Security General Insurance Company Limited

Annual Report 2014

Contents

Branch Network

KARACHI CITY BRANCH:
House No. 84-P, Ghazali Road Block No. 2, P.E.C.H.S Karachi.

KARACHI MAIN BRANCH:
1st Floor, Karachi Chamber, Hasrat Mohani Road, Off. I.I., Chundrigar Road, Karachi.

LAHORE CITY BRANCH:
3rd Floor Executive Plaza 92 Commercial Area Cavalry Ground Lahore Cantt.

CORPORATE BRANCH:
9-B, 3rd Floor, LDA Flats, Lawrance Road, Lahore.

ISLAMABAD BRANCH:
Office No. 2, 2nd Floor Vip Square, 1-8 Markaz, Islamabad.

FAISALABAD BRANCH:
2nd Floor, Regency Plaza, New Civil Lines, Faisalabad.

BAHAWALPUR BRANCH:
1st Floor, Shah Din Plaza, Farid Gate, Bahawalpur.

NEW MULTAN BRANCH:
Business City Plaza, Bosan Road, Multan.

SIALKOT BRANCH:
Office No. 1 & 2, First Floor, Kashmir Centre,
Kutchery Road, Sialkot.

HYDERABAD BRANCH:
B/2, Block B-1, Railway Housing Society, Auto Bahan Road,
Unit # 03, Latifabad, Hyderabad.

GUJRANWALA BRANCH:
Apartment No. 10, 1st Floor, Bhutta Centre, Nigar Phattak,
G.T Road, Gujranwala.

Mission Statement

SGI to become a leader

in insurance through innovation,

competitive advantage,

customer satisfaction

and stakeholder confidence.

Quality Policy & Objectives

We aspire to be the lead insurance company and achieve global recognition through quality products, high quality service and superior risk underwriting capability.

To achieve Market dominance through:

Increasing market share
Large & more diversified business portfolio
Greater market outreach

To achieve customer satisfaction through:

Innovative products
High quality & timely customer service
Prompt payment of claims
Provide adequate protection to clients and pass on to clients greater benefits through more cost effective insurance with less risk exposure

To achieve superior risk underwriting capacity:

Through innovative underwriting techniques & practices
Disciplined risk management & judicious underwriting
Through hiring/retaining highly qualified & expereienced underwriters & adequate in house training / exposure

To achieve stakeholders' confidence & continuously improve performance:

By enhanced efficiency through optimum utilization of resources
Through increased premium growth & earnings to enhance the return to shareholders.
Enhance job satisfaction & employee creativity and provide employees with opportunities for personal & career development

Insurer Financial Strength Rating

'AA-'

JCR-VIS

Company Information

Board of Directors

Mian Hassan Mansha
Chairman

Mahmood Akhtar
Director

Badar ul Hassan
Director

Inayat Ullah Niazi
Director

Jehanzeb Amin
Director

Nabiha Shahnawaz
CEO

Khalid Mahmood Chohan
Company Secretary

Management

Nabiha Shahnawaz
CEO

Farrukh Aleem
CFO

Khalid Mahmood Chohan
Company Secretary

Audit Committee

Mian Hassan Mansha
Chairman

Inayat Ullah Niazi
Member

Jehanzaib Amin
Member

External Auditors

A.F. Ferguson & Company
Chartered Accountants

Internal Auditors

S.M. Masood & Co.
Chartered Accountants

Lawyers

Hamid Law Associates

Head Office

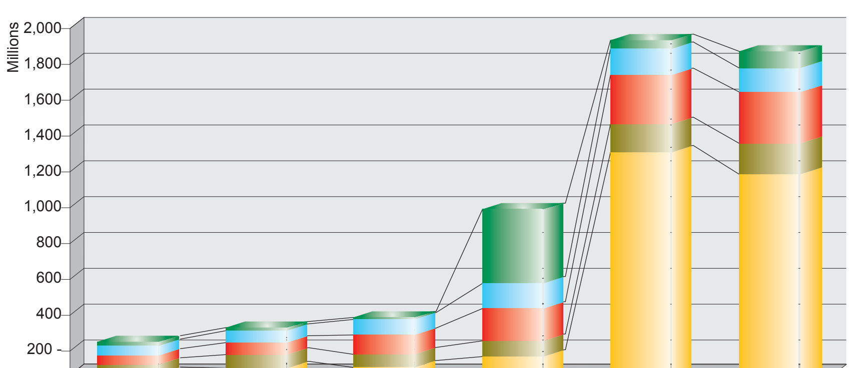
SGI House, 18 C / E1,
Gulberg III, Lahore.
Tel: 92-42-35775024-29
Fax: 92-42-35775030
E-mail: sgi@sgicl.com
Web: www.sgicl.com

Key Financial Data

(Rupees in Million)

Description	2014	2013	2012	2011	2010	2009
Gross premium	**1,816**	1,872	1,006	451	402	328
Profit after Tax	**897**	760	527	389	374	314
Profit before Tax	**971**	826	586	457	411	329
Investment Income	**799**	739	633	509	496	446
Underwriting Income	**174**	177	56	48	50	47
Net Revenue	**524**	368	198	155	127	120
Net Claims	**232**	97	70	53	35	31
Paid-up Capital	**681**	681	681	681	681	681
Authorized Share Capital	**1,000**	1,000	1,000	1,000	1,000	1,000
Underwriting Reserve	**1,395**	1,250	863	347	308	231
Investments	**7,535**	7,261	7,273	7,211	7,295	7,117
Tangible Fixed Assets	**120**	110	107	87	85	86
Retaind Profit	**7,812**	7,225	6,740	6,451	6,266	6,028

DEPARTMENT WISE PREMIUM GRAPH



	2009	2010	2011	2012	2013	2014
ENGG	23,094,040	15,881,926	8,963,073	379,809,765	40,426,757	88,557,759
MISC.	47,667,808	62,420,062	76,931,545	126,659,114	139,893,014	124,150,857
MOTOR	47,665,249	62,074,011	99,586,776	162,820,285	242,333,499	256,417,556
MARINE	45,147,149	69,127,640	68,654,090	82,860,599	143,095,390	160,250,641
FIRE	164,734,262	192,558,767	197,297,768	253,949,066	1,306,612,326	1,186,367,424
	328,308,308	**462,062,406**	**451,433,252**	**1,006,098,829**	**1,872,360,986**	**1,815,744,237**

Fire & Allied Perils Insurance

Property insurance is required by owners of buildings, machinery, plants, stocks and contents. It is also availed by other persons legally interested in the property of residential houses, commercial and industrial projects, other constructions, products and goods exposed to fire risk.

Coverage Available.

Loss or damage due to:-

Fire & Lightning, Strike Riot and Civil Commotion, Malicious Damage, Explosion, Aircraft Damage, Impact Damage, Earthquake (Fire & Shock), Volcanic eruption, Atmospheric Disturbance, Rain, Hail, Snow, Hurricane, Cyclone, Tornado/ Typhone, Flood, land slide and rockslide damage, Burglary/Theft.

The Fire & Lightning are perils of standard Fire Policy. Other perils are added as suitable to the requirements of the proposers/ parties interested in the cover.

Standard Fire Perils.

1) Fire
2) Lightning

Allied Perils.

1) Riot & Strike
2) Riot Fire
3) Malicious Damage
4) Earthquake (Fire & Shock)
5) Atmospheric Disturbance
6) Aircraft Damage
7) Impact Damage
8) Explosion

Burglary/Theft.

Fire policy is endorsed to cover loss or damage due to burglary / theft,

Electrical Clauses.

1) Electrical Clause (A)
2) Electrical Clause (B)

The clauses are appropriate where loss or damage to electrical machines, apparatus etc is desired to be excluded or covered as provided in the clauses.

Business Interruption Insurance (BI)

It is also known as Consequential Loss or Loss of Profit Insurance. Cover is available for (BI) due to Fire & Allied perils insured by the policy.

Marine Cargo Insurance

Marine Cargo insurance is required by the importers, exporters, traders, banks financing the imports/exports and other persons interested in the cargo against loss or damage during transit.

Security General Insurance Company Limited is providing insurance covers at most economical cost. Cover is available for all types of goods for carriage by Sea, by Air, by Rail, or other land conveyance and is tailored according to the risks involved to the needs of the customers. Risks of WAR & SRCC are also protected as provided in the clauses to ensure maximum cover to the cargo shipments.

Motor Insurance

SGI offers insurance protection at minimum cost to customers in respect of the following:

1) “ACT ONLY’’ Liability

2) Third Party Liability

3) Private & Commercial vehicle comprehensive insurance

4) Motor Cycle comprehensive insurance

Engineering & Miscellaneous

SGI presents to customers the most competitive rates, terms & conditions and fully protect their interest in respect of the following:

1) Machinery Breakdown insurance
2) Loss of Profit following Machinery Breakdown insurance
3) Boiler Pressure Vessel insurance
4) Erection All Risks insurance
5) Contractor's All Risks insurance
6) Contractor's Plant and Machinery insurance
7) Third Party Liability for EAR / CAR policies
8) Electronic Equipments insurance.

Bonds Insurance

BID BONDS

Bid Bonds are required in connection with the submission of tenders for contracts with private/public owner. The subject is to guarantee that the bidder (Contractor), if awareded the contract, will enter into the contract and furnish the Prescribed Performance Bond. If the contractor is afterwards unable to enter into the contract and to furnish the required Performance Bond, the insurance company is liable to pay the bond amount to the owner.

MOBILIZATION ADAVANCE BOND

Mobilization Advance Bond is required in cases where the oblige (owner) is pre-financing a contract; he may secure the repayment of the advance by means of a bond called Mobilization Advance Bond.

The amount guaranteed should decrease in accordance with the portions of work performed. By this bond, the Insurance Company guaranteed the owner correct utilization of advance.

In case contractor fails to fulfill their obligation and commit default the insurance company will pay the amount to the owner which is outstanding at that time.

PERFORMANCE BOND

Performance bond is required of a contract (After accepting Bid and awarding of contract) to guarantee the full and the due performance of the contract according to plan and specifications. In case the contractor fails, to perform the contract in accordance with the terms and conditions of the contract, the insurance company will be liable to pay the bond amount to the owner on demand.

SUPPLY BONDS

Supply bonds are similar in intent to performance bonds. They are issued for contracts to supply materials, goods, machinery at a specified time and place.

Crops Insurance

Crop insurance is purchased by agricultural producers, including farmers, ranchers, and other to protect themselves against either the loss of their crops to natural disasters or the loss or revenue due to declines in the prices of agricultural commodities

Home Insurance

This policy is designed to provide coverage and a cushion against various risks faced by your home and to make your life better and tension free.

Review Report To The Members

on Statement of Compliance With Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the Best Practices ('the Statement') contained in the Code of Corporate Governance ('the Code') for the year ended December 31, 2014 prepared by the Board of Directors of Security General Insurance Company Limited ('the Company') to comply with the Code issued by the Securities and Exchange Commission of Pakistan applicable to non listed insurance companies.

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

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

A.F. Ferguson & Company
Chartered Accountants
Name of Engagement Partner : Muhammad Masood

Lahore.
Dated: March 20, 2015

Statement of Compliance
with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance ('CCG') for Insurance Companies for the purpose of establishing a framework of good governance, whereby Insurance 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 and directors representing minority interests on its board of directors. At present the board includes:

Category:	**Names**
Independent directors:	Nil
Executive directors:	Ms Nabiha Shahnawaz Cheema
Non-executive directors:	Mr Mian Hassan Mansha Mr Inayat Ullah Niazi Mr Badar Ul Hassan Mr Jehanzeb Amin Mr Mehmood Akhtar

2. The directors have confirmed that none of them is serving as a director in ten or more listed companies.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by a stock exchange.

4. There was no casual vacancy on the Board of Directors during the year.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and has been circulated among the employees of the company.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO), have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least 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 established a system of sound internal control, which is effectively implemented at all levels within the company.

10. An orientation course for directors was arranged during the year 2010.

11. No new appointment of CFO, Company Secretary and Head of Internal audit has been approved by the Board. The remuneration of CFO, Company secretary and head of internal audit was revised during the year after approval of the Board.

12. 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.

13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

14. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

15. The Company has complied with all the corporate and financial reporting requirements of the Code.

16. The Board has formed underwriting, claim settlement and reinsurance committees.

17. The Board has formed an audit committee. It comprises of 3 members, all of whom are non-executive directors including the chairman of the committee.

18. The meetings of the committees were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the audit committee have been formed and advised to the audit committee for compliance.

18. The Board has set-up an effective internal audit function. The company has outsourced its internal audit function to a firm of professional consultants.

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

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

21. We confirm that all other material principles contained in the Code have been complied with.

On behalf of Board of Directors

Nabiha

Nabiha Shahnawaz
CEO

Dated: March 20, 2015

Notice of Annual General Meeting

Notice is hereby given that Annual General Meeting of the Shareholders of Security General Insurance Company Limited ("the Company") will be held on April 30, 2015 (Thursday) at 3:00 p.m. at SGI House, 18-C/E-1, Gulberg III, Lahore, to transact the following business:

1. To receive, approve and adopt the audited accounts of the Company for the year ended December 31, 2014 together with the Directors' and Auditors' reports thereon.

2. To approve Final Cash Dividend @ 20% (i.e. Rs. 2/- Per Share) for the year 2014, as recommended by the Board in addition to 25% interim dividend already declared and paid.

3. To elect Five (5) Directors of the Company for a period of three years commencing from May 01, 2015 in accordance with the provisions of Section 178 of the Companies Ordinance, 1984 in place of the following retiring Directors :-

1. Mian Hassan Mansha
2. Mr. Jehanzeb Amin
3. Mr. Mahmood Akhtar
4. Mr. I. U. Niazi
5. Mr. Badar Ul Hassan

The Board of Directors has fixed the number of elected Directors as five (5). All retiring Directors shall be eligible to offer themselves for re-election.

4. To appoint Statutory Auditors of the Company and fix their remuneration.

5. Special Business:-

A) To consider and if deemed fit, to pass the following resolutions as special resolutions with or without modification, addition(s) or deletion(s) to alter the Memorandum of Association of the Company:

RESOLVED THAT the following new clause 1A be and is hereby inserted after the existing clause 1 in the object clause III of the Memorandum of Association of the Company, subject to confirmation of Registrar/Securities and Exchange Commission of Pakistan:

"To undertake and carry on in Pakistan and in any part of the world all kinds of General Takaful business including but not limited to accident, fire, marine, aerial navigation, marine and aerial hull, explosion, lighting, earthquake, storm, tempest, flood, hail, transit, employer's liability, workmen's compensation, riot, public liability, personal accident, burglary, robbery, theft, fidelity, motor car, livestock, plate-glass, boiler explosion, vehicle, engineer and contractor liability, consequential loss, third party risk and mortgage or other investment insurance/takaful or any of them and every kind of guarantee and indemnity business and counter guarantee and counter indemnity business and to transact all kinds of general takaful and general re-takaful business whether known or hereinafter to be devised, which are permissible under the laws and in particular subject to the guidance of the Shariah Advisor:-

(i) To design General Takaful schemes or plans in order to meet the needs of participants in accordance with the Takaful Rules and to act as a Takaful/Re-Takaful Operator;

(ii) To cede the risk of Takaful Business to the Re-Takaful Operator in compliance with the applicable rules and regulation for Takaful Industry in Pakistan.

(iii) To establish the Participant Takaful Fund for the management of funds pertaining to the Takaful Operations.

(iv) To do all other acts and deeds required for the purpose of undertaking general Takaful and re-Takaful business, including but not limited to obtaining approvals, directions and any other form of consent and/or permission required from within the company and/or any concerned authorities including the Securities and Exchange Commission of Pakistan, with the view for Security General Insurance Company Limited to act as Takaful Window Operator.

FURTHER RESOLVED that any of the Chief Executive and/or Company Secretary be and is hereby authorized to do all acts, deeds and things, take any and all necessary steps to fulfil the legal, corporate and procedural formalities and file all necessary documents/returns/file application(s) with Securities and Exchange Commission of Pakistan seeking approvals as he/they deem(s) necessary, expedient and desirable to give effect to the above resolution and to appoint representative to represent the Company before Securities and Exchange Commission of Pakistan for permission to undertake window takaful operations.

B) **RESOLVED** that pursuant to the requirements of Section 208 of the Companies Ordinance, 1984, Security General Insurance Company Limited ("the Company") be and is hereby authorized to make long term equity investment up to Rs. 500,000,000 (Rupees Five Hundred Million Only) from time to time by way of acquisition of up to 50,000,000 (Fifty Million) ordinary shares of Nishat Hotels and Properties Limited, an associated company.

FURTHER RESOLVED that the above said resolution of investment shall be valid for three (3) years and any of the Chief Executive Officer and/or Company Secretary of the Company be and are hereby jointly empowered and authorized to undertake the decision of said investment of shares as and when deemed appropriate and necessary in the best interest of the Company and its shareholders.

FURTHER RESOLVED that any of the Chief Executive Officer and/or Company Secretary of the Company be and are hereby jointly authorized to take all steps and actions necessary, incidental and ancillary for the acquisition of shares of Nishat Hotels and Properties Limited including execution of any and all documents and agreements as may be required in this regard and to do all acts, matters, deeds and things as may be necessary or expedient for the purpose of giving effect to the spirit and intent of the special resolution for making investment from time to time.

FURTHER RESOLVED that any of the Chief Executive Officer and/or Company Secretary of the Company be and are hereby authorized jointly to dispose off through any mode, a part or all of equity investments made by the Company from time to time as and when deemed appropriate and necessary in the best interest of the Company and its shareholders.

By order of the Board

Khalid Mahmood Chohan
Company Secretary

LAHORE
Dated: March 20, 2015

NOTES:

1. The Share Transfer Books of the Company will remain closed for entitlement of 20% Final Cash Dividend (i.e Rs. 2/- per share) from 23-04-2015 to 30-04-2015 (both days inclusive). Transfers received in order at SGI House, 18-C/E-1, Gulberg III, Lahore, upto 1:00 p.m. on 22-04-2015 will be considered in time for entitlement of 20% Final Cash Dividend and attending of Annual General Meeting.

2. A member eligible to attend and vote at this meeting may appoint another member his / her proxy to attend and vote instead of him/her. Proxies in order to be effective must reach the Company's Registered Office not less than 48 hours before the time for holding the meeting.

3. Shareholders are requested to immediately notify the change in address, if any.

STATEMENT UNDER SECTION 160 (1) (B) OF THE COMPANIES ORDINANCE, 1984.

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on April 30, 2015.

A) Amendment in Object Clause of the Memorandum of Association

The registered insurers have been allowed to undertake General Takaful Business subject to authorization from Securities and Exchange Commission of Pakistan under Takaful Rules, 2012. Therefore, the Directors have approved the undertaking of General Takaful business subject to authorization from the SECP. After the approval of amendment by members, confirmation from Securities and Exchange Commission of Pakistan (SECP) will be obtained.

Since the Takaful business is a sharia'h based scheme, it is hoped that the same will be attractive for many Pakistanis.

The Company is a Registered Insurer engaged in general insurance business and is subject to the grant of the requisite authorization by SECP, to be eligible to undertake General Takaful business as Window Takaful Operator. For this purpose, the Directors have proposed that a new sub-clause 1A be inserted in the Objects Clause III of the Memorandum of Association of the Company.

The directors are not interested, directly or indirectly, in the above business except to the extent of their shareholdings as has been detailed in the pattern of shareholdings attached to the directors' report.

Inspection of Documents

Original and amended copies of the Memorandum and Articles of Association of the Company have been kept at the Registered Office of the Company which could be inspected on any working days during usual business hours till the date of the Annual General Meeting.

B) INVESTMENT IN NISHAT HOTELS AND PROPERTIES LIMITED

Nishat Hotels and Properties Limited was incorporated on 04 October 2007 as a public limited company with an authorized share capital of Rs. 10,000,000/- (Rupees Ten Million Only) authorized share capital has subsequently been enhanced to Rs. 4,000,000,000/- (Rupees Four Billion Only). The authorized share capital was further enhanced to Rs. 5,500,000,000/- (Rupees Five Billion Five Hundred Million Only).

Nishat Hotels and Properties Limited was set up with the main object of carrying hotels and hospitality business in Pakistan. For the intended purpose the company has acquired Hotel site of 119 Kanals, 6 Marlas and 73 SFT of Commercial Land situated at Trade and Finance Block, Johar Town, Lahore, from Lahore Development Authority (LDA) - Urban Development Wing.

Nishat Hotels and Properties Limited has undertaken the project of a hotel and a prime shopping mall with name of “Emporium Mall”. The project will be completed in three years with estimated cost of Rupees 15,595,629,000/- (Rupees Fifteen Billion Five Hundred Ninety Five Million Six Hundred Twenty Nine Thousand Only). The development consists of a high quality state of the art shopping mall of international standard as well as a budget hotel and a large banquet hall catering to the needs of surrounding areas. The proposed building has a covered area of 2.742 Million Square Feet comprising the following building components (2 basements, ground floor and 8 floors):

- 3-4 star upto 140 rooms hotel
- Banquet halls
- Hyper Star
- Shopping Mall with following features:
    - Retail
    - Food courts
    - Cineplex
    - Health and Leisure Zones
    - Two basements with 2,815 parking bays for cars and motorcycles.

Security General Insurance Company Limited expects significant dividends from this equity investment in Nishat Hotels and Properties Limited which will eventually enhance the return on investment of the shareholders of Security General Insurance Company Limited.

The directors have carried out their due diligence for the proposed investment and duly signed recommendation of due diligence report shall be available for inspection of members in the general meeting along with latest audited accounts of associated company.

Information under Clause (a) of sub-regulation (1) of regulation 3 of (Investment in Associated Companies or Associated Undertakings) Companies Regulations, 2012.

Ref. #	Requirement	Information
i	Name of associated company Criteria of associated relationship	Nishat Hotels and Properties Limited Common directorship
ii	Purpose	To participate in the growing hotel business of the country through equity investment
	Benefits	To earn return on equity of Security General Insurance Company Limited through dividend income from investment in associated company.
	Period of investment	Strategic long term investment
iii	Maximum amount of investment	Rs. 500,000,000/- (Rupees Five Hundred Million Only)
iv	Maximum price/share	The price to be paid for the equity investment will be par value of Rs. 10/- per share since the project is a green field project and the price is less than the fair value determined by independent firm of Chartered Accountants.
v	Maximum number of shares to be acquired	50,000,000 shares
vi	Shareholding before investment	No. of shares: NIL, Shareholding percentage: NIL
	Shareholding after investment	No. of shares: 50,000,000 Shareholding percentage: 9.09%
vii	Requirement in case of investment in listed associated company	Not Applicable as Nishat Hotels and Properties Limited is an unlisted company.
viii	Fair market value of shares	The fair value of the share determined in terms of Regulation 6(1) is Rs. 82.09 per share based on discounted cash flows using "Free Cash Flow" to the Company at discount rate of 9.53% with 4% terminal growth rate. (Copy of fair valuation report issued by HBL Ijaz Tabussam & Co., Chartered Accountants, is available at Registered Office of the Company and can be inspected in working hours up to 29 April 2015).
ix	Break-up value of shares	Rs. 9.95 per share as at 30 June 2014 (audited). Rs. 9.94 per share as at 31 December 2014 (un-audited).
x	Earnings per share for the last three years	30 June 2013 was the Company's first year of operations.

	Basic	Diluted
2013	= Re. (0.37)	(0.03)
2014	= Re. (0.11)	(0.08)
31 Dec 2014	= Re. (0.0078)	(0.0076)

Ref. #	Requirement	Information
xi	Sources of fund from which shares will be acquired	Surplus funds of the Company.
xii	Requirements if shares are intended to be acquired using borrowed funds	Not applicable.

xiii	Salient features of agreement(s) entered into with the associated company	No agreement.
xiv	Direct/Indirect interest of directors in the associated company	One director of Security General Insurance Company Limited, Mian Hassan Mansha currently holds 30.05% shares in Nishat Hotels and Properties Limited. The brothers of Mian Hassan Mansha, namely Mian Raza Mansha and Mian Umer Mansha also holds 30.05% shares each in Nishat Hotels and Properties Limited. The directors of the associated company are interested in the investing company to the extent of their shareholding as under:-

Name	% of Shareholding
Mian Hassan Mansha	13.03
Mr. I.U. Niazi	0.00

xv	Any other important detail	None
xvi	Description of the project	Three to four star hotel, banquet halls, shopping mall, Cineplex etc.
	Starting date of work	15 March 2013
	Completion of work	14 September 2015
	Commercial operations date	15 September 2015
	Expected time by which the project shall start paying return on investment	Financial year 2015-16 [Projected]

Statement Under Rule 4 (2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012

Name of Investee Company	**D. G. Khan Cement Co. Ltd.**	**Adamjee Insurance Co. Ltd.**
Total Investment Approved	PKR 360,000,000 (Rupees Three Hundred Sixty Million Only) by way of purchase of shares was approved by members in EOGM held on September 30, 2014 for the period of three (3) years.	PKR 525,000,000 (Rupees Five Hundred Twenty Five Million Only) by way of purchase of shares was approved by members in EOGM held on September 30, 2014 for the period of three (3) years.
Amount of Investment Made to date	Rs. 16.137 Million	Rs. 60.265 Million
Reason for not having made complete Investment so far where resolution Required to be implemented in Specified time.	Partial investment has been made in investee company. Further investment will be made depending on market conditions at appropriate time.	Partial investment has been made in investee company. Further investment will be made depending on market conditions at appropriate time.
Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	At the time of approval, as per then available latest financial statements for the year ended June 30, 2013, the basic Earnings per Share was Rs. 12.56 and Break-up Value per Share without fare value reserve was Rs.55.23 (with fare value reserve was Rs. 109.46). As per Latest available financial statements for the half year ended 31 December 2014, the Basic Earnings per share is Rs. 7.75 and Break-up Value per Share without fare value reserve is Rs. 69.96 (with fare value reserve is Rs. 146.39.	At the time of approval, as per then available latest financial statements for the year ended December 31, 2013, the basic Earnings per Share was Rs. 5.60 and Break-up Value per Share was Rs. 37.30. As per Latest available financial statements for the year ended 31 December 2014, the Basic Earnings per share is Rs. 5.37 and Break-up Value per Share is Rs.40.30.

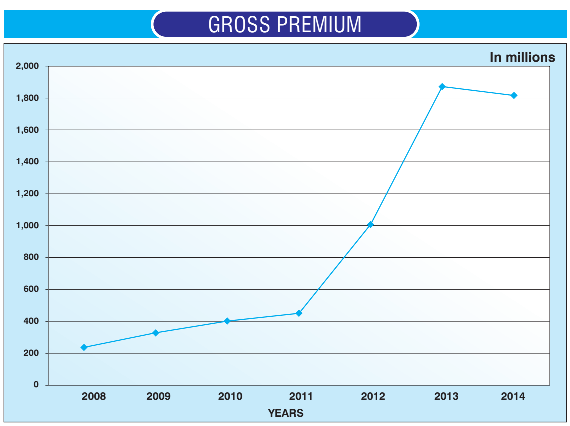
Directors' Report To The Members

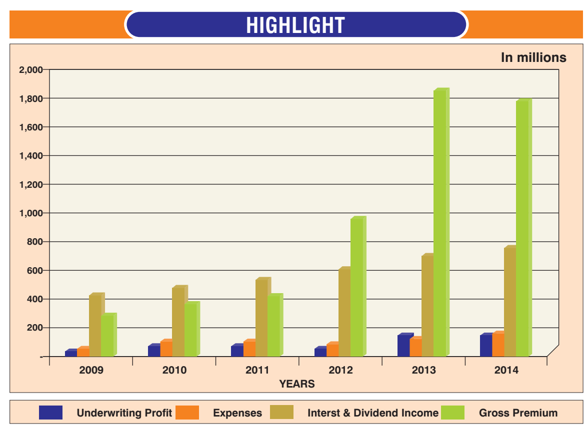
On behalf of the Board of Directors of Security General Insurance Company Limited, I am pleased to present the 19th annual report of your company for the year ended December 31, 2014.

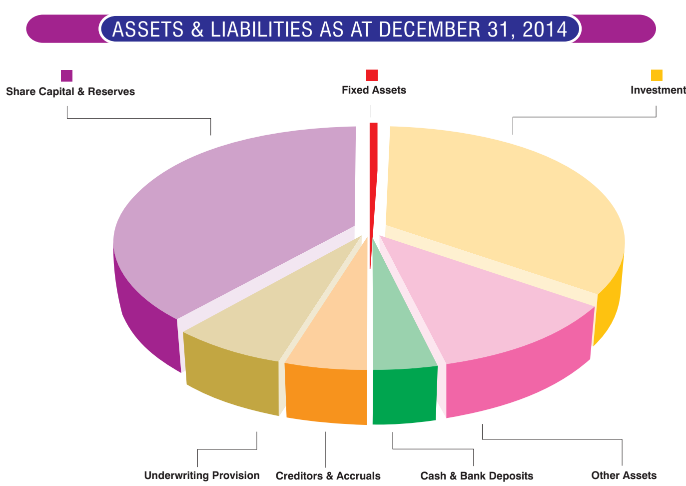
COMPANY'S PERFORMANCE DURING 2014:

SGI underwrote a gross premium of Rs. 1.82 billion during the year 2014. Cash flows from underwriting activities have remained positive.

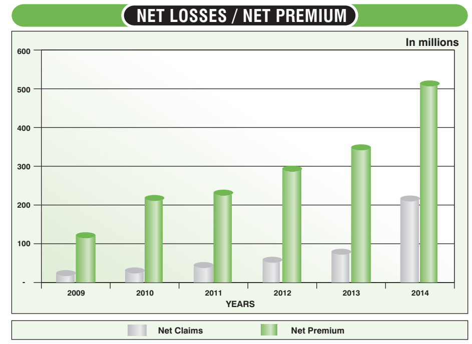
	Dec, 2014	Dec, 2013	Increase/(Decrease)
	(Rupees in million)		%
Gross Premium	1,816	1,872	(3)
Net Premium	524	368	42
Net Commission	29	16	81
Net Claims	232	97	139
Profit from underwriting business	174	177	(2)
Other income (not attributable to Investment activities)	51	12	325
Investment income	799	739	8
Financial charges	2	5	(60)
Profit before tax	971	826	18
Profit after tax	897	760	18





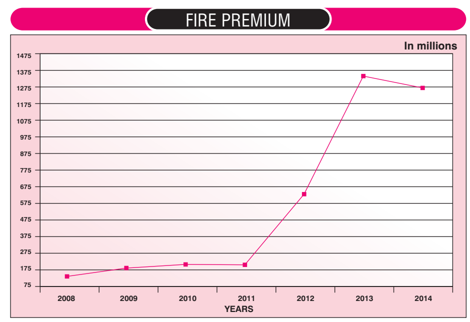


UNDERWRITING ACTIVITY:



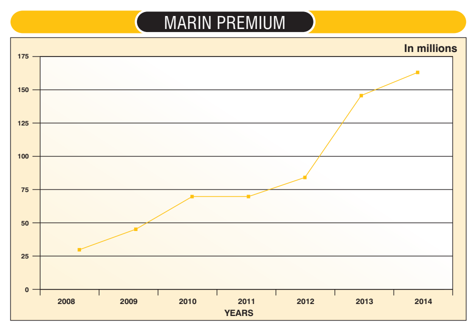
SGI underwrote a gross premium of Rs. 1.82 billion during the year 2014. Underwriting profit for the year stands at Rs. 174 million (2013 Rs. 177 million). Underwritting profit bears a percentage of 33% to the net premium revenue.

FIRE & PROPERTY DAMAGE:



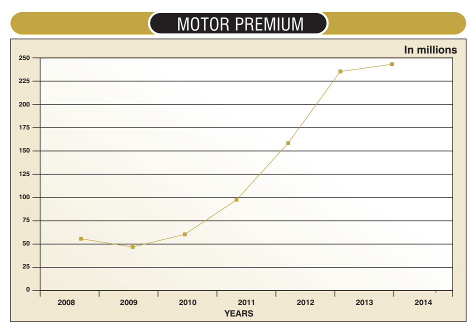
Premium written in Fire business has decreased as compared to same period during last year by 5%. The underwriting profit from fire business for period ended December 31st 2014 is 72%. Fire and property portfolio represents 65% of the total underwriting portfolio of SGI.

MARINE AVIATION AND TRANSPORT BUSINESS:



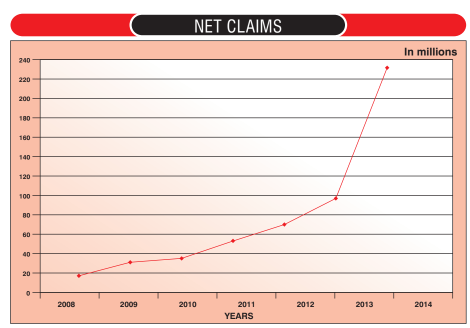
Premium written in marine business has increased as compared to same period during last year by 12%. The underwriting loss from marine business for period ended December 31st 2014 is 242%. Marine business represents 11% of the total underwriting portfolio of SGI.

MOTOR:



The gross premium from motor business has increased from Rs. 242 million during the period ended December 31st 2013 to Rs. 256 million during the period ended December 31st 2014. The profitability from the motor business for the period ended December 31st 2014 is 47% of net premium from this business. Motor business represents 19% of the total underwriting portfolio of the company.

CLAIMS:



The overall claims expense has increased from Rs. 97 million during the period ended December 31st 2013 to Rs. 232 million during the period ended December 31st 2014. Net claims are 44% of premium (2013 : 26%).

INVESTMENTS:

The market value of our investment portfolio increased from 15 billion to Rs. 18 billion on the December 31st 2014 the Company earned dividend of Rs. 788 million from its investment portfolio (2013: 726 million).

CASH FLOW:

As of December 31st 2014 Company's cash flow from underwriting activities is positive. Cash flow from financing activities is negative because of payment of dividend and financial charges. Overall business cash flow is positive.

EARNING PER SHARE:

Earnings per share has increased from 11.17 during the period ended December 31st 2013 to Rs. 13.18 during the period ended December 31st 2014.

APPROPIRATIONS:

Directors, in their meeting held on March 20, 2015, have recommended a 20% cash dividend. This is in addition to 25% cash dividend paid on the basis of half yearly results for 2014.

CREDIT RATING:

JCR-VIS Credit Rating Company Ltd., has maintained the Insurer Financial Strength (IFS) Rating of SGI at AA- (AA- minus).

BOARD AUDIT COMMITTEE

As required under the code of corporate governance for insurance companies, the board audit committee reviewed the results of all four quarter for the year. Following persons have remained its members during the year:

Mian Hassan Mansha	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Jehanzeb Amin	Member

STATUTORY AUDIT:

The auditors have expressed an unqualified opinion on the financial statement of the Company for the year 2014.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

The Directors are pleased to give the following statement in respect of Code of Corporate Governance.

- The Financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance 2000 and Companies Ordinance 1984. These statements present fairly the company's state of affair, results of its operations, cash flow and changes in equity.
- Proper books of accounts have been maintained by the company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The international accounting standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt upon the company's ability to continue as a going concern.

- There has been no material departure from the best practices of corporate governance.
- Key operating and financial data is available in the annual report.
- All applicable statutory payments on account of taxes, duties etc were regularly and timely deposited in the Government treasury.
- Value of investment of Provident Fund as at 31st December 2014 stands at Rs. 19,621,940, and investment of grautity fund as at 31st December 2014 stands at Rs. 15,437,289.
- The number of board meetings held during the year were 5 and were attended by the directors as follows:

SR#	Name of member	Namber of meetings attend
	Mian Hassan Mansha (Chairman)	5
	Jehanzaib Amin	0
	Mahmood Akhtar	5
	Inayat Ullah Niazi	5
	Badar ul Hassan	3
	Nabiha Shahnawaz (CEO)	5

- The aggregate shares held by the Associated Companies are:

1.	Nishat Mills Limited	10,226,244
2.	Samin Textiles Limited	6,530,000

- The pattern of share holding is given on page 67 of this report.

There are no material changes /commitments between the year end and the date of signing of this report except those mentioned in appropriations.

ACKNOWLEDGEMENTS:

The directors and the management of the company are grateful to the sponsors for their valuable guidance and support. We are thankful to our clients and policy holders for their confidence and continued patronage of the company and for allowing us to serve them. We take this opportunity to thank the SECP for the cooperation extended to the company throughout the year, and our re-insurers for their dynamic collaborative contribution. Finally we would like to express our whole hearted appreciation to the staff for their dedication and efforts enabling SGI to achieve positive results.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERANCE:

The provision of the Code of Corporate Government for the insurance companies have been complied with during the year under review. The Board and audit committee have reviewed the results of all the quarters of the year after the closure of the respective quarter. The statement of compliance with Code of Corporate Governance is included in the annual report of the Company.

On behalf of Board of Directors

Nabiha Shahnawaz
CEO

Dated: March 20, 2015

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) cash flow statement;
(vi) statement of premium;
(vii) statement of claims;
(viii) statement of expenses; and
(ix) statement of investment income

of Security General Insurance Company Limited ('the company') as at December 31, 2014, together with the notes forming part thereof, for the year than 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 financial 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 2.2.1 to the financial statments with which we concur;

(c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2014 and of the profit, its comprehensive income, its cash flows and changes in equity for the year ended December 31, 2014, in accordance with approved Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

(d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Lahore,
Dated: March 20, 2015

A.F. Ferguson & Company
Chartered Accountants
Name of Engagement Partner : Muhammad Masood

Balance Sheet

	Note	Dec. 31, 2014 Rupees	Dec. 31, 2013 Rupees
Share capital and reserves			
Authorised capital			
100,000,000 (2013: 100,000,000) ordinary shares of Rs. 10 each		1,000,000,000	1,000,000,000
Issued, subscribed and paid up capital			
68,062,500 (2013: 68,062,500) ordinary shares of Rs. 10 each	5	680,625,000	680,625,000
General reserves		2,000,000	2,000,000
Retained earnings		7,812,062,644	7,224,911,213
		8,494,687,644	7,907,536,213
Underwriting provisions			
Provision for outstanding claims [including IBNR]	6	507,148,513	344,877,529
Provision for unearned premium		888,321,166	905,367,770
Commission income unearned		82,530,497	66,008,362
Total underwriting provisions		1,478,000,176	1,316,253,661
Deferred liabilities			
Staff retirement benefits	7	4,710,895	6,298,417
Creditors and accruals			
Premium received in advance		-	815,294
Amounts due to other insurers/reinsurers		820,442,799	835,962,246
Creditors and accrued expenses	8	235,260,428	247,310,262
		1,055,703,227	1,084,087,802
Borrowings			
Finances under mark-up arrangements - secured	9	-	-
Contingencies and commitments	10	-	-
Total equity and liabilities		11,033,101,942	10,314,176,093

The annexed notes 1 to 35 form an integral part of these financial statements.

Hasan Mansha

Chairman

Director

as at December 31, 2014

	Note	Dec. 31, 2014 Rupees	Dec. 31, 2013 Rupees
Cash and bank deposits			
Cash and other equivalents	11	54,291	57,376
Current and other accounts	12	834,400,197	708,367,478
Deposits maturing within 12 months	13	2,350,000	3,350,000
		836,804,488	711,774,854
Investments	14	7,535,302,017	7,261,136,497
Deferred taxation	15	26,416,683	27,486,793
Current assets - Others			
Premiums due but unpaid - unsecured considered good	16	717,616,968	747,070,115
Amounts due from other insurers/reinsurers - unsecured	17	476,744,830	415,706,841
Salvage asset		500,000	-
Accrued investment income		2,899,701	2,868,054
Reinsurance recoveries against outstanding claims		423,564,616	266,386,063
Commission expense deferred		110,437,754	101,903,835
Prepayments	18	660,837,005	645,481,095
Taxation-payments less provision		64,539,018	18,037,973
Sundry receivables	19	57,295,927	6,209,074
		2,514,435,819	2,203,663,050
Fixed assets	20		
Freehold land		22,671,528	22,671,528
Leasehold improvements		2,171,531	1,739,520
Building		27,422,496	30,469,441
Computer equipment		4,077,008	2,534,767
Furniture and fixtures		4,766,632	4,277,379
Motor vehicles		46,733,244	35,534,108
Office equipment		6,559,505	5,711,918
Trackers		5,740,991	7,176,238
		120,142,935	110,114,899
Total assets		11,033,101,942	10,314,176,093

Director

Principal & Chief Executive Officer

Profit and Loss Account

for the year ended December 31, 2014

	Note	Fire and property Damage Rupees	Marine, aviation and transport Rupees	Motor Rupees	Other including miscellaneous Rupees	**Dec. 31, 2014 Rupees**	Dec. 31, 2013 Rupees
Revenue account							
Net premium revenue		338,823,821	57,117,794	101,614,569	26,516,595	**524,072,779**	367,887,665
Net claims		(14,197,405)	(179,541,416)	(32,981,727)	(4,931,116)	**(231,651,664)**	(96,689,038)
Expenses	21	(62,401,593)	(8,416,924)	(12,134,819)	(6,120,490)	**(89,073,826)**	(77,843,939)
Net commission		(19,399,400)	(7,619,739)	(8,363,753)	6,191,473	**(29,191,419)**	(16,412,241)
Underwriting result		242,825,423	(138,460,285)	48,134,270	21,656,462	**174,155,870**	176,942,447
Investment income						**798,818,256**	739,387,516
Income on saving account and other deposits						**51,183,762**	11,969,205
Financial charges	22					**(1,771,589)**	(5,263,454)
(Loss) / gain on sale of fixed assets						**(191,599)**	82,254
Other income	23					**46,187,116**	-
Workers' welfare fund						**-**	(16,528,924)
General and administration expenses	24					**(96,987,251)**	(80,142,840)
						797,238,695	649,503,757
Profit before taxation						**971,394,565**	826,446,204
Provision for taxation	25					**(74,359,964)**	(66,041,923)
Profit after taxation						**897,034,601**	760,404,281
Profit and loss appropriation account							
Balance at commencement of the year						**7,224,911,213**	6,738,623,953
Final dividend for the year ended December 31, 2013 : Rs. 2 per share (2012: Rs. 2 per share)						**(136,125,000)**	(136,125,000)
Profit after taxation for the year						**897,034,601**	760,404,281
Interim dividend for the year ending December 31, 2014 : Rs. 2.5 per share (2013: Rs. 2 per share)						**(170,156,250)**	(136,125,000)
Other comprehensive loss						**(3,601,920)**	(1,867,021)
Balance unappropriated profit at the end of the year						**7,812,062,644**	7,224,911,213

The annexed notes 1 to 35 form an integral part of these financial statements.

Chairman	Director	Director	Principal & Chief Executive Officer

Statement of Comprehensive Income
for the year ended December 31, 2014

	Year ended December 31	
	2014 Rupees	2013 Rupees
Profit for the year	**897,034,601**	760,404,281
Other comprehensive loss for the year		
Items that may be reclassified subsequently to profit or loss:	**-**	-
Items that will not be subsequently reclassified to profit or loss:		
Remeasurement of staff retirement benefits	**(3,601,920)**	(1,867,021)
Total comprehensive income for the year	**893,432,681**	758,537,260

The annexed notes 1 to 35 form an integral part of these financial statements.

Hasan Mansha
Chairman

Director

Director

Principal & Chief Executive Officer

Statement of Changes in Equity

for the year ended December 31, 2014

	Share capital Rupees	General reserve Rupees	Retained earnings Rupees	Total Rupees
Balance as at December 31, 2012	680,625,000	2,000,000	6,738,623,953	7,421,248,953
Total comprehensive income for the year	-	-	758,537,260	758,537,260
Transactions with owners recognised directly in equity				
Final dividend for the year ended December 31, 2012 at Rs. 2 per share	-	-	(136,125,000)	(136,125,000)
Interim dividend for the year ended December 31, 2013 at Rs. 2 per share	-	-	(136,125,000)	(136,125,000)
	-	-	(272,250,000)	(272,250,000)
Balance as at December 31, 2013	680,625,000	2,000,000	7,224,911,213	7,907,536,213
Total comprehensive income for the year	-	-	893,432,681	893,432,681
Transactions with owners recognised directly in equity				
Final dividend for the year ended December 31, 2013 Rs. 2 per share	-	-	(136,125,000)	(136,125,000)
Interim dividend for the year ended December 31, 2014 Rs. 2.25 per share	-	-	(170,156,250)	(170,156,250)
	-	-	(306,281,250)	(306,281,250)
Balance as at December 31, 2014	**680,625,000**	**2,000,000**	**7,812,062,644**	**8,494,687,644**

The annexed notes 1 to 35 form an integral part of these financial statements.

Chairman	Director	Director	Principal & Chief Executive Officer

Cash Flow Statement

for the year ended December 31, 2014

	Note	Dec. 31, 2014 Rupees	Dec. 31, 2013 Rupees
Operating cash flows			
Underwriting activities			
Premiums received		1,758,981,454	1,354,363,309
Reinsurance premiums paid		(1,362,586,829)	(959,486,595)
Claims paid		(561,479,143)	(272,007,373)
Reinsurance and other recoveries received		361,309,406	168,419,086
Commissions paid		(192,841,871)	(172,008,565)
Commissions received		196,436,346	161,457,263
Other underwriting payments		(7,594,987)	(18,968,935)
Other underwriting receipts		16,315,396	14,470,015
Net cash generated in underwriting activities		208,539,772	276,238,205
Other operating activities			
Income tax paid		(119,790,899)	(74,286,088)
General and management expenses paid		(201,204,734)	(124,072,573)
Net cash used in other operating activities		(320,995,633)	(198,358,661)
Total cash (used in)/ generated from all operating activities		(112,455,861)	77,879,544
Investment activities			
Profit / return received		53,926,491	21,904,498
Dividends received		788,476,404	726,230,435
Proceeds for term deposits with banks		-	500,000
Payments for purchase of investments		(305,123,876)	-
Proceeds from disposal of investments		34,639,138	17,874,301
Fixed capital expenditure		(28,260,990)	(18,777,286)
Proceeds from disposal of fixed assets		1,973,709	1,598,547
Total cash generated from investing activities		545,630,876	749,330,495
Financing activities			
Dividends paid		(306,281,250)	(272,250,000)
Financial charges paid		(1,864,131)	(7,302,239)
Total cash used in financing activities		(308,145,381)	(279,552,239)
Net cash generated from all activities		125,029,634	547,657,800
Cash at the beginning of the year		711,774,854	164,117,054
Cash at the end of the year	26.1	836,804,488	711,774,854

Reconciliation of operating cash flows to profit and loss account is given in note 26 to the financial statements.

The annexed notes 1 to 35 form an integral part of these financial statements.

Chairman	Director	Director	Principal & Chief Executive Officer

Statement of Premium
for the year ended December 31, 2014

Business underwritten inside Pakistan

Direct and facultative

Class	Premiums written Rupees	Unearned premium reserve: Opening Rupees	Unearned premium reserve: Closing Rupees	Premiums earned Rupees	Reinsurance ceded Rupees	Prepaid reinsurance premium: Opening Rupees	Prepaid reinsurance premium: Closing Rupees	Reinsurance expense Rupees	Other income Rupees	Net premium revenue: December 31, 2014 Rupees	Net premium revenue: December 31, 2013 Rupees
Fire and property damage	1,274,925,183	718,393,039	687,463,021	1,305,855,201	993,946,810	516,747,656	536,230,679	974,463,787	7,432,407	338,823,821	210,848,136
Marine, aviation and transport	160,250,641	15,369,918	17,569,362	158,051,197	107,121,860	8,877,194	10,495,679	105,503,375	4,569,972	57,117,794	44,651,209
Motor	256,417,556	106,748,082	133,652,962	229,512,676	137,711,027	61,858,323	68,347,523	131,221,827	3,323,720	101,614,569	91,053,217
Miscellaneous	124,150,857	64,856,731	49,635,821	139,371,767	101,210,040	56,934,116	44,299,687	113,844,469	989,297	26,516,595	21,335,118
Total	1,815,744,237	905,367,770	888,321,166	1,832,790,841	1,339,989,737	644,417,289	659,373,568	1,325,033,458	16,315,396	524,072,779	367,887,680
Treaty	-	-	-	-	-	-	-	-	-	-	(15)
Grand total	1,815,744,237	905,367,770	888,321,166	1,832,790,841	1,339,989,737	644,417,289	659,373,568	1,325,033,458	16,315,396	524,072,779	367,887,665

Note: Premium underwritten includes administrative surcharge of Rs. 16,315,396 (2013: Rs. 14,470,015) earned on insurance policies issued by the company.

The annexed notes 1 to 35 form an integral part of these financial statements.

Chairman	Director	Director	Principal & Chief Executive Officer

Statement of Claims

for the year ended December 31, 2014

Business underwritten inside Pakistan

Direct and facultative

Class	Claims paid Rupees	Outstanding claims		Claims expense Rupees	Reinsurance and other recoveries received Rupees	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue Rupees	Net claims expenses	
		Opening Rupees	Closing Rupees			Opening Rupees	Closing Rupees		**December 31, 2014 Rupees**	December 31, 2013 Rupees
Fire and property damage	102,672,942	159,465,450	313,006,954	256,214,446	87,343,816	126,525,100	281,198,325	242,017,041	**14,197,405**	44,824,255
Marine, aviation and transport	344,225,424	38,068,816	46,882,919	353,039,527	169,245,453	28,986,537	33,239,195	173,498,111	**179,541,416**	10,358,131
Motor	84,788,741	52,288,841	56,698,197	89,198,097	53,058,185	22,676,380	25,834,565	56,216,370	**32,981,727**	36,608,715
Miscellaneous	29,292,036	95,054,422	90,560,443	24,798,057	24,772,456	88,198,046	83,292,531	19,866,941	**4,931,116**	4,898,042
Total	560,979,143	344,877,529	507,148,513	723,250,127	334,419,910	266,386,063	423,564,616	491,598,463	**231,651,664**	96,689,143
Treaty	-	-	-	-	-	-	-	-	**-**	(105)
Grand total	560,979,143	344,877,529	507,148,513	723,250,127	334,419,910	266,386,063	423,564,616	491,598,463	**231,651,664**	96,689,038

The annexed notes 1 to 35 form an integral part of these financial statements.

Chairman	Director	Director	Principal & Chief Executive Officer

Statement of Expenses

for the year ended December 31, 2014

Business underwritten inside Pakistan

Direct and facultative		Deferred commission						Net underwriting expenses	
Class	Commissions paid or payable Rupees	Opening Rupees	Closing Rupees	Net commission expenses Rupees	Other management expenses Rupees	Under writing expenses Rupees	Commissions from reinsurers Rupees	**December 31, 2014 Rupees**	December 31, 2013 Rupees
Fire and property damage	127,465,989	77,620,419	81,813,842	123,272,566	62,401,593	185,674,159	103,873,166	**81,800,993**	71,135,644
Marine, aviation and transport	41,010,049	3,303,527	4,274,281	40,039,295	8,416,924	48,456,219	32,419,556	**16,036,663**	8,108,181
Motor	34,309,501	12,929,329	17,717,490	29,521,340	12,134,819	41,656,159	21,157,587	**20,498,572**	14,747,140
Miscellaneous	14,854,011	8,050,560	6,632,141	16,272,430	6,120,490	22,392,920	22,463,903	**(70,983)**	265,219
Total	217,639,550	101,903,835	110,437,754	209,105,631	89,073,826	298,179,457	179,914,212	**118,265,245**	94,256,184
Treaty	-	-	-	-	-	-	-	**-**	(4)
Grand total	217,639,550	101,903,835	110,437,754	209,105,631	89,073,826	298,179,457	179,914,212	**118,265,245**	94,256,180

Note: Commission from reinsurers is arrived at after taking into account the impact of opening and closing unearned commission.

The annexed notes 1 to 35 form an integral part of these financial statements.

Hasan Mansha
Chairman

Director

Director

Principal & Chief Executive Officer

Statement of Investment Income

for the year ended December 31, 2014

	Dec. 31, 2014 Rupees	Dec. 31, 2013 Rupees
Income from non-trading investments		
Held-to-maturity		
Return on Government securities	8,591,757	8,643,168
Add : Amortization of discount relative to par	443,588	471,831
	9,035,345	9,114,999
Less: Amortization of premiumrelative to par	-	(22,907)
	9,035,345	9,092,092
Available-for-sale		
- Dividend income		
Dividend income from related parties	20,425,590	40,560,320
Dividend income from others	768,050,814	685,625,115
	788,476,404	726,185,435
- Gain on sale of available for sale of investments	6,988,032	5,572,093
Provision for Impairment in value of investments		
Less: Provision for impairment in available for sale investments	(3,750,838)	-
Less: Investment related expenses	(1,930,687)	(1,462,104)
Net investment income	798,818,256	739,387,516

The annexed notes 1 to 35 form an integral part of these financial statements.

Chairman	Director	Director	Principal & Chief Executive Officer

Notes to the Financial Statements
for the year ended December 31, 2014

1. Legal status and nature of business

Security General Insurance Company Limited (the ' company'), is a general non-life insurance company which was incorporated as an unquoted public limited company in Pakistan on May 13, 1996 under the Companies Ordinance, 1984. The company has 11 branches in Pakistan (2013: 10). The company is engaged in providing general insurance services in spheres of Fire, Marine, Motor and Miscellaneous. The registered office and the principal place of business is situated at SGI House, 18-C, E1, Gulberg III, Lahore.

2. Basis of preparation

2.1 Basis of presentation and statement of compliance

These financial statements have been prepared in accordance with the requirements of the Insurance Ordinance, 2000, the Securities and Exchange Commission (Insurance) Rules, 2002, the Companies Ordinance, 1984 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise such International Accounting Standards (IASs, IFRSs and IFRICs) as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002, the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002, the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Standards, interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments to published standards and interpretations that are effective in the current period and are relevant to the company

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on or after January 1, 2014 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements except for the amendments as explained below:

- IAS 32 (Amendments), 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities is applicable on accounting periods beginning on or after January 01, 2014. These amendments update the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The application of this standard has no material impact on the company's financial statements.

- IAS 36 (Amendment), 'Impairment of assets' on recoverable amount disclosures is applicable on accounting period beginning on or after January 01, 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The application of this standard has no material impact on the company's financial statements.

- IFRIC 21, 'Levies' sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The company is not currently subjected to significant levies so the impact on the company's financial statements is not material.

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

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after January 1, 2015 or later periods, and the company has not early adopted them:

- IFRS 9, 'Financial Instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until January 01, 2018 but is available for early adoption. This IFRS is under consideration of the relevant Committee of the Institute of Chartered Accountants of Pakistan. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace IAS 39, 'Financial Instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. There will be no impact on the company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the company does not have any such liabilities.

- IFRS 13 - 'Fair value measurement'. This is applicable on accounting periods beginning on or after January 01, 2013, however, the Institute of Chartered Accountants of Pakistan has adopted this standard for periods beginning on or after January 1, 2015. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The company is yet to assess the impact on its financial statements.

3. Basis of measurement

These financial statements have been prepared under the historical cost convention, except for recognition of certain employee retirement benefits at present value.

3.1 Critical accounting judgements and estimates

The preparation of financial statements in conformity with approved accounting 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 its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results may be different from the estimates since anticipated events frequently do not occur as expected and the variation could be material. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision effects only that period, or in the period of revision and future periods, if the revision effects both current and future periods. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Premium deficiency reserve (note 4.2.2)
b) Provision for outstanding claims including, incurred but not reported claims (IBNR) (note 4.3)
c) Provision for taxation and deferred tax (note 4.11 and note 25)

d) Provision for doubtful receivables (note 4.6 and note 15)
e) Useful lives and residual values of fixed assets (note 4.14 and note 20)
f) Defined benefit plan (note 4.15)
g) Classification of investments and its impairment (note 4.10)

4. Summary of significant accounting policies

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

4.1 Insurance contracts

Insurance contracts are those contracts where the company has accepted significant insurance risk from the policy holders by agreeing to compensate the policy-holders on the occurrence of a specified uncertain future event i.e. insured event, that adversely affects the policy holders. Significant insurance risk is defined as the possibility of having to pay benefits on the occurrence of an insured event.

The company issues non-life insurance contracts only under four main classes of business i.e. fire and engineering, marine, motor and miscellaneous and are issued to corporate and individual clients. The tenure of these insurance contracts depend upon terms of the policies written and vary accordingly.

- Fire and engineering insurance contracts generally cover the policy holders against damages caused by one or more of the following: fire, earthquake, riot and strike, explosion, atmospheric disturbance, flood, burglary, etc. according to the terms and conditions of the policy.

- Marine insurance contracts generally provide cover against one or more of the following: cargo risk, war risk and damages occurring during transit between the points of origin and final destination according to the terms and conditions of the policy.

- Motor insurance contracts provide indemnity against one or more of the following: total or partial loss of vehicle, third party loss and other comprehensive car coverage, etc. according to the terms and conditions of the policy.

- Miscellaneous insurance contracts provide cover against possibility to pay benefits on the occurrence of an insured event other than the above mentioned classes according to the terms and conditions of the policy.

The company accepts inward reinsurance by way of facultative acceptances. The nature of risk undertaken in these contracts is consistent with those stated above, in direct and other lead insurance contracts.

Accounting policies for revenue recognition and recognition of claims are dealt with in notes 4.17 and 4.3, respectively. While note 4.5 provides accounting policy for recording of amounts due to / from other insurers / reinsurers / agents.

4.2 Unexpired insurance risk

4.2.1 Provision for unearned premium

Majority of the insurance contracts entered into by the company are for a period of twelve months. Policy for recognition of premium revenue is disclosed in note 4.17 to these financial statements.

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage at the reporting date. The company maintains its provision as follows;

- for contracts of 12 months tenure, company maintains provision for unearned premium net of reinsurances by applying the 1 / 24th method as stipulated in SEC (Insurance) Rules, 2002 for non life insurance companies.

- for marine insurance contracts, company maintains provision for unearned premium net of reinsurances by applying 1 / 6th method consistent with 1 / 24th method as stipulated in SEC (Insurance) Rules, 2002 for non life insurance companies.

- for contracts having tenure of more than 12 months, company maintains provision for unearned premium net of reinsurances relating to the unexpired period of coverage at the reporting date.

4.2.2 Premium deficiency reserve

The company maintains a premium deficiency reserve for each class of business. This reserve is created for an amount by which the unearned premium for any class of business, is not sufficient to cover the expected future claims settlement costs and other handling costs after reinsurance recoveries, for claims expected to be incurred after the balance sheet date in respect of the policies in force at the balance sheet date in that class of business. Any movement in the reserve is to be charged to the profit and loss account and forms part of underwriting results.

Loss ratios for each class of business are analysed based on historical claim development. Where ratios are adverse, judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If a premium deficiency is determined, as a result of such assessment, the entire deficiency is recorded as an expense in profit and loss account for the period. The loss ratios based on current estimates of known claims for the current and prior period are as follows:

	Loss ratios based on current estimates of known claims	
	2014	2013
Fire and property damage	**19%**	17%
Marine, aviation and transport	**24%**	24%
Motor	**49%**	53%
Miscellaneous	**23%**	24%

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

4.3 Provision for outstanding claims (including IBNR)

Estimate for claims incurred include all losses occurring during the year, whether reported or not, related handling costs expected and any adjustment to claims outstanding from previous years.

Outstanding claims provision are based on the estimated cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs at undiscounted values after reduction for the value of salvage and other recoveries. Incurred but not reported (IBNR) claims are recognized after taking into account the five years average of past claims that were incurred but not reported at the respective balance sheet dates.

Claims development shown in note 31.1.4 shows that in any of the previous four years, provision for outstanding claims at respective reporting dates did not prove inadequate at the time of actual settlement of respective claims. For reinsurance recoveries against outstanding claims, refer to note 4.12.

4.4 Reinsurance contracts

A contract through which a direct insurer is compensated for the insurance risk accepted by it to another entity either partially or in whole is recognized as a reinsurance contract.

The accounting policies in respect of amounts due to / from reinsurers are referred to in note 4.5 to the financial statements. Recognition criteria for reinsurance income and reinsurance expense is stated in note 4.22 and note 4.13, respectively.

Reinsurance assets include amounts due to / from reinsurers and are measured consistently with the terms of each reinsurance contract specifically. Whereas, reinsurance liabilities primarily include premium payable and commission payable (in case of facultative acceptance). Reinsurance assets are not set off against related insurance liabilities.

The movement in reinsurance assets and their credit rating for the year ended December 31, 2014 is referred to in note 18 and note 31.2 to the financial statements, respectively.

4.5 Amounts due to/from other insurer/reinsurers/agents

Amounts due to / from other insurers / reinsurers / agents are carried at cost less provision for impairment. Cost represents the fair value of the consideration to be paid / received in future for the services received / rendered. Reinsurance assets and liabilities are derecognized when the contractual rights are extinguished or expired.

4.6 Provision for doubtful receivables

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

4.7 Creditors and accruals

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

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

4.8 Borrowings

Loans and borrowings from banks are recorded at the proceeds received. Finance charges are accounted for on an accrual basis and are included in creditors and accruals to the extent of the remaining unpaid amount.

4.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and short term finances under mark-up arrangements.

4.10 Investments

All "regular way" purchases and sales of investments are recognized on the trade date which is the date that the company commits to purchase or sell the investment. Investments made by the company are classified for the purpose of measurement into following categories:

Held-to-maturity

Investments with fixed maturity, that the management has the intent and ability to hold till maturity are classified as held-to-maturity and are initially recognized at cost being the fair value of consideration given and include transaction costs. At subsequent reporting dates, these are measured at amortized cost using the effective yield method. Any premium paid or discount availed on acquisition of such investments is deferred and included in the income for the period on a straight line basis over the term of investment.

Available-for-sale

Investments classified as available-for-sale are initially measured at cost, being the fair value of consideration given and include transaction costs. Subsequent to initial recognition at cost, these are stated 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 requirements of S.R.O. 938 issued by the SECP in December 2002. The company uses latest Stock Exchange quotations in an active market to determine the market value of its listed investments. Impairment of unquoted investments is computed by reference to net assets of the investee on the basis of the latest available audited / unaudited financial statements.

This policy of stating available-for-sale investments at lower of cost and market value is not in compliance with IAS 39, which states that investments available-for-sale, at subsequent reporting dates should be measured at fair value. The market value of available-for-sale investments as at December 31, 2014 is Rs 18,333,482,818 (2013: 15,007,561,184). Had the company complied with IAS 39- Financial Instruments: Recognition and Measurement, the carrying value of investments as at December 31, 2014 would have been greater by Rs 10,869,686,746.

4.11 Taxation

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the current year for such years.

Deferred

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

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity. Deferred tax asset has not been recognized with respect to unused tax losses amounting to Nil (2013: 220,999,955) as this is not expected to reverse. Minimum tax payable u/s 113 aggregating to Rs 5,420,728 would not be available for carry forward against future tax liabilities subsequent to tax year 2020.

4.12 Reinsurance recoveries against outstanding claims

Claims recoveries receivable from reinsurers are recognized at the same time as the claims which give rise to the right to recovery. Recoveries are recognized and are measured at undiscounted amounts expected to be received.

4.13 Prepaid reinsurance expense

The portion of reinsurance expense not yet recognized as an expense is recognized as a prepayment in accordance with SEC (Insurance) Rules, 2002 for non-life insurance Companies.

4.14 Fixed capital expenditure and depreciation

Operating fixed assets except for freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Depreciation on all operating fixed assets is charged to profit on a reducing balance method at the rates stated in note 20 to the financial statements, so as to write off the historical cost of an asset over its estimated useful life.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted, if impact on depreciation is significant. The management has reviewed assets' residual value and their useful life as at December 31, 2014 and is of the view that there exists no condition to indicate any impairment losses as at that date.

Depreciation on additions to operating fixed assets is charged from the month in which the asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off.

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

Gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

4.15 Staff retirement benefits

The main features of the schemes operated by the company for its employees are as follows:

4.15.1 Defined contribution plan

There is an approved contributory provident fund for all permanent employees. Equal monthly contributions are made by the company and employees to the fund, at the rate of 10% of basic salary. Contributions made by the company are recognized as expense.

4.15.2 Defined benefit plan

There is an approved gratuity fund for all of its permanent employees. Retirement benefits are payable to staff on resignation, retirement or termination from service, subject to completion of prescribed qualifying period of service under the scheme.

The latest actuarial evaluation was carried out as at December 31, 2014 using the "Projected Unit Credit Method" based on the following assumptions;

- Discount rate	11.25%
- Expected rate of increase in salary	10.25%
- Average expected remaining working life of employees	12 years

Actuarial gain / loss is recognised by following the minimum recommended approach under IAS 19 'Employee benefits'.

4.16 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 and de-recognized when the company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet include cash and bank, deposits, loans, investments, premiums due but unpaid, amounts due from other insurers / reinsurers, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other insurers / reinsurers, creditors and accrued expenses and short term running finance. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.17 Revenue recognition

Premium income under a policy is recognized over the period of insurance from the date of issue of the policy to which it relates to its expiry as follows:

(a) For direct business, evenly over the period of the policy; and
(b) For facultative acceptance business, evenly over the period of underlying insurance policies.

Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

Dividend income is recognized as income when the right of receipt is established.

Gain / loss on sale of investment is taken to the profit and loss account in the year of sale as per trade date.

Profit commission, if any, which the company may be entitled to under the terms of reinsurance arrangements, is recognized on accrual basis.

Administration surcharge is recognized as revenue at the time of issuance of policy.

4.18 Commission expense

Commission expense is deferred and brought to account as expense in accordance with the pattern of recognition of gross premium to which it relates.

4.19 Management expenses

Expenses directly attributable to a class of business are allocated to the respective class of business. Common expenses have been allocated to various classes of insurance business on the basis of gross premium underwritten and endorsements issued. Expenses not allocable to the underwriting business are charged as administrative expenses.

4.20 Borrowing costs

Interest, mark-up and other charges on long term finances, if any, are capitalised upto the date of commissioning of respective qualifying assets acquired out of the proceeds of such long term finances. All other interest, mark-up and other charges are recognised in profit and loss account.

4.21 Foreign currencies

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupees at the spot rate. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

All exchange differences are included in profit currently.

The financial statements are presented in Pak Rupees which is the company's functional and presentation currency.

4.22 Commission on reinsurance premium

Commission income on reinsurance premium is recognized at the time of issuance of the underlying insurance policy by the company. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates.

Unearned commission income from the reinsurers represents the portion of income relating to the unexpired period of coverage and is recognized as a liability.

4.23 Premiums due but unpaid / premiums received in advance

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

4.24 Administrative surcharge

This represents documentation and other charges recovered by the company from policy holders in respect of policies issued, at a rate of 5% of the premium, restricted to a maximum of Rs. 2,000 per policy.

4.25 Offsetting of financial assets and financial liabilities

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

4.26 Impairment

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized, in the profit and loss account, for the difference between the recoverable amount and the carrying amount. Provisions for impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Changes in the provisions are recognized as income or expense.

In the case of reinsurance assets, if an event occurs before or after the balance sheet date, that gives rise to a reasonable and measurable probability that the amounts recoverable from any of the counter parties to the reinsurance contract are not recoverable, in whole or in part, an impairment loss is charged to profit for the year.

4.27 Segment reporting

A business segment is a distinguishable component of the company that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The company accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The segments given below are consistent with those used by the management for evaluation of performance and allocation of resources.

Based on its classification of insurance contracts issued, the company has four primary business segments for reporting purposes namely fire, marine, motor and miscellaneous. The nature and business activities of these segments are disclosed in note 4.1.

As the operation of the company are predominantly carried out in Pakistan, information relating to geographical segment is not considered relevant.

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

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

4.28 Dividend and appropriations to reserves

Dividend distribution to the company's shareholders and appropriations to reserves are recognized as a liability in the period in which these are approved.

4.29 Share capital

Ordinary shares are classified as equity and recognised at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

5. Issued, subscribed and paid up capital

2014	2013		2014	2013
(Number of shares)			Rupees	Rupees
7,446,030	7,446,030	ordinary shares of Rs. 10 each fully paid in cash	**74,460,300**	74,460,300
60,616,470	60,616,470	ordinary shares of Rs. 10 each issued as fully paid bonus shares	**606,164,700**	606,164,700
68,062,500	68,062,500		**680,625,000**	680,625,000

Ordinary shares of the company held by associated undertakings as at December 31 were as follows:

5.1 Name of associated undertaking

	Note	2014	2013
		(Number of shares)	
Nishat Mills Limited	5.2	**10,226,244**	10,226,244
Samin Textiles Limited		**6,530,000**	10,214,914
		16,756,244	20,441,158

5.2 These undertakings are associated by virtue of common directorship.

6. Provision for outstanding claims includes Rs. 25,740,200 (2013: Rs. 14,263,564) due to associated undertakings.

7. Staff retirement benefits

7.1 The amounts recognized in balance sheet are as follows:

	2014 Rupees	2013 Rupees
Present value of defined benefit obligations	**20,148,184**	12,690,814
Fair value of plan assets	**(15,437,289)**	(6,392,397)
Net actuarial gains / (losses) not recognised	**-**	-
Net payable to defined benefit plan	**4,710,895**	6,298,417
Opening balance of payable	**6,298,417**	2,899,943
Expense recognised	**2,732,902**	1,884,381
Contributions to the fund during the year	**(7,922,344)**	(1,314,727)
Recognition in other comprehensive income	**3,601,920**	2,828,820
Closing balance of payable	**4,710,895**	6,298,417

7.2 Movement in the present value of defined benefit obligation is as follows;

	2014 Rupees	2013 Rupees
Present value of obligation as at January 01,	12,690,814	8198453
Current service cost	2,429,060	1,589,675
Interest cost	1,649,806	901,830
Benefits paid	-	(653,099)
Experience adjustment	3,378,504	2,653,955
Present value of obligation as at December 31,	20,148,184	12,690,814

7.3 Movement in the fair value of plan asset is as follows;

	2014 Rupees	2013 Rupees
Fair value of plan assets as at January 01,	6,392,397	5,519,310
Contribution made to the fund during the year	7,922,344	1,314,727
Interest income on plan assets	1,345,964	607,124
Benefits paid	-	873,899
Return on plan assets, excluding interest income	(223,416)	(174,865)
Fair value of plan assets as at December 31,	15,437,289	6,392,397

7.4 Composition of plan assets

	2014 Rupees	2013 Rupees
Pakistan Investment Bonds	14,954,923	4,830,320
Cash at bank	482,366	1,562,077
Fair value of plan assets as at December 31	15,437,289	6,392,397

7.5 Charge for defined benefit plans and other benefits

The following amounts have been charged to the profit and loss account in respect of defined benefit plans and other benefits:

	2014 Rupees	2013 Rupees
Current service cost	2,429,060	1,589,675
Interest cost	1,649,806	901,830
Expected return on plan assets	(1,345,964)	(607,124)
	2,732,902	1,884,381

The following amounts have been recognized on other comprehensive income:

7.6 Recognition in other comprehensive income

	2014	2013
Experience adjustment	3,601,920	2,828,820
	3,601,920	2,828,820

7.7 Sensitivity analysis

Year end sensitivity analysis (±100 bps) on defined benefit obligation is as follows:

Discount rate+ 100bps	Discount rate- 100bps	Salary increase rate+100bps	Salary increase rate-100bps
17,843,868	22,891,223	22,851,478	17,840,642

7.8 5 year data on the deficit / (surplus) of the plan is as follows:

	2014 Rupees	2013 Rupees	2012 Rupees	2011 Rupees	2010 Rupees
Present value of defined benefit obligation	20,148,184	12,690,814	8,198,453	5,226,897	3,352,197
Fair value of plan assets	(15,437,289)	(6,392,397)	(5,519,310)	-	-
(Surplus) / deficit	4,710,895	6,298,417	2,679,143	5,226,897	3,352,197

7.9 Experience adjustment

	2014	2013	2012	2011	2010
Experience adjustments on obligation	-17%	-21%	0.27%	0%	0%
Experience adjustments on assets	-1%	-3%	0%	0%	0%

8. Creditors and accrued expenses

	Note	2014 Rupees	2013 Rupees
Accrued expenses		**3,806,079**	3,457,232
Cash margin		**56,802,251**	59,344,227
Commission payable		**135,507,603**	110,709,924
Mark-up accrued on borrowings from banks		**66,738**	159,280
Federal insurance fee payable	8.1	**563,157**	493,009
Federal excise duty payable	8.1	**8,385,777**	7,344,880
Workers' Welfare Fund		**-**	46,187,116
Provident fund	8.2	**162,952**	171,487
Accrued liabilities		**19,389,581**	15,311,888
Others		**10,576,290**	4,131,219
		235,260,428	247,310,262

8.1 Government duties outstanding at the reporting date on account of Federal insurance fee and Federal excise duty were paid after December 31, 2014 within the stipulated time period allowed by the relevant laws.

8.2 The details of investment made by the provident fund:

	2014 Rupees	2013 Rupees
i) Size of the fund - Total assets	**22,538,412**	17,771,737
ii) Cost of investments	**19,500,000**	13,500,000
iii) Fair value of investments	**19,621,940**	13,926,647
iv) Percentage of investments made	**87%**	78%

8.2.1 Investments have been made in PIBs having cost of Rs. 19,500,000 (2013: Rs. 13,500,000)

8.2.2 The figures for 2014 are based on un-audited financial statements of the Provident Fund. The investments of the provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

9. Finances under mark-up arrangements - secured

Short term running finance and short term finance facilities are available from commercial banks under mark-up arrangements amounting to Rs. 600,000,000 (2013: Rs. 800,000,000). These are secured against a pledge of approved ALCO shares. Mark-up is payable on a quarterly basis at rate 12.18% per annum (2013: 9.08% per annum to 9.43% per annum), in case of former and 10.53% per annum(2013: 9.83% per annum to 9.91% per annum), in case of latter. These facilities will expire between March 31, 2014 and May 31, 2015.

10. Contingencies and commitments

10.1 Contingencies

10.1.1 Subsequent to the year end on February 26, 2015, the tax authorities have raised demand amounting to Rs. 142.224 million against the company in tax year 2013, that primarily pertains to rate of tax on dividend income. No provision on this account has been incorporated in the financial statements since the company, in consultation with its tax advisors, believes that there are meritorious grounds that the case will be decided in favour of the company.

10.1.2 The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971(WWF Ordinance). As a result of this amendment, it may be construed that all industrial undertakings whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. Furthermore, the definition of 'industrial establishment' was enlarged to include in its ambit the 'commercial establishments'.

In August 2011, the Honourable Lahore High Court ('LHC') in a Constitutional Petition relating to the amendments brought in the WWF Ordinance through the Finance Act, 2008, declared the said amendments to be ultra vires the Constitution.

Since the issue had not attained finality and based on the earlier amendment, the company provided for Workers' Welfare Fund amounting to Rs. 46.187 million through years 2010 to 2013 based on accounting income. Since the company falls in the jurisdiction of LHC, thus the decision of LHC remains applicable to the company. Therefore the entire provision of Rs. 46.187 million has been reversed in these financial statements. Subsequent to the year end on February 26, 2015, the income tax authorities have raised a demand for WWF amounting to Rs. 29.658 million. No provision has been made for this amount based on the decision of LHC as mentioned above."

10.1.3 The company is contingently liable for Rs. 7,993,363 (2013: Rs. 5,752,723) on account of claims lodged against the company but not acknowledged as debts.

10.1.4 Guarantees issued by a commercial bank on behalf of the company amount to Rs. 763,450 (2013: Rs. 866,800).

10.2 Commitments- Nil

11. Cash and other equivalents

	Note	2014 Rupees	2013 Rupees
Cash in hand		**54,291**	57,376

12. Current and other accounts

	Note	2014 Rupees	2013 Rupees
Current accounts		**25,417,200**	19,330,212
Saving accounts	12.1	**808,982,997**	689,037,266
		834,400,197	708,367,478

12.1 These accounts bear mark-up ranging from 6.5% per annum to 9.90% per annum (2013: 7% per annum to 8.70%).

13. Deposits maturing within 12 months

	Note	2014 Rupees	2013 Rupees
Cash deposit with the State Bank of Pakistan		**2,350,000**	2,350,000
Term Deposit Receipts with banks	13.1	**-**	1,000,000
		2,350,000	3,350,000

13.1 This deposit carries mark-up at Nil (2013: 9% per annum).

14. Investments

Held-to-maturity - Government securities

	Note	2014 Rupees	2013 Rupees
12% Pakistan Investment Bonds of the Government of Pakistan 3 bonds of face value of Rs. 2,000,000 each, 1 bond of face value of Rs. 62,000,000 and 1 bond of Rs. 5,000,000 (2013: 2 bonds of face value of Rs. 2,000,000 each, 1 bond of face value of Rs. 62,000,000 and 1 bond of Rs. 5,000,000) market value as at December 31, 2014 Rs. 72,354,583 (2013: Rs. 70,453,783).	14.1	**71,505,944**	69,124,296

Available-for-sale - Quoted equities

Associated	Note	**2014 Rupees**	2013 Rupees
Pak Gen Power Limited (Formerly AES Pak Gen)			
6,407,796 (2013: 6,407,796) ordinary shares of Rs. 10 each	14.2	**88,899,557**	88,899,557
Equity held: 1.72% (2013: 1.72%)			
Market value Rs 173.20 million (2013: Rs. 173.20 million)			
		88,899,557	88,899,557
Lalpir Power Limited (Formerly AES Lalpir)			
6,837,097 (2013: 6,837,097) ordinary shares of Rs. 10 each	14.2	**92,720,174**	92,720,174
Equity held: 1.80% (2013: 1.80%)			
Market value Rs. 204.429 million (2013: Rs. 136.05 million)			
		92,720,174	92,720,174
DG Khan Cement Company Limited			
203,500 (2013: Nil) ordinary shares of Rs. 10 each		**16,137,359**	-
Equity held: 0.05% (2013: 0%)			
Market value Rs. 22.492 million (2013: Nil)			
		16,137,359	-
Others			
Adamjee Insurance Company Limited			
15,526,087 (2013: 14,424,087) ordinary shares of Rs. 10 each.	14.3	**404,163,763**	351,109,370
Equity held: 4.44% (2013: 4.12%)			
Market value Rs. 767.92 million (2013: Rs. 539.028 million)			
		404,163,763	351,109,370
MCB Bank Limited			
55,508,176 (2013: 50,461,979) ordinary shares of Rs. 10 each	14.4	**6,658,245,500**	6,658,245,500
Equity held: 4.99% (2013: 7.27%)			
Market value Rs. 16,966.073 million (2013: Rs. 14,188.394 million)			
		6,658,245,500	6,658,245,500
Kohinoor Energy Limited			
30,000 (2013: 30,000) ordinary shares of Rs. 10 each.		**577,600**	577,600
Equity held: 0.02% (2013: 0.02%)			
Market value Rs. 1.48 million (2013: Rs. 1.064 million)			
		577,600	577,600
JS Large Capital Fund			
53,565 (2013: 42,471) units of Rs. 100 par value each		**460,000**	460,000
Market value Rs. 5.471 million (2013: Rs. 3.902 million)			
		460,000	460,000
United Bank Limited			
70,413 (2013: Nil) ordinary shares of Rs. 10 each		**11,125,700**	-
Equity held: 0.01% (2013: 0%)			
Market value Rs. 12.442 million (2013: Nil)			
		11,125,700	-
Pakistan Petroleum Limited			
434,782 (2013: Nil) ordinary shares of Rs. 10each			
Equity held: 2.39% (2013: 0%)			
Market value Rs. 76.747 million (2013: Nil)			
Cost		**95,217,258**	-
Provision for diminution in value		**(3,750,838)**	-
		91,466,420	-
MCB Arif Habib Fund			
1,302,672 (2013: Nil) units of Rs. 100 par value each		**100,000,000**	-
Market value Rs. 103.221 million (2013: Nil)			
		100,000,000	-
		7,535,302,017	7,261,136,497

14.1 Maturity dates of Pakistan Investment Bonds fall between August 2018 and July 2022.

14.1.1 The Pakistan Investment Bonds are placed as statutory deposit with State Bank of Pakistan in accordance with the requirements of Clause (a) of sub-section 2 of section 29 of Insurance Ordinance, 2000.

14.2 The investment includes 500 shares of Pakgen Power Limited and 550 shares of Lalpir Power Limited held in the name of nominee director of the company.

14.3 Nil shares (2013: 14,000,000 shares) of Adamjee Insurance Company Limited are pledged with banks as referred to in note 8 to the financial statements.

14.4 The company holds 4.9% shareholding in MCB Bank Limited. In order that the company is not considered as a sponsor of MCB Bank Limited, the company had filed a writ petition in the Honourable Lahore High Court in 2010, Lahore to declare null and void the State Bank of Pakistan's BPRD Circular No 4 dated May 22, 2008 which requires a person(s) holding 5% or more of sponsor shares, acquired individually or in concert with his family members, group companies, subsidiaries and affiliates / associates, of a bank to be placed in a blocked account with Central Depository Company (CDC). The court has suspended the operation of the impugned circular and reserved its judgment after hearing the case. The management is confident that the outflow of financial resources as a result of the eventual outcome of the above matter is unlikely.

15. Deferred taxation

	Note	2014 Rupees	2013 Rupees
Opening balance as on January 1		**27,486,793**	21,931,868
(Debited)/credited to profit and loss account		**(1,070,110)**	5,554,925
Closing balance as on December 31		**26,416,683**	27,486,793
Debit/ (credit) balance arising from:			
Accelerated tax depreciation		**(6,797,552)**	(7,271,727)
Provision for doubtful debts		**10,665,767**	5,830,940
Unabsorbed tax depreciation		**16,303,617**	28,927,580
Minimum tax		**5,240,728**	-
Deferred tax asset		**25,412,560**	27,486,793

16. Premiums due but unpaid - unsecured

	Note	2014 Rupees	2013 Rupees
Premiums due but unpaid - unsecured			
Considered good		**717,616,968**	747,070,115
Considered doubtful		**17,419,232**	6,900,032
		735,036,200	753,970,147
Less: Provision for doubtful debts	16.1	**17,419,232**	6,900,032
		717,616,968	747,070,115

16.1 Provision for doubtful receivables

	Note	2014 Rupees	2013 Rupees
Balance as at January 1		**6,900,032**	-
Provision made during the year	24	**10,519,200**	6,900,032
Balance as at December 31		**17,419,232**	6,900,032

16.2 Related parties

	2014 Rupees	2013 Rupees
Nishat Hospitality (Private) Limited	**242,927**	17,995
Nishat Hotels and Properties Limited	**5,000**	-
Pakgen Power Limited	**187,625,556**	184,260,314
Nishat Dairy (Private) Limited	**391,364**	-
Nishat Chunian Limited	**-**	112,217,169
Nishat Power Limited	**94,564,826**	97,670,275
Lalpir Power Limited	**183,096,794**	179,266,484
Samin Textiles Limited	**6,270,459**	5,473,609
DG Khan Cement Company Limited	**4,386,753**	4,152,703
Nishat Mills Limited	**336,393**	2,542,987
	476,920,072	585,601,536

Age analysis of the amounts due from related parties is as follows :

	1 Year	More than 1 Year	December 31, 2014	December 31, 2013
Nishat Hospitality (Private) Limited	**224,932**	17,995	**242,927**	17,995
Nishat Hotels and Properties Limited	**5,000**	-	**5,000**	-
Pakgen Power Limited	**187,625,556**	-	**187,625,556**	184,260,314
Nishat Dairy (Private) Limited	**391364**	-	**391,364**	-
Nishat Chunian Limited	**-**	-	**-**	112,217,169
Nishat Power Limited	**94,564,024**	802	**94,564,826**	97,670,275
Lalpir Power Limited	**183,096,794**	-	**183,096,794**	179,266,484
Samin Textiles Limited	**5,573,719**	696,740	**6,270,459**	5,473,609
DG Khan Cement Company Limited	**4,378,883**	7,870	**4,386,753**	4,152,703
Nishat Mills Limited	**336,393**	-	**336,393**	2,542,987
	476,196,665	**723407**	**476,920,072**	**585,601,536**

17. Amounts due from other insurers / reinsurers

	Note	2014 Rupees	2013 Rupees
Amounts due from other insurers / reinsurers - unsecured			
Considered good		**476,744,830**	415,706,841
Considered doubtful		**13,103,886**	9,759,796
		489,848,716	425,466,637
Less: Provision for doubtful debts	17.1	**(13,103,886)**	(9,759,796)
		476,744,830	415,706,841

17.1 Provision for doubtful receivables

	Note	2014 Rupees	2013 Rupees
Balance as at January 1		**9,759,796**	3,423,444
Provision made during the year	24	**3,344,090**	6,336,352
Balance as at December 31		**13,103,886**	9,759,796

18. Prepayments

	Note	2014 Rupees	2013 Rupees
Prepaid reinsurance premium	18.1	**659,373,568**	644,417,289
Others		**1,463,437**	1,063,806
		660,837,005	645,481,095

18.1 Movement in prepaid reinsurance premium

	Note	2014 Rupees	2013 Rupees
As at January 1		644,417,289	560,066,205
Reinsurance premium ceded during the year		1,339,989,737	1,348,147,127
Reinsurance expense for the year		(1,325,033,458)	(1,263,796,043)
As at December 31		659,373,568	644,417,289

19. Sundry receivables

Advances to employees - considered good	3,906,068	591,779
Accrued return on deposits and other accounts	6,546,937	729,556
Other receivables - considered good	11,835,300	2,221,067
Security deposits - considered good	35,007,622	2,666,672
	57,295,927	6,209,074

Non-current assets

20. Tangible assets

	Freehold land Rupees	Leasehold improvement Rupees	Building Rupees	Computer equipment Rupees	Furniture and fixtures Rupees	Motor vehicles Rupees	Tracker Rupees	office equipment Rupees	Total Rupees
Year ended December 31, 2011									
Opening net book value	22,671,528	1,739,520	30,469,441	2,534,767	4,277,378	35,534,108	7,176,238	5,711,919	110,114,899
Additions (at cost)	-	826,046	-	2,133,945	1,045,220	22,006,195	-	2,249,584	28,260,990
Disposals (at NBV)	-	(186,124)	-	-	(61,227)	(1,778,943)	-	(138,532)	(2,164,826)
Depreciation charge for the year	-	(207,911)	(3,046,945)	(591,704)	(494,739)	(9,028,116)	(1,435,247)	(1,263,466)	(16,068,128)
Net book value as at December 31, 2014	**22,671,528**	**2,171,531**	**27,422,496**	**4,077,008**	**4,766,632**	**46,733,244**	**5,740,991**	**6,559,505**	**120,142,935**
At December 31, 2014									
Cost	22,671,528	2,914,160	60,376,167	6,034,142	7,910,769	74,406,870	12,246,301	15,018,114	201,578,051
Accumulated depreciation	-	(742,629)	(32,953,671)	(1,957,134)	(3,144,137)	(27,673,626)	(6,505,310)	(8,458,609)	(81,435,116)
Net book value as at December 31, 2014	22,671,528	2,171,531	27,422,496	4,077,008	4,766,632	46,733,244	5,740,991	6,559,505	120,142,935
Year ended December 31, 2013									
Opening net book value	22,671,528	991,982	33,854,935	2,423,118	3,455,601	29,770,134	8,209,364	5,774,315	107,150,977
Additions (at cost)	-	913,283	-	899,260	1,240,193	14,119,320	743,010	862,220	18,777,286
Disposals (at NBV)	-	-	-	(359,794)	-	(1,156,499)	-	-	(1,516,293)
Depreciation charge for the year	-	(165,745)	(3,385,494)	(427,817)	(418,415)	(7,198,847)	(1,776,136)	(924,617)	(14,297,071)
Net book value as at December 31, 2013	**22,671,528**	**1,739,520**	**30,469,441**	**2,534,767**	**4,277,379**	**35,534,108**	**7,176,238**	**5,711,918**	**110,114,899**
At December 31, 2013									
Cost	22,671,528	2,360,143	60,376,167	3,900,197	7,002,147	57,386,670	12,246,301	13,089,823	179,032,976
Accumulated depreciation	-	(620,623)	(29,906,726)	(1,365,430)	(2,724,768)	(21,852,562)	(5,070,063)	(7,377,905)	(68,918,077)
Net book value as at December 31, 2013	**22,671,528**	**1,739,520**	**30,469,441**	**2,534,767**	**4,277,379**	**35,534,108**	**7,176,238**	**5,711,918**	**110,114,899**
Depreciation rates (%)	-	10	10	15	10	20	20	15	-

20.1 The assets disposed off during the year comprise motor vehicles, furniture and fixtures, office equipment and leasehold improvement of which the original cost was Rs. 4,985,995, Rs. 136,598, Rs. 321,293, Rs. 272,028 and accumulated depreciation was Rs. 3,207,052, Rs. 75,371, Rs.182,761 and Rs. 85,904, hence, the book value was Rs.1,778,943, Rs. 61,227, Rs. 138,532 and Rs. 186,124 respectively.

20.2 Allocation of Depreciation

	Note	2014 Rupees	2013 Rupees
Management expenses	21	**7,897,808**	7,448,301
General and administration expenses	24	**8,170,320**	6,848,770
		16,068,128	14,297,071

21. Management expenses

	Note	2014 Rupees	2013 Rupees
Salaries, wages and benefits	21.1	**50,229,365**	39,835,290
Rent, rates, taxes and electricity		**6,111,290**	5,132,763
Communications		**2,590,617**	2,089,551
Printing and stationery		**1,228,943**	797,442
Travelling and entertainment		**2,038,834**	1,809,582
Car maintenance		**10,460,677**	7,751,960
Depreciation	20.2	**7,897,808**	7,448,301
Repairs and maintenance		**1,509,766**	861,673
Service charges charged by co-insurers		**5,053,011**	7,265,560
Tracker monitoring		**40,957**	3,352,419
Other expenses		**1,912,558**	1,499,398
		89,073,826	77,843,939

21.1 Included in salaries, wages and benefits are Rs. 1,844,204 (2013: Rs. 1,317,826) in respect of provident fund contribution by the company and Rs. 806,358 (2013: Rs. 555,997) in respect of gratuity fund.

22. Financial charges

	2014 Rupees	2013 Rupees
Mark-up on borrowings from banks	**804,311**	4,520,793
Bank charges	**967,278**	742,661
	1,771,589	5,263,454

23. Other income

This represents Workers' Welfare Fund written back which was provided by the company through year 2010 to 2013.

24. General and administration expenses

	Note	2014 Rupees	2013 Rupees
Salaries, wages and benefits	24.1	**49,414,470**	37,624,478
Repair and maintenance		**1,543,758**	1,248,785
Legal and professional charges		**2,186,672**	5,327,721
Travelling and entertainment		**1,949,861**	1,487,306
Depreciation	20.2	**8,170,320**	6,848,770
Rent, rates, taxes and utilities		**2,338,199**	3,018,808
Communication		**1,233,240**	1,203,878
Printing and stationery		**2,653,922**	2,239,236
Insurance		**1,730,786**	1,466,444
Car maintenance		**4,066,695**	3,214,935
Provision for doubtful debts	16.1 & 17.1	**13,863,290**	13,236,384
Donations		**2,500,000**	2,500,000
Other expenses		**5,336,038**	726,095
		96,987,251	80,142,840

24.1 Included in salaries, wages and benefits are Rs. 2,038,370 (2013: Rs. 1,554,230) in respect of provident fund contribution by the company and Rs. 1,926,544 (2013: Rs. 1,328,384) in respect of the gratuity expense.

25. Provision for taxation

	Note	2014 Rupees	2013 Rupees
For the year			
- Current		**83,362,770**	71,596,848
- Deferred	15	**1,070,110**	(5,554,925)
		84,432,880	66,041,923
Prior year			
- Current		**(10,072,916)**	-
		74,359,964	66,041,923

25.1 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate	2014 %	2013 %
Applicable tax rate	33.00	34.00
Effect of:		
- income chargeable to tax at a reduced rate	(18.72)	(21.21)
- income exempt from tax	(0.24)	(0.23)
- others	(6.29)	(4.57)
Effective tax rate	7.75	7.99

26. Reconciliation to profit and loss account

	2014 Rupees	2013 Rupees
Operating cash (Outflows)/inflows	(112,455,861)	77,879,544
Depreciation	(16,068,128)	(14,297,071)
Financial charges	(1,771,589)	(5,263,454)
(Loss)/Profit on disposal of fixed assets	(191,599)	82,254
Increase in assets other than cash	295,351,359	1,004,204,721
Increase in liabilities other than borrowings	(128,820,674)	(831,211,570)
Others		
- Decrease/(Increase) in provision for unearned premium	17,046,604	(255,147,278)
- Increase in commission income unearned	(16,522,135)	(11,200,153)
- Income on investments and current and other deposits	853,752,856	751,356,721
- Investment related expenses	1,930,687	1,462,104
- Increase in provision for commission expense deferred	8,533,919	42,538,463
- Impairment of available for sale investment	(3,750,838)	-
	897,034,601	760,404,281

26.1 Cash at the end of the year

For the purposes of cash flow statement cash includes:

	2014	2013
Cash and other equivalents	54,291	57,376
Current and other accounts	834,400,197	708,367,478
Deposits maturing within 12 months	2,350,000	3,350,000
	836,804,488	711,774,854

27. Remuneration of Chief Executives, Directors and Executives

27.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the Chief Executive and full time working director of the company are as follows:

	Directors		Chief Excecutive		Excecutive	
	2014 Rupees	2013 Rupees	2014 Rupees	2013 Rupees	2014 Rupees	2013 Rupees
Short term employee benefits						
Managerial remuneration	-	-	7,600,000	5,700,000	47,055,000	35,527,000
Contribution to provident fund	-	-	400,000	320,000	2,266,000	1,636,000
Gratuity	-	-	286,000	179,000	1,079,000	595,000
Medical expenses	-	-	151,000	154,000	1,804,000	1,408,000
	-	-	8,437,000	6,353,000	52,204,000	39,166,000
Number of persons	5	5	1	1	47	40

27.2 The company provides a company maintained car to the Chief Executive Officer.

27.3 No fee was paid to any of the directors for attending the board meetings.

28. Transactions with related parties

The related parties comprise associated undertakings by virtue of common directorship, directors of the company, Chief Executive and post employment benefit plans. The company in the normal course of business carries out transactions with various related parties. Amounts due to and from related parties are disclosed in note 6 and 16.2 respectively. Remuneration of directors and key management personnel is disclosed in note 27. Other significant transactions with related parties are as follows:

i) Associated companies **Transactions**	**2014** **Rupees**	2013 Rupees
Premium underwritten	**533,246,802**	530,427,216
Claims paid	**17,126,805**	31,748,258
Dividend received	**20,425,590**	40,560,320
Dividend paid	**82,772,926**	81,764,632
Payment in respect of services	**388,851**	362,722
ii) Post employment benefit plan **Transactions**		
Charge in respect of gratuity fund	**2,732,902**	1,884,381
Charge in respect of provident fund	**3,882,874**	2,872,056
Contribution to gratuity fund	**7,922,344**	1,314,727
Contribution to provident fund	**7,765,748**	5,744,112
Balances		
Payable to gratuity fund	**4,710,895**	6,298,417
Payable to provident fund	**162,952**	171,487

29. Segment Reporting

The company has four primary business segments for reporting purposes namely fire, marine, motor and miscellaneous.

Segment revenue and segment results and its reconciliation to the company's profit is available in profit and loss account.

Assets and liabilities, wherever possible, have been assigned to the following segments based on specific identification or allocated on the basis of gross premium earned by the segments.

	Fire		Marine		Motor		Miscellaneous		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	Rupees		Rupees		Rupees		Rupees		Rupees	
Other information										
Segment assets	**1,499,789,671**	1,372,671,196	**109,921,718**	86,616,393	**153,188,274**	161,010,064	**168,426,630**	183,696,071	**1,931,326,293**	1,803,993,724
Unallocated corporate assets									**9,101,775,649**	8,510,182,369
Consolidated total assets									**11,033,101,942**	10,314,176,093
Segment liabilities	**1,071,065,905**	919,315,952	**71,721,638**	56,312,344	**206,452,888**	168,911,661	**212,872,858**	231,873,225	**1,562,113,289**	1,376,413,182
Unallocated corporate liabilities									**976,301,009**	1,030,226,698
Consolidated total liabilities									**2,538,414,298**	2,406,639,880

Capital expenditure and depreciation have not been allocated as fixed assets to which they relate are included in unallocated corporate assets.

30. Financial assets and liabilities

	Interest/mark up bearing			Non Interest/mark up bearing			Total
	Maturity upto one year Rupees	Maturity after one year Rupees	Sub total Rupees	Maturity upto one year Rupees	Maturity after one year Rupees	Sub total Rupees	2014 Rupees
Financial assets							
On balance sheet							
Cash and other equivalents	-	-	-	57,376	-	57,376	**57,376**
Current and other accounts	808,982,997	-	808,982,997	25,417,200	-	25,417,200	**834,400,197**
Deposit maturing within 12 months	-	-	-	2,350,000	-	2,350,000	**2,350,000**
Investments	-	71,505,944	71,505,944	7,463,796,073	-	7,463,796,073	**7,535,302,017**
Premiums due but unpaid	-	-	-	717,616,968	-	717,616,968	**717,616,968**
Amounts due from other insurers / reinsurers	-	-	-	476,744,830	-	476,744,830	**476,744,830**
Accrued investment income		-	-	2,899,701	-	2,899,701	**2,899,701**
Reinsurance recoveries against outstanding claims	-	-	-	423,564,616	-	423,564,616	**423,564,616**
Sundry receivables	-	-	-	57,295,927	-	57,295,927	**57,295,927**
	808,982,997	71,505,944	880,488,941	9,169,742,691	-	9,169,742,691	**10,050,231,632**
Off balance sheet	-	-	-	-	-	-	**-**
Total	808,982,997	71,505,944	880,488,941	9,169,742,691	-	9,169,742,691	**10,050,231,632**
Financial liabilities							
On balance sheet							
Provision for outstanding claims [including IBNR]	-	-	-	507,148,513	-	507,148,513	**507,148,513**
Amounts due to other insurers / reinsurers	-	-	-	820,442,799	-	820,442,799	**820,442,799**
Creditors and accrued expenses	-	-	-	235,260,428	-	235,260,428	**235,260,428**
	-	-	-	1,562,851,740	-	1,562,851,740	**1,562,851,740**
Off balance sheet							
Guarantees	-	-	-	763,450	-	763,450	**763,450**
Contingencies	-	-	-	226,062,567	-	226,062,567	**226,062,567**
	-	-	-	226,826,017	-	226,826,017	**226,826,017**
Total	-	-	-	1,789,677,757	-	1,789,677,757	**1,789,677,757**
On balance sheet gap	808,982,997	71,505,944	880,488,941	7,606,890,951	-	7,606,890,951	**8,487,379,892**
Off balance sheet gap	-	-	-	(226,826,017)	-	(226,826,017)	**(226,826,017)**

The effective interest / mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

30. Financial assets and liabilities (cont'd)

	Interest/mark up bearing			Non Interest/mark up bearing			Total
	Maturity upto one year Rupees	Maturity after one year Rupees	Sub total Rupees	Maturity upto one year Rupees	Maturity after one year Rupees	Sub total Rupees	2013 Rupees
Financial assets							
On balance sheet							
Cash and other equivalents	-	-	-	57,376	-	57,376	**57,376**
Current and other accounts	689,037,266	-	689,037,266	19,330,212	-	19,330,212	**708,367,478**
Deposit maturing within 12 months	1,000,000	-	1,000,000	2,350,000	-	2,350,000	**3,350,000**
Investments	-	69,124,296	69,124,296	7,192,012,201	-	7,192,012,201	**7,261,136,497**
Premiums due but unpaid	-	-	-	747,070,115	-	747,070,115	**747,070,115**
Amounts due from other insurers / reinsurers	-	-	-	415,706,841	-	415,706,841	**415,706,841**
Accrued investment income	-	-	-	2,868,054	-	2,868,054	**2,868,054**
Reinsurance recoveries against outstanding claims	-	-	-	266,386,063	-	266,386,063	**266,386,063**
Sundry receivables	-	-	-	6,209,074	-	6,209,074	**6,209,074**
	690,037,266	69,124,296	759,161,562	8,651,989,936	-	8,651,989,936	**9,411,151,498**
Off balance sheet	-	-	-	-	-	-	**-**
Total	690,037,266	69,124,296	759,161,562	8,651,989,936	-	8,651,989,936	**9,411,151,498**
Financial liabilities							
On balance sheet							
Provision for outstanding claims [including IBNR]	-	-	-	344,877,529	-	344,877,529	**344,877,529**
Amounts due to other insurers / reinsurers	-	-	-	835,962,246	-	835,962,246	**835,962,246**
Creditors and accrued expenses	-	-	-	253,608,679	-	253,608,679	**253,608,679**
Finances under mark-up arrangements	-	-	-	-	-	-	**-**
	-	-	-	1,434,448,454	-	1,434,448,454	**1,434,448,454**
Off balance sheet							
Guarantees	-	-	-	866,800	-	866,800	**866,800**
Contingencies	-	-	-	5,752,723	-	5,752,723	**5,752,723**
	-	-	-	6,619,523	-	6,619,523	**6,619,523**
Total	-	-	-	1,441,067,977	-	1,441,067,977	**1,441,067,977**
On balance sheet gap	690,037,266	69,124,296	759,161,562	7,217,541,482	-	7,217,541,482	**7,976,703,044**
Off balance sheet gap	-	-	-	(6,619,523)	-	(6,619,523)	**(6,619,523)**

The effective interest / mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

31. Risk Management

31.1 Insurance Risk

The company accepts the insurance risk through its insurance contracts where it assumes the risk of loss from persons or organizations that are directly subject to the underlying loss. The company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

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

The company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each line of business to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Reinsurance cover is purchased to mitigate the effect of potential loss to the company from individual, large or catastrophic events. Reinsurance treaties are obtained from well reputed reinsurers.

31.1.1 Concentration of insurance risk

The spread of risk is of extreme importance to optimize benefits. There are a number of parameters which are significant in assessing the accumulation of risks with reference to the geographical location. The company measures concentration of insurance risk by type of contracts as summarized below:

	Gross aggregate exposure		Maximum Reinsurance Cover		Net	
	2014	2013	2014	2013	2014	2013
	......Rupees......					
Fire	404,111,442,348	378,819,519,340	346,645,578,557	318,211,916,032	57,465,863,791	60,607,603,308
Marine	65,512,219,170	79,571,511,328	39,633,685,307	53,754,435,871	25,878,533,863	25,817,075,457
Motor	9,924,541,402	7,885,158,116	6,018,155,663	5,526,678,476	3,906,385,739	2,358,479,640
Miscellaneous	7,681,869,285	11,762,935,878	6,676,168,082	10,579,543,577	1,005,701,203	1,183,392,301
	487,230,072,205	478,039,124,662	398,973,587,609	388,072,573,956	88,256,484,596	89,966,550,706

For the analysis of insurance risk concentration in fire, marine, motor and miscellaneous segments, the shared characteristic has been taken as the territory (Pakistan). Cash outflows involved for settlement of incurred insurance liabilities may vary significantly as compared to the total contractual liabilities under insurance contracts. Historical data for such outflows is given below:

	Gross claims paid		Reinsurance recoveries		Net	
	2014	2013	2014	2013	2014	2013
	......Rupees......					
Fire	102,672,942	122,422,573	87,343,816	104,365,216	15,329,126	18,057,357
Marine	344,225,424	60,846,133	169,245,453	53,291,674	174,979,971	7,554,459
Motor	84,788,741	78,496,530	53,058,185	41,981,993	31,730,556	36,514,537
Miscellaneous	29,292,036	10,242,242	24,772,456	6,997,733	4,519,580	3,244,509
	560,979,143	272,007,478	334,419,910	206,636,616	226,559,233	65,370,862

Risk assessment is carried out on a regular basis for the evaluation of physical hazards associated with commercial / industrial / residential occupation of the policy holders. Any one risk shall be defined to never be less than the property contained within an area which is separated from another property by sufficient distance to confine insured damage from uncontrolled fire and explosion under the most adverse conditions to that one area. Details regarding the fire separation / segregation with respect to manufacturing processes, storage, utilities, etc. are extracted from the layout plan of the insured facility. Reference is also made to the standard construction specifications as laid down by IAP (Insurance Association of Pakistan). For instance, the presence of Perfect Party Walls, Double Fire Proof Iron Doors, physical separation between the buildings within the insured's premises.

Concentration of various insurance risks, with reference to geocoding, are monitored thorough MIS reports generated from the IT system.

The company follows a policy of obtaining sufficient reinsurance covers to mitigate the accumulation of risk in case of catastrophic events.

31.1.2 Reinsurance risk

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

In common with other insurance companies, in order to minimize the financial exposure arising from large claims, the company in the normal course of business, enters into agreements with a panel of reinsurers for reinsurance purposes.

To minimize its exposure to significant losses from reinsurer insolvencies, the company considers the credit rating of the reinsurers before finalizing treaty agreements with them every year. Furthermore, the company obtains reinsurance from a number of reinsurers, who are dispersed over several geographical regions, to spread the concentration of its reinsurance risk to different geographical regions.

31.1.3 Sensitivity analysis

The company enters into short term insurance contracts, therefore, it does not assume any significant impact of changes in market conditions on unexpired risks. The risks associated with the insurance contracts are complex and subject to a number of variables which complicate the quantitative sensitivity analysis. However, some results of sensitivity testing are set out below, showing the impact on profit before tax (net of reinsurance) and shareholders' equity:

	Profit before taxtation		Share holders' equity	
Particulars	**2014**	2013	**2014**	2013
	Rupees			
Effect of 10% increase / (decrease) in amount and number of claims:				
Fire	**1,419,741**	4,482,426	**951,226**	2,913,577
Marine	**17,954,142**	1,035,813	**12,029,275**	673,278
Motor	**3,298,173**	3,660,872	**2,209,776**	2,379,567
Miscellaneous	**493,112**	489,804	**330,385**	318,373
	23,165,168	9,668,915	**15,520,662**	6,284,795

31.1.4 Claims development

The table below shows the development of claims over the years. This disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments.

Reporting year	2010	2011	2012	2013	**2014**	Total
	Rupees					
Estimate of ultimate claims costs:						
- At the end of reporting year	150,526,588	158,232,779	231,793,491	406,858,760	823,008,526	1,770,420,144
- One year later	151,832,022	160,703,607	240,973,373	355,314,598	-	908,823,600
- Two years later	192,304,268	162,170,046	219,544,503	-	-	574,018,817
- Three years later	191,690,528	161,280,453	-	-	-	352,970,981
- Four years later	185,972,289	-	-	-	-	185,972,289
Current estimate of cumulative claims	**185,972,289**	**161,280,453**	**219,544,503**	**355,314,598**	**823,008,526**	**1,745,120,369**
Cumulative payments to date	**170,395,503**	**148,294,984**	**195,859,182**	**306,981,745**	**452,846,326**	**1,274,377,740**
Liability recognized in balance sheet	**15,576,786**	**12,985,469**	**23,685,321**	**48,332,853**	**370,162,200**	**470,742,629**
Liability reserve prior to 2010						**36,405,884**
Total liability in balance sheet						**507,148,513**

31.2 Financial risks

The company's activities expose it to a variety of financial risks, including the effects of changes in market interest rates such as KIBOR, credit and liquidity risk associated with various financial assets and liabilities, respectively, as referred to in note 30 and cash flow risk associated with accrued interests in respect of borrowings as referred to in note 9 to the financial statements.

The company finances its operations through equity, borrowings and management of working capital.

Taken as a whole, risk arising from the company's financial instruments is limited, as there is no significant exposure to market risk in respect of such instruments other than those disclosed in note 4.10.

Financial risk factors

(a) Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date, if counter parties failed completely to perform as contracted. The company's credit risk is primarily attributable to its receivables from other insurers / reinsurers and its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

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

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

	2014 Rupees	2013 Rupees
Bank deposits	**836,750,197**	711,717,478
Investments	**7,535,302,017**	7,261,136,497
Premiums due but unpaid	**717,616,968**	747,070,115
Amount due from other insurers / reinsurers	**476,744,830**	415,706,841
Accrued investment income	**2,899,701**	2,868,054
Reinsurance recoveries against outstanding claims	**423,564,616**	266,386,063
Sundry receivables	**57,295,927**	6,209,074
	10,050,174,256	9,411,094,122

An analysis of the age of premiums due but unpaid and amount due from other insurers / reinsurers that are past due but not impaired is as follows:

	2014 Rupees	2013 Rupees
- Upto one year	**1,005,859,718**	1,013,587,875
- Past one but less than three years	**153,781,974**	120,586,083
- Over three but less than five years	**32,114,220**	21,031,958
- More than five years	**2,605,886**	7,571,040
	1,194,361,798	1,162,776,956

Reinsurance assets bearing credit risk together with their credit rating are summarized below :

Rating	Amount due from reinsurers	Reinsurance recoveries against outstanding claims	Other reinsurance assets	**2014 Rupees**	2013 Rupees
A and above (including PRCL)	180,120,455	294,364,923	216,653,683	**691,139,061**	446,304,892
A-	10,023,976	28,564,029	73,702,811	**112,290,816**	498,962,053
BBB	455,006	17,491	-	**472,497**	51,722,841
Others	9,940,956	100,618,173	369,017,074	**479,576,203**	110,079,906
	200,540,393	423,564,616	659,373,568	**1,283,478,577**	1,107,069,692

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

Current and other accounts	Rating Short Term	Rating Long term	Rating Agency	2014 Rupees	2013 Rupees
Albaraka Islamic Bank Limited	A1	A	PACRA	**20,254**	21,161
Allied Bank Limited	A1+	AA+	PACRA	**27,881**	34,281
Summit Bank Limited	A-3	A-	JCR-VIS	**48,211**	(1,285,386)
Bank Alfalah Limited	A1+	AA	PACRA	**3,648,591**	2,728,687
Faysal Bank Limited	A1+	AA	PACRA	**3,113,718**	445,080
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	**278,303,229**	13,305,763
Habib Bank Limited	A-1+	AAA	JCR-VIS	**65,904,491**	928,328
HSBC Middle East Bank Limited	P-1	A2	Moody's, Fitch	**-**	81,274
Soneri Bank Limited	A1+	AA-	PACRA	**2,599,020**	60,019,479
MCB Bank Limited	A1+	AAA	PACRA	**417,497,451**	629,529,645
Silk Bank Limited	A-2	A-	JCR-VIS	**211,050**	223,820
United Bank Limited	A-1+	AA+	JCR-VIS	**3,578,169**	2,365,537
Dubai Islamic Bank	A-1	A+	JCR-VIS	**49,217,078**	-
JS Bank Limited	A1	A+	PACRA	**10,189,211**	(29,754)
Askari Bank Limited	A1+	AA	PACRA	**41,843**	(437)
				834,400,197	708,367,478
Deposits maturing within 12 months					
Soneri Bank Limited	A1+	AA-	PACRA	-	1,000,000
State Bank of Pakistan	Not Available			**2,350,000**	2,350,000
				2,350,000	3,350,000

(b) Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

The company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At December 31, 2014, the company had Rs 600,000,000 (2013: Rs 800,000,000) of available borrowing limits from financial institutions and Rs 834,454,488 (2013: Rs 708,424,854) of cash and bank balances.

The following are the undiscounted cash flows of contractual maturities of financial liabilities as at December 31, 2014:

	Carrying amount	Less than one year	One to five years	More than five years
	.... Rupees			
Provision for outstanding claims	**507,148,513**	507,148,513	-	-
Amount due to other insurers / reinsurers	**820,442,799**	820,442,799	-	-
Staff retirement benefits	**4,710,895**	4,710,895	-	-
Creditors and accrued expenses	**235,260,428**	235,260,428	-	-
	1,567,562,635	1,567,562,635	-	-

The following are the undiscounted cash flows of contractual maturities of financial liabilities as at December 31, 2013:

	Carrying amount	Less than one year	One to five years	More than five years
	.... Rupees (restated)			
Provision for outstanding claims	**344,877,529**	344,877,529	-	-
Amount due to other insurers / reinsurers	**835,962,246**	835,962,246	-	-
Staff retirement benefits	**6,298,417**	6,298,417	-	-
Creditors and accrued expenses	**247,310,262**	247,310,262	-	-
	1,434,448,454	1,434,448,454	-	-

(c) Market risk

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

(i) Interest rate risk

Interest / yield rate risk arises from the possibility that changes in interest rate will affect the value of financial instruments. Yield risk is the risk of decline in earnings due to adverse movement of the yield rate. The company is exposed to interest / yield rate risk for certain deposits with the banks.

	2014	2013	2014	2013
	Effective interest rate		Rupees	Rupees
Financial assets				
Floating rate instruments				
Bank balances - saving accounts	8.2%	10%	808,982,997	689,037,266
Deposits maturing within 12 months	-	9%	-	1,000,000
Deposits maturing after 12 months	12.00%	12.00%	-	-
Investments - government securities	12%	11.86%	71,000,000	71,000,000
Total exposure			879,982,997	761,037,266
Financial liabilities				
Total exposure			-	-

Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates on finances under mark-up arrangements, at the balance sheet date, fluctuate by 1% higher / lower with all the other variables held constant, profit before taxation for the year would have been higher / lower by Nil (2013: Nil) and shareholders equity would have been higher / lower by Nil, mainly as a result of higher / lower interest expense on floating rate borrowings.

(ii) Price risk

Available-for-sale investments are stated at lower of cost and market value (market value being taken as lower if the fall is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002. The carrying and market value of these investments have been disclosed in note 14 and note 4.10 respectively, to the financial statements. Fair value is determined on the basis of objective evidence at each reporting date.

The company minimizes such risk by investing in financially sound companies. In addition, the company actively monitors the key factors that affect investment market.

10% increase in the prices of available for sale investments or a similar decrease will not result in any change in the carrying value of these investments. A reduction in market value below the cost of respective investments will affect the carrying value as explained in note 4.10.

(iii) **Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign reinsurers. The company is not exposed to any significant currency risk.

(d) **Capital risk management**

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

- to be an appropriately capitalised institution in compliance with the paid up capital requirement set by SECP;
- to safeguard the company's ability to continue as a going concern;
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk;
- maintain strong ratings; and
- to ensure a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

31.3 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values except for investments which are stated as explained in note 4.10. Fair value is determined on the basis of objective evidence at each reporting date.

32. Number of employees

	2014	2013
Number of employees as at December 31	147	124
Average number of employees during the year	136	117

33. Date of authorization for issue

These financial statements were authorized for issue on March 20, 2015 by the Board of Directors of the company.

34. Event after the balance sheet date

The Board of Directors have proposed a final dividend for the year ended December 31, 2014 of Rs. 2 per share (2013: Rs. 2 per share), amounting to Rs.136,125,000 (2013: Rs. 136,125,000) at their meeting held on March 20, 2015 for approval of the members at the Annual General Meeting to be held on April 30, 2015.

35. Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison. Significant re-arrangement made are as follows:

	Rupees
Staff retirement benefits re-classified from creditors and accrued expenses	6,298,417

Hasan Mansha

Chairman	Director	Director	Principal & Chief Executive Officer

Disclosure of Categories of Shareholding
as at December 31, 2014

Description	# of Shareholders	Shares Held	Percentage
Directors, CEO & thier spouse & minor children			
Mian Hassan Mansha (Director)	1	8,871,525	13.03
Mr. Jehanzeb Amin (Director)	1	500	-
Mr. Inayat Ullah Niazi (Director)	1	500	-
Mr. Badar ul Hassan (Director)	1	500	-
Mr. Mehmood Akhtar (Director)	1	500	-
Associated companies, Undertakings & Related parties"			
Nishat Mills Ltd.	1	10,226,244	15.02
Samin Textiles Limited	1	6,530,000	9.60
NIT and ICP	-	-	-
Public Sector Companies & Corporations	-	-	-
Executives	-	-	-
"Banks, Development Financial Institutions, Non-Banking Financial Institution.	1	12,401,871	18.22
Insurance Companies	2	4,141,952	6.09
Modarabas and Mutual Funds"	-	-	-
General Public			
a. Local	-	-	-
b. Foreign	-	-	-
Others			
a - Joint stock companies	1	643,667	0.95
b - All others	6	25,245,241	37.09
Total	**17**	**68,062,500**	**100.00**

Shareholders Holding ten percent or more Voting Interest:-

	# of Shareholders	Shares Held	Percentage
Allied Bank Limited	1	12,401,871	18.22
Nishat Mills Limited	1	10,226,244	15.02
Mian Hassan Mansha	1	8,871,525	13.04
Mian Umer Mansha	1	8,871,525	13.04
Mian Raza Mansha	1	7,955,619	11.69
ASSOCIATED COMPANY:			
Nishat Mills Limited	1	10,226,244	15.02
Samin Textiles Limited	1	6,530,000	9.60

Pattern of Share Holding

as at December 31, 2014

No. of Shareholders	Shareholding From	Shareholding To	Total Shares held
5	1	500	2,500
1	455001	460000	457,038
1	640001	645000	643,667
1	915001	920000	915,903
1	2395001	2400000	2,399,454
1	3680001	3685000	3,684,914
1	5100001	5105000	5,102,240
1	6530001	6535000	6,530,000
1	7955001	7960000	7,955,619
2	8870001	8875000	17,743,050
1	10225001	10230000	10,226,244
1	12400001	12405000	12,401,871
17			68,062,500

Classification of Shares by Categories

as at December 31, 2014

Categories of Members	Number	Shares held	Percentage
Individuals	11	34,118,766	50.13
Investment Companies	0	0	0.00
Insurance Companies	2	4,141,952	0.67
Joint Stock Companies	3	17,399,911	30.98
Financial Institutions	1	12,401,871	18.22
Modaraba Companies	0	0	0.00
Foreign Investors	0	0	0.00
Others	0	0	0.00
Total	17	68,062,500	100.00

FORM OF PROXY

Security General Insurance Company Limited

I ____

of ____

being a shareholder of the Security General Insurance Company Limited do hereby appoint

____

of ____

also a Shareholder of the said company, to be my proxy and to vote for me at the annual general meeting of the Company to be held on the 30th day of April, 2015 and at any time adjournment thereof in the same manner as I myself would vote if personally present at such meeting.

As witness my hand in this day of ____________________________ 2015.

Signature ____________________________

Address ____________________________

____

Holder of Share No. ______________ to. ______________

____

witness:

Name ____________________________

Address ____________________________

Security General Insurance Company Limited