

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO



# ANNUAL REPORT

# 2014

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO



**SINDH INSURANCE**

POWER TO THE PEOPLE

**A -**

**IFS Rating by  
PACRA**

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Sindh Insurance Limited was incorporated on 20 December, 2013 with an authorized and paid up capital of Rs.500 million. All shares of the Company are held by Government of Sindh. Company obtained the Certificate of Commencement of Business on 22 September 2014. The registered office and principal place of business of the Company is situated at 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi. The Company operates only in Pakistan.

Sindh Insurance Limited is registered as non-Life Insurance Company with Securities and Exchange Commission of Pakistan from August, 2014 and has been licensed to transact all classes of non-life insurance business.

The Company Management comprises of a team of qualified and experienced professionals. Sindh Insurance has the capacity to underwrite risks in all avenues of General Insurance namely, Property (Fire & Engineering), Marine, Motor, Liabilities, etc. In addition, the Company has the expertise and arrangements with overseas Reinsurance companies enabling it to offer comprehensive coverage for large infrastructure projects, specialized risks and umbrella/blanket covers for large corporate groups.

The Company intends to maintain its service par excellence backed by efficient clients' servicing and an innovative approach by its dedicated team of professionals; thereby providing the best possible coverage for the protection of risks for its valued clients.



# Vision

“Reaching everyone for insurance and to meet expectations of our customer and shareholders.”

# Mission

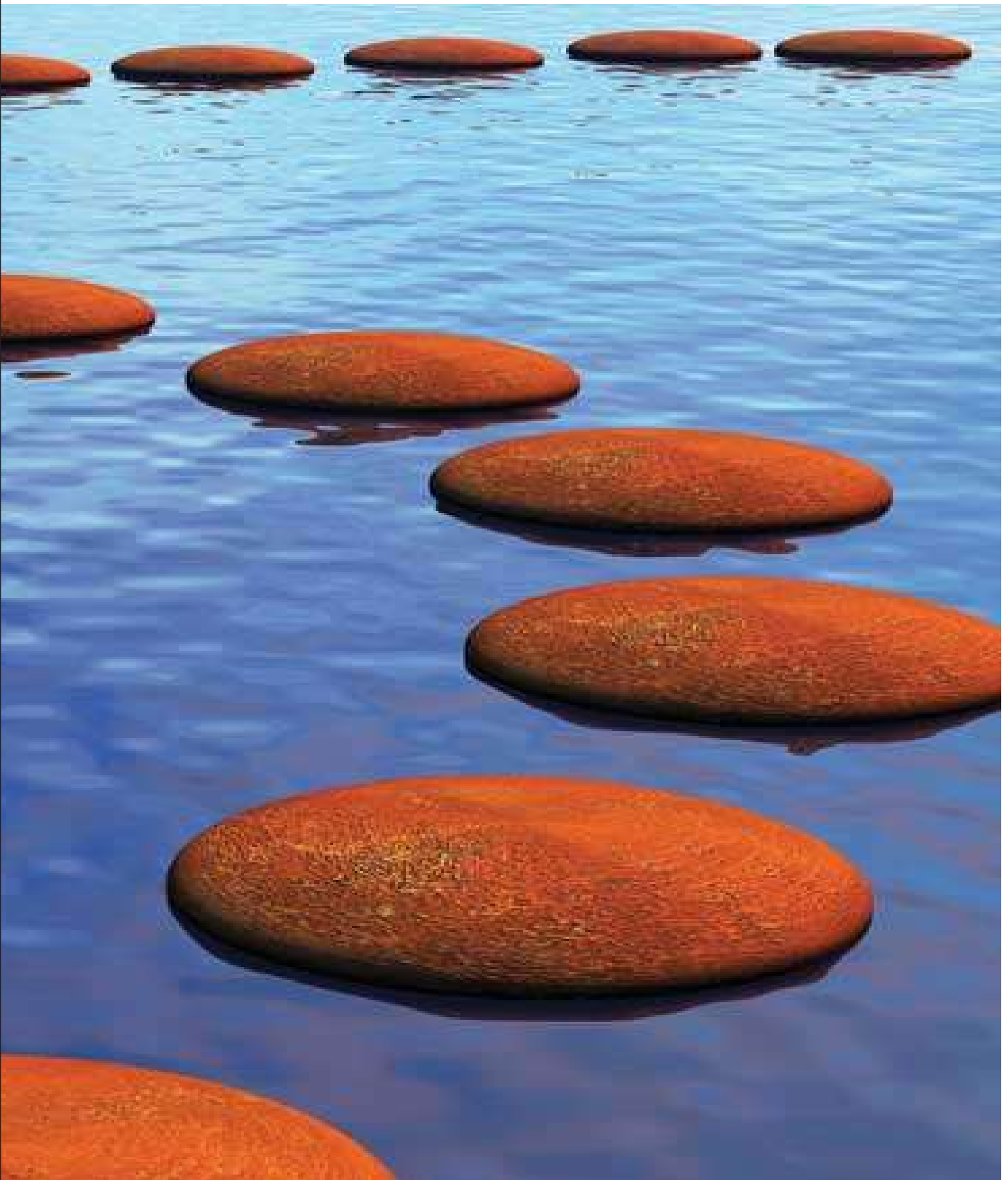
“To provide best returns to our shareholders, job opportunities to the people and premium service at competitive price to our customers.”

# Vision and Mission

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 **SINDH INSURANCE**  
POWER TO THE PEOPLE



### Property Insurance

- Fire & Explosion
- Riot Strike Damage
- Malicious Damage
- Atmospheric Disturbances
- Earth Quake
- Air Craft Damage
- External Explosion
- Burglary
- Terrorism

### Marine Insurance

- Cargo Export
- Cargo Import
- Cargo Inland

### Motor Insurance

- Comprehensive Private Car
- Comprehensive Commercial Vehicle
- Comprehensive Motorcycles

### Engineering Insurance

- All Risk Contractors'
- Machinery Breakdown (MBD)
- Computer Equipments
- Electronic Equipments
- Boiler & Pressure Vessels

### Miscellaneous Insurance

- Cash in Transit
- Cash in Safe
- Fidelity Guarantee
- Mobile Phone
- All Risk
- Bond
- Bankers Blanket
- Burglary
- Personal Accident
- Product Liability
- Public Liability
- Workman Compensation
- Commercial General Liability
- Medical Insurance

### Board of Directors

Muhammad Bilal Sheikh (Chairman)  
Mohammad Sohail Khan Rajput  
Syed Shahnawaz Nadir Shah  
Muhammad Naimuddin Farooqui  
Shamsuddin Khan

### Chief Executive Officer

Muhammad Faisal Siddiqui

### Chief financial Officer & Company Secretary

Nadeem Akhter

### Audit Committee

Muhammad Naimuddin Farooqui  
Mohammad Sohail Khan Rajput  
Syed Shahnawaz Nadir Shah

### Risk Management/Operations Committee

Mohammad Sohail Khan Rajput  
Muhammad Naimuddin Farooqui  
Muhammad Faisal Siddiqui

### Human Resources Committee

Muhammad Bilal Sheikh  
Shamsuddin Khan  
Muhammad Faisal Siddiqui

### Procurement & Information Technology Committee

Muhammad Bilal Sheikh  
Shamsuddin Khan  
Muhammad Faisal Siddiqui

### Underwriting Committee

Muhammad Faisal Siddiqui  
Mohammad Raza  
Nadeem Akhter

### Claim Committee

Muhammad Faisal Siddiqui  
Mohammad Raza  
Nadeem Akhter

### Reinsurance Committee

Muhammad Faisal Siddiqui  
Mohammad Raza  
Nadeem Akhter  
Nadeem Haider Sheikh

### Key Management Personnel

Nadeem Akhter  
Mohammad Raza  
Nadeem Haider Sheikh

### Auditors

M/s. Riaz Ahmad, Chartered Accountants

### Legal Advisor

Muhammad Nadeem Khan

### Bankers

Sindh Bank Limited

### IFS Credit Rating

A- by Pakistan Credit Rating Agency (PACRA)

### Company Incorporate Number

0086229

### National Tax Number

4231500-0

### Membership

The Insurance Association of Pakistan (IAP)

### Registered Office/Head Office

1st Floor, Imperial Court,  
Dr. Ziauddin Ahmed Road,  
Karachi, Pakistan

### Contact

Tel : (92-21) 35640715-17  
Fax : (92-21) 35640714  
Email : info@sindhinsurancelt.com  
Website : www.sindhinsurancelt.com



**MR. MUHAMMAD BILAL SHEIKH**

(Chairman / Director)

President and Chief Executive of Sindh Bank. Career Banker having experience of over 45 years. Has been Chairman/Chief Executive of several Banks and DFI.

**MR. MOHAMMAD SOHAIL KHAN RAJPUT**

(Director)

Finance Secretary of Government of Sindh. Previously was Secretary of Power in Government of Sindh. Also holds diversified qualification and experience.

**SYED SHAHNAWAZ NADIR SHAH**

(Director)

Chief Financial Specialist of Fund Management House in the Finance Department of Government of Sindh. Director in Sindh Leasing and Sindh Modaraba. Holds MBA from Institute of Business Administration.

**MR. MUHAMMAD NAIMUDDIN FAROOQUI**

(Director)

Chief Executive Officer of Sindh Leasing Company Limited holds MBA from Texas Southern University, Houston, USA and has vast experience of working in foreign and local financial institutions including as Chief Executive Officer of ORIX Investment Bank.

