



Building a better
working world

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:

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

of Asia Care Health and Life Insurance Company Limited (the Company) as at 31 December 2014 together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Company's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the 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 except for the changes as stated in note 4.1, with which we concur;

EY

-: 2 :-

- (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, comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- (d) the apportionment of assets, liabilities, revenue and expenses between two or more funds has been performed in accordance with the advice of the appointed actuary; and
- (e) No Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).



Chartered Accountants

Audit Engagement Partner: Arslan Khalid

Date: 28 February 2015

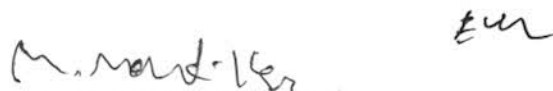
Karachi

ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED
BALANCE SHEET
AS AT DECEMBER 31, 2014


	Note	Shareholders' fund	Statutory fund Accident and health	Aggregate 2014	Aggregate 2013
------(Rupees in '000)-----					
Share capital and reserves					
Authorized share capital 80,000,000 ordinary shares of Rs. 10 each		800,000	-	800,000	800,000
Issued, subscribed and paid up share capital 50,000,000 ordinary shares of Rs. 10 each	6	500,000	-	500,000	500,000
Accumulated deficit		(194,912)	-	(194,912)	(199,471)
Net shareholders' equity		305,088	-	305,088	300,529
Balance of statutory fund (including policyholders' liabilities Rs. 126.687 million (December 31, 2013: 114.817 million))	8	-	229,239	229,239	270,229
Deferred liabilities					
Staff retirement benefits	9	21,770	-	21,770	17,004
Creditors and accruals					
Outstanding claims		-	65,560	65,560	131,280
Premium received in advance		-	3,269	3,269	2,652
Amount due to other insurers / reinsurers		-	1,231	1,231	1,108
Amounts due to agents		-	7,879	7,879	5,102
Accrued expenses	10	2,423	-	2,423	2,071
Other creditors	11	1,074	-	1,074	1,074
		3,497	77,939	81,436	143,287
Other liabilities		543	236	779	534
TOTAL LIABILITIES		25,810	307,414	333,224	431,054
CONTINGENCIES AND COMMITMENTS	12				
TOTAL EQUITY AND LIABILITIES		330,898	307,414	638,312	731,583

The annexed notes from 1 to 25 form an integral part of these financial statements.


CHAIRMAN


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED
BALANCE SHEET
AS AT DECEMBER 31, 2014

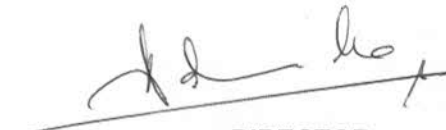
	Note	Shareholders' fund	Statutory fund Accident and health	Aggregate 2014	Aggregate 2013
------(Rupees in '000)-----					
Cash and bank deposits	13				
Cash and others		-	28	28	26
Current and other accounts		69,420	18,631	88,051	109,638
		69,420	18,659	88,079	109,664
Investments	14				
Government securities		135,922	43,666	179,588	275,361
Listed securities		29,677	-	29,677	25,358
Open end mutual funds		60,924	125,612	186,536	159,372
		226,523	169,278	395,801	460,091
Other assets					
Premiums due but unpaid	15	-	106,496	106,496	122,029
Amounts due from other insurers / reinsurers		-	87	87	994
Sundry receivables		1,570	3,000	4,570	-
Investment income accrued		2,661	-	2,661	-
Advances and deposits	16	2,310	9,894	12,204	9,732
Prepayments		1,438	-	1,438	1,870
Taxation - payments less provision		18,110	-	18,110	15,143
		26,089	119,477	145,566	149,768
Fixed assets					
Tangible assets					
Furniture, fixture and office equipment	17.1	5,785	-	5,785	8,121
Intangible assets					
Computer software	17.2	2,681	-	2,681	3,539
Software under development		400	-	400	400
		8,866	-	8,866	12,060
TOTAL ASSETS		<u>330,898</u>	<u>307,414</u>	<u>638,312</u>	<u>731,583</u>

The annexed notes from 1 to 25 form an integral part of these financial statements.


CHAIRMAN


CHIEF EXECUTIVE


DIRECTOR

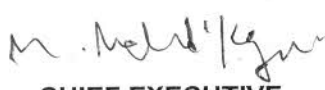

DIRECTOR

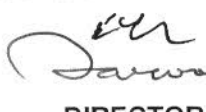
ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2014

	Note	2014	2013
		------(Rupees in '000)-----	
Investment income not attributable to statutory funds			
Income from trading investments			
Dividend income		927	10,973
Gain on sale of investments		2,983	39,805
		3,910	50,778
Income from non - trading investments			
Return on Government securities		12,642	10,169
Return on other fixed income securities and deposits		4,156	3,555
		16,798	13,724
Gain on revaluation of trading investments			
Listed equities		7,022	8,521
Open end mutual funds		4,746	443
		11,768	8,964
Investment income		32,476	73,466
Less: Investment related expenses		7	185
Net Investment income		32,469	73,281
Less: Expenses not attributable to statutory funds	18	18,373	16,892
Loss on disposal of assets		2	151
Profit before tax		14,094	56,540
Tax expense	19	(252)	(1,097)
Profit after tax		13,842	55,443
Earnings per share - basic and diluted (rupees)	21	0.28	1.11

The annexed notes from 1 to 25 form an integral part of these financial


CHAIRMAN


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	2013
	------(Rupees in '000)-----	
Profit after tax	13,842	55,443
Other comprehensive income for the year		
Items not to be reclassified to profit and loss account in subsequent periods		
Actuarial gain / (loss) on defined benefit plan	1,817	(263)
Total comprehensive income for the year	15,659	55,180

The annexed notes from 1 to 25 form an integral part of these financial statements.


CHAIRMAN


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014

	Issued, subscribed and paid-up capital	Accumulated surplus	Capital contribution to statutory fund	Net accumulated deficit	Total
	----- (Rupees in "000) -----				
Balance as at January 1, 2013	500,000	204,661	391,912	(187,251)	312,749
Total comprehensive income for the year ended December 31, 2013					
Profit after tax	-	55,443	-	55,443	55,443
Other comprehensive income	-	(263)	-	(263)	(263)
	-	55,180	-	55,180	55,180
Capital contributed during the year	-	-	67,400	(67,400)	(67,400)
Balance as at December 31, 2013	<u>500,000</u>	<u>259,841</u>	<u>459,312</u>	<u>(199,471)</u>	<u>300,529</u>
Total comprehensive income for the year ended December 31, 2014					
Profit after tax	-	13,842	-	13,842	13,842
Other comprehensive income	-	1,817	-	1,817	1,817
	-	15,659	-	15,659	15,659
Capital contributed during the year	-	-	11,100	(11,100)	(11,100)
Balance as at December 31, 2014	<u>500,000</u>	<u>275,500</u>	<u>470,412</u>	<u>(194,912)</u>	<u>305,088</u>

The annexed notes from 1 to 25 form an integral part of these financial statements.


