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**HALLMARK INSURANCE COMPANY LIMITED**

**FINANCIAL STATEMENTS**

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**FOR THE YEAR ENDED  
DECEMBER 31, 2014**

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## **VISION - MISSION STATEMENT**

### **VISION**

HIC vision is to be the pure Islamic and quality service oriented Company for the customers, shareholders and employees. To achieve this we will be driven by an obsession even we are better than make our self be the best not focusing on destination but make a continuous onward journey.

Quality service means a sustained commitment to meet and exceed stakeholder expectations. A will to go the "Mile & Miles" to delight our customers with products and services that exceed their expectations.

### **MISSION**

HIC will manage our affairs through modern technology, collective wisdom and institutionalized leadership. Together with the customers, reinsures and employees we will achieve world class quality standards through continuous quality improvement. Achieve zero defects in everything we do.

HIC will do good business, with good clients and of the highest integrity. We will not compromise our principles and we will like to be known as a responsible corporate citizen aware of our obligation to the Government, religion and the society we serve.

## **COMPANY INFORMATION**

### **Chairman**

Muhammad Farrukh Bashir

### **Chief Executive**

Mr. Muhammad Adil

### **Directors**

Muhammad Adil  
Muhammad Farrukh Bashir  
Saad Aftab Shamsi  
Haris A. Shamsi  
Ahtesham Ashraf  
Naveed Hamid  
S. Muhammad Imran

### **Audit Committee**

Muhammad Farrukh Bashir	Chairman & Member
Naveed Hamid	Member
Haris A. Shamsi	Member

### **External Auditors**

M/s. Muniff Ziauddin & Co.  
Chartered Accountants

### **Legal Advisor**

Sayeed A. Sheikh & Co., Advocates

### **Registrar**

M/s. F.D. Registrar Services (SMC-Private) Limited

### **Bankers**

Habib Bank Limited  
National Bank of Pakistan  
Muslim Commercial Bank Limited

## **OFFICE OF THE COMPANY**

### **Registered Office Karachi**

Suite # 1001, Uni Centre, 10<sup>th</sup> Floor,  
I.I. Chundrigar Road,  
Karachi, Pakistan.  
Phone: 021-32414419, 37011105  
Fax: 021-32416288  
Email: hallmark@bizcorei.com

#### **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 34<sup>th</sup> Annual General Meeting of the Shareholders of Hallmark Insurance Company Limited will be held on, Tuesday April 28, 2015 at 2:00 P.M. at the Registered Office of the Company at Office # 1001, Uni Centre, 10th Floor, I.I. Chundrigar Road, Karachi to transact the following business:

#### **ORDINARY BUSINESS**

- A. To confirm the minutes of 33<sup>rd</sup> Annual General Meeting held on April 30, 2014.
- B. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended on December 31, 2014 together with the Directors' and Auditors' Reports thereon.
- C. To appoint Auditors for the year 2015 and fix their remuneration.
- E. To transact any other business with the permission of the Chairman.

By Order of the Board

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**SECRETARY**

Karachi: April 07, 2015

#### **NOTES:**

- 1. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as a proxy to attend and vote in respect of him. Forms of proxy must be deposited at the Company's Registered Office not later than 48 hours before the time appointed for the meeting.
- 2. The Share Transfer Books of the Company will be closed from April 21, 2015 to April 28, 2015 (both days inclusive). Transfers received in order by our Shares Registrar, F. D. Registrar Services (SMC-Private) Limited, 11<sup>th</sup> Floor, Trade Centre, I.I. Chundrigar Road, Karachi at the close of business on April 20, 2015 will be considered in time to attend and vote at the meeting and for the entitlement of Dividend(if any).
- 3. Members are requested to communicate to our Shares Registrar of any change in their addresses.
- 4. Shareholders are requested to notify any change in their address immediately.

## **DIRECTORS REPORT TO THE MEMBERS**

The Directors of the Company are pleased to present the 34<sup>th</sup> Annual Report of the Company for the year ended December 31, 2014.

### **Company's Performance**

The Company's insurance business has continued to be dormant since many years mainly because of suspension of its Insurance license by the SECP due to the provision of the Insurance Ordinance, 2000 which requires that paid-up capital of the Company should be Rs. 300.00 million for an insurance company. Due to suspended insurance operations, continued bad law and order condition in our city the management has been unable to fulfill this requirement.

During the year the Company has recorded a profit 155,808. This is from the activities performed by the Company during the year by obtaining an investment property which gives a return of Rs. 25,000 per month.

During the year Stock of Stationery written off amounting to Rs. 19,192 and charged to Profit and Loss Account. The stock was written-off on the recommendation of the Auditors and Directors mainly due the reason that it has become obsolete.

### **Operating Conditions**

The business and investment environment in the country is very challenging. Political and economic uncertainties make the task of capital requirements ever more daunting. The law and order situation, coupled with growing unemployment in the country and dissatisfaction promises no easy sailings in the future. We hope and expect the Government with the will and experience will seek to overcome the difficulties.

### **Future Prospects**

The management is doing its best efforts to increase the Authorized and Paid up Capital up to Rs. 300.00 million to revive its insurance business activities at earliest possible time. The management also intends to operate Takaful business subject to completion of necessary requirements.