**MR. SHAMSUDDIN KHAN**

(Director)

Fellow of Institute of Bankers Pakistan and has a Master's Degree in Law with over 45 Years' experience in financial sector.

The Directors of your company are pleased to present their report along with the Accounts and Auditors' Report for the period from December 20, 2013 to December 31, 2014.

### OPERATING RESULTS

The Securities and Exchange Commission of Pakistan (SECP) granted Certificate to Commence Business on September 22, 2014. The Company is actively engaged in non-life insurance business. During 2014 company started underwriting of different classes of business and has written a premium of Rs. 2.3 million.

Given below are key financial figures from the period December 20, 2013 to December 31, 2014:

	Period ended December 31, 2014
Net Premium Revenue	(458,499)
Investment Income	61,317,138
Total Net Income	60,858,639
Net Claims Expenses	(115,991)
Net Management Expenses	(1,714,507)
General and Administration Expenses	(11,450,441)
Total Claims and Expenditures	(13,280,939)
Other Income	220,930
Profit before Tax	47,798,630
Taxation	(15,773,548)
<b>Net Profit for the Period</b>	<b>32,025,082</b>
<b>Earning per share</b>	<b>0.64</b>

First year's underwriting activity shows a loss of Rs. 458,499/- and an investment income of Rs. 61,317,138/- which mainly contributed to the earnings of the company. The Company's current earning per share was Rs. 0.64 for the period ended December 31, 2014.

### CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Board being aware of its responsibilities under the law and the Public Sector Companies (Corporate Governance) Rules, 2013 issued by the Securities and Exchange Commission of Pakistan (SECP). Accordingly, the Board is pleased to state as follows:

- The Board has complied with the relevant principles of corporate governance, and has identified the rules that have not been complied with and reasons for such non-compliance.
- The financial statements prepared by the management of the Company, presented fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Public Sector Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The Directors recognize their responsibility to establish and maintain sound system of internal control, which is regularly reviewed and monitored.

# Director's Report to the Shareholders

Annual Report 2014

- International Financial Reporting Standards and International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure there from has been adequately disclosed and explained.
- There are no doubts upon the company's ability to continue as a going concern.
- The statement of shareholding in the Company as on December 31, 2014 is included in the Report.
- The value of investment in the Provident Fund as on December 31, 2014 was Rs. 482,988/-.

## BOARD MEETINGS

- During the year, four (4) meetings of the Board of Directors were held and attendance position was as under:

Serial No.	Name of Director	Number of Meetings Attended
01	Mr. Muhammad Bilal Sheikh	04
02	Mr. Mohammad Sohail Khan Rajput	04
03	Mr. Muhammad Naimuddin Farooqui	04
04	Syed Shahnawaz Nadir Shah	04
05	Mr. Shamsuddin Khan	04

## FUTURE OUTLOOK

In 2015 and beyond, the management will focus on improving internal controls and develop concrete policies to achieve lowest possible claims and improve premium income. In view of such goals, the company's management is taking following important steps:

- The Government of Sindh has passed a bill for Sindh Insurance Limited, which will provide first right of refusal to Sindh Insurance Limited to underwrite business of Government of Sindh.
- In 2014, the Company opened a smart branch in Lahore and is consider opening a full independent branch in business area of Lahore.
- In Punjab Zone opening of Islamabad branch is under process, which will start work by the end of this year.
- Expand marketing field staff by recruitment of insurance professionals.
- Aggressively work on motor insurance portfolio in year 2015.
- Work with Government of Sindh and other associated companies to procure insurance business.

## AUDIT COMMITTEE

The Audit Committee consist of the following members:

- Mr. Muhammad Naimuddin Farooqui
- Mr. Mohammad Sohail Khan Rajput
- Syed Shahnawaz Nadir Shah

## STATEMENT OF CODE OF CONDUCT

The Board has adopted the statement of Code of Conduct. All employees have been conveyed of the same who have signed the statement and are required to observe these rules of conduct in relation to business and regulations.

# Director's Report to the Shareholders

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## MATERIAL CHANGES

There have been no material changes since December 31, 2014 and the Company has not entered into any commitment, which would affect its financial position at that date.

## DIVIDEND

No dividend was declared in period ended December 31, 2014.

## PATTERN OF SHAREHOLDING

The pattern of shareholding, as required by section 236 of the Companies Ordinance, 1984 and Public Sector Companies (Corporate Governance) Rules, 2013 is enclosed.

## AUDITORS

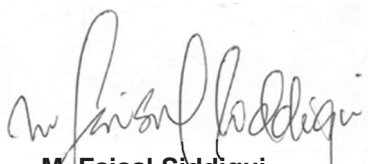
The Audit Committee has recommended the appointment of external auditor as per regulations.

## ACKNOWLEDGEMENT

The directors would like to take this opportunity to express their sincere gratitude to Government of Sindh, Government of Pakistan, Ministry of Commerce, Securities and Exchange Commission of Pakistan (SECP) and Sindh Bank Limited for their continued guidance and support.

Further, we also wish to record our appreciation for the Insurance Association of Pakistan (IAP) for their support and valued representation of our industry.

For and on behalf of the Board of Directors



**M. Faisal Siddiqui**  
Chief Executive Officer

March 18<sup>th</sup>, 2015

# Notice of First Annual General Meeting

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## Annual Report 2014

Notice is hereby given that the First Annual General Meeting of the shareholders of **Sindh Insurance Limited** will be held on **Tuesday, April 28, 2015 at 10:00 am** at the registered office of the Company at 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi, to transact the following business:

1. To confirm the minutes of the Statutory Meeting held on March 18, 2015.
2. To receive, consider and adopt the Audited Accounts for the year ended December 31, 2014 alongwith Directors' and Auditors' Report thereon.
3. To appoint Auditors for the year 2015 and fix their remuneration, retiring Auditor M/s. Riaz Ahmed & Company, Chartered Accountants being eligible, have offered themselves for re-appointment.
4. To elect seven (7) Directors of the Company as fixed by the Board in accordance with section 178 of the Companies Ordinance, 1984.

The names of retiring directors, being eligible for re-election are as follows:

- a) Mr. Muhammad Bilal Sheikh
- b) Mr. Mohammad Sohail Khan Rajput
- c) Syed Shahnawaz Nadir Shah
- d) Mr. Muhammad Naimuddin Farooqui
- e) Mr. Shamsuddin Khan

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

Karachi  
March 18th, 2015

By Order of the Board  
**Nadeem Akhter**  
Company Secretary

### NOTES:

- 1) Any person who seeks to contest the election of Directors shall file with the Company at its Registered Office not later than Fourteen (14) days before the date of the meeting of his/her intention to offer him/herself for the election of Directors in terms of Section 178(3) of the Companies Ordinance, 1984.
- 2) A member entitled to attend and vote at this meeting is entitled to appoint another member/any other person as his/her proxy to attend and vote.
- 3) Duly completed instrument of proxy, and the other authority under which it is signed, thereof, must be lodged with the Company Secretary of the company's registered office 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi, at least 48 hours before the time of the meeting.
- 4) Any change of address of Member should be immediately notified to the company's registered office 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi.
- 5) The CDC account holder will further have to follow the under-mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

#### A. For attending the meeting:

- i. In Case of individuals, the amount holder or sub-accounts holder and / or the person whose securities are in group account and their registration details are uploaded 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 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 account and their registration details are uploaded as per the regulations, shall submit the proxy form accordingly.
- ii. The proxy form shall be witnessed by two persons whose names, address and CNIC numbers shall be mentioned on the form.
- iii. Attested copies of CNIC or the passport
- iv. The proxy shall produce his/her original CNIC or original passport at the time of meeting.
- v. In Case of Corporate entity, the board of Director's resolution / power of attorney with specimen signature shall be submitted along with proxy form to the company.

### Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

Name of Company: **SINDH INSURANCE LIMITED**  
Name of the line ministry: Ministry of Finance, Government of Sindh  
For the year ended: **December 31, 2014**

- I. This statement is being presented to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.
- II. The company has complied with the provisions of the Rules in the following manner:

S. No.	Provision of the Rules	Rule No.	Y	N																				
1.	The independent directors meet the criteria of independence, as defined under the Rules	2(d)		✓																				
2.	<div>The Board has the requisite percentage of independent directors. At present Board includes:<table><tr><th>Category</th><th>Names</th><th>Date of Appointment</th></tr><tr><td>Independent Directors</td><td></td><td>----</td></tr><tr><td>Executive Directors</td><td>Muhammad Faisal Siddiqui</td><td>05-04-2014</td></tr><tr><td rowspan="5">Non-Executive Directors</td><td>Muhammad Bilal Sheikh</td><td>20-12-2013</td></tr><tr><td>Mohammad Sohail Khan Rajput</td><td>20-12-2013</td></tr><tr><td>Muhammad Naimuddin Farooqui</td><td>20-12-2013</td></tr><tr><td>Shamsuddin Khan</td><td>20-12-2013</td></tr><tr><td>Syed Shahnawaz Nadir Shah</td><td>20-12-2013</td></tr></table></div>	Category	Names	Date of Appointment	Independent Directors		----	Executive Directors	Muhammad Faisal Siddiqui	05-04-2014	Non-Executive Directors	Muhammad Bilal Sheikh	20-12-2013	Mohammad Sohail Khan Rajput	20-12-2013	Muhammad Naimuddin Farooqui	20-12-2013	Shamsuddin Khan	20-12-2013	Syed Shahnawaz Nadir Shah	20-12-2013	3(2)		✓
Category	Names	Date of Appointment																						
Independent Directors		----																						
Executive Directors	Muhammad Faisal Siddiqui	05-04-2014																						
Non-Executive Directors	Muhammad Bilal Sheikh	20-12-2013																						
	Mohammad Sohail Khan Rajput	20-12-2013																						
	Muhammad Naimuddin Farooqui	20-12-2013																						
	Shamsuddin Khan	20-12-2013																						
	Syed Shahnawaz Nadir Shah	20-12-2013																						
3.	No casual vacancy occurred in the board during the year.	3(4)	✓																					
4.	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries. Only one director is serving in more than five companies.	3(5)		✓																				
5.	The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as board members under the provisions of the Ordinance.	3(7)	✓																					
6.	The chairman of the board is working separately from the chief executive of the Company.	4(1)	✓																					
7.	The chairman has been elected from amongst the independent directors.	4(4)		✓																				
8.	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the commission.	5(2)	✓																					

