment for the financial year ending 31st December 2015, at a fee to be mutually agreed. The Audit Committee has recommended and the Board has endorsed the reappointment of M/s. BDO Ebrahim & Co., Chartered Accountants as auditors for the year ending 31st December 2015.

Karachi: 24 March, 2015

FUTURE OUTLOOK

The present Government is taking necessary measures to avert energy crises to boost Pakistan's depressed economy. The GDP growth rate for the year 2014-15 is expected to be 5.1%. We are however optimistic about the improvement in economic scenario of the country in view of the government's resolve for tackling the energy crises and improving the Law and Order situation. Your Company will focus on long-term profitable growth through consolidation, improvement in systems and quality management information systems facilitating prudent and real time decisions.

ACKNOWLEDGMENT

We would like to thank our valued customers for their continued patronage and support. We also avail this opportunity to thank all our Reinsurers including Pakistan Reinsurance Company Limited and Brokers for extending their guidance and valuable support.

We are also thankful for the continued co-operation and assistance extended by the Securities & Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP) for their professional guidance, assistance and support over the years.

The Directors also wish to record their appreciation for the untiring efforts put in by Officers, Field Force and Staff for their dedication, sincerity and hard work for their contribution to the growth of the Company. Your Directors are also grateful to the shareholders for the confidence, support and understanding.

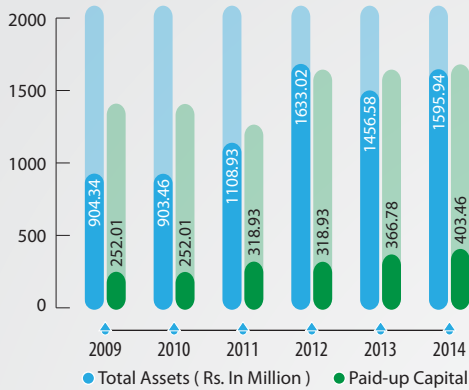
By Order of the Board



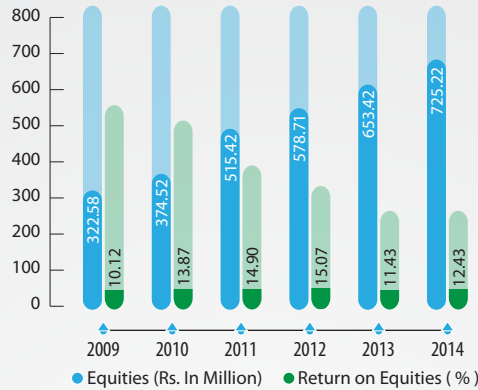
A. Razak Ahmed
Chief Executive & Managing Director

Graphical Presentation

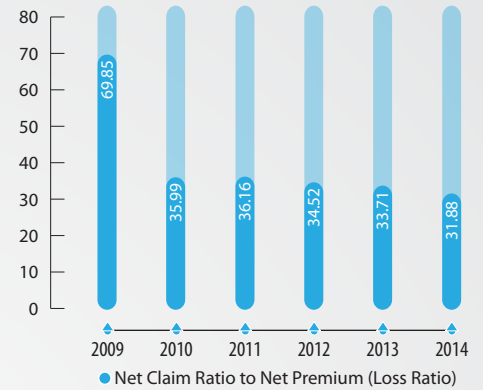
Total Assets & Paid-up Capital
(Rs. In Million)



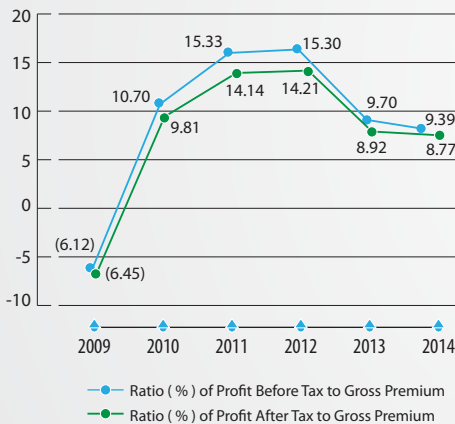
Equities & Return on Equities



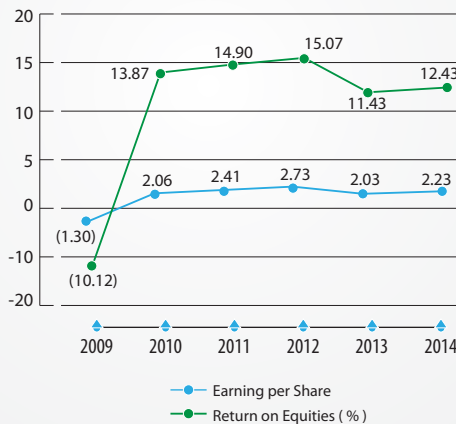
Net Claim Ratio to Net Premium
(Loss Ratio)



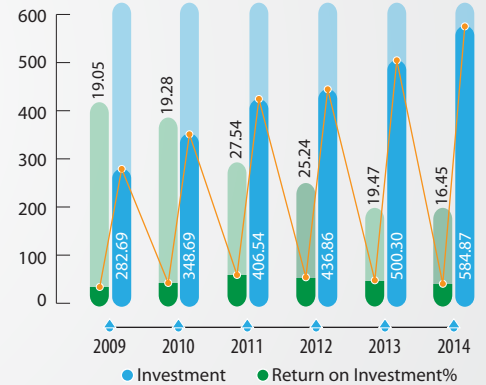
Ratio of Profit Before & After Tax to
Gross Premium



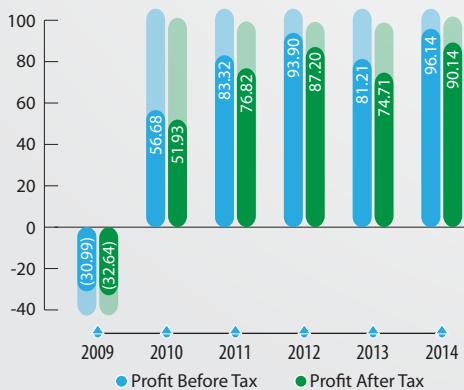
Return on Equity & Earning
per Share



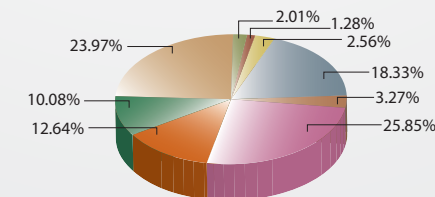
Return on Investment



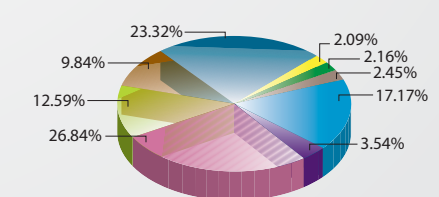
Profit Before Tax & After Tax



Assets, Liabilities & Equities -
2014



Assets, Liabilities & Equities -
2013



Creditors and Accruals	Other Assets
Other Liabilities	Paid up Share Capital
Fixed Assets	Reserves and Retained Earnings
Investments	Underwriting Provisions
Cash & Bank Deposit	

Creditors and Accruals	Other Assets
Other Liabilities	Paid up Share Capital
Fixed Assets	Reserves and Retained Earnings
Investments	Underwriting Provisions
Cash & Bank Deposit	

Statement of Compliance with the Code of Corporate Governance

for the year ended December 31, 2014

This statement is being presented to comply with the Code of Corporate Governance, (the Code) contained in Regulation No.35 of listing regulations of Karachi & Lahore Stock Exchanges Limited 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 in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes 8 non-executive directors and two independent non executive directors representing minority shareholders and one Executive Director.

Sr. No	Directors		Sr. No	Directors	
1	Mr. Ismail H. Zakaria	Non-Executive	7	Mr. Ahmed Ali Bawany	Non-Executive
2	Mr. Mohammad Amin Ahmed Bawany	Non-Executive	8	Mr. Noor M. Zakaria	Non-Executive
3	Mr. A. Aziz Ayoob	Non-Executive	9	Mr. Yasin Siddik	Independent
4	Mr. Irfan Zakaria Bawany	Non-Executive	10	Mr. Abdul Jabbar	Independent
5	Mr. Mohammad Omer Bawany	Non-Executive	11	Mr. A. Razak Ahmed	Executive
6	Mr. Zohair Zakaria	Non-Executive			

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered taxpayer and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy arose in the Board during the year under consideration.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company alongwith its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board has been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and nonexecutive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the board met at least one 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. The Board has been provided information and presentation on the Code of Corporate Governance 2012. Three directors have successfully completed Corporate Governance Leadership Skills (CGLS) program of the Pakistan Institute of Corporate Governance (PIGC). Three directors meet the criteria of exemption under Clause (xi) of the Code and are accordingly exempted from Directors' Training Program (DTP)
10. The Board has approved appointments of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment. No new appointment of Company Secretary or Head of Internal Audit was made during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of (2) two non-executive directors and one Independent Director who is the Chairman of the Committee.
16. The underwriting claims settlement and reinsurance and coinsurance committees have been formed.
17. The meetings of the Audit Committee were held atleast once every quarter prior to approval of interim and final results of the Company and as required by the Code the terms of reference of the Committee have been formed and advised to the Committee for compliance.
18. The Board has formed a Human Resource & Remuneration Committee. It comprises of three members of whom two are non executive directors including the Chairman of the Committee.
19. The Board has set-up an effective internal audit function, manned by experienced and qualified staff who are fully conversant with the policies and procedures of the Company.
20. The statutory auditors of the Company have confirmed that they have been given satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics are adopted by Institute of Chartered Accountants of Pakistan.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
23. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
24. We confirm that all other material principles contained in the Code have been complied with.



ISMAIL H. ZAKRIA
Chairman



A. RAZAK AHMED
Chief Executive & Managing Director

Karachi: 24 March, 2015

Review Report to the Members on Statement of Compliance

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

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

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2014.

Karachi: 24 March, 2015



BDO. Ebrahim & Co.
CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali Causer

Auditor's Report to the Members

We have audited the annexed financial statements comprising of:

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

of RELIANCE INSURANCE COMPANY LIMITED ("the Company") as at December 31, 2014 together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

- a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2014 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved International Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980(XVIII of 1980), was deducted by the Company and deposited in the central Zakat Fund established under Section 7 of that Ordinance.