CHAIRMAN


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Shareholders' fund	Statutory fund Accident and health	Aggregate 2014	Aggregate 2013
-----Rs in "000"-----				
Operating cash flows				
a) Underwriting activities				
Premiums received	-	358,752	358,752	754,276
Reinsurance premiums paid	-	(1,316)	(1,316)	(1,485)
Claims paid	-	(336,268)	(336,268)	(626,880)
Commission paid	-	(15,160)	(15,160)	(29,288)
Net cash flow from underwriting activities	-	6,008	6,008	96,623
b) Operating activities				
Income tax paid	(3,218)	-	(3,218)	(4,677)
General management expenses paid	(5,812)	(128,062)	(133,874)	(138,242)
Other operating payments	(1,591)	(5,144)	(6,735)	(6,479)
Other operating receipts	1,604	2,904	4,508	336
Net cash flow from other operating activities	(9,017)	(130,302)	(139,319)	(149,062)
Total cash flow from all operating activities	(9,017)	(124,294)	(133,311)	(52,439)
Investment activities				
Profit/return received	12,567	10,840	23,407	79,599
Dividends received	927	-	927	11,510
Payments for investments	(386,902)	(241,449)	(628,351)	(1,015,060)
Proceeds from disposal of investments	408,810	308,943	717,753	1,049,256
Fixed capital expenditure	(2,040)	-	(2,040)	(5,287)
Proceeds from disposal of assets	30	-	30	185
Total cash flow from investing activities	33,392	78,334	111,726	120,203
Financing activities				
Capital payments received by statutory fund	(11,100)	11,100	-	-
Payments on finance leases	-	-	-	(296)
Total cash flow from financing activities	(11,100)	11,100	-	(296)
Net cash flow from all activities	13,275	(34,860)	(21,585)	67,468
Cash at beginning of the year	56,145	53,519	109,664	42,196
Cash at end of the year	69,420	18,659	88,079	109,664
Reconciliation to profit and loss account				
Operating cash flows			(133,311)	(52,439)
Depreciation expense			(3,209)	(3,630)
(Loss) / profit on disposal of fixed assets			(2)	151
Amortization expense			(1,993)	(1,597)
Financial charges			-	(16)
Profit on disposal of investment			7,563	45,436
Decrease in assets other than cash			(11,434)	(19,303)
Decrease / (increase) in liabilities other than running finance			43,154	(18,860)
Dividend and other investment income			26,984	45,939
Unrealized gain on held for trading investment			22,130	18,260
Deficit of statutory fund			63,960	41,502
Profit after taxation			13,842	55,443

The annexed notes from 1 to 25 form an integral part of these financial statements.


CHAIRMAN


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

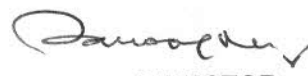
ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED
REVENUE ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Statutory fund</u> <u>Accident and</u> <u>health</u>	2014	2013
-----Rs in "000"-----			
Income			
Premium less reinsurances	340,186	340,186	721,750
Net investment income	24,201	24,201	36,153
Total net income	364,387	364,387	757,903
Claims and expenditure			
Claims, including bonuses, net of reinsurance recoveries	270,548	270,548	679,218
Management expenses less recoveries	145,929	145,929	159,035
Total claims and expenditure	416,477	416,477	838,253
Deficit of income over claims and expenditure	(52,090)	(52,090)	(80,350)
Add: Policyholders' liabilities at beginning of the year	114,817	114,817	153,665
Less: Policyholders' liabilities at end of the year	126,687	126,687	114,817
Deficit	(63,960)	(63,960)	(41,502)
Movement in policyholders' liabilities	11,870	11,870	(38,848)
Transfers from shareholders' fund			
- Capital contributions from shareholders' fund	11,100	11,100	67,400
Balance of statutory fund at beginning of the year	270,229	270,229	283,179
Balance of statutory fund at end of the year	229,239	229,239	270,229
Represented by:			
Capital contributed by shareholders' fund	470,412	470,412	459,312
Policyholders' liabilities	126,687	126,687	114,817
Retained earnings on other than participating business	(367,860)	(367,860)	(303,900)
Balance of statutory fund at end of the year	229,239	229,239	270,229

The annexed notes from 1 to 25 form an integral part of these financial statements.


CHAIRMAN


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DIRECTOR

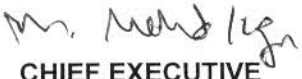

DIRECTOR

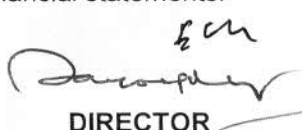
ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED
STATEMENT OF PREMIUMS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Statutory fund</u>	2014	2013
	Accident and health		
	-----Rs in "000"-----		
Gross Premiums			
Single premium individual policies	29,309	29,309	47,566
Group policies without cash value	312,193	312,193	675,669
Total Gross Premiums	341,502	341,502	723,235
Less: Reinsurance Premiums Ceded			
On group policies	1,316	1,316	1,485
Net Premiums	340,186	340,186	721,750

The annexed notes from 1 to 25 form an integral part of these financial statements.


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DIRECTOR

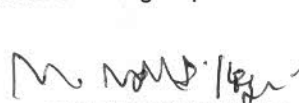

DIRECTOR

ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED
STATEMENT OF CLAIMS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Statutory fund</u>	2014	2013
	Accident and health		
	-----Rs in "000"-----		
Gross claims			
Claims under individual policies by insured event other than death	9,866	9,866	8,200
Total gross individual policy claims	9,866	9,866	8,200
Claims under group policies by insured event other than death	260,682	260,682	671,018
Total gross group policy claims	260,682	260,682	671,018
Total gross claims	270,548	270,548	679,218
Less: Reinsurance recoveries			
On group policies	-	-	-
Total reinsurance	-	-	-
Net claims	270,548	270,548	679,218

The annexed notes from 1 to 25 form an integral part of these financial statements.