# Statement of Compliance

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9.	<p>(a) The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company’s website. (<a href="http://www.sindhinsuranceltd.com">www.sindhinsuranceltd.com</a>)</p> <p>(b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.</p>	5(4)	✓	
10.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✓	
11.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interest, and the procedure for disclosing such interest.	5(5)(b)(ii)	✓	
12.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5)(b)(vi)	✓	
13.	<p>(a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.</p> <p>(b) A Committee has been formed to investigating deviations from the company’s code of conduct.</p>	5(5)(c)(ii)	✓	N/A
14.	The Board has ensured compliance with the law as well as the company’s internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services, in accordance with the SPPRA Rules.	5(5)(c)(iii)	✓	
15.	The Board has developed a vision and mission statement, 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.	5(6)	✓	
16.	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	N/A	
17.	<p>(a) The Board has met at least four times during the period.</p> <p>(b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings,</p> <p>(c) The minutes of the meetings were appropriately recorded and circulated.</p>	<p>6(1)</p> <p>6(2)</p> <p>6(3)</p>	✓	

# Statement of Compliance

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18.	The Board has carried out performance evaluation of its members, including the chairman and the chief executive, on the basis of a process, based on specified criteria, developed by it. The board has also monitored and assessed the performance of senior management on annual/half-yearly/quarterly.	8		✓																
19.	The Board has reviewed and approved the related party transactions entered into with the related parties during the period has been maintained.	9	✓																	
20.	The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the period as well as financial period end, and has placed the annual financial statements on the company's website. Monthly accounts are also prepared and circulated amongst the board members.	10	✓																	
21.	All the Board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.	11		✓																
22.	(a) The board has formed the requisite committees, as specified in the Rules, (b) The Committees were provided with written term of reference defining their duties, authorities and composition. (c) The minutes of the meetings of the committees were circulated to all the board members. (d) The committees were chaired by the following non-executive directors:	12	✓																	
<table><tr><th>Committee</th><th>Number of members</th><th>Name of Chair</th></tr><tr><td>Audit Committee</td><td>3</td><td>Muhammad Naimuddin Farooqui</td></tr><tr><td>Risk Management Committee</td><td>3</td><td>Mohammad Sohail Khan Rajput</td></tr><tr><td>Human Resources Committee</td><td>3</td><td>Muhammad Bilal Sheikh</td></tr><tr><td>Procurement Committee</td><td>3</td><td>Muhammad Bilal Sheikh</td></tr></table>					Committee	Number of members	Name of Chair	Audit Committee	3	Muhammad Naimuddin Farooqui	Risk Management Committee	3	Mohammad Sohail Khan Rajput	Human Resources Committee	3	Muhammad Bilal Sheikh	Procurement Committee	3	Muhammad Bilal Sheikh	
Committee	Number of members				Name of Chair															
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Procurement Committee	3	Muhammad Bilal Sheikh																		
23.	<table><tr><th>Committee</th><th>Number of members</th><th>Name of Chair</th></tr><tr><td>Nomination Committee</td><td></td><td></td></tr></table>			Committee	Number of members	Name of Chair	Nomination Committee													
Committee	Number of members	Name of Chair																		
Nomination Committee																				
24.	The Board has approved appointment of Chief Financial Officer and Company Secretary, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.	13/14	✓																	
25.	The Board has approved appointment of Chief Internal Auditor, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.			✓																
26.	The company has adopted International Financial Reporting Standards notified by the Commission under clause (i) of sub-section (3) of section 234 of the Ordinance.	16	✓																	
27.	The directors' report for this period has been prepared in compliance with the requirements of the Ordinance and the Rules and fully described salient matters required to be disclosed.	17	✓																	



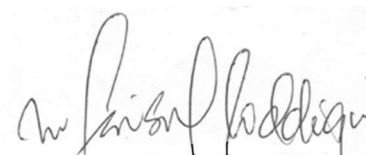
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28.	The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.	18	✓													
29.	A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place. The annual report of the company contains criteria and details of remuneration of each director.	19	✓													
30.	The financial statements of the company were duly endorsed by the chief executive and chief financial officer, before approval of the board.	20	✓													
31.	<div>The board has formed an audit committee, with defined and written terms of reference, and having the following members:</div> <table><thead><tr><th>Name of Member</th><th>Category</th><th>Professional Background</th></tr></thead><tbody><tr><td>Muhammad Naimuddin Farooqui</td><td>Non-Executive</td><td>Banker</td></tr><tr><td>Mohammad Sohail Khan Rajput</td><td>Non-Executive</td><td>Finance</td></tr><tr><td>Syed Shahnawaz Nadir Shah</td><td>Non-Executive</td><td>Investment Specialist</td></tr></tbody></table> <div>The chief executive and chairman of the board are not members of the audit committee.</div>	Name of Member	Category	Professional Background	Muhammad Naimuddin Farooqui	Non-Executive	Banker	Mohammad Sohail Khan Rajput	Non-Executive	Finance	Syed Shahnawaz Nadir Shah	Non-Executive	Investment Specialist	21	✓	
Name of Member	Category	Professional Background														
Muhammad Naimuddin Farooqui	Non-Executive	Banker														
Mohammad Sohail Khan Rajput	Non-Executive	Finance														
Syed Shahnawaz Nadir Shah	Non-Executive	Investment Specialist														
32.	The board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee, and which worked in accordance with the applicable standards.	22		✓												
33.	The company has appointed its external auditors in line with the requirements envisaged under the Rules.		✓													
34.	The external auditors of the company have confirmed that the firm and all its partners are in compliance with international federation of Accountants (IFAC) guidelines on code of Ethics as applicable in Pakistan.		✓													
35.	The external auditors have not been appointed to provide non-audit services and the auditors have confirmed that they have observed applicable guidelines issued by IFAC in this regard.		✓													
36.	The company has complied with all the corporate and financial reporting requirements of the Rules.		✓													

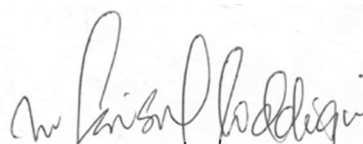
  
**Muhammad Faisal Siddiqui**  
 Chief Executive Officer

### SCHEDULE II SEE Paragraph 2(3)

#### Explanation for Non-Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with (except for the following, toward which reasonable progress is being made by the company to see compliance by the end of next accounting year).

Sr. No.	Rule/sub-rule no.	Reasons for non-compliance	Future course of action
1.	2(d), 3(2)	No independent director is nominated by Government of Sindh in the Company for the period.	Company is considering to appoint Independent director in the Board of Directors for compliance of said rules.
2.	3(5)	One of the directors, Mr. Mohammad Sohail Khan Rajput is director in more than 5 companies, who is a Government Nominee and currently is Finance Secretary, Government of Sindh.	Mr. Mohammad Sohail Khan Rajput being Finance Secretary is obliged to represent Government of Sindh's interest & Investments as an ex-officio.
3.	4(4)	The Chairman being nominee of Government of Sindh is a professional banker with unblemished tract record who was elect by the Board of Directors to formulate the Company on a fast track basis.	The Company is consulting with Government of Sindh to back waiver of this Rule as Chairman being a Professional person bearing vast experience to run a Board of Directors. Therefore, current Chairmanship is difficult to be compromised on Corporate Governance Standards.
4.	5(5)(c)(ii)	Committee for investigating deviations from the Company's code of conduct	Said Committee is not mandatory for compliance of the rules.
5.	5(8)	Company has not provided any services as public service obligation.	N/A
6.	8	Performance evaluation of Board members, Assessment of performance of senior management.	Management is in process to prepare criteria for performance evaluation for Board and senior management separately.
7.	11	Board underwent an orientation course arranged by the company.	The orientation course for Board will be arranged in year 2015.
8.	12	Nomination committee is not constituted.	Nomination Committee will be constituted in year 2015.
9.	13/14	Chief Internal Auditor is not appointed by the board.	Recruitment of Chief Internal Auditor is in process.
10.	22	The Board has not set up an effective internal audit function.	After appointment of Chief Internal Auditor an effective internal audit function will be established.

  
**Muhammad Faisal Siddiqui**  
 Chief Executive Officer

### **REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013**

We have reviewed the Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 ("the Rules") for the period ended 31 December 2014, prepared by the Board of Directors of SINDH INSURANCE LIMITED to comply with the provisions of the Rules.

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 aspects with the Public Sector Companies (Corporate Governance) Rules, 2013, as applicable to the Company for the period ended 31 December 2014.