Karachi: 24 March, 2015



BDO. Ebrahim & Co.
CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali Causer

Balance Sheet

As at December 31, 2014

	Note	December 31, 2014	December 31, 2013
		Rupees	
SHARE CAPITAL AND RESERVES			
Authorised share capital		500,000,000	500,000,000
Issued, subscribed and paid-up capital	6	403,458,750	366,780,680
Retained earnings		141,760,248	126,637,528
Reserves	7	180,000,000	160,000,000
		725,218,998	653,418,208
UNDERWRITING PROVISIONS			
Provision for outstanding claims (including IBNR)		273,401,444	230,065,262
Provision for unearned premium		461,012,732	417,925,283
Commission income unearned		30,420,729	31,635,038
Total underwriting provision		764,834,905	679,625,583
CREDITORS AND ACCRUALS			
Amounts due to other insurers/reinsurers		37,994,635	60,269,449
Accrued expenses		2,851,602	1,994,434
Other creditors and accruals		64,133,847	60,723,104
		104,980,084	122,986,987
SHORT TERM BORROWINGS			
Running finance	8	-	-
OTHER LIABILITIES			
Unclaimed dividend		909,995	549,395
CONTINGENCIES AND COMMITMENTS			
	9	-	-
TOTAL EQUITY AND LIABILITIES		1,595,943,982	1,456,580,173

The annexed notes from 1 to 32 form an integral part of these financial statements.

	Note	December 31, 2014	December 31, 2013
		Rupees	
CASH AND BANK DEPOSITS			
Cash and other equivalent		145,274	303,146
Current and other accounts		78,369,734	77,034,390
Deposit maturing within 12 months		25,984,164	25,741,393
	10	104,499,172	103,078,929
LOANS			
To employees	11	1,534,110	1,516,839
INVESTMENTS			
	12	584,867,636	500,322,322
CURRENT ASSETS-OTHERS			
Premiums due but unpaid	14	174,899,743	188,969,504
Amounts due from other insurers/reinsurers		27,209,800	37,972,300
Accrued investment income		3,234,955	6,964,797
Reinsurance recoveries against outstanding claims		230,576,451	198,190,087
Deferred commission expense		54,078,582	53,499,436
Prepaid reinsurance premium ceded		332,117,483	293,290,287
Taxation - provision less payments		129,804	226,193
Trade deposits and prepayments		701,819	848,069
Sundry receivables		442,509	420,281
	15.1	823,391,146	780,380,954
FIXED ASSETS			
Tangible			
Land and buildings		10,239,550	11,377,277
Furniture, fixtures and office equipment		6,028,890	7,122,632
Motor vehicles		65,383,478	52,781,220
	15.3	81,651,918	71,281,129
TOTAL ASSETS		1,595,943,982	1,456,580,173



Ismail H. Zakaria
Chairman



A. Aziz Ayoob
Director



Mohammad Omer Bawany
Director



A. Razak Ahmed
Chief Executive & Managing Director

Karachi 24 March, 2015

Profit & Loss Account

for the year ended December 31, 2014

FORM GB

	Note	Fire & Property	Marine Aviation & Transport	Motor	Miscellaneous	2014 Aggregate	2013 Aggregate
Rupees							
Revenue Account							
Net premium revenue		106,322,417	62,539,319	109,327,920	17,567,022	295,756,678	260,757,814
Net claims		(16,806,765)	(17,988,392)	(55,464,605)	(4,040,588)	(94,300,350)	(87,892,750)
Management expenses	16	(44,132,616)	(25,959,001)	(45,380,149)	(7,291,770)	(122,763,536)	(116,697,631)
Net commission		(22,724,200)	(4,417,160)	(10,470,849)	(1,633,434)	(39,245,643)	(36,568,247)
Underwriting result		22,658,836	14,174,766	(1,987,683)	4,601,230	39,447,149	19,599,186
Investment income						96,215,683	97,436,723
Other income	17					2,811,964	2,902,767
Financial charges						(46,429)	(87,629)
General and administration expenses	18					(41,888,543)	(38,645,637)
Profit before tax						96,539,824	81,205,410
Provision for taxation							
Current	19					(6,400,000)	(6,500,000)
Profit after tax						90,139,824	74,705,410
Profit and loss appropriation account							
Balance at commencement of the year						126,637,528	169,773,078
Profit after tax for the year						90,139,824	74,705,410
Cash dividend for the year 2013: 5%						(18,339,034)	-
Transfers to general reserve						(20,000,000)	(70,000,000)
Bonus shares for the year 2013: 10%						(36,678,070)	(47,840,960)
Balance accumulated at the end of the period						141,760,248	126,637,528
Earnings per share - basic and diluted	20					2.23	1.85

The annexed notes from 1 to 32 form an integral part of these financial statements.



Ismail H. Zakaria
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Director



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Director



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Chief Executive & Managing Director

Karachi 24 March, 2015

Statement of Comprehensive Income

for the year ended December 31, 2014

	December 31, 2014	December 31, 2013
	Rupees	
Profit after tax	90,139,824	74,705,410
Other comprehensive income	-	-
Total comprehensive income for the year	90,139,824	74,705,410

The annexed notes from 1 to 32 form an integral part of these financial statements.



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A. Razak Ahmed
Chief Executive & Managing Director

Karachi 24 March, 2015

Statement of Changes in Equity

for the year ended December 31, 2014

	Share capital	General reserves	Unappropriated profit	Total
	Rupees			
Balance as at January 01, 2013	318,939,720	90,000,000	169,773,078	578,712,798
Total comprehensive income for the year	-	-	74,705,410	74,705,410
Transfer to general reserve	-	70,000,000	(70,000,000)	-
Transactions with owners				
Issuance of bonus shares	47,840,960	-	(47,840,960)	-
Balance as at December 31, 2013	366,780,680	160,000,000	126,637,528	653,418,208
Total comprehensive income for the year	-	-	90,139,824	90,139,824
	366,780,680	160,000,000	216,777,352	743,558,032
Transfer to general reserve	-	20,000,000	(20,000,000)	-
Transactions with owners				
Issuance of bonus shares	36,678,070	-	(36,678,070)	-
Cash dividend	-	-	(18,339,034)	(18,339,034)
Balance as at December 31, 2014	403,458,750	180,000,000	141,760,248	725,218,998

The annexed notes from 1 to 32 form an integral part of these financial statements.



Ismail H. Zakaria
Chairman



A. Aziz Ayoob
Director



Mohammad Omer Bawany
Director



A. Razak Ahmed
Chief Executive & Managing Director

Karachi 24 March, 2015

Statement of Cash Flow

for the year ended December 31, 2014

FORM GC
January to December

	December 31, 2014	December 31, 2013
	Rupees	
Operating cash flow		
a) Underwriting activities		
Premium received	1,041,846,836	857,967,729
Reinsurance premium paid	(739,631,568)	(560,046,280)
Claims paid	(249,017,859)	(596,196,188)
Reinsurance and other recoveries received	165,667,327	498,250,508
Commission paid	(114,135,119)	(111,778,921)
Commission received	73,455,131	69,165,422
Net cash generated from underwriting activities	178,184,748	157,362,270
b) Other operating activities		
Income tax paid	(6,303,611)	(7,282,594)
General management expenses paid	(122,763,536)	(116,697,631)
Other operating payments	(30,138,238)	(27,624,308)
(Loans advanced) / repayment received	(17,271)	48,768
Other creditors and accruals	4,267,911	10,922,705
Other receipts in respect of operating assets	124,022	(37,192)
Net cash used in other operating activities	(154,830,723)	(140,670,252)
Net cash generated from operating activities	23,354,025	16,692,018
Investment activities		
Interest / dividend received	51,763,911	52,510,443
Payments for investments	(156,675,656)	(87,324,016)
Proceeds from disposal of investments	120,311,956	68,149,837
Fixed capital expenditures	(25,300,630)	(23,224,036)
Proceeds from disposal of fixed assets	5,991,500	7,625,000
Net cash (used in) / generated from investing activities	(3,908,919)	17,737,228
Financing activities		
Dividend paid	(17,978,434)	-
Unclaimed dividend paid	-	(23,128)
Financial charges	(46,429)	(87,628)
Net cash flows used in financing activities	(18,024,863)	(110,756)
Net increase in cash and cash equivalent	1,420,243	34,318,490
Cash and cash equivalent at the beginning of the period	103,078,929	68,760,439
Cash and cash equivalent at the end of the period	104,499,172	103,078,929

Statement of Cash Flow

for the year ended December 31, 2014

FORM GC
January to December

	December 31, 2014	December 31, 2013
	Rupees	
Reconciliation to Profit and Loss account		
Operating cash flow	23,354,025	16,692,018
Depreciation / amortization expense	(11,750,305)	(11,021,329)
Financial charges	(46,429)	(87,629)
Gain on disposal of fixed assets	2,811,964	2,902,767
Increase in assets other than cash	46,757,305	(282,343,606)
Increase in liabilities other than running finance	(67,202,419)	251,126,466
Investment income	96,215,683	97,436,723
Profit after taxation	90,139,824	74,705,410
Definition of cash		
Cash in hand and at banks, stamps in hand and short term placements with banks		
Cash for the purposes of the statement of cash flows consists of:		
Cash and other equivalents	145,274	303,146
Current and other accounts	78,369,734	77,034,390
Deposits maturing within 12 months	25,984,164	25,741,393
	104,499,172	103,078,929

The annexed notes from 1 to 32 form an integral part of these financial statements.



Ismail H. Zakaria
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Director



A. Razak Ahmed
Chief Executive & Managing Director

Karachi 24 March, 2015

Statement of Premiums

for the year ended December 31, 2014

Business underwritten inside Pakistan.

FORM GD

Class	Premium written	Unearned Premium		Premium earned	Reinsurance ceded	Prepaid Reins Premium		Reinsurance expenses	2014 Net Premium revenue	2013 Net Premium revenue
		Opening	Closing			Opening	Closing			
Rupees										
Direct and facultative										
Fire and property damage	275,682,043	147,086,415	147,937,526	274,830,932	170,153,962	91,088,462	92,733,909	168,508,515	106,322,417	82,846,738
Marine, aviation and transport	608,036,284	200,186,040	239,764,467	568,457,857	543,179,986	194,107,558	231,369,006	505,918,538	62,539,319	57,237,264
Motor	118,756,811	53,362,865	59,541,406	112,578,270	3,297,213	1,656,147	1,703,010	3,250,350	109,327,920	100,741,534
Miscellaneous	25,661,047	17,289,963	13,769,333	29,181,677	11,488,093	6,438,120	6,311,558	11,614,655	17,567,022	19,932,278
Grand Total	1,028,136,185	417,925,283	461,012,732	985,048,736	728,119,254	293,290,287	332,117,483	689,292,058	295,756,678	260,757,814

The annexed notes from 1 to 32 form an integral part of these financial statements.



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Chief Executive & Managing Director

Karachi 24 March, 2015

Statement of Claims

for the year ended December 31, 2014

Business underwritten inside Pakistan.