CHAIRMAN


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

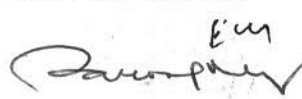
ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED
STATEMENT OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Statutory fund</u>		
	<u>Accident and health</u>	2014	2013
Note	-----Rs in "000"-----		
Acquisition costs			
Remuneration to insurance intermediaries on individual policies:			
Commission on single premiums	4,501	4,501	9,895
Remuneration to insurance intermediaries on group policies			
Commission	13,366	13,366	19,748
Total acquisition cost	17,867	17,867	29,643
Administration expenses			
Salaries, allowances and other benefits	74,621	74,621	80,234
Travelling and conveyance	3,602	3,602	3,612
Communication	4,941	4,941	5,617
Utilities	2,327	2,327	2,138
Auditors' remuneration	388	388	373
Legal and professional	4,372	4,372	3,547
Printing and stationery	2,958	2,958	4,511
Advertisement	3,193	3,193	1,937
Vehicle running and maintenance	9,480	9,480	6,923
Fees, subscription and periodicals	60	60	215
Rent, rates and taxes	6,490	6,490	5,948
Repair and maintenance	5,144	5,144	4,400
Entertainment	627	627	928
Depreciation / amortization	4,260	4,260	4,273
Insurance	2,083	2,083	2,581
Bank charges	271	271	199
Interest on leased vehicle	-	-	13
Car ijara rental	805	805	505
Provision for doubtful debts	2,025	2,025	1,052
Other expenses	415	415	386
	128,062	128,062	129,392
Gross management expenses	145,929	145,929	159,035
Commission from reinsurers	-	-	-
Net management expenses	145,929	145,929	159,035

The annexed notes from 1 to 25 form an integral part of these financial statements.


CHAIRMAN


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED
STATEMENT OF INVESTMENT INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Statutory fund</u>		
	<u>Accident and health</u>	<u>2014</u>	<u>2013</u>
	-----Rs in "000"-----		
Income from trading investments			
Gain on sale of trading investments	4,580	4,580	5,631
Income from non-trading investments			
On Government securities	3,677	3,677	12,230
On other fixed income securities and deposits	5,582	5,582	9,012
	9,259	9,259	21,242
Gain on revaluation of trading investments			
Open end mutual funds	10,362	10,362	9,296
Less: Investment related expenses	-	-	16
Net investment income	<u>24,201</u>	<u>24,201</u>	<u>36,153</u>

The annexed notes from 1 to 25 form an integral part of these financial statements.


CHAIRMAN


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

1. STATUS AND NATURE OF BUSINESS

- 1.1** Asia Care Health & Life Insurance Company Limited (the Company) was incorporated on March 19, 2008 under the Companies Ordinance, 1984 as public limited company and is registered as a life insurance company by the Securities and Exchange Commission of Pakistan (SECP) under the Insurance Ordinance, 2000. The Company obtained license to carry on life and related lines of insurance business on March 02, 2009. The registered office of the Company is situated at 15-17C, 2nd Floor, Commercial Lane No. 5, Zamzama Phase 5, DHA, Karachi.
- 1.2** The Company is engaged in life insurance business carrying on ordinary accident and health business and has established "accident and health business" statutory fund, as required by the Insurance Ordinance, 2000.
- 1.3** The Company is a subsidiary of Noorsehat Health Systems Limited, Cayman Islands, which is managed by Noorsehat Health Systems Management LLC based in New York, USA.

2. BASIS FOR PRESENTATION

These financial statements have been prepared in accordance with the format prescribed under Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002].

2.1 Statement of compliance

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

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

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 on or after)
IFRS 10 – Consolidated Financial Statements	January 1, 2015
IFRS 11 – Joint Arrangements	January 1, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 1, 2015
IFRS 13 – Fair Value Measurement	January 1, 2015
IAS 1 – Presentation of Financial Statements – (Amendment) - Disclosure Initiative	January 1, 2016
IAS 16 & 38 – Property, Plant and Equipment & intangible assets - (Amendment) – Agriculture: Bearer Plants	January 1, 2016
IAS 16 & 41 - Property, Plant and Equipment & Agriculture - (Amendment) – Clarification of Acceptable Method of Depreciation and Amortization	January 1, 2016
IAS 19 – Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions	January 1, 2014

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application.

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In addition to the above, the 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	IASB Effective date (annual periods Beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 1, 2018
IFRS 14 – Regulatory Deferral Accounts	January 1, 2016
IFRS 15 – Revenue from Contracts with Customers	January 1, 2017

2.3 Functional and presentation currency

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

3. BASIS OF MEASUREMENT

These financial statements have been prepared on the basis of the historical cost convention except revaluation of certain investments at fair values and valuation of policyholders' liabilities and staff retirement benefits on the basis of actuarial valuation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year. The company has adopted amendments and interpretation to accounting standard as describe in note 4.1 below

4.1 New and amended standards and interpretations

The Company has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

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 –
- Novation of Derivatives and Continuation of Hedge Accounting

IFRIC 21 – Levies

The adoption of the above did not have any effect on the financial statements for the current year.

4.2 Insurance and reinsurance 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. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Reinsurance contracts entered into by the Company with reinsurers for compensation of losses suffered on insurance contracts issued.

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4.3 Statutory funds

The Company maintains statutory fund for accident and health business. Assets, liabilities, revenues and expenses are recorded in the fund, if referable or, on the basis of actuarial advice if not referable. Other assets, liabilities, revenue and expenses are allocated to shareholders' fund. Policyholders' liabilities have been included in statutory fund on the basis of actuarial valuation carried out by the appointed actuary of the Company on the balance sheet date as required by Section 50 of the Insurance Ordinance, 2000. A capital transfer provided to statutory funds by the shareholders' fund is recorded as a reduction in the shareholders' equity.

4.4 Policyholders' liabilities

Policyholders' liabilities are stated at a value determined by the appointed actuary through an actuarial valuation carried out as at each balance sheet date. In determining the value both acquired policy values (which forms the bulk of policyholders' liabilities) as well as estimated values which will be payable against risks which the Company underwrites are considered. The basis used are applied consistently from year to year.

Policyholders' liabilities mainly represent estimates for unearned premium, premium deficiency reserve and provision for liabilities incurred but not reported (IBNR).

4.5 Claims

A liability for outstanding claims is recognized in respect of all claims incurred up to the balance sheet date, as soon as reliable estimates of the claim amount can be made. The liability for claims incurred but not reported at the year end is determined by the appointed actuary and are included in the policyholders' liabilities.