**RIAZ AHMED & COMPANY**  
Chartered Accountants

**Name of engagement partner:**  
**Muhammad Kamran Nasir**

**Date: 18 March 2015**

**KARACHI**

# Auditors' Report to the members

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO



## Annual Report 2014

We have audited the annexed financial statements comprising of:

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


of SINDH INSURANCE LIMITED ("the company") as at 31 December 2014 together with the notes forming part thereof, for the period from 20 December 2013 to 31 December 2014.

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

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

In our opinion:

- a) proper books of 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 31 December 2014 and of the profit, its comprehensive income, its cash flows and changes in equity for the period then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).



**RIAZ AHMED & COMPANY**  
Chartered Accountants

Name of engagement partner:  
Muhammad Kamran Nasir

Date: 18 March 2015

KARACHI

# Balance Sheet

as at 31 December 2014

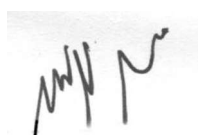
Annual Report 2014

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO


**SINDH INSURANCE**  
POWER TO THE PEOPLE

	Note	December 2014 Rupees
<b>Share Capital and Reserve</b>		
Authorized share capital	3.1	<u><b>500,000,000</b></u>
Issued, subscribed and paid-up share capital	3.2	500,000,000
Retained earnings		32,025,082
<b>TOTAL EQUITY</b>		<u><b>532,025,082</b></u>
<b>Underwriting provisions</b>		
Provision for outstanding claims (including IBNR)		115,991
Provision for unearned premium		2,089,532
Commission income unearned		409,809
		2,615,332
<b>Deferred Liabilities</b>		
Deferred tax		1,463,032
<b>Creditors and Accruals</b>		
Amount due to other insurers / reinsurers		2,959,552
Other creditors and accruals	4	3,376,641
Provision for taxation less payments		1,350,326
		7,686,519
<b>TOTAL LIABILITIES</b>		<u><b>11,764,883</b></u>
<b>CONTINGENCIES AND COMMITMENTS</b>		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u><b>543,789,965</b></u></u>

  
Chairman

  
Director

  
Director

  
Chief Executive Officer

# Balance Sheet

as at 31 December 2014


Annual Report 2014

	Note	December 2014 Rupees
<b>Cash and Bank Deposits</b>	6	
Cash and other equivalents		49,372
Current and other accounts		35,288,507
Deposits maturing within 12 months		100,000,000
		<b>135,337,879</b>
<b>Investments</b>	7	<b>355,227,003</b>
<b>Current Assets</b>		
Premium due but unpaid - considered good		2,102,755
Due from other insurers/reinsurers - considered good		447,485
Accrued investment income	8	18,534,001
Deferred commission expense		443,811
Prepaid reinsurance premium ceded		2,758,591
Prepayments		1,910,573
Sundry receivables	9	1,650,509
		<b>27,847,725</b>
<b>Fixed Assets - Tangible &amp; Intangible Owned</b>	10	
Leasehold improvements		11,674,336
Furniture & fixtures		1,902,549
Office equipment		5,997,718
Computers		649,713
Vehicles		5,105,217
Intangible asset - computer software		47,825
		<b>25,377,358</b>
<b>TOTAL ASSETS</b>		<b>543,789,965</b>

  
Chairman

  
Director

  
Director

  
Chief Executive Officer

# profit and loss account

for the period from 20 December 2013 to 31 December 2014

Annual Report 2014

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO

**SINDH INSURANCE**  
POWER TO THE PEOPLE

Fire and property damage	Marine aviation and transport	Motor	Miscellaneous	Treaty	Total
--------------------------	-------------------------------	-------	---------------	--------	-------

Note ----- Rupees -----

## Revenue Account

Net premium revenue	9,447	1,253	(469,199)	-	-	<b>(458,499)</b>
Net claims	(88,985)	(13,468)	(13,538)	-	-	<b>(115,991)</b>
Management expenses	11 (1,318,331)	(199,582)	(200,964)	-	-	<b>(1,718,877)</b>
Net commission	12,687	(5,602)	(2,715)	-	-	<b>4,370</b>
<b>Underwriting results</b>	<b>(1,385,182)</b>	<b>(217,399)</b>	<b>(686,416)</b>	<b>-</b>	<b>-</b>	<b>(2,288,997)</b>

Investment income	61,317,138
Other income	220,930
	<b>59,249,071</b>

General and administrative expenses	12	(11,450,441)
-------------------------------------	----	--------------

<b>Profit before tax</b>	<b>47,798,630</b>
--------------------------	-------------------

Taxation	13	(15,773,548)
----------	----	--------------

<b>Profit for the period</b>	<b>32,025,082</b>
------------------------------	-------------------

## Profit and loss appropriation:

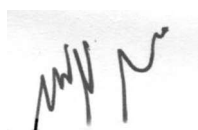
Balance at the beginning of the period	32,025,082
Profit for the year	

Balance unappropriated profit at the end of the period	<b>32,025,082</b>
--	-------------------

<b>Earnings per share - basic and diluted</b>	14	<b>0.64</b>
---	----	-------------

The annexed notes from 1 to 23 form an integral part of these financial statements.

  
Chairman

  
Director

  
Director

  
Chief Executive Officer

# Statement of Comprehensive Income

for the period from 20 December 2013 to 31 December 2014

Annual Report 2014

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO

**SINDH INSURANCE**  
POWER TO THE PEOPLE

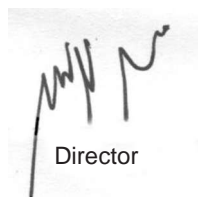
Rupees

Profit for the period	32,025,082
<b>OTHER COMPREHENSIVE INCOME</b>	
Items that will not be reclassified subsequently to profit and loss account	-
Items that may be reclassified subsequently to profit and loss account	-
	-
<b>Total comprehensive income for the period</b>	<b>32,025,082</b>

The annexed notes from 1 to 23 form an integral part of these financial statements.



Chairman



Director



Director



Chief Executive Officer



# Statement of Cash Flows

for the period from 20 December 2013 to 31 December 2014

Annual Report 2014

Rupees

## OPERATING ACTIVITIES

### *a) Underwriting activities*

Premiums received	217,064
Reinsurance premiums paid	(487,825)
Commissions paid	(61,835)
Other underwriting payments	(1,718,877)

Net cash used in underwriting activities	(2,051,473)
--	-------------

### *b) Other operating activities*

Income tax paid	(12,960,189)
Management and administrative expenses paid	(9,259,831)
Others	220,930

Net cash flows used in other operating activities	(21,999,090)
---	--------------

Net cash used in operating activities	<b>(24,050,563)</b>
---------------------------------------	---------------------

## INVESTING ACTIVITIES

Profit / return received on investment	42,842,770
Investment related expenses paid	(7,414)
Payments for investments	(629,489,224)
Proceeds from disposal of investments	274,210,001
Fixed capital expenditure	(26,540,191)
Advance for purchase of vehicle	(1,627,500)

Net cash used in investing activities	<b>(340,611,558)</b>
---------------------------------------	----------------------

## FINANCING ACTIVITIES

Issue of shares	500,000,000
-----------------	-------------

Net cash flow from financing activities	<b>500,000,000</b>
---	--------------------

Net cash flows from all activities	<b>135,337,879</b>
------------------------------------	--------------------

Cash and cash equivalents at the beginning of the year	-
--	---

Cash and cash equivalents at end of the year	<b>135,337,879</b>
--	--------------------

# Statement of Cash Flows

for the period from 20 December 2013 to 31 December 2014

Annual Report 2014

Rupees

## Reconciliation to profit and loss account

Operating cash flows	(24,050,563)
Depreciation on fixed assets	(1,143,326)
Amortization of intangibles	(19,507)
Provision for Workers Welfare Fund	(977,850)
Investment related expenses	(7,414)
Income tax paid	12,960,189
Increase in assets other than cash	7,686,224
Increase in liabilities	(7,973,675)
Investment income	61,324,552
<b>Profit before taxation</b>	<b>47,798,630</b>

## Definition of cash

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

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

31 December 2014  
 Rupees

## Cash and other equivalents

- Cash in hand	36,586
- Policy stamps in hand	12,786
	49,372

## Current and saving accounts

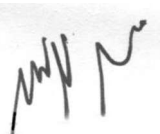
- Current accounts	-
- Savings accounts	35,288,507
	35,288,507

## Deposits maturing within 12 months

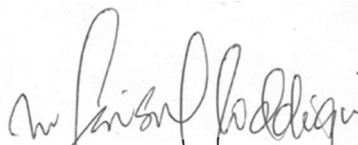
- Term deposit - local currency	100,000,000
	135,337,879

The annexed notes from 1 to 23 form an integral part of these financial statements.

  
 Chairman

  
 Director

  
 Director

  
 Chief Executive Officer

# Statement of changes in equity

for the period from 20 December 2013 to 31 December 2014

Annual Report 2014


	Issued, subscribed and paid up share capital	Retained earning	Total shareholders' equity
	----- Rupees -----		
<b>Transactions with owners</b>			
Issuance of ordinary shares during the period	500,000,000	-	<b>500,000,000</b>
<b>Total comprehensive income</b>			
Profit for the period	-	32,025,082	<b>32,025,082</b>
Other comprehensive income	-	-	-
	-	32,025,082	<b>32,025,082</b>
<b>Balance as at 31 December 2014</b>	<b>500,000,000</b>	<b>32,025,082</b>	<b>532,025,082</b>

The annexed notes from 1 to 23 form an integral part of these financial statements.