FORM GE

Class	Claims paid	Outstanding claims		Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	2014 Net Claims expenses	2013 Net Claims expenses
		Opening	Closing			Opening	Closing			
Rupees										
Direct and facultative										
Fire and property damage	94,434,948	95,883,322	126,591,434	125,143,060	83,096,839	83,452,040	108,691,496	108,336,295	16,806,765	12,125,751
Marine, aviation and transport	77,915,010	122,752,103	134,984,940	90,147,847	64,249,102	111,466,771	119,377,124	72,159,455	17,988,392	21,803,328
Motor	55,149,504	8,068,114	8,930,661	56,012,051	699,758	557,826	405,514	547,446	55,464,605	52,212,155
Miscellaneous	21,518,397	3,361,723	2,894,409	21,051,083	17,621,628	2,713,450	2,102,317	17,010,495	4,040,588	1,751,516
Grand Total	249,017,859	230,065,262	273,401,444	292,354,041	165,667,327	198,190,087	230,576,451	198,053,691	94,300,350	87,892,750

The annexed notes from 1 to 32 form an integral part of these financial statements.



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Chief Executive & Managing Director

Karachi 24 March, 2015

Statement of Expenses

for the year ended December 31, 2014

Business underwritten inside Pakistan.

FORM GF

Class	Commissions paid or payable	Opening Deferred commission	Closing Deferred commission	Net commission Expense	Other Management Expenses	Underwriting Expenses	Commission from reinsurers	2014	2013
								Net underwriting expense	Net underwriting expense
Rupees									
Direct and facultative									
Fire and property damage	70,772,144	39,455,930	38,678,939	71,549,135	44,132,616	115,681,751	48,824,935	66,856,816	57,060,084
Marine, aviation and transport	27,383,133	2,926,883	3,796,614	26,513,402	25,959,001	52,472,403	22,096,242	30,376,161	28,236,126
Motor	11,527,709	8,004,430	8,931,211	10,600,928	45,380,149	55,981,077	130,079	55,850,998	58,176,390
Miscellaneous	4,811,243	3,112,193	2,671,818	5,251,618	7,291,770	12,543,388	3,618,184	8,925,204	9,793,278
Grand Total	114,494,229	53,499,436	54,078,582	113,915,083	122,763,536	236,678,619	74,669,440	162,009,179	153,265,878

The annexed notes from 1 to 32 form an integral part of these financial statements.



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Director



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Director



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Chief Executive & Managing Director

Karachi 24 March, 2015

Statement of Investment Income

for the year ended December 31, 2014

FORM GG

	December 31, 2014	December 31, 2013
	Rupees	
Income from non-trading investments		
Held to maturity		
Return on government securities	8,306,201	9,081,418
Return on other fixed income, securities and deposits	6,565,336	4,892,214
Amortization of premium - net	439,204	614,112
	15,310,741	14,587,744
Available for sale		
Dividend income	544,393	1,343,291
Gain on sale of available for sale investments	4,599,136	1,370,846
Impairment reversal	121,288	893,266
	5,264,817	3,607,403
Income from trading investments		
Held for trading		
Dividend income	32,220,983	37,320,957
Gain on sale of investments	6,399,632	4,145,424
Unrealized gain on held for trading investments	37,061,558	37,876,150
	75,682,173	79,342,531
Less: Investment related expenses	(42,048)	(100,955)
	96,215,683	97,436,723
Net investment income transferred to profit and loss account		
	96,215,683	97,436,723

The annexed notes from 1 to 32 form an integral part of these financial statements.



Ismail H. Zakaria
Chairman



A. Aziz Ayoob
Director



Mohammad Omer Bawany
Director



A. Razak Ahmed
Chief Executive & Managing Director

Karachi 24 March, 2015

Notes to the Financial Statements

for the year ended December 31, 2014

1. STATUS AND NATURE OF BUSINESS

Reliance Insurance Company Limited (the Company) was incorporated in Pakistan as a public limited company on November 4, 1981. The Company is engaged in general insurance business. The shares of the Company are quoted on Stock Exchanges of Karachi and Lahore. The registered office of the Company is situated at 96-A, Sindhi Muslim Co-operative Housing Society, Karachi. JCR-VIS Credit Rating Company Limited has assessed the Insurer Financial Strength (IFS) rating of the Company as 'A' (Single A). Outlook on the assigned rating is 'Stable'.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Insurance Ordinance, 2000 and the formats prescribed under Insurance Rules vide SRO 938(1) dated December 12, 2002.

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, and approved accounting standards as applicable to insurance companies in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by IASB as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Insurance Ordinance, 2000, the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Insurance Ordinance, 2000, Companies Ordinance, 1984 or the requirements of the said directives shall take precedence.

The SECP has allowed the insurance companies to defer the 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 SECP as aforesaid, have not been considered in the preparation of these financial statements.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except certain investments which have been measured at fair value. No adjustment for the effect of inflation has been accounted for in the financial statements.

2.3 Functional and presentation currency

These financial statements have been presented in Pak Rupees, which is the functional and presentation currency of the Company.

3. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

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

The following standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan will be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 10	Consolidated Financial Statements	January 1, 2015
IFRS 11	Joint Arrangements	January 1, 2015
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2015
IFRS 13	Fair Value Measurement	January 1, 2015
IAS 1	Presentation of Financial Statements-Disclosure initiative (Amendments)	January 1, 2016
IAS 16 & 38	Property, Plant and Equipment & Intangible assets- Clarification of Acceptable Method of Depreciation and Amortization	January 1, 2016
IAS 16 & 41	Property, Plant and Equipment & Agriculture: Agriculture Bearer Plants (Amendments)	January 1, 2016
IAS 19	Employees Benefits- Defined benefits Plans: Employee Contributions (Amendments)	July 1, 2014

The Company is currently evaluating the impact of the above standards and amendments on the Company's financial statements in the period of initial application.

Notes to the Financial Statements

for the year ended December 31, 2014

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after July 1, 2014. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

		Effective date (annual periods beginning on or after)
IFRS 9	Financial Instruments: Classification and Measurement	January 1, 2018
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 15	Revenue from Contracts with Customers	January 1, 2017

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The judgments, estimates and assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates 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 periodic basis. Revisions to accounting estimates are recognized in the period in which the revision has been made.

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

4.1 Classification of investments

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 investment to maturity.

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

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available for sale. Subsequent to the initial recognition at cost, quoted investments are stated at the lower of cost or market value (in accordance with the requirements of SRO 938 issued by the SECP in December 12, 2002).

4.2 Income tax

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax laws and the decision 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.

4.3 Fixed assets and depreciation

In making estimates of the depreciation method, the management uses the method which reflects 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 estimate in accordance with International Accounting Standard 8 "Accounting Policies, Changes in accounting Estimates and Errors".

4.4 Impairment in available for sale investments

The Company determines that available for sale 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 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 financing cash flows.

Notes to the Financial Statements

for the year ended December 31, 2014

4.5 Premium deficiency reserve

The Company carries out an analysis of loss / combined ratios for the expired period, such ratio being calculated after taking into account the relevant IBNR provision for the determination of premium deficiency reserve for each class of business.

4.6 Outstanding claims including incurred but not reported (IBNR)

The Company estimates the liability for claims, which 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 management's best estimate which takes into account the past trends, expected future pattern of reporting of claims and the claims actually reported subsequent to the balance sheet date.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Insurance contracts

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

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

In addition to direct insurance, at times the Company also participates in risks under coinsurance from other companies and also accepts risks through reinsurance inward by way of facultative acceptances on case to case basis provided such risks are within the underwriting policies of the Company.

The Company neither issues investment contracts nor does it issue insurance contracts with Discretionary Participation Features (DPF).

5.1.1 Premiums

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

Provision for unearned premium

The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the Company. The unearned portion of premium income is recognized as a liability. The liability is calculated by applying 1/24 method as specified in the Securities and Exchange Commission (Insurance) Rules, 2002.

Administration surcharge

Premium income includes administrative surcharge that represents documentation and other charges recovered by the Company from policy holders in respect of policies issued, at the rate of 5% of the premium written restricted to a maximum of Rs. 2,000 per policy.

Premiums due but unpaid

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

5.1.2 Reinsurance ceded

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the reinsurance policies and are in accordance with the related reinsurance contract.

Notes to the Financial Statements

for the year ended December 31, 2014

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

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired. The Company assesses its reinsurance assets for impairment on balance sheet date. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the profit and loss account. In addition, the Company also monitors the financial ratings of its reinsurers on each reporting date.

5.1.3 Claims expense

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

The Company recognizes liability in respect of all claims incurred 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 includes 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 management's best estimate which takes into account the past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date.

5.1.4 Reinsurance recoveries against outstanding claims

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

5.1.5 Commission

Commission and other acquisition costs incurred in obtaining and recording on direct, facultative and reinsurance cessions has been deferred and recognized as asset and liability as under:

a) Commission income

Commission income is being taken to profit and loss account on a time proportion basis in accordance with the pattern of recognition of reinsurance premium to comply with the requirements of SRO 938 issued by the SECP in 2002.

b) Deferred commission expense

Commission expenses are deferred and recognized as an asset in correlation with unearned premium that will be recognized in the subsequent reporting period to comply with the requirements of SRO 938 issued by the SECP in 2002.

5.1.6 Premium deficiency reserve

The Company is required 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 is recognised as an expense in the profit and loss account. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims.

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

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

Notes to the Financial Statements

for the year ended December 31, 2014

5.3 Cash and bank balances

Cash and bank balances are defined as cash in hand and at banks, stamps in hand and short-term placements with banks and are carried in the balance sheet at nominal amount.

5.4 Taxation

5.4.1 Current

Provision for taxation is based on taxable income at current rates of taxation, under the relevant provisions of the Income Tax Ordinance, 2001, after taking into account rebates and tax credits available, if any.

5.4.2 Deferred

Deferred tax, if any, is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax assets and liabilities, if any, are measured at the tax rates that are expected to apply to the period when the asset is realized 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.

Deferred tax assets, if any, are recognized only to the extent that it is probable that future taxable profit will be available against which the assets can be utilized.

5.5 Staff retirement benefits

The Company maintains recognized contributory provident fund for all permanent employees for which contribution equal to one month's basic pay plus cost of living allowance per annum is charged to profit and loss account.

5.6 Investments

All investments are initially recognized at cost being the fair value of the consideration given and include transaction costs, except for investments at fair value through profit or loss in which case transaction costs are charged to the profit and loss account. These are recognized and classified as follows:

5.6.1 Held to maturity

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

Subsequently, these are measured at amortized cost less provision for impairment, if any. Any premium paid or discount availed on acquisition of held to maturity investment is deferred and amortised over the term of investment using the effective yield.