4.6 Claims recoveries

Claim recoveries receivable from the reinsurers are recognized at the same time as the claim which gives rise to the right of recovery and are measured at the amount expected to be recovered.

4.7 Revenue recognition**Gross premiums**

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods.

Unearned premium reserve

Unearned premiums are those proportions of premiums written in an accounting period that relate to periods of risk after the balance sheet date. The proportions attributable to subsequent periods is deferred as a provision for unearned premiums and is calculated by the actual method for all policies. A provision for unearned premiums is included in the policyholders' liabilities.

Reinsurance premiums

Gross reinsurance premiums written comprise the total premiums paid or payable for the whole cover provided by contracts entered into during the period and are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts commencing in prior accounting periods.

Reinsurance premium is recognised as expense after taking into account the proportion of deferred premium expense. The deferred portion premium expense is recognised as a prepayment and is include in policyholders' liabilities.

Premium deficiency reserve

The Company maintains a provision in respect of premium deficiency for the 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 at the balance sheet date. The provision at the balance sheet date is determined by the appointed actuary and is included in the policyholders' liability, if any. The movement in the premium deficiency reserve is charged to income currently.

4.8 Other revenue recognition

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

Return on bank balances and deposits are recognized on accrual basis.

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

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4.9 Acquisition costs

These are costs incurred in acquiring insurance policies, and include, without limitation remuneration paid to insurance agents.

Commissions and other direct expenses are recognized as an expense in the earlier of the financial year in which they are paid and financial year in which they become due and payable, except that commission and other expenses which are directly referable to the acquisition or renewal of specific contracts are recognized not later than the period in which the premium to which they refer is recognized as revenue.

4.10 Liability adequacy test

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. Any deficiency is immediately charged to profit or loss initially by writing off the deferred policy acquisition costs, if any, and by subsequently establishing a provision for losses arising from liability adequacy tests.

4.11 Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, insurance contract holders and insurance companies.

4.12 Fixed assets

Owned assets

These are stated at cost less accumulated depreciation and any impairment in value. Maintenance and normal repairs are charged to income as and when incurred, whereas major renewals and replacements are capitalized.

Depreciation is charged on a straight-line basis over the estimated useful life of the asset, at the rate specified in note 17.1 to the financial statements. Depreciation on additions is charged for the full month in which an asset has been purchased and no depreciation is charged for the month in which the asset is disposed off or retired.

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

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

Assets subject to finance lease

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

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

Depreciation is charged to income applying the straight-line method on a basis similar to owned assets.

The rent of the assets which are acquired on islamic lease (Ijarah) is charged to income currently.

Intangible assets

These are stated at cost less accumulated amortisation and any impairment in value. Costs incurred on the acquisition of intangible assets are capitalized and are amortized over the useful life of the related assets on straight line basis, at the rate specified in note 17.2 to the financial statements

Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, if any.

Impairment

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

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4.13 INVESTMENTS

All investments are initially recognized at fair value and include transaction costs except for investments at fair value through profit and loss account in which case transaction costs are charged to profit and loss account. All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the trade date. These investments are classified upon initial recognition as follows:

Investments at fair value through profit and loss account

These include held-for-trading investments and those designated under this category upon initial recognition. Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price are classified as held-for-trading. Subsequent to initial recognition, these are carried at fair value. The fair value of investments is determined by reference to quoted market price or declared net asset value in case of open-end mutual funds with a resultant gain or loss being included in profit or loss or revenue account for the period, as the case may be.

Held-to-maturity

Investments with fixed maturity, where management has both intent and the ability to hold to maturity, are classified as held-to-maturity. Subsequently, these are measured at amortized cost using effective interest rate method and taking into account any discount or premium on acquisition.

Available-for-sale

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity are classified as available for sale. Subsequent to initial recognition, these are measured at the lower of cost and market value (market value being taken as lower if the fall is other than temporary) in accordance with the requirement of the SEC (Insurance) Rules, 2002.

4.14 Creditors, accruals and provisions

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

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

4.15 Staff retirement benefits**Defined benefit plan**

The Company operates an unfunded gratuity scheme for all its permanent employees and provision is made to cover the obligation under the law based on actuarial advice.

4.16 Taxation**Current**

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account rebates and tax credits available, if any in accordance with the Income Tax Ordinance, 2001.

Deferred

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

4.17 Dividend

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.

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4.18 Financial instruments

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

4.19 Off-setting of financial assets and financial liabilities

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

4.20 Foreign currencies

Transactions in foreign currencies are accounted for in Pak Rupees (functional currency) at the rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Rupees at the rates of exchange prevailing at the balance sheet date.

5. ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affects the application of policies and reported amount of assets and liabilities, income and expenses.

Actual results may differ from these estimates. The estimates and underlying assumption are reviewed on an on going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision effects only that period, or in the period and future periods if the revision effects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant impact on the amount recognized in the financial statements are:

(a) Policyholders' liabilities

Policyholders' liabilities are calculated by the appointed actuary on the basis of assumptions.

Calculation for premium deficiency reserve and claims incurred but not reported (IBNR) is calculated by the appointed actuary on the basis of assumptions that the claim lag patterns will follow the historical trend experience.

(b) Taxation

Provision for taxation is based on the assumption that tax assessments will be finalized in accordance with the historical experience of the Company.

Deferred tax asset is recognised based on estimates of future taxable profit of the company.

(c) Retirements benefits

Certain actuarial assumptions have been adopted as disclosed in note 9 of these financial statements for valuation of present value of defined benefit obligation.

(d) Impairment

The Company assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceeds recoverable amount, assets are written down to the recoverable amounts and the resulting impairment loss is recognized as expense in the profit and loss account, unless the asset is carried at revalued amount. Any impairment loss of revalued assets is treated as revaluation decrease.