  
Chairman

  
Director

  
Director

  
Chief Executive Officer

# Statement of Premiums

for the period from 20 December 2013 to 31 December 2014

Annual Report 2014

## Business underwritten inside Pakistan

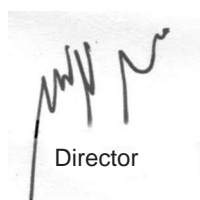
Class	Premium written	Unearned Premium reserve		Premium earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expenses	Net premium
		Opening	Closing			Opening	Closing		
----- Rupees -----									
Direct and facultative									
Fire and property damage	1,779,697	-	1,636,421	143,276	1,684,182	-	1,550,353	133,829	9,447
Marine, aviation and transport	269,359	-	213,482	55,877	262,195	-	207,571	54,624	1,253
Motor	270,763	-	239,629	31,134	1,501,000	-	1,000,667	500,333	(469,199)
Miscellaneous	-	-	-	-	-	-	-	-	-
Sub-total	2,319,819	-	2,089,532	230,287	3,447,377	-	2,758,591	688,786	(458,499)
Treaty									
Proportional	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	-
Grand total	2,319,819	-	2,089,532	230,287	3,447,377	-	2,758,591	688,786	(458,499)

Note: The company does not underwrite business outside Pakistan.

The annexed notes from 1 to 23 form an integral part of these financial statements.



Chairman



Director



Director



Chief Executive Officer

# Statement of Claims

for the period from 20 December 2013 to 31 December 2014

Annual Report 2014

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO

**SINDH INSURANCE**  
POWER TO THE PEOPLE

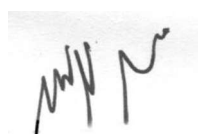
## Business underwritten inside Pakistan

Class	Total Claims paid	Outstanding claims		Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense
		Opening	Closing			Opening	Closing		
----- Rupees -----									
Direct and Facultative									
Fire and property damage	-	-	88,985	88,985	-	-	-	-	88,985
Marine, aviation and transport	-	-	13,468	13,468	-	-	-	-	13,468
Motor	-	-	13,538	13,538	-	-	-	-	13,538
Miscellaneous	-	-	-	-	-	-	-	-	-
Sub total	-	-	115,991	115,991	-	-	-	-	115,991
Treaty									
Proportional	-	-	-	-	-	-	-	-	-
Sub total	-	-	-	-	-	-	-	-	-
Grand total	-	-	115,991	115,991	-	-	-	-	115,991

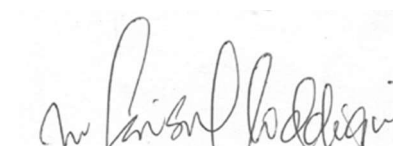
Note: The company does not underwrite business outside Pakistan.

The annexed notes from 1 to 23 form an integral part of these financial statements.

  
Chairman

  
Director

  
Director

  
Chief Executive Officer

# Statement of Expenses

for the period from 20 December 2013 to 31 December 2014

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO



## Annual Report 2014

Business underwritten inside Pakistan

Class	Commission Paid or Payable	Deferred Commission		Net Commission expense	Other management expense	Underwriting expense	Commission from reinsurance	Net underwriting expense
		Opening	Closing					
----- Rupees -----								
Direct and facultative								
Fire and property damage	408,219	-	387,327	20,892	1,318,331	1,339,223	33,579	1,305,644
Marine, aviation and transport	46,745	-	37,046	9,699	199,582	209,281	4,097	205,184
Motor	22,153	-	19,438	2,715	200,964	203,679	-	203,679
Miscellaneous	-	-	-	-	-	-	-	-
Sub-total	477,117	-	443,811	33,306	1,718,877	1,752,183	37,676	1,714,507
Treaty								
Proportional	-	-	-	-	-	-	-	-
Sub total	-	-	-	-	-	-	-	-
Grand total	477,117	-	443,811	33,306	1,718,877	1,752,183	37,676	1,714,507

Note: The company does not underwrite business outside Pakistan.

The annexed notes from 1 to 23 form an integral part of these financial statements.

Chairman

Director

Director

Chief Executive Officer

# Statement of Investment Income

for the period from 20 December 2013 to 31 December 2014

Annual Report 2014

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO

**SINDH INSURANCE**  
POWER TO THE PEOPLE

Rupees

## Income from non-trading investments

### Held-to-maturity

Return on Government Securities	4,158,109
Return on other fixed income securities and deposits	43,283,953
	<hr/> 47,442,062

### Available-for-sale

Return on Government Securities	3,592,330
Gain on sale of available-for-sale investments	10,290,160
	<hr/> 13,882,490
	<hr/> 61,324,552


Investment related expenses	(7,414)
-----------------------------	---------

<b>Net investment income</b>	<b>61,317,138</b>
------------------------------	-------------------

The annexed notes from 1 to 23 form an integral part of these financial statements.




Chairman



Director



Director



Chief Executive Officer

## 1. THE COMPANY AND ITS OPERATIONS

Sindh Insurance Limited (the Company) was incorporated under the Companies Ordinance, 1984, as a Public Limited Company on 20 December 2013 and obtained the certificate of commencement of business on 22 September 2014. All shares of the Company are held by Government of Sindh. The Company is engaged in the non-life insurance business comprising of fire, marine, motor, aviation, engineering, transportation etc. The registered office and principal place of business of the Company is situated at 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi. The Company operates only in Pakistan.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied during the year unless otherwise stated.

### 2.1 BASIS OF PREPARATION

#### a) Statement of compliance

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

The SECP has 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 have not been considered in the preparation of these financial statements. The effect of such departure from the requirement of IAS - 39 is disclosed in Note 7.3.

#### b) Basis of presentation

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

These financial statements have been prepared for the period from 20 December 2013 to 31 December 2014 under the approval from Securities and Exchange Commission of Pakistan vide its letter dated 03 March 2015.

#### c) Accounting convention

These financial statements have been prepared under the historical cost convention except certain investments which are stated at lower of cost and market value. Accrual basis of accounting has been used except for cash flow information.

#### d) Functional and Presentation Currency

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

#### e) Critical accounting estimates and judgements

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



# Notes to the Financial Statements

for the period from 20 December 2013 to 31 December 2014

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO



## Annual Report 2014

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these financial statements or judgment was exercised in application of accounting policies, are as follows:

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

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.

**ii) Provision for taxation**

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

**iii) Provision for doubtful receivables**

The receivable balances are reviewed against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

**iv) Useful lives, patterns of economic benefits and impairments - Fixed assets and intangibles**

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item with a corresponding effect on the depreciation charge and impairment.

**v) Classification of investments**

The Company classifies its investments into "available-for-sale" and "held-to-maturity" categories. The classification is determined by management at initial recognition and depends on the purpose for which the investments are acquired.

Revisions to accounting estimates are recognized in the year in which estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

**f) Standards, interpretations and amendments to published approved standards that are effective in current year and are relevant to the Company**

The following standards, amendments and interpretations became effective for the year ended 31 December 2014.

IAS 32 – Financial Instruments: Presentation - (Amendment)  
– Offsetting Financial Assets and Financial Liabilities

IAS 36 – Impairment of Assets - (Amendment)  
– Recoverable Amount Disclosures for Non-Financial Assets

IAS 39 – Financial Instruments: Recognition and Measurement - (Amendment)  
– Novation of Derivatives and Continuation of Hedge Accounting

IFRIC 21 – Levies

These standards, interpretations and the amendments are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

**g) Standards, interpretations and amendments to published approved accounting standards that are effective in current year but not relevant to the Company**

There are other new standards, interpretations and amendments to the published approved accounting standards that are mandatory for accounting periods beginning on or after 01 January 2014 but are considered not to be relevant or do not have any significant impact on these financial statements and are therefore not detailed in these financial statements.

# Notes to the Financial Statements

for the period from 20 December 2013 to 31 December 2014

Annual Report 2014

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO



## h) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Company

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

Standard or Interpretation	Effective date (annual periods beginning)
IFRS 12 - Disclosure of Interests in Other Entities	1 January 2015
IFRS 13 - Fair Value Measurement	1 January 2015
IAS 1 - Presentation of Financial Statements - (Amendment) - Disclosure Initiative	1 January 2016
IAS 16 & 38 - Property, Plant and Equipment & intangible assets - (Amendment) - Clarification of Acceptable Method of Depreciation and	1 January 2016
IAS 19 - Employee Benefits - (Amendment) - Defined Benefit Plans: Employee Contributions	01 July 2014

The above standards and amendments are not expected to have any material 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:

Standard or Interpretation	IASB Effective date (annual periods beginning on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	01 January 2013
IFRS 14 - Regulatory Deferral Accounts	01 January 2016
IFRS 15 - Revenue from Contracts with Customers	01 January 2017

In November 2012, the SECP vide its notifications SRO No. 1383 / 2012 and SRO No. 1384 / 2012 published revised draft of insurance accounting regulations and draft amendments in SEC (Insurance) Rules, 2002 respectively. These regulations and amendments are not yet effective.

## i) Standards, interpretations and amendments to published approved accounting standards that are not effective in current year and not considered relevant to the Company

There are other accounting standards, amendments to published approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 01 January 2015 but are considered not to be relevant or do not have any significant impact on these financial statements and are therefore not detailed in these financial statements.