The Directors of the Company are willing to make the Company a reputable Insurance and Takaful business organization. We are also planning to run its activities as of an alternative business. We intend to develop an efficient system of internal control and comply with the code of corporate governance in all respects, as soon as the minimum paid-up capital and other requirements of the Insurance Ordinance 2000 are met. The Company is in the process to arrange funds to fulfill minimum capital requirement and trying to comply with the requirements of fit and proper criteria on revival of the Company, and to induct qualified, experience and service oriented staff trained locally and abroad, that shall strengthen the position of the Company to underwrite all classes of the general and Takaful business.

### **Auditors**

The present Auditors M/s. Muniff Ziauddin & Co. Chartered Accountants shall retire, and eligible and willing to continue as Auditors of the Company. The Audit Committee has recommended for reappointment as Auditors of the Company for the ensuing year.

#### **Auditors Observations**

Auditors of the Company could not form a favorable opinion due to the suspended operations of the Company mainly on going concern and certain other issues. Their basis of opinion in the fact of not so far having the minimum level of paid-up capital of Rs. 300.00 million and other issues as specified in the audit report. We are however, making all our efforts to have the required paid-up capital and are striving our best to come up with the solutions for all other issues as specified by the Auditors.

#### **Compliance with the Code of Corporate Governance**

The requirement of the Code of Corporate Governance set out by the Karachi Stock Exchange in its Listing Rules, relevant for the year ended December 31, 2014 have mostly been complied with. A statement to this effect is annexed with the report.

#### **Compliance with the Companies Ordinance 1984& Insurance Ordinance 2000 .**

The Company has also made its best efforts and to comply with all the possible requirements of the Companies Ordinance 1984 and filed its all prescribed returns with the SECP CRO. The Company is waiting for reply confirmation from SECP for few matters in relation to compliance made by the Company with the SECP. The Company has made its best efforts and to comply with all the possible requirements of the Insurance Ordinance 2000 and filed its all prescribed returns with the SECP Insurance Division. However the paid up capital requirement shall also be completed shortly and on revival of the Company remaining compliances of fit and proper criteria to be done.

#### **Statement of Ethics and Business Practices**

The Board has adopted the statement of Ethics and Business Practices; wherever practicable and shall implement on revival of the Company.

#### **Enlistment with CDC**

The Company has completed necessary requirements for induction of its Securities with the Central Depository Company Limited (CDC) and it will be completed on issuance of instructions from the SECP.

#### **Audit Committee**

During the year under review, the Board is also governing an Audit Committee comprising of the following members:

Muhammad Farrukh Bashir	Chairman and Member
Naveed Hamid	Member
Haris A. Shamsi	Member

#### **Corporate and Financial Reporting Framework**

- a) The financial statements prepared by the management of the Company present fairly state affairs, the result of its operations, cash flow and changes in equity.
- b) Proper books of accounts have been maintained by the Company.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) The International Accounting and Financial Reporting Standards, as applicable to the Company in Pakistan have been followed in preparation of these financial statements. However due to suspended operations, there is inheriting limitation in some areas hence it is not practicable to apply.

- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) Except to the matters discussed by the auditors there is no other significant doubts upon the Company's ability to continue as a going concern.
- g) Except discussed above there has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h) The key operating and financial data for the last six years is annexed herewith.
- i) There is no trading of shares by Chief Executive, Directors their spouses and minor children during the year under report.
- j) During the year four meetings of the Board of directors were held and the number of meetings attended by each director is given hereunder:

NAME OF DIRECTOR	MEETINGS ATTENDED
Mr. Muhammad Adil	5
Mr. Muhammad Farrukh Bashir	5
Mr. Saad A. Shamsi	4
Mr. Haris A. Shamsi	4
Mr. Ahtesham Ashraf	4
Mr. Naveed Hamid	5
Mr. S Muhammad Imran	3

- k) The statement of pattern of shareholding in the Company as at December 31, 2014 is included with the report.
- l) Due to no substantial activities undertaken during the year, Company is not in position now to declare any dividend.

#### **Acknowledgements**

The Directors of the Company are grateful to all Government institutions, Auditors', SECP for their valuable support and cooperation throughout the year. The Directors thank the Company's management and supporting staff for their satisfactory performance and devotion to duty.

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**Muhammad Adil**  
**Chief Executive**

**HALLMARK INSURANCE COMPANY LIMITED**  
**Pattern of Shareholding**

**Categories of Shareholders**

Categories of Share Holders	No. of Share Holders	Number of Shares Held	Percentage
1 Directors /Chief Executive Office	7	231,900	46.38
2 Individuals	341	267,800	53.56
3 NIT & ICP	1	200	0.04
4 Other (to be specified)	1	100.00	0.02
<b>Total</b>	<b>350</b>	<b>500,000</b>	<b>100.00</b>