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the profit and loss account.

5.6.2 Available for sale

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

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 requirements of the Securities and Exchange Commission (Insurance) Rules, 2002 vide SRO 938 dated December 12, 2002. The Company uses stock exchange quotations at the balance sheet date to determine the market value.

Unquoted

Unquoted investments are recorded at cost less accumulated impairment losses, if any.

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

Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading. These are measured at fair value through profit or loss upon initial recognition.

Notes to the Financial Statements

for the year ended December 31, 2014

Subsequent to initial recognition, these investments are remeasured at fair value. Gains or losses on investments on remeasurement of these investments are recognised in profit and loss account.

5.7 Operating fixed assets

a) Tangible

These are stated at cost less accumulated depreciation computed on the reducing balance method on yearly basis applying the rates as mentioned in note 15.

Depreciation on addition to fixed assets during the year is provided from the date of purchase while no depreciation is charged on disposal of assets during the year. Gains and losses on disposal of fixed assets is taken to profit and loss account.

Maintenance and normal repairs are charged to profit and loss account as and when incurred, whereas major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

b) Intangible

Computer software license acquired is capitalized on the basis of cost incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three years using the straight line method. Impairment losses, if any, are deducted from the carrying amount of the intangible assets.

Costs associated with maintaining computer software programs are recognized as an expense when incurred.

The assets' residual values, useful lives and method for amortization are reviewed at each financial year end and adjusted if impact on amortization is significant.

c) Capital work in progress

Capital work in progress is stated at cost. Transfers are made to operating assets when the assets are available for use.

5.8 Revenue recognition

Premium including administrative surcharge under a policy are recognised as revenue at the time of issuance of insurance policy.

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

Entitlement of bonus shares is recognized 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 and losses on sale of investments is charged to profit and loss account for the year at the time of disposal / sale.

Income on bank deposits and Defence Saving Certificates is recognized on accrual basis.

Income on held to maturity investments is recognized on time proportion basis using effective interest method.

5.9 Management expenses

Management expenses are allocated to various class of business in proportion of the respective net premium income for the year. Expenses not allocable to the underwriting business are charged as administrative expenses.

5.10 Dividend, bonus shares and reserves appropriation

Dividend to shareholders is recognized as liability in the period in which it is declared. Similarly, reserve for issue of bonus share is recognized in the year in which such issue is declared. Reserve appropriations are recognized when approved.

5.11 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Notes to the Financial Statements

for the year ended December 31, 2014

The Company presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Securities and Exchange Commission (Insurance) Rules, 2002. The reported segments are also consistent with the internal reporting provided to Strategy Committee and Board of Directors which are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

The Company has four primary business segments, namely, fire, marine, motor and miscellaneous.

The perils covered under fire insurance include damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and terrorism.

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

Motor insurance provide comprehensive car coverage and indemnity against third party loss.

Miscellaneous insurance provides cover against health, burglary, loss of cash in safe and in transit, travel, personal accident, money, engineering losses and other covers.

Financing, investment and income taxes are managed on an overall basis and are therefore, not allocated to any segment. The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

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

5.12 Offsetting of financial assets and liabilities

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

5.13 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or loss on de-recognition of the financial assets and financial liabilities are taken to the profit and loss account.

5.14 Impairment

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The carrying amount of non-financial assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If such an indication exists, the recoverable amount of such assets is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

All impairment losses are recognized in the profit and loss account. Provision for impairment is reviewed at each balance sheet date and adjusted to reflect the current best estimates.

5.15 Receivables and payables related to insurance contracts

Receivables and payables relating to insurance contracts are recognized when due. These include premiums due but unpaid, premium received in advance, premiums due 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 premium due but unpaid is impaired, the Company reduces the carrying amount of that insurance receivable and recognizes the loss in profit and loss account.

Provision for impairment in premium receivables is estimated on a systematic basis after analyzing the receivables as per their ageing.

Notes to the Financial Statements

for the year ended December 31, 2014

5.16 Related party transactions and transfer pricing

Transactions with related parties of the Company mainly consist of entering into the insurance contracts. The Company follows the "Comparable Uncontrolled Price Method" to measure and value the transactions with the related parties. For transactions carried out other than at arm's length approval is obtained from the Board of Directors under the Listing Regulations.

5.17 Foreign currency translations

Transactions in foreign currency, if any, are converted into Rupees at the rate of exchange prevailing on the date of transaction.

5.18 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at nominal amount. For the purposes of the cash flow statement, cash and cash equivalents comprises of cash and stamps in hand, cash at bank in current and saving accounts, bank deposits and other short term highly liquid investments in the balance sheet.

5.19 Earnings 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.

	Note	2014	2013
		Rupees	

5.19 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2014	2013		2014	2013
(Number of shares)				
1,156,680	1,156,680	Ordinary shares of Rs. 10 each issued as fully paid in cash	11,566,800	11,566,800
39,189,195	35,521,388	Ordinary shares of Rs.10 each issued as fully paid bonus shares	391,891,950	355,213,880
<u>40,345,875</u>	<u>36,678,068</u>		<u>403,458,750</u>	<u>366,780,680</u>

6.1 101,360 (2013: 160,328) ordinary shares of Rs. 10 each are held by associates amounting to Rs. 1.013 million (2013: Rs.1.603 million).

7. RESERVES

General reserve	7.1	<u>180,000,000</u>	<u>160,000,000</u>
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7.1 The movement of general reserve is as follows:

Balance as at January 01	160,000,000	90,000,000
Transfer from unappropriated profit	<u>20,000,000</u>	<u>70,000,000</u>
Balance as at December 31	<u>180,000,000</u>	<u>160,000,000</u>

Notes to the Financial Statements

for the year ended December 31, 2014

	Note	2014	2013
		Rupees	
8. SHORT TERM BORROWINGS			
Secured			
From banking companies (Running finances)	8.1	-	-
8.1	These facilities are secured against lien marking / pledge of advantage account with 9.9% margin and lien over PIB/GOP Ijarah Sukuk amounting to Rs. 10 million with a margin of 10% over and above the mark to market value of PIB/GOP Ijarah Sukuk. The facilities carry markup at rates of 2% over from the profit rate to be paid on the advantage account and 3 months KIBOR plus 175bps. Total sanctioned limit of the facilities amounts to Rs. 20.00 million (2013: Rs. 20.00 million).		
9. CONTINGENCIES AND COMMITMENTS			
There are no contingencies and commitments as at the balance sheet date.			
10. CASH AND BANK DEPOSITS			
Cash and other equivalents			
Policy stamps and bond paper in hand		145,274	303,146
Current and other accounts			
Current accounts		26,180,642	42,694,892
PLS saving accounts	10.1	52,189,092	34,339,498
		78,369,734	77,034,390
Deposit maturing within 12 months	10.2	25,984,164	25,741,393
		104,499,172	103,078,929
10.1	Profit on PLS saving accounts carry mark-up at rates range from 6.50% to 7% per annum (2013: 6% to 6.50% per annum).		
10.2	The rate of return on term deposit certificates issued by various banks range from 6.90% to 9.38% per annum (2013: 6.50% to 9.00% per annum) due on maturity. These deposits include an advantage account amounting to Rs. 11.10 million (2013: Rs. 11.10 million) which is pledged against the running finance facility availed from a commercial bank.		
11. LOANS			
(Secured - considered good)			
To employees	11.1	1,534,110	1,516,839
11.1	These represents interest free loans to employees in accordance with the terms of their employment secured against their retirement benefits and are recoverable in monthly installments.		
12. INVESTMENTS			
Held to maturity			
Government securities	12.1	80,801,294	103,353,924
Term finance certificates - quoted	12.2	-	1,496,400
Certificate of investment	12.3	-	2,500,000
		80,801,294	107,350,324
Available for sale			
Related parties	12.4	6,558,148	6,558,148
Others	12.5	142,348,424	62,749,322
Provision for impairment - net of reversal	12.6	(2,595,676)	(2,716,964)
		146,310,896	66,590,506
Investments at fair value through profit or loss - held for trading (Quoted shares)		357,755,446	326,381,492
		584,867,636	500,322,322

Notes to the Financial Statements

for the year ended December 31, 2014

	Note	2014	2013
		Rupees	
12.1 Government securities			
Pakistan Investment Bonds	12.1.1	31,101,296	20,320,592
WAPDA Sukuk Bonds	12.1.2	2,499,998	3,333,332
GOP Ijara Sukuk Bonds	12.1.3	47,200,000	79,700,000
		80,801,294	103,353,924

12.1.1 Pakistan Investment Bonds

Particular	Face Value Rupees	Coupon rate %	Maturity date	2014	2013
				Rupees	
Pakistan Investment Bond - 5 years	4,000,000	11.50	03/09/2014	-	3,979,829
Pakistan Investment Bond - 5 years	5,000,000	11.50	22/07/2015	4,927,890	4,812,137
Pakistan Investment Bond - 5 years	11,000,000	11.50	22/07/2015	10,802,807	10,563,253
Pakistan Investment Bond - 5 years	1,000,000	11.50	22/07/2015	984,870	965,373
Pakistan Investment Bond - 10 years	15,000,000	12.00	19/07/2022	14,385,729	-
				31,101,296	20,320,592

The market value of Pakistan Investment Bonds amounted to Rs. 33.137 million (2013: Rs. 21.173 million). The profit on PIB's are received on semi annual basis.

12.1.2 WAPDA Sukuk Bonds

Particular	Value per certificate Rupees	Profit rate %	Profit payment	2014	2013
				Rupees	
WAPDA Second Sukuk Certificates - 7 years	5,000	6 months KIBOR minus 25bp	Semi annually	2,499,998	3,333,332
				2,499,998	3,333,332

The market value of WAPDA Sukuk Bonds amounted to Rs. 2.495 million (2013: Rs. 3.265 million).

12.1.3 GOP Ijara Sukuk Bonds

Particular	Value per Certificate Rupees	Profit rate %	Profit payment	Maturity date	2014	2013
					Rupees	
GOP Ijara Sukuk Bond - 3 years	100,000	9.464	Semi annually	16/05/2014	-	17,500,000
GOP Ijara Sukuk Bond - 3 years	100,000	9.464	Semi annually	16/05/2014	-	15,000,000
GOP Ijara Sukuk Bond - 3 years (GIS-9)	100,000	9.494	Semi annually	21/11/2015	5,000,000	5,000,000

Notes to the Financial Statements

for the year ended December 31, 2014

12.1.3 GOP Ijara Sukuk Bonds

Particular	Value per Certificate Rupees	Profit rate %	Profit payment	Maturity date	2014	2013
					Rupees	
GOP Ijara Sukuk Bond - 3 years (GIS-10)	100,000	9.9791	Semi annually	21/11/2015	7,200,000	7,200,000
GOP Ijara Sukuk Bond - 3 years (GIS-10)	100,000	9.9791	Semi annually	21/11/2015	10,000,000	10,000,000
GOP Ijara Sukuk Bond - 3 years (GIS-10)	100,000	9.9791	Semi annually	21/11/2015	10,000,000	10,000,000
GOP Ijara Sukuk Bond - 3 years (GIS-13)	100,000	9.7291	Semi annually	21/11/2015	10,000,000	10,000,000
GOP Ijara Sukuk Bond - 3 years (GIS-13)	100,000	9.7291	Semi annually	21/11/2015	5,000,000	5,000,000
					47,200,000	79,700,000

The market value of GOP Ijara Sukuk amounted to Rs. 48.598 million (2013: Rs. 81.986 million).