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6. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2014 (No. of shares)	2013 (No. of shares)		2014 (Rupees in '000)	2013 (Rupees in '000)
<u>50,000,000</u>	<u>50,000,000</u>	Issued, subscribed and paid up Ordinary shares of Rs. 10 each issued for cash Shares held by holding company (M/s Noorsehat Health Systems Limited, Percentage of holding	<u>500,000</u>	<u>500,000</u>
<u>49,996,997</u>	<u>49,996,997</u>		<u>499,969</u>	<u>499,969</u>
			<u>99.99%</u>	<u>99.99%</u>

7. POLICY HOLDERS' LIABILITIES

	<u>Statutory fund</u>		
	<u>Accident and health</u>	2014	2013
		------(Rupees in '000)-----	
Gross of reinsurance			
Actuarial liability relating to future events	116,543	116,543	94,322
Provision for incurred but not reported claims	10,692	10,692	21,114
	<u>127,235</u>	<u>127,235</u>	<u>115,436</u>
Net of reinsurance			
Actuarial liability relating to future events	115,995	115,995	93,703
Provision for incurred but not reported claims	10,692	10,692	21,114
	<u>126,687</u>	<u>126,687</u>	<u>114,817</u>

8. MOVEMENT IN EQUITY OF STATUTORY FUND

Policyholder liabilities

Balance at beginning of the year	114,817	114,817	153,665
Increase / (decrease) during the year	11,870	11,870	(38,848)
Balance at end of the year	<u>126,687</u>	<u>126,687</u>	<u>114,817</u>

Retained earnings on other than participating business

Balance at beginning of the year	(303,900)	(303,900)	(262,398)
Deficit allocated in respect of the year	(63,960)	(63,960)	(41,502)
Surplus appropriated to shareholders' fund	-	-	-
Balance at end of the year	<u>(367,860)</u>	<u>(367,860)</u>	<u>(303,900)</u>

Capital contributed by shareholders' fund

Balance at beginning of the year	459,312	459,312	391,912
Capital contributed during the year	11,100	11,100	67,400
Balance at end of the year	<u>470,412</u>	<u>470,412</u>	<u>459,312</u>
Balance of statutory fund	<u>229,239</u>	<u>229,239</u>	<u>270,229</u>

9. STAFF RETIREMENT BENEFITS

9.1 General description

The scheme provides for terminal benefits for all its permanent employees who attain the minimum qualifying period at varying percentages of last drawn gross salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at December 31, 2014, using the Projected Unit Credit Method.

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9.1.1 Significant Actuarial Assumptions

Following are a few important actuarial assumptions used in the valuation:

	2014	2013
Financial Assumptions		
Discount rate (per annum compound)	10.50%	12.75%
Expected rate of increase in salary (per annum compound)	10.50%	12.75%

Demographic Assumptions

	2014 (Rupees in '000) SLIC (2001-05) rated down one year	2013 SLIC (2001-05)
Mortality rates (for death in service)		
Rates of employee turnover	Moderate	Moderate

9.1.2 Statement of Financial Position

Present value of defined benefit obligation	21,770	17,004
Fair value of plan assets	-	-
Deficit	<u>21,770</u>	<u>17,004</u>

9.1.3 Movements in the present value of defined benefit obligation

Present value of defined benefit obligation at the beginning of year	17,004	13,676
Service Cost	5,286	4,483
Interest Cost on defined benefit obligation	2,446	1,949
Actual benefits paid during the year	(1,149)	(3,367)
Actuarial (gain) / loss on obligation	(1,817)	263
Present value of defined benefit obligation at the end of year	<u>21,770</u>	<u>17,004</u>

9.1.4 Movement in the net defined benefit liability (asset)

At the beginning of the year	17,004	13,676
Benefit cost for the year	7,732	6,432
Actual benefits paid during the year	(1,149)	(3,367)
Total amount of remeasurements recognised in other comprehensive income during the year	(1,817)	263
As at the end of the year	<u>21,770</u>	<u>17,004</u>

9.1.5 Defined benefit cost for the year

Cost recognised in Profit and loss account for the year

Current service cost	5,286	4,483
Interest Cost on defined benefit obligation	2,446	1,949
Cost recognised in Profit and loss account for the year	<u>7,732</u>	<u>6,432</u>

Re-measurements recognised in other comprehensive income during the year

Actuarial (gain)/loss on obligation	(1,817)	263
Total defined benefit cost recognised in profit and loss account and other comprehensive income	<u>5,915</u>	<u>6,695</u>

9.1.6 Remeasurements recognised in Other Comprehensive Income during the year

Gain / (loss) due to change in financial assumptions	221	(19)
Gain / (loss) due to change in experience adjustments	1,596	(244)
	<u>1,817</u>	<u>(263)</u>

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9.1.7 Cost to be recognised in Profit and loss for the year ending 31 December 2015

	2015 (Rupees in '000)
Current service cost	5,530
Interest cost on defined benefit obligation	2,472
Cost to be recognised in Profit and loss for the year 2015	<u>8,002</u>

9.1.8 Maturity profile of the defined benefit obligation

Weighted average duration of the defined benefit obligation (In years)	9.21	8.65
Distribution of timing of benefit payments (time in years)		
1	1,965	790
2	1,107	1,950
3	1,383	1,137
4	1,669	1,455
5	1,992	1,803
6-10	39,323	41,992
11-15	22,889	27,729
16-20	136,344	84,962

9.1.9 Sensitivity Analysis on significant actuarial assumptions: Actuarial Liability

Discount Rate + 1.0%	19,922	15,533
Discount Rate - 1.0%	23,931	18,720
Long Term Salary Increases +1.0%	24,018	18,786
Long Term Salary Increases -1.0%	19,643	15,452

10. ACCRUED EXPENSES

	Note	Shareholder s' fund	Statutory fund		
			Accident and health	Aggregate 2014	Aggregate 2013
(Rupees in '000)					
Audit fee		325	-	325	325
Other expenses		2,098	-	2,098	1,746
		<u>2,423</u>	<u>-</u>	<u>2,423</u>	<u>2,071</u>

11. OTHER CREDITORS

Sundry creditors	11.1	1,074	-	1,074	1,074
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11.1 This includes an amount of Rs. 0.274 million (2013: Rs. 0.274 million) payable to the Holding Company.

12. CONTINGENCIES AND COMMITMENTS

	Statutory fund	Aggregate 2014	Aggregate 2013
(Rupees in '000)			
Commitment in respect of ijarah financing			
Less than 1 year	722	722	651
More than 1 year but less than 5 years	2,308	2,308	3,029
More than 5 years	-	-	-
	<u>3,030</u>	<u>3,030</u>	<u>3,680</u>

13. CASH AND BANK DEPOSITS

	Note	Shareholder s' fund	Statutory fund		
			Accident and health	Aggregate 2014	Aggregate 2013
(Rupees in '000)					
Cash and others		-	28	28	26
Current and other accounts					
Current account		17	568	585	977
Saving account	13.1	69,403	18,063	87,466	108,661
		<u>69,420</u>	<u>18,659</u>	<u>88,079</u>	<u>109,664</u>