**Additional Information**

Shareholder's Category	Number of Shareholders	Number of Shares Held	Category Wise No. of Shares	Percentage %
<b>Directors/Chief Executive Office</b>	<b>7</b>		<b>218,500</b>	<b>43.7</b>
Mr. Muhammad Adil		48,500		
Mr. Muhammad Farrukh Bashir		43,000		
Mr. Haris A. Shamsi		21,500		
Mr. Saad A. Shamsi		24,000		
Mr. Ahtesham Ashraf		20,500		
Naveed Hamid		26,000		
Mr. S. M. Imran		35,000		
<b>Banks, DFIs, NBFIs, Insurance, Modarabas, Mutual Funds &amp; Others.</b>	<b>2</b>		<b>300</b>	<b>0.06</b>
<b>Investment Corporation of Pakistan</b>		200		
<b>Karachi Investment Trust Limited</b>		100		

**Shareholders holding 5% or more voting rights**

Total Paid up Capital	500,000	Shares		
5% of the Paid Up Capital	25,000	Shares		
			<b>Holding</b>	<b>%</b>
Mrs. Ghazala Humayun			50,000	10.0
Mr. Muhammad Adil			48,500	9.7
Mr. Muhammad Farrukh Bashir			43,000	8.6
Mr. Humayun Sayeed			39,400	7.9
Mr. S. M. Imran			35,000	7.0
Naveed Hamid			26,000	5.2

## HALLMARK INSURANCE COMPANY LIMITED

### Pattern of Shareholding as at December 31, 2014

Number of Shareholders		Shares held	Total Shares held
193	1	to 100	19,300
94	101	to 500	29,270
18	501	to 1000	14,600
30	1001	to 5000	79,110
5	5001	to 10000	33,320
1	15001	to 20000	16,500
3	20001	to 25000	66,000
1	25001	to 30000	26,000
1	30001	to 35000	35,000
1	35001	to 40000	39,400
1	40001	to 45000	43,000
2	45001	to 50000	98,500
<b>350</b>			<b>500,000</b>

### KEY FINANCIAL DATA FOR THE LAST SIX YEARS

	Rupees in '000'					
	2014	2013	2012	2011	2010	2009
Gross premium	-	-	-	-	-	-
Net premium	-	-	-	-	-	-
income	300	354	-	-	1,500	-
taxation	156	239	(120)	(143)	(346)	(279)
taxation	156	239	(120)	(143)	(346)	(279)
Paid-up Capital and Reserve	5,000	5,000	5,000	5,000	5,000	5,000
Investments	800	800	-	-	-	-
Cash and bank	662	477	492	492	492	720
Total Assets at book	2,990	2,825	4,648	2,198	3,526	3,936

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive Directors on its Board. At present the Board includes 1 independent Director, 2 executive Directors including CEO and 4 non executive Directors.
2. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies including this Company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year one casual vacancy has occurred in the Board of Directors after resignation of Mr. Sheikh Humayun Sayeed and it was duly filled in by the Directors by appointing Mr. S. Muhammad Imran as Director to fill the casual vacancy.
5. The 'Statement of Ethics and Business Practices' has to be drawn up on revival of the Company's business as per requirements of current rules and regulations.
6. The board has developed a vision / mission statement, but not yet develop overall corporate strategy and significant policies of the Company except risk management, write off of bad debts, acquisition and disposal of fixed assets, investment.
7. All the powers of the Board have been duly exercised and decision on material transactions including appointment and determination of remuneration and terms and conditions of employment of the CEO and other Executive Directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has to start the process of orientation for its Directors to apprise them of their duties and responsibilities on revival of the Company.
10. There was no appointment of CFO or head of Internal Audit during the year, as the operations were remain suspended.

11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO before approval of the Board.
13. The Director, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee.
16. The Board has setup an effective internal audit function.
17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants of (IFAC) guidelines on code of ethics as adopted by institute of Chartered Accountants of Pakistan.
18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
19. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
20. Subject to the above, we confirm that all other material principles contained in the Code have been complied with.

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**Muhammad Adil**  
**Chief Executive**

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Hallmark Insurance Company Limited** for the year ended December 31, 2014 to comply with the Listing Regulations of Karachi Stock Exchange where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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

The documentation prepared by the company to comply with the code is not so maintained to provide us sufficient appropriate evidence to enable us to draw a conclusion thereon.

Based on our review, we are unable to draw a conclusion, as to whether the Statement of Compliance appropriately reflects the Company's compliance in all material respects with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 31 December 2014.

**Karachi:**  
**Date:** April 06, 2015

**MUNIFF ZIAUDDIN & CO**  
**CHARTERED ACCOUNTANTS**  
**(Muhammad Moin Khan)**

## AUDITORS' REPORT TO THE MEMBERS

We were engaged to audit the annexed financial statements comprising of:

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

of **Hallmark Insurance Company Limited** (the Company) as at December 31, 2014 together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Company's 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). We report that:

1. The Insurance Ordinance, 2000 requires the minimum capital of Rs. 300 million to be maintained by an insurance company; the Company does not find itself in a position to increase its paid up capital, and does not comply with this solvency requirements;
2. Sundry receivables as disclosed in the balance sheet amount to Rs.591,106. In our opinion the company is unlikely to receive any payment and full provision of 591,106 should have been made. Accordingly, sundry receivables should be reduced and net loss for the year should be increased by the same amount;
3. The Company could not reconcile its accounts with Pakistan Reinsurance Corporation Limited;
4. The commercial operations of the Company were suspended from January 1, 2003. Due to discontinued operations, depreciation for the year amounting to Rs. 93,684 (2013: Rs. 86,707) has not been charged in these financial statements. Had the depreciation been charged, the accumulated loss would have been increased by Rs. 93,684 and the written down value of fixed assets would have been reduced by Rs. 93,684;
5. As disclosed in the financial statements, the Company has a land acquired for a value of Rs. 800,000 which is classified as investment property, however no title documents or valuation report if any, of this land were provided to us for our verification. Furthermore, we were also unable to verify the income of Rs. 300,000 as generate from investment property, due to non-availability of relevant record;

6. The Company earned a net profit of Rs. 155,808 during the year ended December 31, 2014. However, the Company's accumulated loss is amounted to Rs. 4,753,529 and its total current liabilities exceeded its current assets by Rs. 1,490,373. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern. Furthermore, no disclosure has been made in these financial statements regarding the financing plans for the revival of the company; and
7. Due to non availability of records and direct confirmation, we were unable to verify bank balances amounting to Rs. 26,445.

Because of the significance of the matters as disclosed on the paragraph 1 to 7 above, we are unable to form an opinion as to whether:

- a) proper books of account 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; and
- 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 its profit, 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.

**Karachi:**  
**Date:** April 06, 2015

**MUNIFF ZIAUDDIN & CO**  
**CHARTERED ACCOUNTANTS**  
**(Muhammad Moin Khan)**

**HALLMARK INSURANCE COMPANY LIMITED**  
**BALANCE SHEET**  
**AS AT DECEMBER 31, 2014**

	December 31, 2014	December 31, 2013
	Rupees	Rupees
<b>EQUITY AND LIABILITIES</b>		
<b>Share Capital And Reserves</b>		
Authorized Share Capital 1,000,000 Ordinary Shares of Rs. 10/- each	<u>10,000,000</u>	10,000,000
Issued, subscribed and paid-up capital	5,000,000	5,000,000
Accumulated loss	<u>(4,753,529)</u>	<u>(4,909,337)</u>
	<b>246,471</b>	90,663
<b>Creditors And Accruals</b>		
Amount due to other insurers / reinsurers	1,448,238	1,448,238
Accrued expenses	700,216	690,216
Taxation - provision less payments	<u>72,248</u>	<u>72,248</u>
	<b>2,220,702</b>	2,210,702
<b>Other Liabilities</b>		
Sundry creditors	500,000	500,000
Unclaimed dividends	<u>23,150</u>	<u>23,150</u>
	<b>523,150</b>	523,150
Contingencies and commitments	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>2,990,323</b></u>	<u><b>2,824,515</b></u>
<b>ASSETS</b>		
<b>Cash and Bank Deposits</b>		
Cash and other equivalent	635,928	450,928
Current and other accounts	<u>26,445</u>	<u>26,445</u>
	<b>662,373</b>	477,373
<b>Current Assets - Other</b>		
Stock of stationery	-	19,192
Sundry receivables	<u>591,106</u>	<u>591,106</u>
	<b>591,106</b>	610,298
<b>Fixed Assets</b>		
<b>Tangible</b>		
Property, plant & equipment	936,844	936,844
Investment property	<u>800,000</u>	<u>800,000</u>
	<b>1,736,844</b>	1,736,844
<b>TOTAL ASSETS</b>	<u><b>2,990,323</b></u>	<u><b>2,824,515</b></u>

*The annexed notes from 1 to 15 form an integral part of these financial statements.*

**Muhammad Adil**  
Chief Executive

**Naveed Hamid**  
Director

**Saad A. Shamsi**  
Director

**Muhammad Farrukh Bashir**  
Director



**HALLMARK INSURANCE COMPANY LIMITED  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>December 31, 2014</b>	<b>December 31, 2013</b>
	<u>(Rupees)</u>	
Profit after taxation	<b>155,808</b>	238,639
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b><u>155,808</u></b>	<b><u>238,639</u></b>

*The annexed notes from 1 to 15 form an integral part of these financial statements.*

**Muhammad Adil**  
Chief Executive

**Naveed Hamid**  
Director

**Saad A. Shamsi**  
Director

**Muhammad Farrukh**  
Director

**HALLMARK INSURANCE COMPANY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Share Capital Issued, subscribed and paid-up	Capital Reserves		Retained earnings	Total
		Reserve for issue of bonus shares	Reserve exceptional losses		
		----- (Rupees) -----			
Balance as at December 31, 2012	5,000,000	-	-	(5,147,976)	(147,976)
Profit for the year - ended December 31, 2013	-	-	-	238,639	238,639
<b>Balance as at December 31, 2013</b>	<b>5,000,000</b>	<b>-</b>	<b>-</b>	<b>(4,909,337)</b>	<b>90,663</b>
Profit for the year - ended December 31, 2014	-	-	-	155,808	155,808
<b>Balance as at December 31, 2014</b>	<b>5,000,000</b>	<b>-</b>	<b>-</b>	<b>(4,753,529)</b>	<b>246,471</b>