## 2.2 Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the 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 life time, even if the insurance risk reduces significantly during this period, unless all rights and liabilities are extinguished or expired.

Insurance contracts issued by the Company are generally classified in four basic categories i.e. Fire and property, Marine, aviation and transport, Motor and Miscellaneous and are issued to multiple types of clients with business in engineering, automobiles, cement, power, textile, paper, agriculture, services and trading sectors etc. and individuals as well. The tenure of these insurance contracts depends upon terms of the policies written and vary accordingly.

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- Fire and property insurance contracts generally cover the assets of the policy holders against damages by fire, earthquake, riots and strike, explosion, atmospheric disturbance, flood, electric fluctuation and impact, burglary, loss of profit followed by the incident of fire, contractor's all risk, erection all risk, machinery breakdown and boiler damage etc.
- Marine aviation and transport insurance contracts generally provide cover for loss or damage to cargo while in transit to and from foreign land and inland transit due to various insured perils including loss of or damage to carrying vessel etc.
- Motor insurance contracts provide indemnity for accidental damage to or loss of insured vehicle including loss of or damage to third party and other comprehensive car coverage.
- Miscellaneous insurance contracts provide variety of coverage including cover against burglary, loss of cash in safe, cash in transit and cash on counter, fidelity guarantee, personal accident, workmen compensation, travel and crop etc.

In addition to direct insurance, the Company also participates in risks under co-insurance contracts from other companies and also accepts risks through re-insurance inward by way of facultative acceptance on case to case basis provided such risks are within the underwriting policies of the Company. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

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

### 2.2.1 Premium

Premium received / receivable under a policy is recognized as written from the date of attachment of the policy to which it relates. Premium income under a policy is recognized over the period of insurance from inception to expiry as follows:

- (a) For direct business, evenly over the period of the policy;
- (b) For proportional reinsurance business, evenly over the period of underlying insurance policies; and
- (c) For non-proportional reinsurance business, in accordance with the pattern of the reinsurance service.

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.

Administrative surcharge is recognized as premium at the time the policies are written.

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage and is recognized as a liability by the Company. This liability is calculated by applying the twenty-fourths method as specified in the SEC (Insurance) Rules, 2002, as most of the policies are issued for a period of one year. The remaining policies issued for other than one year, the liability is calculated on prorata basis as to the unexpired period.

Receivables under insurance contracts are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. Provision for impairment on premium receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to original terms of receivable. Receivables are also analyzed as per their ageing and accordingly provision is maintained on a systematic basis.

### 2.2.2 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.

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

Reinsurance assets or liabilities are derecognized when the contractual rights or obligations are extinguished or expired.

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

The portion of reinsurance premium not recognized as an expense is shown as a prepayment.

Commission income from reinsurers is recognized at the time of issuance of the underlying insurance policy by the Company. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission, if any, which the Company may be entitled to under the terms of reinsurance, is recognized on accrual basis.

### 2.2.3 Provision for outstanding claims including IBNR

The Company recognizes liability in respect of all claims incurred up to the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in the insurance contract. The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR), expected claims settlement costs, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Provisions for IBNR are based on the best estimate which takes into account the past trend, expected future patterns of reporting claims and the claims actually incurred subsequent to the balance sheet date.

The Company accounts for IBNR based on an analysis of past claims reporting pattern by tracking movement in claims incurred in an accounting period.

### 2.2.4 Reinsurance recoveries against outstanding claims

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

### 2.2.5 Commission expense and other acquisition costs

Commission expense incurred in obtaining and recording policies is deferred and recognized as an expense in accordance with pattern of recognition of premium revenue.

Other acquisition costs are charged to profit and loss account at the time the policies are accepted.

### 2.2.6 Premium deficiency reserve

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

### 2.3 Staff retirement benefits

The Company operates an contributory provident fund scheme for all its eligible employees. Equal monthly contributions to the fund are made by the Company and the employees at the rate of 10% of basic salary.

### 2.4 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 for the goods and / or services received, whether or not billed to the Company.

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

## 2.5 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash and bank deposits and excludes bank balances held under lien.

## 2.6 Investments

All investments are initially recognized at cost being the fair value of the consideration given and include any transaction costs. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investment.

These investments are classified as 'held-to-maturity' and 'available-for-sale'.

### Held-to-maturity

Investments with fixed maturity, where management has both the intent and 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' investments is deferred and amortized over the term of investment using the effective yield.

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

### Available-for-sale

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

Subsequent to initial recognition at cost, these are stated at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002. The Company uses stock exchange quotations at the reporting date to determine the market value of its quoted investments. The Company uses appropriate valuation techniques to estimate the fair value of unquoted investments in unlisted securities. If such estimated fair value is lesser than the cost, the Company recognizes the impairment adjustments.

In case of fixed income securities redeemable at a given date where the cost is different from the redemption value, such difference is amortized uniformly over the period between the acquisition date and the date of maturity in determining 'cost' at which these investments are stated as per the requirements of the SEC (Insurance) Rules, 2002.

## 2.7 Taxation

### 2.7.1 Current

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

### 2.7.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to statement of comprehensive income in which case it is included in statement of comprehensive income.

## 2.8 Fixed assets

### 2.8.1 Tangible

Owned fixed assets are stated at cost, signifying historical cost, less accumulated depreciation and any provision for accumulated impairment. Cost of an item of fixed assets consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying asset directly attributable cost of bringing the asset to working condition. Depreciation is charged to income applying the reducing balance method at the rates specified for calculation of depreciation in note 10.1. The useful lives and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit and loss account as and when incurred.

Depreciation on additions is charged from the month the assets are available for use while on disposals, depreciation is charged up to the month in which the assets are disposed off.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the assets disposed off. These are taken to profit and loss account.

### 2.8.2 Intangible

These are stated at cost less accumulated amortization and any provision for accumulated impairment, if any.

Amortization is calculated from the month the assets are available for use using the straight-line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization methods are reviewed, and adjusted if appropriate, at each reporting date.

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

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

## 2.9 Expenses of management

Expenses of management allocated to underwriting business represent directly attributable expenses. Expenses not allocable to the underwriting business are charged as general and administration expenses.

## 2.10 Investment income

### From available-for-sale investments

#### - Return on fixed income securities

Return on fixed income securities is recognized on a time proportion basis.

#### - Dividend

Dividend income is recognized when the Company's right to receive the dividend is established.

#### - Gain / loss on sale of available-for-sale investments

Gain / loss on sale of available-for-sale investments is recognized in profit and loss account in the year of sale.



### 2.11 Foreign currencies

Transactions in foreign currencies are accounted for in Pak Rupees at the rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date. Exchange differences are taken to the profit and loss account currently.

### 2.12 Financial instruments

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

Financial instruments carried on the balance sheet include cash and bank, investments, premium due but unpaid, amounts due from other insurers / reinsurers, accrued investment income, sundry receivables, amounts due to other insurers / reinsurers and other creditors and accruals. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

### 2.13 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the shareholders and other appropriations are recognized in the period in which these are approved by the Board of Directors.

### 2.14 Off setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet when the Company has a legally enforceable right to set-off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### 2.15 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. 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 earnings per share is calculated if there is any potential dilutive effect on the Company's reported net profits.

### 2.16 Impairment

#### Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available-for-sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

#### Non financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

## 2.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the board of directors) who is responsible for allocating resources and assessing performance of the operating segments.

The Company accounts for segment reporting using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002 as the primary reporting format based on the Company's practice of reporting to the management on the same basis.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amount of certain assets used jointly by two or more segments have been allocated.

## 2.18 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.



# Notes to the Financial Statements

for the period from 20 December 2013 to 31 December 2014

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		31 December 2014
		Rupees
<b>3. SHARE CAPITAL</b>		
<b>3.1 Authorized share capital</b>	<b>Note</b>	
Number		
50,000,000 Ordinary shares of Rupees 10 each		500,000,000
<b>3.2 Issued, subscribed and paid up share capital</b>		
50,000,000 Ordinary shares of Rupees 10 each fully paid in cash		500,000,000
<b>3.3</b>	As at 31 December 2014, all the shares are beneficially held by Government of Sindh directly and through nominee directors.	
<b>4. OTHER CREDITORS AND ACCRUALS</b>		
Commission payable		415,282
Federal excise duty payable		265,382
Federal insurance fee payable		17,669
Withholding tax payable		95,152
Provident fund contributions payable	4.1	482,988
Sundry creditors		1,022,318
Audit fee payable		100,000
Provision for Workers Welfare Fund		977,850
		3,376,641
<b>4.1</b>	The company has not so far established seprate provident fund trust.	
<b>5. CONTINGENCIES AND COMMITMENTS</b>		
	There were no contegencies or commitments as at the balance sheet date.	
<b>6. CASH AND BANK DEPOSITS</b>		
<b>Cash and other equivalents</b>		
Cash in hand		36,586
Policy stamps		12,786
		49,372
<b>Current and other accounts</b>		
Current accounts		-
Saving accounts	6.1	35,288,507
		35,288,507
<b>Deposits maturing within 12 months</b>		
Fixed and term deposits	6.2	100,000,000
		135,337,879
<b>6.1</b>	The rate of return on these accounts ranges from 5% to 9.5% per annum.	
<b>6.2</b>	These represent Term Deposit Receipts (TDRs) in local currency carrying interest rates of 10% per annum.	