13.1 These carry profit at rates ranging from 5% to 9.25% per annum (2013: 5% to 10% per annum).

14. INVESTMENTS

	Note	Shareholder s' fund	Statutory fund	Aggregate 2014	Aggregate 2013
			Accident and health		
(Rupees in '000)					
Held to maturity					
Government securities	14.1	135,922	43,666	179,588	275,361
Held for trading					
Listed equities	14.2	29,677	-	29,677	25,358
Open end mutual funds	14.3	60,924	125,612	186,536	159,372
		90,601	125,612	216,213	184,730
		<u>226,523</u>	<u>169,278</u>	<u>395,801</u>	<u>460,091</u>
14.1 Held to maturity					
Government securities					
Pakistan Investment Bonds	14.1.1	51,393	-	51,393	-
1 Year treasury bills	14.1.1	-	-	-	54,513
3 Months treasury bills		-	19,751	19,751	-
6 Months treasury bills		84,529	23,915	108,444	220,848
		<u>135,922</u>	<u>43,666</u>	<u>179,588</u>	<u>275,361</u>

14.1.1 The Company has deposited 3 years Pakistan Investment Bonds having face value of Rs.52 million (2013:1 year Treasury Bill having face value Rs. 55 million) with State Bank of Pakistan under Section 29 of Insurance Ordinance, 2000.

14.1.2 Market value of the government securities carried at amortized cost amounted to Rs. 181.487 million.

14.2 Held for trading
Listed securities in Shareholders' Fund

2014	2013		2014	2013
No. of shares			----- (Rs in '000) -----	
2,940	4,400	Al-Ghazi Tractors Limited	1,079	935
100	200	Siemens Pakistan Limited	112	274
-	272	National Bank of Pakistan	-	16
6,140	140	United Bank Limited	1,085	19
1,003	912	MCB Bank Limited	307	256
6,373	9,430	Habib Bank Limited	1,378	1,571
591	538	Allied Bank Limited	67	48
4,500	-	Soneri Bank Limited	55	-
5,000	-	Habib Metropolitan Bank Limited	186	-
200	200	DG Khan Cement Limited	22	17
3,657	3,657	ICI Pakistan Limited	1,691	925
2,342	2,342	AKZO Nobel Pakistan Limited	837	292
1,900	1,900	International Industries Limited	118	88
4,500	4,500	Fauji Fertilizer Bin Qasim Limited	203	197
1,250	1,250	Fauji Fertilizer Company Limited	146	140
2,060	60	Engro Pakistan Limited	457	10
6	-	Engro Fertilizer Limited	1	-
1,400	1,800	Nestle Pakistan Limited	12,740	13,590
200	200	Rafhan Maize Products Company Limited	2,241	1,613
3,721	3,383	IGI Insurance Limited	1,007	556
-	11,000	Pakistan Reinsurance Company Limited	-	313
3,100	100	Oil & Gas Development Corporation Limited	638	28
2,000	2,000	Pakistan Oil Fields Limited	759	995
32	32	Pakistan Petroleum Limited	6	7
1,000	-	Mari Petroleum Company Limited	476	-
1,800	3,300	Packages Limited	1,221	900
2,391	2,174	Glaxosmithkline Pakistan Limited	524	296
1,500	2,900	Abbott Laboratories Pakistan Limited	1,066	1,141
1,000	-	Searle Pakistan Limited	242	-
11,000	16,000	Hub Power Company Limited	862	972
1,250	1,250	Nishat Mills Limited	151	159
			<u>29,677</u>	<u>25,358</u>

14.3 Open end mutual funds

	No. of units 2014	No. of units 2013	Cost	Market value 2014	Market value 2013
	(Rupees in '000)				
Shareholders' fund					
NIT Government Bond Fund	636,986	592,970	6,175	6,933	6,175
ABL Government Securities Fund	1,052,884	999,740	10,003	11,474	10,003
ABL Cash Fund	1,019,137	-	10,000	10,665	-
Meezan Cash Fund	202,852	-	10,000	10,530	-
Pakistan Cash Management Fund	204,455	-	10,000	10,665	-
MCB Cash Management Optimizer	102,156	-	10,000	10,657	-
			56,178	60,924	16,178
Statutory fund					
Faysal Money Market Fund	-	67,595	-	-	6,688
HBL Money Market Fund	51,147	-	5,131	5,354	-
NIT - Government Bond Fund	1,781,782	2,393,408	17,372	19,393	24,923
UBL Liquidity Plus Fund	61,239	231,287	5,933	6,411	23,262
ABL Government Securities Fund	1,026,588	-	10,117	11,188	-
Pakistan Cash Management Fund	257,309	515,506	12,403	13,421	25,788
Meezan Sovereign Fund	-	500,336	-	-	25,217
PICIC Cash Fund	201,588	264,877	19,414	21,113	26,663
ABL Cash Fund	1,712,680	1,064,783	16,693	17,922	10,653
UBL Government Securities Fund	184,948	-	18,188	20,153	-
MCB Cash Management Optimizer	102,156	-	10,000	10,657	-
			115,251	125,612	143,194

15. PREMIUM DUE BUT UNPAID

	Statutory fund		
	Accident and health	Aggregate 2014	Aggregate 2013
	(Rupees in '000)		
Gross premium due but unpaid	113,281	113,281	126,789
Less: Provision for doubtful debts	6,785	6,785	4,760
	106,496	106,496	122,029

16. ADVANCES AND DEPOSITS

	Statutory fund			
	Shareholder s' fund	Accident and health	Aggregate 2014	Aggregate 2013
	(Rupees in '000)			
Advances	1,396	-	1,396	1,452
Lease deposits	434	-	434	434
Other deposits	480	9,894	10,374	7,846
	2,310	9,894	12,204	9,732

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17.1 Tangible assets

Description	Cost				Depreciation			As at 31 Dec	Written down value as at 31 Dec 14	Written down value as at 31 Dec 13	
	As at 01 Jan	Additions	(Disposals)	As at 31 Dec	Rate %	As at 01 Jan	For the year				(Adjustment)
(Rupees in '000)											
Owned											
Furniture and fixture	6,355	-	-	6,355	20	3,665	856	-	4,521	1,834	2,690
Office and electrical equipment	6,253	115	-	6,368	20	3,869	740	-	4,609	1,759	2,384
Computer equipment	9,477	790	(231)	10,036	33.33	6,430	1,613	(199)	7,844	2,192	3,047
2014	22,085	905	(231)	22,759		13,964	3,209	(199)	16,974	5,785	8,121
2013	22,518	2,650	(3,083)	22,085		13,383	3,630	(3,049)	13,964	-	8,121