*The annexed notes from 1 to 15 form an integral part of these financial statements.*

**Muhammad Adil**  
Chief Executive

**Naveed Hamid**  
Director

**Saad A. Shamsi**  
Director

**Muhammad Farrukh Bashir**  
Director

**HALLMARK INSURANCE COMPANY LIMITED  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	December 31, 2014	December 31, 2013
	(Rupees)	
<b>a) Underwriting activities</b>		
Premiums received	-	-
Reinsurance premiums paid	-	-
Claims paid	-	-
Reinsurance and other recoveries received	-	-
Commission paid	-	-
Commission received	-	-
Other underwriting receipts	-	-
<b>Net cash flow from underwriting activities</b>	<u>-</u>	<u>-</u>
<b>b) Other operating activities</b>		
Income tax paid	-	-
General management expenses paid	<b>(115,000)</b>	-
Other operating payments	-	-
<b>Net cash outflow from other operating activities</b>	<u><b>(115,000)</b></u>	<u>-</u>
<b>Total cash outflow from all operating activities</b>	<b>(115,000)</b>	-
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
Profit / return received	<b>300,000</b>	75,000
Proceeds from disposal of fixed assets	-	210,694
Fixed capital expenditure	-	<b>(800,000)</b>
<b>Total cash flow from investing activities</b>	<u><b>300,000</b></u>	<u>(514,306)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Other creditors	-	500,000
	<u>-</u>	<u>500,000</u>
<b>Net cash inflow / (outflow) from all activities</b>	<b>185,000</b>	(14,306)
Cash and cash equivalent at the beginning of the year	<b>477,373</b>	491,679
Cash and cash equivalent at the end of the year	<u><b>662,373</b></u>	<u>477,373</u>
<b>RECONCILIATION TO PROFIT AND LOSS ACCOUNT</b>		
Operating cash flow	<b>300,000</b>	-
Depreciation expenses	-	-
Decrease in assets other than cash	<b>(19,192)</b>	-
(Increase) / decrease in liabilities	<b>(125,000)</b>	238,639
<b>Profit after taxation as per profit and loss account</b>	<u><b>155,808</b></u>	<u>238,639</u>

*The annexed notes from 1 to 15 form an integral part of these financial statements.*

**Muhammad Adil**  
Chief Executive

**Naveed Hamid**  
Director

**Saad A. Shamsi**  
Director

**Muhammad Farrukh Bashir**  
Director

**HALLMARK INSURANCE COMPANY LIMITED**  
**STATEMENT OF PREMIUMS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

Class	Premium written	Unearned premium reserve		Premium earned	Reinsurance ceded	Prepaid reinsurance premium		Reinsurance expenses	Net premium revenue	
		Opening	Closing			Opening	Closing		Dec 31, 2014	Dec 31, 2013
<b>Direct and facultative</b>										
1. Fire and property damage	-	-	-	-	-	-	-	-	-	-
2. Marine, aviation and transport	-	-	-	-	-	-	-	-	-	-
3. Motor	-	-	-	-	-	-	-	-	-	-
4. Miscellaneous	-	-	-	-	-	-	-	-	-	-
<b>Grand total</b>	-	-	-	-	-	-	-	-	-	-

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Chief Executive

**Naveed Hamid**  
Director

**Saad A. Shamsi**  
Director

**Muhammad Farrukh Bashir**  
Director

**HALLMARK INSURANCE COMPANY LIMITED**  
**STATEMENT OF CLAIMS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

Class	Claims paid	Outstanding claims including IBNR		Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries received in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing			Opening	Closing		Dec 31, 2014	Dec 31, 2013
<b>Direct and facultative</b>										
1. Fire and property damage	-	-	-	-	-	-	-	-	-	-
2. Marine, aviation and transport	-	-	-	-	-	-	-	-	-	-
3. Motor	-	-	-	-	-	-	-	-	-	-
4. Miscellaneous	-	-	-	-	-	-	-	-	-	-
<b>Grand total</b>	-	-	-	-	-	-	-	-	-	-

*The annexed notes from 1 to 15 form an integral part of these financial statements.*

**Muhammad Adil**  
Chief Executive

**Naveed Hamid**  
Director

**Saad A. Shamsi**  
Director

**Muhammad Farrukh Bashir**  
Director

**HALLMARK INSURANCE COMPANY LIMITED**  
**STATEMENT OF EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

Class	Commission paid or payable	Deferred commission		Net commission expenses	Other management expenses	Underwriting expenses	Commission from reinsurers*	Net underwriting	
		Opening	Closing					Dec 31, 2014	Dec 31, 2013
<b>Direct and facultative</b>									
1. Fire and property damage	-	-	-	-	-	-	-	-	-
2. Marine, aviation and transport	-	-	-	-	-	-	-	-	-
3. Motor	-	-	-	-	-	-	-	-	-
4. Miscellaneous	-	-	-	-	-	-	-	-	-
<b>Grand total</b>	-	-	-	-	-	-	-	-	-