12.1.4 Pakistan Investment Bonds with market value to Rs. 15.629 million (2013: Rs. 19.362 million) and GOP Ijara Sukuk Bonds with market value to Rs. 25.569 million (2013: Rs. 17.500 million) are placed with State Bank of Pakistan under section 29 of Insurance Ordinance, 2000.

12.1.5 In order to comply with shariah requirement, the scheduled redemption dates have been extended up to one year from the date of asset substitution i.e November 21, 2015. Now the new maturity date of GIS-9, GIS-10, GIS-11, GIS-12 and GIS-13 will be November 21, 2015.

12.2 Term finance certificates - quoted

2014	2013	Face value per certificates Rupees	Name of investee	Profit rate (note 12.2.1)	Maturity date	2014	2013
Number of certificates						Rupees	
-	600	5000	Allied Bank Limited	Base rate plus 1.90% per annum	06/12/2014	-	1,496,400
						-	1,496,400

12.2.1 Profit on these term finance certificates are on semi annual basis and have base rate of 6 months KIBOR.

12.3 Certificate of investment

2014	2013	Face value per certificates Rupees	Name of investee	Profit rate %	Maturity date	2014	2013
Number of certificates						Rupees	
0	05	500,000	Orix Leasing Pakistan Limited	17.30	14/02/2014	-	2,500,000
						-	2,500,000

12.3.1 The Certificate of investment matured on February 14, 2014.

Notes to the Financial Statements

for the year ended December 31, 2014

12.4 Related parties

Investment in associated companies

2014	2013	Face Value per share Rupees	Name of investee	2014	2013
Number of share / units				Book Value Rupees	
521,220	521,220	10	Al -Noor Modaraba	5,212,200	5,212,200
115,724	115,724	10	B.F. Modaraba	512,566	512,566
18,329	17,457	10	Faran Sugar Mills Ltd.	369,220	369,220
23,551	23,551	10	Shahmurad Sugar Mills Ltd.	464,162	464,162
678,824	677,952			6,558,148	6,558,148

Market value of these shares / units amounted to Rs. 5.279 million (2013: Rs. 4.073 million).

12.5 Others

2014	2013	Face Value per share Rupees	Name of investee	2014	2013
Number of share / units				Book Value Rupees	
351,175	300,000	10	Meezan Balanced Funds	3,000,000	3,000,000
69,763	69,763	10	PICIC Investment Fund*	825,469	825,469
15,756	12,767	100	JS-Growth Fund	1,423,853	1,423,853
973,447	517,272	50	Meezan Sovereign Fund	49,620,846	25,000,000
652,557	282,708	100	MCB Islamic Income Fund	66,009,162	27,500,000
54,911	52,033	100	JS-Islamic Gov.Sec Fund	5,469,094	5,000,000
157,962	-	100	Al Ameen Islamic Sovereign Fund (UBL)	16,000,000	-
2,275,571	1,234,543			142,348,424	62,749,322

* This represents units in closed end mutual fund.

Market value of these shares / units amounted to Rs.147.765 million (2013: Rs.66.302 million).

	2014	2013
	Rupees	

12.6 Provision for impairment

Opening balance	2,716,964	3,610,230
Reversal during the year	(121,288)	(893,266)
	2,595,676	2,716,964

13. DEFERRED TAXATION

Deferred tax arising due to timing differences calculated at current rate of taxation amounts to Rs. 18.581 million debit (2013: Rs. 22.361 million debit). Deferred tax asset has not been recognized in these financial statements as in the opinion of the management there is no certainty regarding realizability of the amount.

Notes to the Financial Statements

for the year ended December 31, 2014

	Note	2014	2013
		Rupees	
14. PREMIUMS DUE BUT UNPAID			
Unsecured			
Considered good		174,899,743	188,969,504
Considered doubtful		10,000,000	10,000,000
		184,899,743	198,969,504
Provision for doubtful balances	14.1	(10,000,000)	(10,000,000)
		174,899,743	188,969,504
14.1 Provision for doubtful balances			
Opening balance		10,000,000	10,000,000
Provision made during the year		-	-
		10,000,000	10,000,000
14.2 Age analysis of premium due but unpaid			
The age analysis of Premiums due but unpaid is as follows:			
Upto one year	14.2.1	151,272,334	145,514,458
More than one year	14.2.2	23,627,409	43,455,046
		174,899,743	188,969,504
14.2.1 Related parties		32,039,939	41,876,998
Others		119,232,395	103,637,460
		151,272,334	145,514,458
14.2.2 Related parties		8,979,085	4,616,937
Others		14,648,324	38,838,109
		23,627,409	43,455,046

Notes to the Financial Statements

for the year ended December 31, 2014

15. FIXED ASSETS

15.1 Tangible assets

	Land and buildings	Furniture and fixtures	Motor vehicles	Office equipments	Office computers	Total
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Rupees

Net carrying value basis as at December 31, 2014

Opening net book value (NBV)	11,377,277	2,487,270	52,781,220	3,297,654	1,337,708	71,281,129
Additions (at cost)	-	-	25,107,547	193,083	-	25,300,630
Disposal	-	-	(3,179,536)	-	-	(3,179,536)
Depreciation	(1,137,727)	(373,091)	(9,325,753)	(512,421)	(401,313)	(11,750,305)
Closing net book value	10,239,550	2,114,179	65,383,478	2,978,316	936,395	81,651,918

Gross carrying value basis as at December 31, 2014

Cost	30,218,901	11,261,127	109,107,909	12,648,205	6,785,350	170,021,492
Accumulated depreciation	(19,979,351)	(9,146,948)	(43,724,431)	(9,669,889)	(5,848,955)	(88,369,574)
Net book value	10,239,550	2,114,179	65,383,478	2,978,316	936,395	81,651,918

Net carrying value basis as at December 31, 2013

Opening net book value (NBV)	12,641,419	2,895,173	41,890,471	3,498,323	1,715,994	62,641,380
Additions (at cost)	-	27,400	22,678,118	356,203	162,315	23,224,036
Disposal	-	-	(4,722,233)	-	-	(4,722,233)
Depreciation	(1,264,142)	(435,303)	(7,065,136)	(556,872)	(540,601)	(9,862,054)
Closing net book value	11,377,277	2,487,270	52,781,220	3,297,654	1,337,708	71,281,129

Gross carrying value basis as at December 31, 2013

Cost	30,218,901	11,261,127	87,179,898	12,455,122	6,785,350	147,900,398
Accumulated depreciation	(18,841,624)	(8,773,857)	(34,398,678)	(9,157,468)	(5,447,642)	(76,619,269)
Net book value	11,377,277	2,487,270	52,781,220	3,297,654	1,337,708	71,281,129

Depreciation rate per annum	10%	15%	15%	15%	30%	
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Notes to the Financial Statements

for the year ended December 31, 2014

15.2 Disposal of assets - by negotiation

Serial Number	Particulars	Original cost	Accumulated depreciation	Written down value	Sale proceed	Gain / (loss)	Sold to
Rupees							
Motor cars							
1	Suzuki Khyber LOU-4191	290,000	284,773	5,227	65,000	59,773	Nazim Ali Jawad S/O Niaz Ahmed
2	Honda Civic LED_726	1,570,500	943,345	627,155	1,090,000	462,845	Imtaiz Ahmed Qureshi s/o Ishtaq Ahmed Qureshi
3	Suzuki Mahran LZP-6705	417,000	329,767	87,233	250,000	162,767	Hassan Ali S/O H.S.Asghar
4	Toyota Corolla AHC-170	1,041,325	763,792	277,533	655,000	377,467	Muhammad Imran S/O Muhammad Ramzan Khan
5	Honda City ART-326	1,372,040	745,353	626,687	745,000	118,313	M/S Pronag (Private) Limited
6	Suzuki Alto LEC-4076	523,090	355,399	167,691	450,000	282,309	Asma Shaikh D/O Shaikh Muhammad Nasir
7	Toyta Vitz LEE-9200	635,723	419,937	215,786	575,000	359,214	Muhammad Nadeem S/O Hakim Ali
8	Honda City LZA-626	874,310	719,549	154,761	780,000	625,239	Allah Ditta S/O Fateh Muhammad
9	Suzuki MehranN AHM-766	440,000	339,105	100,895	200,000	99,105	Zunair Zafar Pasha S/O Zafar Pasha
10	Suzuki Mehran AFH-778	242,500	197,233	45,267	150,000	104,733	Abdullah Hussain S/O Muhammad Aslam
11	Toyota Corolla AUK-245	1,382,425	554,669	827,756	1,000,000	172,244	Zakir Sultan S/O Sultan Ahmed
Motor cycles							
1	Unique KDA-3211	37,000	24,441	12,559	18,000	5,441	Claim theft
2	Yamaha LEX-4124	64,500	37,313	27,187	9,500	(17,687)	Muhammad Aslam S/O Manzor Ahmed
3	Vespa LXL-9501	65,500	61,701	3,799	4,000	201	Ibrahim Khalil S/O Khalil Naeem
Total - Rupees		<u>8,955,913</u>	<u>5,776,377</u>	<u>3,179,536</u>	<u>5,991,500</u>	<u>2,811,964</u>	

Notes to the Financial Statements

for the year ended December 31, 2014

15.3 Intangible assets

2014		2013	
Computer software	Total	Computer software	Total
Rupees		Rupees	

Net carrying value basis as at December 31

Opening net book value (NBV)	-	-	1,159,275	1,159,275
Additions (at cost)	-	-	-	-
Amortization	-	-	(1,159,275)	(1,159,275)
Closing net book value	-	-	-	-

Gross carrying value basis as at December 31

Cost	-	-	3,477,823	3,477,823
Accumulated amortization	-	-	(3,477,823)	(3,477,823)
Net book value	-	-	-	-
Amortization rate per annum			33%	

Note	2014	2013
	Rupees	

16. MANAGEMENT EXPENSES

Salaries, wages and other benefits	16.1	71,560,768	64,753,271
Rent, taxes, electricity, gas etc.		8,076,908	7,759,307
Communication		3,589,132	3,851,290
Printing and stationery		2,275,353	2,100,681
Travelling and entertainment		4,757,489	4,734,714
Repairs and maintenance		3,044,899	2,846,755
Advertisement and sales promotion		5,074,033	6,634,810
Fees and subscription		1,544,028	1,230,607
Gifts and donation		81,466	208,972
Vehicle running and maintenance		17,287,517	17,930,857
Others		5,204,457	4,432,985
Books and periodicals		267,486	213,382
		122,763,536	116,697,631

16.1 This includes salaries, wages and benefits amounting to Rs. 2.312 million (2013: Rs. 2.137 million) in respect of provident fund contribution paid by the Company.