17.2 Intangibles assets

Description	Cost				Depreciation			As at 31 Dec	Written down value as at 31 Dec 14	Written down value as at 31 Dec 13	
	As at 01 Jan	Additions	(Disposals)	As at 31 Dec	Rate %	As at 01 Jan	For the year				(Adjustment)
(Rupees in '000)											
Software	13,142	1,135	-	14,277	33.33	9,603	1,993	-	11,596	2,681	3,539
2014	13,142	1,135	-	14,277		9,603	1,993	-	11,596	2,681	3,539
2013	10,546	2,596	-	13,142		8,006	1,597	-	9,603	-	3,539

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	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
18. EXPENSES NOT ATTRIBUTABLE TO STATUTORY FUND			
Salaries, allowances and other benefits		9,738	8,708
Travelling and conveyance		189	190
Communication		960	958
Utilities		537	486
Audit fee	18.1	97	93
Legal and professional		2,350	2,167
Printing and stationery		102	136
Advertising & promotion		20	18
Bank charges		20	-
Vehicle running and maintenance		1,102	442
Fees, subscription and periodicals		15	43
Rent, rates and taxes		380	307
Repair and maintenance		688	643
Entertainment		117	164
Depreciation		544	634
Amortization		399	319
Insurance		521	645
Interest on leased vehicle		-	3
Car Ijara Rental		201	126
Charity and donation		300	415
Workers welfare fund		-	307
Other expenses		93	88
		<u>18,373</u>	<u>16,892</u>

18.1 Audit fee

	Shareholders' fund	Statutory fund Accident and health	Aggregate 2014	Aggregate 2013
------(Rupees in '000)-----				
Audit fee	55	220	275	275
Fee for review of condensed interim financial statements	20	80	100	100
Review of statement of compliance with Code of Corporate Governance	5	20	25	25
Other Certifications	5	20	25	25
Sindh Sales Tax	6	24	30	0
Out of pocket expenses	6	24	30	41
	<u>97</u>	<u>388</u>	<u>485</u>	<u>466</u>

19. TAXATION

Current

Note	2014 (Rupees in '000)	2013 (Rupees in '000)
	<u>252</u>	<u>1,097</u>

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- 19.1 Current tax charge represents tax on dividend income and capital gain which have been treated as a separate block of income in accordance with the provisions of Income Tax Ordinance, 2001 (the Ordinance). The numerical reconciliation between the average tax rate and applicable tax rate has not been presented as the Company has incurred loss during the year and has accumulated losses in respect of prior periods.
- 19.2 The Company has filed the return of income for the tax year 2014 which was deemed completed under the provision of the Ordinance.
- 19.3 As of December 31, 2014 the carry forward tax loss amount to Rs. 365.008 million (2013: Rs. 297.558 million). Deferred tax arising due to carry forward tax losses and timing differences calculated at the current rate of taxation amounts to Rs. 124.102 million debit (2013: Rs.111.433 million debit). Deferred tax asset has not been recognised in these financial statements due to uncertainty of realisability of the amount based on financial projections prepared by the Company.

20. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration, including all benefits, to the Directors, Chief Executive and Executives of the Company are as follows:

	2014			2013		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees in '000)					
Managerial remuneration	16,588	-	28,350	15,333	-	29,395
Fee	-	1,770	-	-	1,575	-
Others	718	-	3,422	727	-	3,552
	<u>17,306</u>	<u>1,770</u>	<u>31,772</u>	<u>16,060</u>	<u>1,575</u>	<u>32,947</u>
Number of persons	<u>1</u>	<u>7</u>	<u>11</u>	<u>1</u>	<u>7</u>	<u>12</u>

- 20.1 The company also provides some of the executives with company maintained cars.

21. EARNINGS PER SHARE - basic and diluted

	2014	2013
	(Rupees in '000)	
Profit after tax	<u>13,842</u>	<u>55,443</u>
Weighted average number of ordinary shares (Number in '000)	<u>50,000</u>	<u>50,000</u>
Earnings per share - basic and diluted (Rupees)	<u>0.28</u>	<u>1.11</u>

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22. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**22.1 Risk management objectives and policies**

The Company's overall risk management seeks to minimize potential adverse effects on the Company's financial performance of such risk.

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

The risks involved with financial instruments and the Company's approach to managing such risks are discussed below.

22.2 Insurance risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The principal risk that the Company faces under such contracts is that the occurrence of the insured events and the severity of reported claims. The Company's risk profile is improved by diversification of these risks of losses to a large portfolio of contracts as a diversified portfolio is less likely to be affected by an unexpected event in single subset.

The Company principally issues the health insurance cover. Risks under these policies usually cover a twelve month duration. For health insurance contracts the most significant risks arise from hospitalization activities.

Underwriting and retention policies and procedures and limits precisely regulate who is authorized and accountable for concluding insurance and reinsurance contracts and at what conditions. Compliance with these guidelines is regularly checked and developments in the global, regional and local markets are closely observed, reacting where necessary with appropriate measures that are translated without delay into underwriting guidelines if required.

One of the risk control measure in respect of the insurance risk is the transfer of the risks to third parties via reinsurance. The reinsurance business ceded is placed on a proportional and non proportional basis with retention limits varying by lines of business.

Reinsurance is used to manage insurance risk. Although the Company has reinsurance arrangements, it does not, however, discharge the Company's liability as primary insurer and thus a credit risk exposure remains with respect to reinsurance ceded to the extent that any reinsurer may be unable to meet its obligations under such reinsurance arrangements. The Company minimizes such credit risk by entering into reinsurance arrangements with reinsurers having good credit ratings, which are reviewed on a regular basis. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. Details of reinsurance asset as at December 31, 2014 is as follows:

Rating	Other asset (Rupees in '000)
A or above	548

Reserve risks are controlled by constantly monitoring the provisions for insurance claims that have been submitted but not yet settled and by amending the provision, if deemed necessary. There are several variable factors that affect the amount and timing of recognized claim liabilities. However the management considers that uncertainty about the amount and timing of claim payments is generally resolved within a year.

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:

	Change in claims assumption	Impact on gross liabilities	Impact on revenue account
	------(Rupees in '000)-----		
2014			
Current claims	+10%	27,055	(27,055)
	-10%	(27,055)	27,055
2013			
Current claims	+10%	67,922	(67,922)
	-10%	(67,922)	67,922

22.3 Financial risk

22.3.1 Market risk

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

(a) Interest rate risk exposure

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short term deposits and deposits in profit and loss sharing accounts with banks.