*The annexed notes from 1 to 15 form an integral part of these financial statements.*

**Muhammad Adil**  
Chief Executive

**Naveed Hamid**  
Director

**Saad A. Shamsi**  
Director

**Muhammad Farrukh Bashir**  
Director

**HALLMARK INSURANCE COMPANY LIMITED  
STATEMENT OF INVESTMENT INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**December 31, December 31,  
2014 2013**  
----- (Rupees) -----

**Income from trading investments**

Gain on sale of trading investments - net	-	-
Dividend income	-	-
Unrealised (loss) / gain on re-measurement of securities to fair value	-	-
	<hr/>	<hr/>

**Income from non-trading investments**

**Held to maturity**

Return on Government Securities	-	-
Return on other fixed income securities and deposits - Term finance certificates	-	-

**Available-for-sale**

Dividend income	-	-
-----------------	---	---

Gain on sale of non-trading investments - net	-	-
---	---	---

Provision for impairment in value of available- for-sale securities - net	-	-
--	---	---

Investments related expenses	-	-
------------------------------	---	---

<b>Net investments income</b>	<hr/>	<hr/>
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*The annexed notes from 1 to 15 form an integral part of these financial statements.*

**Muhammad Adil**  
Chief Executive

**Naveed Hamid**  
Director

**Saad A. Shamsi**  
Director

**Muhammad Farrukh Bashir**  
Director

**HALLMARK INSURANCE COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**1 THE COMPANY AND ITS OPERATION**

- 1.1** Hallmark Insurance Company Limited (the Company) was incorporated as a Public Limited Company on 31 October 1981 and the shares of the Company are quoted, currently at defaulter desk of the Karachi Stock Exchange. The registered office of the Company is situated at Office # 1001, Uni Centre, 10th Floor, I.I Chundrigar Road, Karachi.
- 1.2** The Company was engaged in non-life insurance business comprising of fire, marine, motor, engineering etc. With the promulgation of the Insurance Ordinance 2000, the requirement of minimum paid up capital for an insurer to operate as an insurance Company has been enhanced to Rs. 300 million. The Company does not find itself in a position to increase its paid up capital to the required minimum level and has ceased to underwrite insurance business w.e.f. January 01, 2003. Adjustments relating to the recoverability and classification of recorded assets or liabilities that may be necessary, since the Company is no more a going concern, have not been made in these financial statements as the management is making all efforts to have the required capital and run the business as a going concern. A winding up letter has been issued by the SECP and the management is taken up necessary steps to resolve the issues in the stipulated time, hence the management will do full efforts to revive the Company. A winding up letter Dated: 02/04/2013 has been issued by the Securities Exchange Commission of Pakistan and the management has taken up necessary steps to resolve the issues in the stipulated time, hence the management is confident that they will do full efforts to revive the Company.
- 1.3** Due to suspended operations, register of members and fixed assets could not be timely updated.

**2 BASIS OF PREPARATION**

**2.1 Statement of Compliance**

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

The SECP has allowed insurance companies to defer the application of International Accounting Standard (IAS) - 39 'Financial Instruments: Recognition and Measurement' in respect of "available-for-sale investments" until suitable amendments have been made in the laws. Accordingly, the requirements of IAS-39, to the extent allowed by SECP, have not been considered in the preparation of these financial statements.

## 2.2 NEW AND REVISED STANDARDS AND INTERPRETATIONS

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the insurance company:

	<b>Effective date (annual reporting periods beginning on or after)</b>
IFRS 2 Share-based Payments (Amendments)	July 1, 2014
IFRS 3 Business Combinations (Amendments)	July 1, 2014
IFRS 8 Operating Segments (Amendments)	July 1, 2014
IFRS 10 Consolidated Financial Statements (Amendments)	January 1, 2014
IFRS 12 Disclosure of Interests in Other Entities (Amendments)	January 1, 2014
IFRS 13 Fair Value Measurements (Amendments)	July 1, 2014
IFRS 14 Regulatory Deferral Accounts	January 1, 2016
IFRS 15 Revenue from Contracts with Customers	January 1, 2017
IAS 16 Property, Plant and Equipment (Amendments)	July 1, 2014 & January 1, 2016
IAS 19 Employee Benefits (Amendments)	July 1, 2014
IAS 24 Related Party Disclosures (Amendments)	July 1, 2014
IAS 27 Separate Financial Statements (Amendments)	January 1, 2014
IAS 32 Financial instruments: Presentation (Amendments)	January 1, 2014
IAS 36 Impairment of assets (Amendments)	January 1, 2014
IAS 38 Intangible Assets (Amendments)	January 1, 2016
IAS 39 Financial instruments: Recognition and measurement (Amendments)	January 1, 2014
IAS 40 Investment Property (Amendments)	July 1, 2014
IAS 41 Agriculture (Amendments)	January 1, 2016
IFRIC 21 Levies	January 1, 2014

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than the impact on presentation/disclosures. The Company is yet to assess the full

Further, The following new standards have been issued by the IASB, and notified by the SECP for application in Pakistan but their applicability start from the annual period beginning on or after January 01, 2015.