17. OTHER INCOME

Gain on sale of tangible fixed assets	2,811,964	2,902,767
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Notes to the Financial Statements

for the year ended December 31, 2014

	Note	2014	2013
		Rupees	
18. GENERAL AND ADMINISTRATION EXPENSES			
Salaries, wages and other benefits		17,818,792	16,599,280
Depreciation	15.1	11,750,305	9,862,054
Amortization of computer software	15.3	-	1,159,275
Auditor's remuneration	18.1	450,000	425,000
Fees and subscription		2,593,949	2,345,301
Workers' Welfare Fund		1,970,162	1,657,253
Directors' fee		170,000	145,000
Bonus to staff		6,677,791	5,942,996
Legal and professional expense		366,700	396,300
Miscellaneous expenses		90,844	113,178
		41,888,543	38,645,637
18.1 Auditor's remuneration			
Audit fee		375,000	350,000
Interim review		75,000	75,000
		450,000	425,000
19. PROVISION FOR TAXATION			
Current		6,400,000	6,500,000
		6,400,000	6,500,000
Income tax assessment of the Company has been finalized up to the Tax Year 2014.			
19.1 Relationship between tax expense and accounting profit			
Profit before taxation		96,539,824	81,205,410
Tax at the applicable rate of 33% (2013: 35%)		31,858,142	28,421,893
Tax effect of the business losses carried forward		(5,067,774)	-
Tax effect of expenses that are not allowable in determining taxable income		88,034	636,580
Tax effect of capital gains exempt from tax		(15,899,933)	(15,499,990)
Tax effect of income subject to lower rates		(7,536,036)	(9,666,062)
Others - minimum tax		2,957,567	2,607,579
		6,400,000	6,500,000

Notes to the Financial Statements

for the year ended December 31, 2014

Note	2014	2013
	Rupees	

20. EARNINGS PER SHARE - BASIC AND DILUTED

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

Profit after tax for the year	<u>90,139,824</u>	<u>74,705,410</u>
	Number of shares	Number of shares
Weighted average number of shares of Rs. 10 each	<u>40,345,875</u>	<u>40,345,875</u>
Basic earning per share of Rs. 10 each	<u>2.23</u>	<u>1.85</u>

No figures for diluted earnings per share has been presented as the Company has not issued any instrument which would have dilutive effect on earnings per share when exercised.

21. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	Rupees							
Fees	-	-	170,000	145,000	-	-	170,000	145,000
Managerial remuneration	4,800,000	3,999,600	-	-	5,106,000	4,614,300	9,906,000	8,613,900
Bonus	1,089,900	999,900	-	-	1,017,960	891,375	2,107,860	1,891,275
House rent allowance	2,160,000	1,794,420	-	-	2,319,600	2,058,000	4,479,600	3,852,420
Others	240,000	199,980	-	-	2,691,144	2,445,192	2,931,144	2,645,172
	<u>8,289,900</u>	<u>6,993,900</u>	<u>170,000</u>	<u>145,000</u>	<u>11,134,704</u>	<u>10,008,867</u>	<u>19,594,604</u>	<u>17,147,767</u>
Number of persons	<u>1</u>	<u>1</u>	<u>10</u>	<u>10</u>	<u>5</u>	<u>6</u>	<u>16</u>	<u>17</u>

21.1 In addition, Chief Executive and some executives are provided with company maintained cars and residential telephone.

22. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise companies having common directorship, group companies, directors, key management personnel and retirement benefit funds. Investment in related parties have been disclosed in the relevant notes. Directors fees and remuneration to the key management personnel are included in note 21 to these financial statements and are determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in the financial statements, are as follows:

Notes to the Financial Statements

for the year ended December 31, 2014

Relation with the Company	Nature of transaction	Note	2014	2013
			Rupees	
Transactions during the year				
Associated companies	Premium underwritten		54,446,861	50,083,756
	Premium collected		58,516,107	68,511,900
	Claims paid		48,014,337	23,945,716
	Dividend received		438,017	324,899
	Dividend paid		80,164	-
Key management personnel	Remuneration and other benefits	21	19,594,604	17,147,767
Staff retirement benefits	Contribution to provident fund		2,312,556	2,137,007
Balances as at the year end				
Associated companies	Premium due but unpaid		41,019,024	46,493,935
	Provision for outstanding claims		29,114,405	10,588,587

23. MANAGEMENT OF FINANCIAL AND INSURANCE RISK

23.1 Financial risk management objectives and policies

The Company is exposed to a variety of financial risks: market risk (comprising currency risk, interest rate 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 programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Board of Directors has the overall responsibility for the 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.

23.2 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 objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. All transactions are carried in Pak Rupees therefore, the Company is not exposed to currency risk. However, the Company is exposed to interest rate risk and other price risk.

The Company is exposed to market risk with respect to its investments. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity market. The market risks associated with the Company's business activities are interest rate risk and price risk. The Company is not exposed to material currency risk.

Notes to the Financial Statements

for the year ended December 31, 2014

23.3 Interest rate risk

Interest rate risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the reporting date, the interest rate profile of Company's interest-bearing financial instruments was:

	2014 Effective interest rate%	2013 Effective interest rate%	2014 Rupees	2013 Rupees
Fixed rate instruments				
Government securities	9.49 to 12.00	8.90 to 11.50	80,801,294	103,353,924
Term deposits	6.90 to 9.38	6.00 to 8.75	25,984,164	25,741,393
Certificate of investment	17.00 to 17.30	14.00 to 17.30	-	2,500,000
Variable rate instruments				
Term finance certificate	12.02 to 12.07	11.00 to 11.50	-	1,496,400
PLS accounts	6.50 to 7.00	6.50 to 7.00	52,189,092	34,339,498

Sensitivity analysis for fixed rate instruments

The Company does not account for fixed rate financial assets at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account and equity of the Company.

Sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates would have decreased the profit and loss by the amounts shown below. Reduction in interest rates by 100 basis points would have a vice versa impact. This analysis assumes that all variables remain constant. The analysis is performed on the same basis for the comparative period.

	Profit and loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	Rupees			
As at December 31, 2014				
Cash flow sensitivity	521,891	(521,891)	349,667	(349,667)
As at December 31, 2013				
Cash flow sensitivity	358,359	(358,359)	232,933	(232,933)

Notes to the Financial Statements

for the year ended December 31, 2014

23.4 Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of the 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.

23.5 Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. The Company is exposed to equity price risk since it has investments in quoted securities amounting to Rs. 504.066 million (2013: Rs. 392.971 million) as at the balance sheet date.

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

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

Market prices are subject to fluctuation, consequently, the amount realized by the sale of an investment may significantly differ from the reported market value. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

Sensitivity analysis

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

Sensitivity analysis of investments as at the reporting date is as follows:

For held for trading investments, in case of 10% increase or decrease in prices at the reporting date, the net income and equity would have been higher or lower by Rs. 35.775 million (2013: Rs. 32.638 million).

For available for sale investments, in case of 10% decrease in prices at the reporting date, the net income and equity would have been lower by Rs. 14.631 million (2013: Rs. 6.600 million) if the decline is considered permanent.

23.6 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations when they fall due as a result of policy holder benefit payments, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives. 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.

Notes to the Financial Statements

for the year ended December 31, 2014

	2014			Total
	Within one year	Over one year to five years	Over five years	
	Rupees			
Financial liabilities				
Provision for outstanding claims	273,401,444	-	-	273,401,444
Amounts due to other insurers / reinsurers	37,994,635	-	-	37,994,635
Accrued expenses	2,851,602	-	-	2,851,602
Other creditors and accruals	64,133,847	-	-	64,133,847
Unclaimed dividend	909,995	-	-	909,995
	<u>379,291,523</u>	-	-	<u>379,291,523</u>

	2013			Total
	Within one year	Over one year to five years	Over five years	
	Rupees			
Financial liabilities				
Provision for outstanding claims	230,065,262	-	-	230,065,262
Amounts due to other insurers / reinsurers	60,269,449	-	-	60,269,449
Accrued expenses	1,994,434	-	-	1,994,434
Other creditors and accruals	60,723,104	-	-	60,723,104
Unclaimed dividend	549,395	-	-	549,395
	<u>353,601,644</u>	-	-	<u>353,601,644</u>

23.7 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 counter parties.

Exposure to credit risk

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

	Note	2014	2013
		Rupees	
Cash and bank deposits	10	104,499,172	103,078,929
Loans to employees	11	1,534,110	1,516,839
Investments	12	584,867,636	500,322,322
Premiums due but unpaid	14	174,899,743	188,969,504
Amounts due from other insurers / reinsurers		27,209,800	37,972,300
Accrued investment income		3,234,955	6,964,797
Reinsurance recoveries against outstanding claims		230,576,451	198,190,087
Trade deposits		701,819	618,069
Sundry receivables		442,509	420,281
		<u>1,127,966,195</u>	<u>1,038,053,128</u>

Notes to the Financial Statements

for the year ended December 31, 2014

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

Rating		Rating agency
Short term	Long term	

Banks

Habib Bank Limited	A-1+	AAA	JCR-VIS
National Bank of Pakistan	A-1+	AAA	JCR-VIS
MCB Bank Limited	A-1+	AAA	PACRA
Allied Bank Limited	A-1+	AA+	PACRA
United Bank Limited	A-1+	AA+	JCR-VIS
Faysal Bank Limited	A-1+	AA	PACRA
NIB Bank Limited	A-1+	AA-	PACRA
Bank Alfalah Limited	A-1+	AA	PACRA
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA
The Bank of Punjab	A-1+	AA-	PACRA
Askari Bank Limited	A-1+	AA	PACRA
AlBaraka Bank (Pakistan) Limited	A-1	A	PACRA
Bank Al-Habib Limited	A-1+	AA+	PACRA
Faysal Bank Limited	A-1+	AA	PACRA
The Bank of Khyber	A-1	A	PACRA
Soneri Bank Limited	A-1+	AA-	PACRA
Summit Bank Limited	A-2	A-	JCR-VIS
JS Bank Limited	A-1	A+	PACRA
Barclays Bank PLC, Pakistan	A-1	A	Standard & Poor's
Standard Chartered Bank Limited	A-1+	AAA	PACRA

Concentration of credit risk

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. Sector-wise analysis of premium due but unpaid at the reporting date was:

	2014	2013
	Rupees	
Sector		
Chemical and pharmaceutical	15,359,920	13,536,089
Textile composite and garments	33,263,290	19,050,492
Paper and board	7,545,874	16,822,716
Communication and information technology	3,156,700	4,730,858
Engineering industry	3,113,019	10,174,629
Sugar industry	22,281,595	46,753,122
Banks, FI's and DFI's	876,284	2,699,571
Cement	3,926,936	9,039,970
Food, oil and edibles	4,101,641	12,143,505
Fertilizer	1,775,173	5,720,228
Miscellaneous and others	79,499,311	48,298,324
	<u>174,899,743</u>	<u>188,969,504</u>

Impaired assets

During the year no assets have been impaired other than premium due but unpaid and available for sale investments amounting to Rs. 10.000 million and Rs. 2.595 million respectively against which provision of Rs. 12.595 million has been held.

Notes to the Financial Statements

for the year ended December 31, 2014

23.8 Financial instruments

	Interest / mark-up bearing			Non-markup bearing			Total 2014	Total 2013
	Maturity within one year	Maturity after one year	Sub Total	Maturity within one year	Maturity after one year	Sub Total		
Rupees								
Financial assets								
Held to maturity investments	3,333,332	77,467,962	80,801,294	-	-	-	80,801,294	107,350,324
Available for sale investments	-	-	-	504,066,342	-	504,066,342	504,066,342	392,971,998
Loans & receivables								
Loans	-	-	-	1,534,110	-	1,534,110	1,534,110	1,516,839
Premium due but unpaid	-	-	-	174,899,743	-	174,899,743	174,899,743	188,969,504
Amount due from other insurers / re-insurers	-	-	-	27,209,800	-	27,209,800	27,209,800	37,972,300
Accrued investments income	-	-	-	3,234,955	-	3,234,955	3,234,955	6,964,797
Reinsurance recoveries and outstanding claims	-	-	-	230,576,451	-	230,576,451	230,576,451	198,190,087
Sundry receivables	-	-	-	442,509	-	442,509	442,509	420,281
Cash and bank deposits	78,173,256	-	78,173,256	26,325,916	-	26,325,916	104,499,172	103,078,929
	-	-	-	-	-	-	-	-
	81,506,588	77,467,962	158,974,550	968,289,826	-	968,289,826	1,127,264,376	1,037,435,059
Financial liabilities								
Financial liabilities at amortized cost								
Provision for outstanding claims (including IBNR)	-	-	-	273,401,444	-	273,401,444	273,401,444	230,065,262
Amounts due to other insurers / reinsurers	-	-	-	37,994,635	-	37,994,635	37,994,635	60,269,449
Other creditors and accruals	-	-	-	64,133,847	-	64,133,847	64,133,847	60,723,104
Unclaimed dividend	-	-	-	909,995	-	909,995	909,995	549,395
	-	-	-	376,439,921	-	376,439,921	376,439,921	351,607,210
On balance sheet gap	81,506,588	77,467,962	158,974,550	591,849,905	-	591,849,905	750,824,455	685,827,849

23.9 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements are appropriate to their fair values except for non-trading investments. Fair value is determined on the basis of the objective evidence at each required date.

24. 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 Securities and Exchange Commission (Insurance) Rules, 2002. The following table presents information regarding segment assets, liabilities as at December 31, 2014 and December 31, 2013, unallocated capital expenditure and non-cash expenses during the year:

Notes to the Financial Statements

for the year ended December 31, 2014

	Fire and property		Marine aviation and transport		Motor		Miscellaneous		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Rupees										
SEGMENT ASSETS										
Segment assets	<u>175,399,773</u>	<u>152,471,453</u>	<u>103,170,927</u>	<u>105,339,679</u>	<u>180,357,942</u>	<u>185,405,104</u>	<u>28,980,264</u>	<u>36,683,441</u>	<u>487,908,905</u>	<u>479,899,677</u>
Unallocated corporate assets									<u>1,108,035,077</u>	<u>976,680,496</u>
Consolidated total assets									<u>1,595,943,982</u>	<u>1,456,580,173</u>
SEGMENT LIABILITIES										
Segment liabilities	<u>312,692,287</u>	<u>255,002,265</u>	<u>183,926,995</u>	<u>176,176,303</u>	<u>321,531,416</u>	<u>310,082,449</u>	<u>51,664,291</u>	<u>61,351,553</u>	<u>869,814,988</u>	<u>802,612,570</u>
Unallocated corporate liabilities									<u>909,996</u>	<u>549,395</u>
Consolidated total liabilities									<u>870,724,984</u>	<u>803,161,965</u>
CAPITAL EXPENDITURE										
Unallocated capital expenditure									<u>25,300,630</u>	<u>23,224,036</u>
Consolidated capital expenditure									<u>25,300,630</u>	<u>23,224,036</u>
Unallocated depreciation / amortization									<u>11,750,305</u>	<u>11,021,329</u>

25. INSURANCE RISK

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, the risk is random and therefore unpredictable. The principal risk that the Company faces under its insurance contracts is that the actual claims exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random, and the actual number and amount of claims will vary from year to year from the level established.

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

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

a) Frequency and severity of claims

Political, environmental, economical and climatic changes give rise to more frequent and severe extreme events (for example, fire, theft, steal, riot and strike, explosion, earthquake, atmospheric damage, hurricanes, typhoons, river flooding, electric fluctuation, terrorism, war risk, damages occurring in inland transit, burglary, loss of cash in safe and cash in transit, travel and personal accident, money losses, engineering losses and other events) and their consequences (for example, subsidence claims). For certain contracts, the Company has also limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year.

Insurance contracts which are divided into direct and facultative arrangements are further subdivided into four segments: fire, marine, motor and miscellaneous. The insurance risk arising from these contracts is concentrated in the territories in which the Company operates, and there is a balance between commercial and personal properties / assets in the overall portfolio of insured properties / assets. The Company underwrites insurance contracts in Pakistan.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. The Company has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation). The claims payments are limited to the extent of sum insured on occurrence of the insured event.

Notes to the Financial Statements

for the year ended December 31, 2014

The Company has entered into reinsurance cover / arrangements, with local and foreign reinsurers having good credit rating by reputable rating agencies, as prescribed by the Securities and Exchange Commission of Pakistan to reduce its exposure to risks and resulting claims. Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional facultative reinsurance arrangements are in place to protect the net account in case of a major catastrophe.

The effect of such reinsurance arrangements is that the Company recovers the share of claims from reinsurers thereby reducing its exposure to risk. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional reinsurance arrangements, any loss over and above the said limit would be recovered under non-proportional treaty which is very much in line with the risk management philosophy of the Company.

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

The Company has claims department dealing with the mitigation of risks surrounding claims incurred whether reported or not. This department investigates and settles all claims based on surveyor's report / assessment. The unsettled claims are reviewed individually at least semi-annually and adjusted to reflect the latest information on the underlying facts, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

b) Sources of uncertainty in the estimation of future claims payment

Claims reported and otherwise are analysed separately. The development of large losses / catastrophes is analyzed separately. The shorter settlement period for claims allows the Company to achieve a higher degree of certainty about the estimated cost of claims including IBNR. However, the longer time needed to assess the emergence of a subsidence claim makes the estimation process more uncertain for these claims.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value, reinsurance and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome may be different from the original liability established. The liability comprises amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR), expected claims settlement costs and a provision for unexpired risks at the end of the reporting period.

Liability in respect of outstanding claims is based on the best estimate of the claims intimated or assessed. In calculating the estimated cost of unpaid claims (both reported and not), the Company's estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a prior financial years in relation to such claims) and an estimate based upon actual claims experience using predetermined basis where greater weight is given to actual claims experience as time passes.

In estimating the liability for the cost of reported claims not yet paid, the Company considers any information available from surveyor's assessment and information on the cost of settling claims with similar characteristics in previous periods. Claims are assessed on a case-to-case basis separately.

c) Process used to decide on assumptions

The risks associated with insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. This exposure is geographically concentrated in Pakistan only.

The Company uses assumptions based on a mixture of internal and market data to measure its related claims liabilities. Internal data is derived mostly from the Company's monthly claims reports, surveyor's report for particular claim and screening of the actual insurance contracts carried out to derive data for the contracts held. The Company has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop related provision for outstanding claims (both reported and non-reported).

The choice of selected results for each accident year in respect of each class of business depends upon the assessment of technique that has been most appropriate to observe historical developments. Through this analysis, the Company determines the need for an IBNR or an unexpired risk liability to be held at each reporting date.

d) Changes in assumptions

The Company has not changed its assumptions for the insurance contracts as disclosed above in (b) and (c).

Notes to the Financial Statements

for the year ended December 31, 2014

e) Sensitivity analysis

The analysis of exposure described in paragraph (c) above is also used to test the sensitivity of the selected assumptions to changes in the key underlying factors. Assumptions of different levels have been used to assess the relative severity of subsidence claims given past experience. The key material factor in the Company's exposure to subsidence claims is the risk of more permanent changes in geographical location in which Company is exposed.

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

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

	Pre tax profit		Shareholders' equity	
	2014	2013	2014	2013
Rupees				
10% increase in loss				
Fire and property	(1,680,677)	(1,212,575)	(1,126,053)	(788,174)
Marine, aviation and transport	(1,798,839)	(2,180,333)	(1,205,222)	(1,417,216)
Motor	(5,546,461)	(5,221,216)	(3,716,129)	(3,393,790)
Miscellaneous	(404,059)	(175,152)	(270,719)	(113,845)
	(9,430,035)	(8,789,276)	(6,318,123)	(5,713,025)
10% decrease in loss				
Fire and property	1,680,677	1,212,575	1,126,053	788,174
Marine, aviation and transport	1,798,839	2,180,333	1,205,222	1,417,216
Motor	5,546,461	5,221,216	3,716,129	3,393,790
Miscellaneous	404,059	175,152	270,719	113,845
	9,430,035	8,789,276	6,318,123	5,713,025

Concentration of insurance risk

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

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.

Notes to the Financial Statements

for the year ended December 31, 2014

The concentration of risk by type of contracts is summarised below by reference to liabilities.

	Gross sum insured		Reinsurance		Net Amount	
	2014	2013	2014	2013	2014	2013
	(Rupees in 000)					
Fire and property	173,724,031	153,063,933	140,975,899	114,905,334	32,748,132	38,158,599
Marine, aviation and transport	365,894,284	3,002,063,634	316,440,220	2,955,947,592	49,454,064	46,116,042
Motor	4,949,748	4,361,013	67,610	54,243	4,882,138	4,306,770
Miscellaneous	4,700,505	7,330,159	1,396,374	2,004,811	3,304,131	5,325,348
	549,268,568	3,166,818,739	458,880,103	3,072,911,980	90,388,465	93,906,759

Claim development tables

The following table shows the development of claims over the period. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For each class of business the uncertainty about the amount and timings of claims payment is usually resolved within a year.

	2010	2011	2012	2013	2014	Total
	(Rupees in 000)					

Analysis on gross basis

Accident year

Estimate of ultimate claims cost:

At the end of accident year	207,095	215,277	553,997	38,653	113,998	1,129,020
One year later	96,689	15,294	135,474	-	-	247,457
Two years later	21,987	9,354	-	-	-	31,341
Three years later	18,053	-	-	-	-	18,053
Four years later	-	-	-	-	-	-
Current estimate of cumulative claims	15,154	10,471	149,164	67,297	252,020	494,106
Cumulative payment to date	(4,426)	(1,639)	(71,298)	(53,632)	(118,022)	(249,017)
Liability recognised in the balance sheet	<u>10,728</u>	<u>8,832</u>	<u>77,866</u>	<u>13,665</u>	<u>133,998</u>	<u>245,089</u>
Liability in respect of prior years						28,312
Total liability recognised in balance sheet						<u>273,401</u>

Notes to the Financial Statements

for the year ended December 31, 2014

Sensitivity analysis

The insurance claims provision is sensitive to the above key assumptions. The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant showing the impact on liabilities and revenue account.

	Change in Claims Assumption	Impact on gross liabilities (Rupees)	Impact on revenue account (Rupees)
December 31, 2014			
Current claims	+10%	1,129,020	(1,129,020)
	-10%	(1,129,020)	1,129,020
December 31, 2013			
Current claims	+10%	1,128,988	(1,128,988)
	-10%	(1,128,988)	1,128,988

26. 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 minimise 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 recognised by the rating of the entity from which it is due are as follows:

Rating	Amount due from other insurer/reinsurers	Reinsurance recoveries against outstanding claims	Pre reinsurance premium ceded	2014	2013
Rupees					
A or above including Pakistan Reinsurance Company Limited	27,160,798	218,399,881	291,194,767	536,755,446	518,495,613
BBB	49,002	12,176,570	40,922,716	53,148,288	10,957,061
	<u>27,209,800</u>	<u>230,576,451</u>	<u>332,117,483</u>	<u>589,903,734</u>	<u>529,452,674</u>

Notes to the Financial Statements

for the year ended December 31, 2014

27. CAPITAL RISK MANAGEMENT

The management's policy is to maintain a strong capital base for the confidence of stakeholders and to sustain future development of the business. The management closely monitors the return on capital along with the level of distributions to ordinary shareholders. The Company meets minimum paid up capital requirements as required by Securities and Exchange Commission of Pakistan.

28. DEFINED CONTRIBUTION PLAN

The Company has contributory provident fund scheme for benefit of all its permanent employees under the title of (Company name) - Employees Contributory Provident Fund". The Fund is maintained by the Trustees and all decisions regarding investments and distribution of income etc. are made by the Trustees independent of the Company.

28.1 The Trustees have intimated that the size of the Fund at year end was Rs. 42.437 million.

28.2 As intimated by the Trustees, the cost of the investments made at year end was Rs. 42.437 million which is equal to 100% of the total fund size. The category wise break up of investment as per section 227 of the Companies Ordinance, 1984 is given below:

	Rupees in thousand	Percentage %
Pakistan Investment Bonds	34,507	81.31%
Term Finance Certificates	2,429	5.72%
Investment in Shares	807	1.90%
Units of Mutual Funds	4,694	11.06%
	<u>42,437</u>	<u>100%</u>

28.3 According to the Trustees, investments out of provident fund have been made in accordance with the provisions of section 227 of Companies Ordinance, 1984 and the rules made thereunder.

29. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, the Board of Directors in its meeting held on 24th March, 2015 has recommended to issue bonus shares at 15% (December 31, 2013: 10%) amounting to Rs. 60.519 million and cash dividend at 5% (December 31, 2013: 5%). The Board has also approved transfer of Rs. 20 million (December 31, 2013: Rs. 20 million) to general reserve from unappropriated profits. These financial statements for the year ended December 31, 2014 do not include the effect of appropriations which will be accounted for subsequent to the year end.

	2014	2013
30. NUMBER OF EMPLOYEES		
As at December 31	200	200
Average no. of employees during the year	208	208

31. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 24th March 2015, by the Board of Directors of the Company.

32. GENERAL

Figures have been rounded off to the nearest rupee.



Ismail H. Zakaria
Chairman



A. Aziz Ayoob
Director



Mohammad Omer Bawany
Director



A. Razak Ahmed
Chief Executive & Managing Director

Karachi 24 March, 2015

Offices

Head Office

"Reliance Insurance House"
181-A, Sindhi Muslim Co-operative
Housing Society,
Karachi.

PABX : 34539415-17
Fax : 34539412
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ric-re@cyber.net.pk
Web : www.relianceins.com

Mr. A. Razak Ahmed
Chief Executive & Managing Director

Direct : 34539413, 34539414
Extension : 204

Mr. Haroon A. Shakoor
Chief Accountant &
Company Secretary

Direct : 34539409
Extension : 203

Mr. Syed Rizwan Akhtar
Executive Vice President (Operations)

Direct : 34304067
Extension : 210

Mr. M. Amin Bawany
Vice President (Marine & Accident)

Direct : 34557079
Extension : 201

Mr. Muhammad Ishaque Azim
Vice President (Fire)

Direct : 34304068
Extension : 212

Mr. Sadruddin Hussain
Vice President (Claims)

Direct : 34550403
Extension : 208

Mr. Ghulam Mujaddid
Chief Manager (Accounts)

Extension : 205

Mr. Abdul Rahim Patni
Deputy Chief Manager (Reinsurance)

Direct : 34539411
Extension : 215

Mr. Muhammad Saleem Memon
Deputy Chief Manager (Investment/shares)

Extension : 214

Mr. Muhammad Masood Ali
Deputy Chief Manager (I.T. Deptt.)

Extension : 202

Mr. Muhammad Masood Alam
Manager (Administration)

Direct : 34539411
Extension : 206

Mr. Mahmood Shuja Baig
Manager (Internal Auditor)

Extension : 209

South Zone Offices & Branches

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34525376, 34322642
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Regional Manager

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Chief Manager

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Executive Vice President

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Executive Vice President

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Ram Piary Mahal Near Fawara Chawk,
Gujrat.

Mr. Muhammad Nawaz

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Mr. A. Majeed Abid
Senior Vice President

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2626480
Fax (041) 2621033

Offices

Taj Plaza Branch Room No.16, 2nd Floor, Taj Plaza, Kotwali Road, Faisalabad.	Mr. Muhammad Akhlaq Vice President	Ph (041) 2617277, 2622182 2615922 Fax (041) 2412010
United Plaza Branch 3,3rd Floor, United Plaza, Shamsabad, Murree Rd. Rawalpindi.	Mr. Abdul Karim Siddiqi Vice President	Ph (051) 4854200 Fax (051) 4580008
Royal Plaza Branch 8, 1st Floor, Royal Plaza, 6th Road, . Rawalpindi.	Mr. Aamir Manzoor Vice President	Ph (051) 4423944, 4423955 Fax (051) 4421969
Peshawar Branch T-3 & 4, Bilour Shopping Plaza, 3rd Floor, Saddar Road, . Peshawar Cantt.	-	Ph (091) 5274617, 5277328 Fax (091) 5284683
Regional Office Multan 1st Floor, 5-Commercial Plaza, Opp. Civil Hospital, Abdali Road, Multan.	Mr. Syed Mohsin Bukhari Assistant Manager	Ph (061) 4517349 Fax (061) 4510049
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Gojra Branch P-132, Post Office Road, Gojra.	Mrs. Shahnaz Akhtar Branch Manager	Ph (046) 3511917 Fax (046) 3513111
Rahimyar Khan Gulshan-e-Iqbal	Mr. Shahid Razzak Resident Representative	Cell 0301-7619190
Sukkur Minara Road, Sukkur.	Mr. Anees Memon Resident Representative	Ph (071) 5622619 Cell 0300-3138090

Proxy Form

I/we _____ of _____

being a Member of Reliance Insurance Company Limited holding _____ ordinary shares, HEREBY

APPOINT _____ of _____ another member of the Company, failing him/her _____ of _____ as my/our proxy in my/our absence to

attend and to vote and act for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on

Wednesday April 29, 2015 and at any adjournment thereof.

As witness my/our hand(s) this _____ day of _____ 2015.

(Signature of Witness 1)

(Signature of Witness 2)

Ten Rupees
Revenue
Stamp

Name of Witness: _____

Name of Witness: _____

CNIC

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CNIC

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Address: _____

Address: _____

(Name in Block Letters)
Folio No. _____

Signature of Shareholder

Notes:

1. The Member is requested:
 - (a) To affix Revenue stamp of Rs. 10/-at the place indicated above;
 - (b) To sign in the same style of signature as is registered with the company.
 - (c) To write down his/her Folio Number
2. For the appointment of the above proxy to be valid this instrument of proxy must be received at the Head office at 181-A, Reliance Insurance House, Sindhi Muslim Cooperative Housing Society Karachi at least 48 hours before the time fixed for the Meeting.
3. Any alteration made in this instrument of proxy should be initiated by the person who signs it.
4. In the case of joint holders, the vote of the senior who tenders a vote whether in person or by the proxy will be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority will be determined by the order in which the names stand in the Register of Members.
5. The Proxy must be a Member of the Company.

For CDC Account Holders / Corporate Entities

In addition to the above, the following requirements have to be met:

- (i) The proxy form must be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- (ii) Attested copies of CNIC or the passport of the beneficial owners and of the Proxy must be furnished with the proxy.
- (iii) Attested copies of CNIC or the passport of the beneficial owners and of the Proxy must be furnished with the proxy form.
- (iv) In case of corporate entities, the Board of Directors' resolution/power of attorney and specimen signature must be submitted (Unless it has been provided earlier) along with proxy forms.



Reliance Insurance Company Limited

181-A, Sindhi Muslim Co-operative Housing Society, P.O. Box: 13356, Karachi-74400.