# Notes to the Financial Statements

for the period from 20 December 2013 to 31 December 2014

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		2014 Rupees
<b>7. INVESTMENTS</b>		
<b>Held-to-maturity</b>		
Government securities	7.1	50,717,456
<b>Available-for-sale</b>		
Government securities	7.2	304,509,547
		<b>355,227,003</b>
<b>7.1 Held-to-maturity</b>		
Pakistan Investment Bonds - cost		50,481,320
Add: Amortization of discount for the period		236,136
		<b>50,717,456</b>
<b>7.2 Available-for-sale</b>		
Pakistan Investment Bonds - cost		304,797,902
Less: Amortization of premium for the period		(288,355)
		<b>304,509,547</b>
<b>7.3</b>	On 31 December 2014, the fair value of available-for-sale securities was Rupees 307,603,500. As per the Company's accounting policy, available-for-sale investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary). However, International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurements' dealing with the recognition and measurement of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as at 31 December 2014 would have been higher by Rupees 3,093,953.	
<b>8. ACCRUED INVESTMENT INCOME</b>		
Term deposit receipts (TDRs)		356,165
Government securities		18,177,836
		<b>18,534,001</b>
<b>9. SUNDRY RECEIVABLES</b>		
<b>Considered good</b>		
Advance for purchase of vehicle	9.1	1,627,500
Other receivables		23,009
		<b>1,650,509</b>
<b>9.1</b>	The order for vehicle was cancelled subsequent to period end and the advance has been received.	
<b>10. FIXED ASSETS - Owned</b>		
Tangible	10.1	25,329,533
Intangible	10.1	47,825
		<b>25,377,358</b>

# Notes to the Financial Statements

for the period from 20 December 2013 to 31 December 2014

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10.1. The following is a statement of operating fixed assets:

Particulars	Tangibles						Intangible		Total
	Leasehold Improvements	Furniture and fixture	Office Equipment	Computers	Vehicles	Total tangible assets	Intangibles	Total Intangible assets	
----- Rupees -----									
Period ended 31 December 2014									
Opening book value	-	-	-	-	-	-	-	-	-
Additions	12,088,075	2,025,271	6,240,661	707,852	5,411,000	26,472,859	67,332	67,332	26,540,191
Disposal / write offs									
Cost	-	-	-	-	-	-	-	-	-
Accumulated depreciation / amortization	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Depreciation / amortization charge for the period	413,739	122,722	242,943	58,139	305,783	1,143,326	19,507	19,507	1,162,833
Closing net book value	11,674,336	1,902,549	5,997,718	649,713	5,105,217	25,329,533	47,825	47,825	25,377,358
As at 31 December 2014									
Cost	12,088,075	2,025,271	6,240,661	707,852	5,411,000	26,472,859	67,332	67,332	26,540,191
Accumulated depreciation / amortization	413,739	122,722	242,943	58,139	305,783	1,143,326	19,507	19,507	1,162,833
	11,674,336	1,902,549	5,997,718	649,713	5,105,217	25,329,533	47,825	47,825	25,377,358
Depreciation/amortization rate (%)	5	10	10	33.33	20		33.33		

# Notes to the Financial Statements

for the period from 20 December 2013 to 31 December 2014

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**For the Period From  
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31 December 2014**

## 11. MANAGEMENT EXPENSES

**Rupees**

Salaries, allowance and benefits	11.1	1,014,945
Rent, rates and taxes		532,800
Travelling and conveyance		130,184
Printing and stationery expenses		11,615
Repair and maintenance		2,865
Security charges		17,589
Service charges		6,486
Miscellaneous expenses		2,393

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**1,718,877**

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**11.1** This includes Company's contribution to the staff provident fund of Rupees 30,076.

## 12. GENERAL AND ADMINISTRATIVE EXPENSES

Salaries, wages, allowance and benefits	12.1	4,416,611
Directors meeting fee		120,000
Rent, rates and taxes		1,283,310
Legal and professional charges		892,551
Auditors' remuneration	12.2	100,000
Depreciation		1,143,326
Amortization of intangibles		19,507
Printing and stationery		256,374
Repair and maintenance		108,296
Travelling, conveyance and entertainment		793,837
Advertising		274,228
Utilities		257,849
Communication		166,286
Office expenses		414,492
Other charges		56,691
Insurance expenses		169,233
Provision for Workers Welfare Fund		977,850

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**11,450,441**

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**12.1** This includes Company's contribution to the staff provident fund of Rupees 211,418.

# Notes to the Financial Statements

for the period from 20 December 2013 to 31 December 2014

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For the Period From  
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Rupees

## 12.2 Auditor's remuneration

Audit fee	100,000
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## 13. TAXATION

Current	13.1	14,310,516
Deferred	13.2	1,463,032
		15,773,548

## 13.1 Relationship between tax expense and accounting profit

The relationship between tax expense and accounting profit is as follows:

Accounting profit before tax	47,798,630
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Tax @ 33%	15,773,548
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Effect of taxable temporary differences on account of:

- tax depreciation allowance	(1,785,723)
- provision for Workers Welfare Fund	322,691
	14,310,516

## 13.2 Deffered tax effect due to temporary difference of:

- tax depreciation allowance	1,785,723
- provision for Workers Welfare Fund	(322,691)
	1,463,032

## 14. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share which is based on:

Net profit after tax for the period - Rupees	32,025,082
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Weighted average number of ordinary shares - Number	50,000,000
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Basic earnings per share - Rupees	0.64
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# Notes to the Financial Statements

for the period from 20 December 2013 to 31 December 2014

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IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO



## 15. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE OFFICER AND EXECUTIVES

	Chief Executive Officer	Directors	Executives	Total
	Rupees			
Fee	-	120,000	-	120,000
Basic pay	1,887,877	-	762,169	2,650,046
House rent allowance	849,550	-	342,976	1,192,526
Utilities	188,787	-	76,218	265,005
Medical allowance	188,787	-	76,216	265,003
Others perquisites	566,945	-	174,052	740,997
	<b>3,681,946</b>	<b>120,000</b>	<b>1,431,631</b>	<b>5,233,577</b>
Number of Persons	1	2	3	

## 16. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated companies, entities under common control, entities with common Directors, major shareholders and key management personnel of the Company. Transactions with related parties are carried out at arm's length prices determined under "Comparable uncontrolled price method". Transactions and balances with related parties have been disclosed in relevant notes to the financial statements. Other transactions and balances not elsewhere disclosed are summarized as follows:

	Balance as on 31 December 2014	Transactions for the period 31 December 2014
<b>Companies having common directorship:</b>		
<b>Sindh Bank Limited (SBL)</b>		
Investment in Term Deposit	100,000,000	
Bank balances	35,288,507	
Purchase of Pakistan Investment Bond (PIB) from SBL		652,000,000
Sale of Pakistan Investment Bond (PIB) to SBL		274,000,000
Income on term deposit receipts		36,958,904
Income on saving accounts		6,325,049
<b>Others</b>		
Payable to Sindh Leasing Company Limited	(69,072)	
Payment made to Sindh Leasing Company Limited against expenses paid on behalf of the Company		1,689,574
Income received for sharing of generator		218,430

## 17. NUMBER OF EMPLOYEES

Number of employees at the end of the period	<b>15</b>
Average number of employees during the period	<b>6</b>

## 18. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest / mark-up rate risk, price risk and currency risk). The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below. The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing the Company's risk management policies.

The individual risk wise analysis is given below:

### 18.1 Credit risk and concentration of credit risk

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counterparties in various sectors and by continually assessing the credit worthiness of counterparties.

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result any change in economic, political or other conditions would affect their ability to meet contractual obligations in similar manner. The Company's credit risk exposure is not significantly different from that reflected in these financial statements. The management monitors and limits the Company's exposure and makes conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sectors.

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

	31 December 2014 Rupees
Bank deposits	135,337,879
Investments	355,227,003
Premiums due but unpaid	2,102,755
Amounts due from other insurers / reinsurers	447,485
Accrued investment income	18,534,001
Sundry receivables	1,650,509
	<b>513,299,632</b>

Provision for impairment is made for doubtful receivables according to the Company's policy. The impairment provision is written off when the Company expects that it cannot recover the balance due. During the period, receivables of Rupees Nil were further impaired and provided for.

The age analysis of receivables from other than related parties is as follows:

Upto 3 months	2,102,755
More than 3 months	-
	<b>2,102,755</b>

The age analysis of receivables from related parties is as follows:

Upto 3 months	-
More than 3 months	-
	<b>-</b>

# Notes to the Financial Statements

for the period from 20 December 2013 to 31 December 2014

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IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO



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

	Rating		Rating Agency	31 December 2014 Rupees
	Short term	Long term		
<b>Saving accounts</b>				
Sindh Bank Limited	AA	A-1+	JCR-VIS	35,288,507
<b>Term deposit certificates</b>				
Sindh Bank Limited	AA	A-1+	JCR-VIS	100,000,000
				<b>135,288,507</b>

The credit quality of amount due from other insurers can be assessed with reference to external credit rating as follows:

	Amount due from other insurers / reinsurers Rupees
A or above	447,485
BBB	-
Others	-
Total	<b>447,485</b>

## 18.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of adequate funds through committed credit facilities. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management follows an effective cash management program to mitigate the liquidity risk.

The following are the contractual maturities of financial liabilities, including estimated interest payments on an undiscounted cash flow basis:

	As at 31 December 2014			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
<b>Financial liabilities</b>				
Provision for outstanding claims	115,991	115,991	115,991	-
Amount due to insurers / reinsurers	2,959,552	2,959,552	2,959,552	-
Other creditors and accruals	1,537,600	1,537,600	1,537,600	-
	<b>4,613,143</b>	<b>4,613,143</b>	<b>4,613,143</b>	<b>-</b>

## 18.3 Market risk

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The market risks associated with the Company's business activities are interest / mark-up rate risk, price risk and currency risk.

### a) Interest / mark-up rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark-up rate risk arises from mismatching of financial assets and liabilities that mature or repaid in a given period. The Company manages this mismatchment through risk management strategies where significant changes in gap position can be adjusted. At the reporting date the interest / mark-up rate profile of the Company's significant interest / mark-up bearing financial instruments was as follows:



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As at 31 December 2014		
	Effective interest rate (in %age)	Rupees
<b>Fixed rate financial instruments</b>		
<b>Financial assets</b>		
Investments-PIBs	11.25% to 11.50%	355,227,003
Bank deposits	9.50%	35,288,507
Term deposit receipts	10.00%	100,000,000
<b>Floating rate financial instruments</b>		
<b>Financial assets</b>		
		-
<b>Financial liabilities</b>		
		-
<b>Sensitivity analysis</b>		

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not affect fair value of any financial instrument. Since there are no floating rate financial instruments, therefore, sensitivity analysis cannot be produced.

## b) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark-up rate risk or currency risk), whether those changes are caused by factor specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. The Company is not exposed to price risk as the Company has no equity investments.

## c) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not exposed to foreign currency risk as the Company has no financial assets and financial liabilities in foreign currencies.

## 18.4 Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims and similar procedures are put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. Reinsurance policies are written with approved reinsurers on either a proportionate basis or non-proportionate basis. The reinsurers are carefully selected and approved and are dispersed over several geographical regions.

# Notes to the Financial Statements

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

The Company principally issues the general insurance contracts e.g. marine and aviation, property, motor and general accidents. Risks under non-life insurance policies usually cover twelve month or lesser duration. For general insurance contracts the most significant risks arise from accidental fire, atmospheric disaster and terrorist activities. Insurance contracts at times also cover risk for single incidents that expose the Company to multiple insurance risks.

## a) Geographical concentration of insurance risk

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

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated primarily with the commercial / industrial occupation of the insured. Details regarding the fire separation / segregation with respect to the manufacturing processes, storage, utilities, etc. are extracted from the layout plan of the insured facility. Such details are formed part of the reports which are made available to the underwriters / reinsurers for their evaluation. Reference is made to the standard construction specifications laid down by Insurance Association of Pakistan (IAP). For fire and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. For earthquake risk, a complete city is classified as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

A risk management solution is implemented to help assess and plan for risk in catastrophic scenarios. It provides a way to better visualize the risk exposure of the Company and to determines the appropriate amount of Reinsurance coverage to protect the business portfolio.

## b) Reinsurance arrangements

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

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

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

Class	Gross sum insured	Reinsurance	Net exposure of risk
	----- Rupees -----		
Fire and property damage	292,587,000	282,587,000	10,000,000
Marine, aviation and transport	174,796,561	174,796,561	-
Motor	10,166,850	4,166,850	6,000,000
Miscellaneous	-	-	-
	<u>477,550,411</u>	<u>461,550,411</u>	<u>16,000,000</u>

## c) Uncertainty in the estimation of future claims payment

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

# Notes to the Financial Statements

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An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims.

There are several variable factors which affect the amount and timing of recognized claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognized amount. Since this is the first year of operations, the provision for IBNR is based on management best estimate; hence, actual amount of IBNR may differ from the amount estimated.

## d) Key assumptions

The principal assumption underlying the liability estimation of IBNR is that the Company's future claim development will follow similar market pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc. The internal factors such as portfolio mix, policy conditions and claim handling procedures are further used in this regard.

## e) Sensitivity analysis

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

	Pre-tax loss	Shareholders' equity
	31 December 2014	
	Rupees	Rupees
<b>10% increase in loss</b>		
Fire and property damage	8,898	<b>8,898</b>
Marine, aviation and transport	1,347	<b>1,347</b>
Motor	1,354	<b>1,354</b>
Miscellaneous	-	-
	<b>11,599</b>	<b>11,599</b>
<b>10% decrease in loss</b>		
Fire and property damage	(8,898)	<b>(8,898)</b>
Marine, aviation and transport	(1,347)	<b>(1,347)</b>
Motor	(1,354)	<b>(1,354)</b>
Miscellaneous	-	-
	<b>(11,599)</b>	<b>(11,599)</b>

## f) Claim development

Since this is the first accounting period of the Company's operations, the claims development table cannot be produced.

## 19. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying values of all financial assets and liabilities reflected in these financial statements approximate to their fair values except for available-for-sale investments which are stated at lower of cost and market value in accordance with the requirements of the SEC (Insurance) Rules, 2002. The carrying and fair value of these investments have been disclosed in note 7 to the financial statements. Since the financial assets are not stated at exact fair values, therefore, analysis under following groups from level 1 to level 3 based on the degree to which fair value is observable is not produced:

- Level 1: Quoted Market prices
- Level 2: Valuation techniques (market observable)
- Level 3: Valuation techniques (non market observable)

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values.

# Notes to the Financial Statements

for the period from 20 December 2013 to 31 December 2014

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**SINDH INSURANCE**  
POWER TO THE PEOPLE

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### 20. FINANCIAL INSTRUMENT BY CATEGORIES As at 31 December 2014

	Loans receivables	Held-to-maturity	Available-for- sale	Total
	Rupees			
<b>Financial assets</b>				
Cash and other equivalents	49,372	-	-	49,372
Current and other accounts	35,288,507	-	-	35,288,507
Deposits maturing within 12 months	100,000,000	-	-	100,000,000
Investments	-	50,717,456	304,509,547	355,227,003
Premiums due but unpaid	2,102,755	-	-	2,102,755
Amounts due from other insurers / reinsures	447,485	-	-	447,485
Accrued investment income	18,534,001	-	-	18,534,001
Sundry receivables	1,650,509	-	-	1,650,509
	<b>158,072,629</b>	<b>50,717,456</b>	<b>304,509,547</b>	<b>513,299,632</b>

### As at 31 December 2014

#### Financial liabilities

	At amortized cost
	Rupees
Provision for outstanding claims (including IBNR)	115,991
Amount due to other insurers / reinsures	2,959,552
Other creditors and accruals	1,537,600
	<b>4,613,143</b>

### 21. CAPITAL RISK MANAGEMENT

The Company's goals and objectives when managing capital are:

- to be an appropriately capitalised institution in compliance with the paid-up capital requirement set by the SECP. Minimum paid-up capital requirement for non-life insurers is Rupees 300 million. The Company's current paid-up capital is well in excess of the limit prescribed by the SECP;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders;
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk;
- to maintain strong ratings and to protect the Company against unexpected events/ losses; and
- to ensure a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

### 22. DATE OF AUTHORIZATION FOR ISSUE

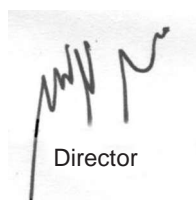
These financial statements were approved and authorized for issue on March 18, 2015 by the Board of Directors of the Company.

### 23. GENERAL

- This is the first reporting period since incorporation of the Company, therefore, no corresponding figures have been reported.
- Figures have been rounded to the nearest Rupee.



Chairman



Director



Director



Chief Executive Officer

**PATTERN OF SHAREHOLDINGS**  
 HELD BY THE SHAREHOLDERS OF  
 SINDH INSURANCE LIMITED  
 AS AT DECEMBER 31, 2014

Number of Shareholders	Shareholding		Shares Held	Percentage
	From	To		
1	1	49,999,995	49,999,995	99.999990
5	49,999,996	50,000,000	5	0.000010
6			50,000,000	100.0000

Categories of Shareholders	Shareholders	Shares Held	Percentage
Associated Company	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful Companies and Modarabas	-	-	-
Mutual Funds	-	-	-
Other Companies	-	-	-
<b>Shareholding Above 5%</b>			
Governamet of Sindh	1	49,999,995	99.999990
<b>CEO, Directors, their Spouses and Minor Childrens</b>			
Muhammad Bilal Sheikh	1	1	0.000002
Mohammad Sohail Khan Rajput	1	1	0.000002
Syed Shahnwaz Nadir Shah	1	1	0.000002
Muhammad Naimuddin Farooqui	1	1	0.000002
Shamsuddin Khan	1	1	0.000002
Individuals	-	-	-
<b>Total</b>	<b>6</b>	<b>50,000,000</b>	<b>100.000000</b>

## FORM OF PROXY

### FIRST ANNUAL GENERAL MEETING

I/We \_\_\_\_\_

of \_\_\_\_\_

in the district of \_\_\_\_\_

being a member of Sindh Insurance Limited, hereby appoint: \_\_\_\_\_

\_\_\_\_\_ of \_\_\_\_\_

another member of the company, as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the First Annual General Meeting to be held on Tuesday, April 28th, 2015 at 10:00 am at 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2015

WITNESS:

Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

CNIC No. \_\_\_\_\_

Passport No. \_\_\_\_\_

**Please affix  
Rupees Five  
Revenue  
Stamp**

Witness:

Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

CNIC No. \_\_\_\_\_

Passport No. \_\_\_\_\_

Signature of Member \_\_\_\_\_

Important: This instrument appointing a proxy, duly completed, must be received to Company Secretary at Company's Registered Office, 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi, not later than 48 hours before the time of holding the meeting.