- IFRS 10 Consolidated financial statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosure of interests in other entities
- IFRS 13 Fair value measurement

### **3 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.

### **4 SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT**

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

#### **4.1 Reserves For Unexpired Risk**

The Company has a policy to maintain its reserves for un-expired risk at the end of any year at 40% of the premium income of the year net of re-insurances.

#### **4.2 Estimated Liability In Respect Of Outstanding Claims**

The liability in respect of outstanding claims is based on certified returns of branches and represents the estimate of claims intimated or assessed before the end of accounting year less anticipated recoveries.

#### **4.3 Revenue recognition premium**

Premium received/receivable under a policy are recognized at the time of issuance of policy. Similarly, reinsurance premium is recorded at the time the reinsurance is ceded.

#### **4.4 Return on investments**

Return on investment on bank deposits are recognized on time proportion basis. Dividend income is recognized when the right to receive such dividend is established

#### **4.5 Claims**

Claims are considered to be incurred at the time when the claims are lodged with the Company.

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.

#### **4.6 Acquisition Cost**

Commission due to Direct, Facultative and treaty business and on reinsurance cessation is recognized in accordance with the policy of recognizing premium revenue.

#### **4.7 Taxation**

##### **Current**

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

##### **Deferred tax**

Deferred tax is provided, using liability method, liability method, on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when assets are realized or the liabilities are settled, based on the tax rate( and tax laws) that have been enacted or subsequently enacted at the balance sheet date. Deferred tax asset are recognized only to the extent that it is probable that future taxable profit will be available against which the amount can be utilized. However, due to un-operational status of the Company no deferred tax provision have been provided.

#### **4.8 INVESTMENTS**

##### **Recognition**

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs. These are recognized and classified into following categories:

- i- Held to Maturity
- ii- Available for Sale
- iii- Held for Trading

A regular purchases and sales of financial assets are accounted for at settlement date.

##### **I- Held to Maturity**

These are financial assets with fixed or determinable payment and fixed maturity that the Company has positive intent and ability to hold to maturity.

Any premium paid and discount availed on the acquisition of held to maturity investments are deferred and included in the income for the period on straight-line basis over the term of investment.

Subsequent to initial recognition at cost, the investments that have a fixed maturity are measured at amortized cost.

## **II- 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 fall is other than temporary) in accordance with the requirements of the SRO 938 issued by SECP in December 2002. The Company uses latest stock exchange quotations in an active market to determine the market value of its listed investments whereas, impairment of investments in unlisted companies is computed by the reference to net assets of the investee on the basis of latest available audited financial statements or latest unaudited management accounts.

## **III- Held for Trading**

These financial assets are acquired principally for the purpose of generating profit from short term fluctuations in price or are part of a portfolio for which there is a recent actual pattern of short term profit taking and are included in current assets.

Subsequent to initial recognition, these are measured at fair value by reference to quoted market price with the resulting gain or loss being included in the net profit or loss for the period in which it arises.

## **4.9 FIXED ASSETS**

Subsequent to initial recognition, carrying values of property, plant and equipment are reviewed at each reporting date for indication that an asset may be impaired and carrying values may not be recovered. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount is the greater of net selling price and value in use.

Depreciation has been charged on reducing balance method; but the due to non operational status of the Company no depreciation has been charged.

Depreciation is charged from the month the assets is available for use, while in case of disposal it is charged up to the month of disposal.

Normal repair and maintenance are charged to income currently.

Gains or losses on disposal of fixed assets are included in income currently.

## **4.10 EXPENSES OF MANAGEMENT**

Expenses of management have been allocated to various revenue accounts on equitable

## **4.11 AMOUNT DUE FROM OTHER INSURERS/ REINSURERS**

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

#### **4.12 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

A financial asset and a financial liability are offset and the net amount is reported in the financial statements only when there is a legally setoff enforceable right to setoff the recognized amount and the Company intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

#### **4.13 SEGMENT REPORTING**

The Company's operating businesses are organized and managed separately according to the nature of services provided with each segment representing a strategic business unit that serves different markets. Due to dormancy of the business the management has not provided segment wise break-up of assets and liabilities for the year.

The Company has three major segments namely fire, marine and accident (motor and miscellaneous);

##### **FIRE**

The perils cover under fire insurance include damages caused by fire, riots, strike, explosion, earthquake, atmospheric damages, flood, electric fluctuation and impact.

##### **MARINE**

Marine insurance is provided coverage against cargo risk, war risk and damages occurring in inland transits.

##### **ACCIDENTS - MOTOR**

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

##### **ACCIDENT - MISCELLANEOUS**

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

#### **4.14 REVENUE RECOGNITION**

##### **Premium Income**

Premium income under a policy is recognized over the period of insurance from the date of the issuance of the policy to which it relates to its 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
- c) For non-proportional reinsurance businesses, since inception of the reinsurance contract.

Where the pattern of incidence of risk varies over the period of policy, premium is recognized as revenue in accordance with the pattern of incidence of risk.

**Commission Income**

In accordance with the requirement of the S.R.O 938 issued by SECP dated December 12, 2002, commission income is taken to profit and loss account on a time proportion basis in accordance with pattern of reinsurance premium to which they relate.

**Interest Income**

Interest income is recognized on the time proportion basis that takes into account effective yield on the assets.

**Dividend Income**

Dividend income and entitlement of bonus shares are recognized when right to receive such dividend and bonus shares are established.

Profit / loss on sale of investments is taken to profit and loss account in the year of sale as per settlement date.

**Income on Held to Maturity Investments**

Income on held to maturity investments is recognized on a time proportion basis taking into account the relevant maturity dates and the applicable mark-up in respect thereof.

	<b>December 31, 2014</b>	December 31, 2013
	<i>Rupees</i>	<i>Rupees</i>
<b>5 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
500,000 Ordinary Shares of Rs. 10/- each	<u><b>5,000,000</b></u>	<u>5,000,000</u>
<b>6 UNCLAIMED DIVIDEND</b>		
For the year ended 31-12-98	<b>5,150</b>	5,150
For the year ended 31-12-95	<u><b>18,000</b></u>	<u>18,000</u>
	<u><b>23,150</b></u>	<u>23,150</u>
<b>7 CONTINGENCIES AND COMMITMENT</b>		
<b>7.1 Contingencies</b>		
<p>Due to suspended business operations, the Company could not maintain proper secretarial records as required by the Companies Ordinance 1984, and under the Insurance Ordinance, 2002 and listing regulations of Karachi Stock Exchange (KSE). In the absence of the same the Company might be liable to certain penalties which could not be quantified till the signing date.</p>		
<b>8 CURRENT AND OTHER ACCOUNTS</b>		
Cash at bank - operative accounts	<b>19,484</b>	19,484
Cash at bank - inoperative accounts	<u><b>6,961</b></u>	<u>6,961</u>
	<u><b>26,445</b></u>	<u>26,445</u>
<b>9 FURNITURE &amp; FIXTURES AND OFFICE EQUIPMENT</b>		
Opening book value	<b>936,844</b>	1,096,278
Less: Disposal during the year - (Office equipment)	<u>-</u>	<u>(159,434)</u>
	<b>936,844</b>	936,844
Less: Depreciation for the year	<u>-</u>	<u>-</u>
Closing book value	<u><b>936,844</b></u>	<u>936,844</u>
<b>9.1</b> The Company is dormant. Therefore, the management has resolved not to charge depreciation for the year ended December 31, 2014.		
<b>10 OTHER INCOME</b>		
Gain on sale of fixed assets	-	51,260
Income from agricultural land	<b>300,000</b>	75,000
Reversal of sundry creditors	<u>-</u>	<u>227,379</u>
	<u><b>300,000</b></u>	<u>353,639</u>

	<b>December 31, 2014</b>	December 31, 2013
	<i>Rupees</i>	<i>Rupees</i>
<b>11 GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Auditor remuneration	<b>75,000</b>	75,000
Depreciation (Note 9.1)	-	-
Stationery written off	<b>19,192</b>	-
Legal and professional	<b>50,000</b>	40,000
	<u><b>144,192</b></u>	<u>115,000</u>
<b>12 BASIC AND DILUTED EARNINGS PER SHARE</b>		
Loss after taxation	<b>155,808</b>	238,639
Weighted average number of Ordinary Shares	<b>500,000</b>	500,000
<b>Earning per share</b>	<u><b>0.31</b></u>	<u>0.48</u>

**13 NUMBER OF EMPLOYEES**

Number of employee as at December 31, 2014 was 1 (December 31, 2013: 1).

**14 AUTHORIZATION FOR ISSUE**

These financial statements was authorized for issue by the Board of Directors of the Company in its meeting held on \_\_\_\_\_.

**15 GENERAL**

Figures in the financial statement has been rounded off to the nearest Rupees.

**Muhammad Adil**  
Chief Executive

**Naveed Hamid**  
Director

**Saad A. Shamsi**  
Director

**Muhammad Farrukh Bashir**  
Director

**HALLMARK INSURANCE COMPANY LIMITED**

Regd. Office: Office # 1001, 10th Floor, Uni Centre, I.I Chundrigar Road, Karachi, Pakistan.  
Tel: 021-32414419, 021-37011105 Fax: 021-32416288

**PROXY FORM**

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

being a member of HALLMARK INSURANCE COMPANY LIMITED and a holder of

\_\_\_\_\_ (Number of Shares)

Ordinary Shares, as per Share Register Folio No. \_\_\_\_\_

hereby appoint \_\_\_\_\_ of \_\_\_\_\_

(Name)

Who is also member of HALLMARK INSURANCE COMPANY LIMITED, as my proxy to vote for me and on my behalf at the Annual General Meeting of the Company to be held on the \_\_\_\_\_

\_\_\_\_\_ and at any adjourned

thereof.

signed this \_\_\_\_\_ day of \_\_\_\_\_ 2015

**Revenue  
Stamp**

(Signature should agree with the specimen signature registered with the Company,

Note 1: The PROXY MUST BE SIGNED ACROSS revenue stamp and it should be deposited in the Head Office of the Company not later than 48 hours before the time of holding the meeting.

Note 2: No person shall act as proxy unless he is a member of the Company.