Fair value sensitivity analysis for fixed rate instruments

Fixed rate financial assets are carried in held to maturity category. Therefore, a change in interest rates at reporting date would not affect profit and loss account.

Fair value sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates would have increased the profit and loss and equity by the amounts shown below. Reduction in interest rates by 100 basis points would have a vice versa impact. This analysis assumes that all variables remain constant.

	Profit and loss account		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	------(Rupees in '000)-----		------(Rupees in '000)-----	
2014				
Cash flow sensitivity	875	(875)	875	(875)
2013				
Cash flow sensitivity	1,087	(1,087)	1,087	(1,087)

The information about Company's exposure to interest rate risk (other than relating to policyholders' liabilities) as of December 31, 2014 is as follows:

	2014					2013				
	Interest / markup bearing		Non-interest bearing financial instruments			Interest / markup bearing		Non-interest bearing financial instruments		
On balance sheet financial instruments	Within one year	More than one year	Sub Total	Total	Within one year	More than one year	Sub Total	Total	Total	
	------(Rupees in '000)-----									
Financial assets										
Cash and others	-	-	-	28	28	-	-	-	26	26
Current and other Accounts	87,466	-	87,466	585	88,051	108,661	-	108,661	977	109,638
Investments	179,588	-	179,588	216,213	395,801	275,361	-	275,361	184,730	460,091
Premium due but unpaid	-	-	-	106,496	106,496	-	-	-	122,029	122,029
Amount due from other insurers / reinsurers	-	-	-	87	87	-	-	-	994	994
Sundry receivables	-	-	-	4,570	4,570	-	-	-	-	-
Investment income accrued	2,661	-	2,661	-	2,661	-	-	-	-	-
Advances and deposits	-	-	-	12,204	12,204	-	-	-	9,732	9,732
	269,715	-	269,715	340,183	609,898	384,022	-	384,022	318,488	702,510
Financial liabilities										
Outstanding claims	-	-	-	65,560	65,560	-	-	-	131,280	131,280
Premiums received in advance	-	-	-	3,269	3,269	-	-	-	2,652	2,652
Amounts due to other insurers / reinsurers	-	-	-	1,231	1,231	-	-	-	1,108	1,108
Amounts due to agents	-	-	-	7,879	7,879	-	-	-	5,102	5,102
Accrued expenses	-	-	-	2,423	2,423	-	-	-	2,071	2,071
Other creditors	-	-	-	1,074	1,074	-	-	-	1,074	1,074
Other liabilities	-	-	-	779	779	-	-	-	534	534
	-	-	-	82,215	82,215	-	-	-	143,821	143,821
On balance sheet gap	269,715	-	269,715	257,968	527,683	384,022	-	384,022	174,667	558,689

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(b) **Foreign currency risk**

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

(c) **Equity Price Risk**

The Company's investment in listed securities are susceptible to market price risk arising from uncertainties about the future value of investment securities. The Company manages equity price risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity market. The Company is exposed to equity price risk with respect to its investments in quoted securities. Change of 10% in equity prices (NAV in case of mutual fund) will result in change in prices of respective equity instruments by Rs. 21.621 million (2013: Rs. 18.473 million).

22.3.2 Credit risk

Credit risk is the risk that the counter party to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation. The Company's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulator requirements.

The maximum exposure to credit risk before any credit enhancements as at December 31, 2014 is the carrying amount of the financial assets as set out below:

	2014	2013
	(Rupees in '000)	
Nature of financial assets		
Cash and bank deposits	88,051	109,638
Investment - Open end mutual funds	186,536	159,372
Premiums due but unpaid	106,496	122,029
Amounts due from other insurers/reinsurers	87	994
Deposits	10,808	8,280
	<u>391,978</u>	<u>400,313</u>

Bank balances

The Company maintained its funds with banks having strong credit rating. Currently the funds are kept with banks having rating ranging from AAA to C.

No assets of the Company are impaired, other than premium due but unpaid. The age analysis of premium due but unpaid is as follows:

Past due but not impaired

Upto 1 year	103,160	121,470
1 - 2 years	3,336	559
<i>Impaired</i>	6,785	4,760

Concentration of credit risk

Concentration is the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Company manages such risk by diversifying its portfolio and entering into transactions with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

Sector-wise analysis of premium due but unpaid at the reporting date was:

	2014	2013
	(%)	
Telecom	4.44	29.45
NGO	6.86	14.89
Financial Institution	9.33	13.21
Education	19.78	10.66
Travel & Transport	7.50	2.50
Hotel	6.32	0.90
Tobacco	6.28	-
Others	39.49	28.39
	<u>100</u>	<u>100</u>

Capital risk managements

The Company's objective when managing capital is to safe guard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development its businesses. The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

Currently the Company has a paid up capital of Rs. 500 million against the minimum required paid-up capital of Rs. 500 million set by the SECP for the life insurance companies for year ended December 31, 2014.

In addition, the Company is also required to maintain minimum solvency in accordance with the rules and regulations set by the SECP, which are fully met by the Company.

22.3.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	2014					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
Non-derivative						
Financial liabilities						
Creditors and accruals	3,497	3,497	3,497	-	-	-
Other liabilities	779	-	-	-	-	-
	4,276	3,497	3,497	-	-	-

	2013					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
Non-derivative						
Financial liabilities						
Creditors and accruals	3,145	3,145	3,145	-	-	-
Other liabilities	534	-	-	-	-	-
	3,679	3,145	3,145	-	-	-

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23. TRANSACTION WITH RELATED PARTIES

The related parties comprise of related group companies, local associated companies, staff retirement fund, Directors and key management personnel. The transactions with related parties are in normal course of business. Transactions with related parties and remuneration and benefits to key management personnel under the terms of their employment are as follows:

Relationship	Transactions	2014	2013
		----- (Rupees in '000) -----	
Associated undertaking	Dividend income	-	1,143
Associated undertaking	Premium written	259	33,420
Associated undertaking	Claims incurred	289	14,955
Associated undertaking	Commission expense	-	7,565
Key Management Personnel	Remuneration	49,078	49,007
Directors	Fee	1,770	1,575
Key Management Personnel	Sale of Vehicle	-	146
Balances			
Associated undertaking	Premiums due but unpaid	70	-
Associated undertaking	Other creditors	274	274

24. GENERAL

24.1 Figures have been rounded off to the nearest thousands of rupees.

24.2 Corresponding figures have been re-arranged and reclassified, wherever necessary. However, there were no significant reclassifications to report.

25. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors on

28 FEB 2015


CHAIRMAN


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR