



Growing Stronger in the Right Direction

As a value-driven company, the corporate objectives of Adamjee Insurance reflect who we are and what we aspire to be in the future.

As one of the leading insurance companies of Pakistan, we innovate to provide our customers with leading-edge products and advanced solutions that cater to their requirements.

We are on the right path towards progress as we explore opportunities & solutions with the aim of reaching greater heights of success in the years to come.

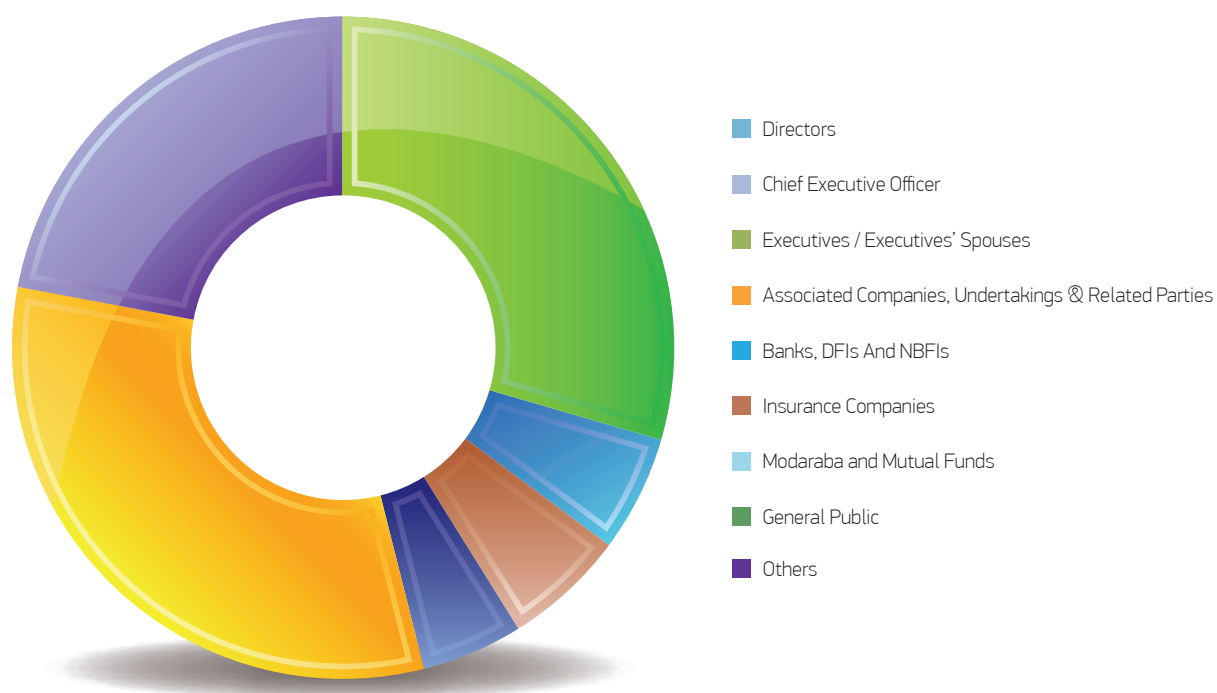




Contents

04	Financial Highlights
05	Statement of Value Addition
07	Vision / Core Values
08	Company Information
10	Notice of the 54th Annual General Meeting
15	Board of Directors
18	Management Team
21	CEO's Message
22	Quality Policy
23	Organizational Structure
25	Company Profile
27	Corporate Social Responsibility
29	Six Years at a Glance
33	Directors' Report to the Members on Unconsolidated Financial Statements
39	Review Report to the Members on Statement of Compliance with the Code of Corporate Governance
40	Statement of Compliance with the Code of Corporate Governance
42	Statement Under Section 46 (6) of the Insurance Ordinance, 2000
45	Auditors' Report to the Members on Unconsolidated Financial Statements
46	Unconsolidated Financial Statements
110	Directors' Report to the Members on Consolidated Financial Statements
111	Auditors' Report to the Members on Consolidated Financial Statements
112	Consolidated Financial Statements
197	Pattern of Shareholding
201	Proxy Form

Categories of Shareholders and Financial Highlights

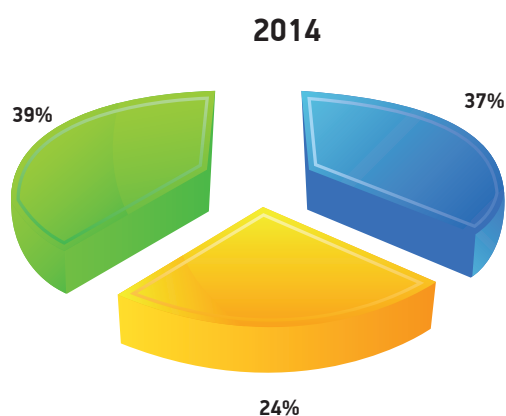


CATEGORIES OF SHAREHOLDERS

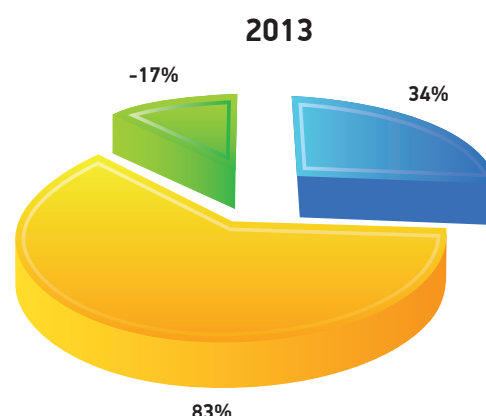
	Number of Shares	Stake %
Directors	223,051	0.064
Chief Executive Officer	7,073	0.002
Executives / Executives' Spouses	81,024	0.023
Associated Companies, Undertakings & Related Parties	102,914,974	29.404
Banks, DFIs and NBFIs	19,879,015	5.680
Insurance Companies	20,835,953	5.953
Modaraba and Mutual Funds	17,314,550	4.947
General Public	111,540,756	31.869
Others	77,203,604	22.058
	<u>350,000,000</u>	<u>100.000</u>

Statement of Value Addition and its Distribution

WEALTH GENERATED	2014		2013	
	(Rupees in '000')	%	(Rupees in '000')	%
Gross premium earned	10,875,555		10,113,379	
Investment and other income	2,189,077		2,510,323	
	13,064,632		12,623,702	
Management and other expenses	(9,804,945)		(9,357,857)	
	<u>3,259,686</u>	<u>100.00</u>	<u>3,265,845</u>	<u>100.00</u>
WEALTH DISTRIBUTED				
To employees	1,040,827	31.93	878,326	26.89
To government	151,374	4.64	244,236	7.48
	1,192,201	36.57	1,122,562	34.37
To shareholders				
Cash dividend	787,500	24.16	432,967	13.26
Bonus shares	-	-	2,262,955	69.29
	787,500	24.16	2,695,922	82.55
Retained in business				
Depreciation and amortization	177,029	5.43	148,046	4.53
Retained profit / loss	1,102,956	33.84	(700,685)	(21.45)
	1,279,985	39.26	(552,639)	(16.93)
	<u>3,259,686</u>	<u>100.00</u>	<u>3,265,845</u>	<u>100.00</u>



- To employees and government
- To shareholders
- Retained profit



- To employees and government
- To shareholders
- Retained profit





Vision

Our will is to explore,
innovate and differentiate.

Our passion is to provide leadership
to the insurance industry.

Core Values

Integrity

Humility

Fun at the Workplace

Corporate Social Responsibility

Company Information

BOARD OF DIRECTORS

Umer Mansha	Chairman
Ahmed Ebrahim Hasham	Director
Ali Muhammad Mahoon	Director
Fredrik Coenrard de Beer	Director
Kamran Rasool	Director
Ibrahim Shamsi	Director
Imran Maqbool	Director
Muhammad Umar Virk	Director
Shahid Malik	Director
Shaikh Muhammad Jawed	Director
Muhammad Ali Zeb	Managing Director & CEO

ADVISOR

Mian Muhammad Mansha

AUDIT COMMITTEE

Shaikh Muhammad Jawed	Chairman
Ahmed Ebrahim Hasham	Member
Ibrahim Shamsi	Member
Umer Mansha	Member

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Umer Mansha	Chairman
Ibrahim Shamsi	Member
Kamran Rasool	Member
Muhammad Ali Zeb	Member

UNDERWRITING COMMITTEE

Umer Mansha	Chairman
Fredrik Coenrard de Beer	Member
Muhammad Ali Zeb	Member
Head of Technical	Member

CLAIM SETTLEMENT COMMITTEE

Shaikh Muhammad Jawed	Chairman
Ahmed Ebrahim Hasham	Member
Muhammad Ali Zeb	Member
Head of Claims	Member

RE-INSURANCE COMMITTEE AND CO-INSURANCE

Muhammd Umar Virk	Member
Muhammad Ali Zeb	Member
Head of Reinsurance	Member

COMPANY SECRETARY

Tameez-ul-Haque
F.C.A.

CHIEF FINANCIAL OFFICER

Muhammad Asim Nagi
A.C.A.

EXECUTIVE MANAGEMENT TEAM

Muhammad Ali Zeb
Muhammad Asim Nagi
Adnan Ahmad Chaudhry
Asif Jabbar
Muhammad Salim Iqbal

AUDITORS

M/s KPMG Taseer Hadi & Company
Chartered Accountants
2nd Floor, Servis House,
2-Main Gulberg, Jail Road,
Lahore - 54000, Pakistan

SHARES REGISTRAR

Technology Trade (Pvt.) Limited
Dagja House, 241-C, Block-2, P.E.C.H.S.,
Off Shahrah-e-Quaideen, Karachi
Phone: (92-21) 34391316-7, 34387960-1
Fax: (92-21) 34391318

BANKERS

Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Habib Bank Limited
Meezan Bank Limited
Industrial Development Bank of Pakistan
FINCA Microfinance Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
The Punjab Provincial Cooperative Bank Limited
United Bank Limited
Zarai Taraqiati Bank Limited

REGISTERED OFFICE

4th Floor, 27-C-III, Tanveer Building, M.M. Alam
Road, Gulberg-III, Lahore - 54000, Pakistan
Phone: (92-42) 35772960-79,
Fax (92-42) 35772868
Email: info@adamjeeinsurance.com
Website: www.adamjeeinsurance.com

Notice of the 54th Annual General Meeting

NOTICE is hereby given that the 54th Annual General Meeting (AGM) of Adamjee Insurance Company Limited (the "Company") will be held at the Institute of Chartered Accountants of Pakistan, Thoker Niaz Baig, Raiwind Road, Lahore on Wednesday, 29 April 2015 at 11 a.m. to transact the following business:

ORDINARY:

1. To receive, consider and adopt the Audited Annual Unconsolidated and Consolidated Financial Statements of the Company for the year ended 31 December 2014 and the Directors' and Auditors' reports thereon.
2. To declare and approve, as recommended by the directors, the payment of final cash dividend of Rs. 1.50 per share i.e. @ 15% for the year ended 31 December 2014.
3. To appoint auditors and fix their remuneration.

SPECIAL:

4. To consider and if thought fit, to pass the following resolution as special resolution with or without modification(s), addition(s) or deletion(s):

RESOLVED THAT "the validity of special resolution passed in the Extraordinary General Meeting of the Company held on 8 July 2008 which was revalidated till May 31, 2015 by special resolution dated 31 May 2012 for investment of Rs. 6 billion in shares of MCB Bank Limited, an associated company be and is hereby extended for further five years till 31 May 2020 to allow the Company to invest balance amount till 31 May 2020".

RESOLVED FURTHER THAT "the Chief Executive and/or Company Secretary (the "Authorized Officers") of the Company be and are hereby authorized and empowered on behalf of the Company to take all steps and actions necessary, ancillary and incidental for making the investment(s) in MCB Bank Limited and sign, execute and amend such documents, papers, instruments, etc., as may be necessary or expedient for the purpose of giving effect to the spirit and intent of the aforesaid resolution".

5. To consider and if thought fit, to pass the following resolution as special resolution with or without modification(s) to alter the Object Clause 3(1) of the Memorandum of Association of the Company by inserting a new Clause 3(1)(bb) after the existing Clause 3(1)(aaa):

RESOLVED THAT "the following new Clause 3(1)(bb) be and is hereby inserted after the existing Clause 3(1)(aaa) of the Object Clause of the Memorandum of Association 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 the business of all kinds of General Takaful and Re-Takaful business".

FURTHER RESOLVED THAT "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".

Lahore: 8 April 2015

By Order of the Board
Tameez-ul-Haque
Secretary

Notes:

- 1) The financial statements and reports have been placed on the website of the Company, www.adamjeeinsurance.com.
- 2) The Share Transfer books of the Company will remain closed from Tuesday 21 April 2015 to Wednesday 29 April 2015 (both days inclusive). Transfers received in order at the office of the Company's Independent Share Registrar, M/s. Technology Trade (Private) Limited, Dagia House, 241-C, Block-2, P.E.C.H.S., Karachi by the close of business (5:00 PM) on Monday, 20 April 2015 will be treated in time for the purposes of entitlement of members to the final cash dividend and for attending and voting at the Annual General Meeting.
- 3) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote instead of him/her. A proxy must be a member of the Company. A corporation or a company being a member of the Company may appoint any of its officers as its proxy through a resolution of its Board of Directors.
- 4) The instrument appointing a proxy must be received at the Registered Office of the Company not less than 48 hours before the time appointed for the Meeting. A member shall not be entitled to appoint more than one proxy. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with Company, all such instruments of proxy shall be rendered invalid. In case of a corporate entity, the Board of Directors' resolution / power of attorney with a specimen signature of the nominee shall be submitted with the above time limit.

- 5) Members who have deposited their shares in the Central Depository System of the Central Depository Company of Pakistan Limited will have to follow the undermentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan:

A. For Attending the Meeting:

- a) In case of Individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or original Passport along with Participant ID number and the Account number at the time of attending the Meeting.
- b) In case of a corporate entity, the Board's resolution / power of attorney with a specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies:

- a) In case of individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirements.
- b) The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.
- c) Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
- d) The proxy shall produce his original CNIC or original passport at the time of the Meeting.
- e) In case of a corporate entity, the Board's resolution / power of attorney with a specimen signature shall be furnished (unless it has been provided earlier) along with the proxy form to the Company.

NOTICE to Shareholders who have not provided their CNIC:

The CNIC number of the shareholders is mandatory for the issuance of dividend warrants. In terms of S.R.O. 831(I)/2012 dated 5 July 2012 read with S.R.O. No. 19(I)/2014 dated 10 January 2014 in the absence of this information, payment of dividend shall be withheld. Therefore, the shareholders who have not yet provided their CNICs are once again advised to provide the attested copies of their CNICs (if not already provided) directly to our Independent Share Registrar at the address given hereinafter without any further delay.

Mandate for E-Dividends for Shareholders:

In order to make process of payment of cash dividend more efficient, an e-dividend mechanism has been envisaged by SECP. The shareholders are encouraged to provide a dividend mandate in favour of e-dividend by providing the dividend mandate form duly filled-in and signed. The Company shall adopt the procedure of e-dividend in phases. The dividend mandate form is available on the Company's website and can be emailed. The members who have opted for the mandate are requested to check the particulars of the bank account, which must be in sixteen (16) digits, and immediately notify changes if any before 20 April 2015 to the Independent Share Registrar in case of physical shares, and to brokers/CDC in case of CDC account holders.

Circulation of Annual Financials through E-mail:

The Securities and Exchange Commission of Pakistan vide SRO 787(1)/2014 dated 8 September 2014 has allowed companies to circulate the annual balance sheet, profit & loss account, auditors report and directors report along with notice of Annual General Meeting to its members through email. Members who wish to avail this facility can give their consent on the Standard Request Form available on the Company's website.

Deduction of Withholding Tax on the Amount of Dividend:

Pursuant to Circular No. 19/2014 dated 24 October 2014, SECP has directed all companies to inform shareholders about changes made in Section 150 of the Income Tax Ordinance, 2001. The Company hereby advises to its shareholders, the important amendments, as under:

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

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

To enable the Company to make tax deductions on the amount of cash dividend @ 10% instead of 15%, all shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of Federal Board of Revenue, despite the fact that they are filers, are advised to make sure that their names are entered into the ATL before the date for the payment of the cash dividend, otherwise the tax on their cash dividend will be deducted @ 15% instead of @ 10%.

The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or its Independent Share Registrar at the below mentioned address. The shareholders, while sending NTN or NTN certificates, as the case may be, must quote the company name and their respective folio numbers.

Address of Independent Share Registrar of the Company:

Name : Technology Trade (Pvt) Ltd.
Address: Dagia House, 241-C, Block 2, P.E.C.H.S., Karachi
Phone: (92-21) 34391316-17-19

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 29 April 2015.

Item 4 of Agenda: Revalidation of Period of Investment in MCB Bank Ltd.

The members of AICL, in their Extraordinary General Meeting held on 8 July 2008 had approved investment in the shares of MCB Bank Ltd. ("MCB"), an associated company, up to an amount of Rs. 6 billion against which Rs. 2.98 billion has been invested up to 31 December 2014 for the purchase of 13,521,683 shares of MCB and Rs. 3.02 billion remains uninvested.

Regulation 8(1) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulation 2012 issued vide S.R.O. 27(1)/2012 (S.R.O. 27) dated 16 January 2012 requires that special resolution authorizing investment in associated companies or undertakings shall be valid for a period of twelve months unless specifically authorized by the members in the General Meeting.

Members in the Extraordinary General Meeting of the Company held on 31 May 2012 revalidated the investment to be made up to 31 May 2015. It is now proposed to further extend the period of investment for five years up to 31 May 2020. Section 208 of the Companies Ordinance, 1984 requires that no change in nature and terms and conditions of the investment shall be made except under the authority of a special resolution. Accordingly, the change in the period of the investment is being presented to the shareholders for approval through passing of special resolution.

Adamjee Insurance Co. Ltd. is an associated company of MCB Bank Limited due to common directorship of three Directors.

The Directors of the Company are not directly or indirectly concerned or interested in the aforesaid business except to the extent of their shareholdings in MCB Bank Limited, the details of which are as follows:

Mian Umer Mansha	31,986,378 shares
Muhammad Ali Zeb	550 shares
Imran Maqbool	-

Item 5 of Agenda: 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 shall be taken from Securities and Exchange Commission of Pakistan (SECP).

Since the Takaful business is a sharia'h-based scheme, it should 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, eligible to undertake General Takaful business as Window Takaful Operator. For this purpose, the Directors have proposed that a new sub-clause (bb) be inserted in the Objects Clause 3(1) 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 investments as has been detailed in the Pattern of Shareholdings annexed to the Directors' Report.

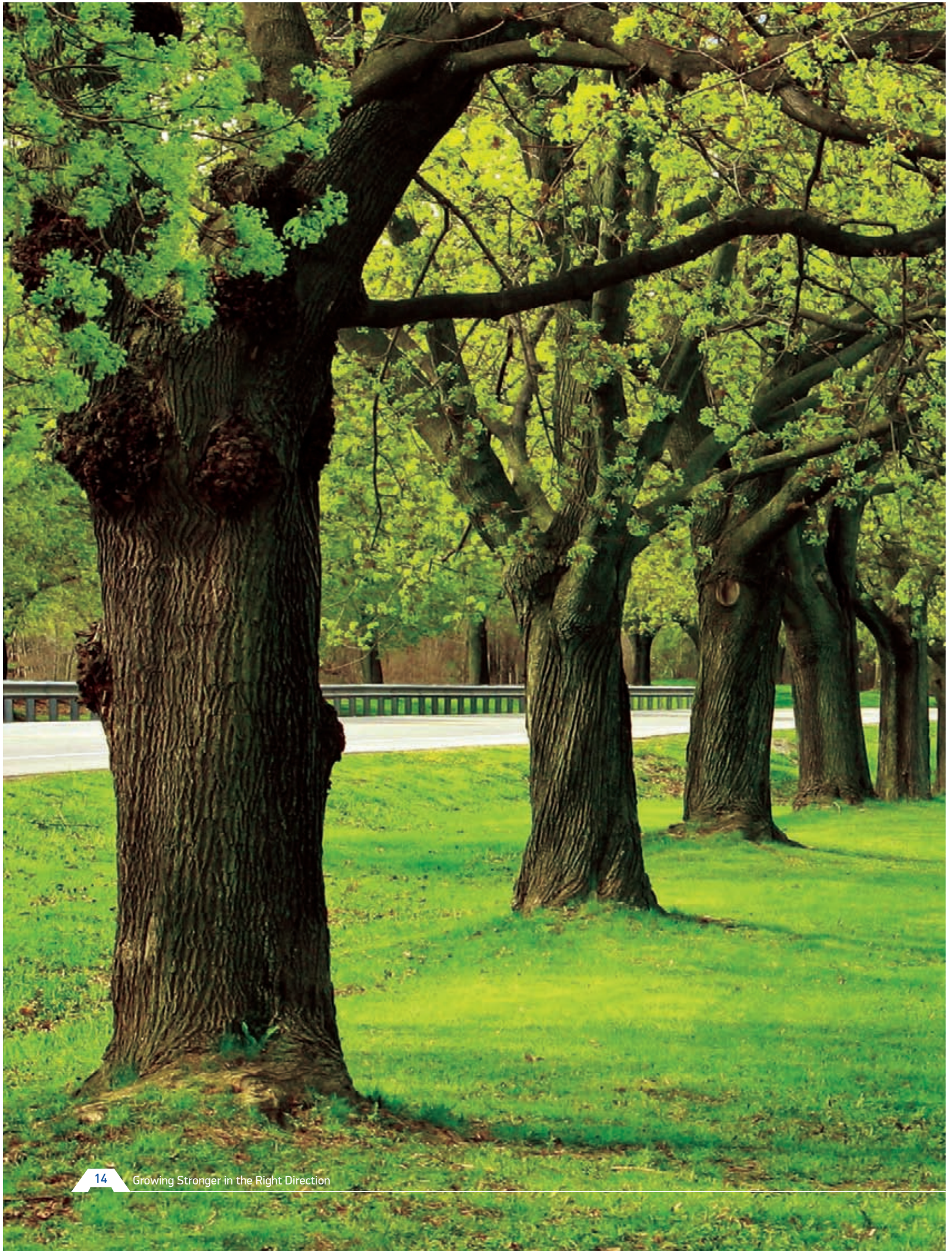
Inspection of Documents

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

Statement under Regulation 4(2) of the Companies (Investment in Associated Companies or Associated Undertaking) Regulation 2012

STATUS OF PENDING INVESTMENT DECISIONS

Description	MCB Bank Limited	Nishat Hotels & Properties Ltd.
Date of approval	8 July 2008	28 April 2014
Total Investment	Rs. 6 billion	Rs. 500 million
Reason for not having made complete investment so far	The investment was to be made in three years. If the proposed special resolution is passed by the shareholders, the remaining amount will be invested when overall economic situation further improves and depending upon the market price of shares	The Company has not yet received offer of shares
Material change in financial statement since date of resolution passed		
a) Break-up value	Dec 2007 Rs. 54.31 Dec 2014 Rs. 96.05	Jun 2013 Rs. 12.26 Jun 2014 Rs. 10.24
b) Earnings per share	Dec 2007 Rs. 18.26 Dec 2014 Rs. 21.85	Jun 2013 Rs. (0.37) Jun 2014 Rs. (0.11)
c) Balance sheet footing	Dec 2007 Rs. 55.12 billion Dec 2014 Rs. 130.10 billion	Jun 2013 Rs. 2.86 billion Jun 2014 Rs. 7.30 billion



Board of Directors



Umer Mansha Chairman

Umer Mansha has been the Chief Executive and Chairman of Nishat Mills Ltd. since September, 2007. He is a Director of MCB Bank Ltd. and also the Chairman of the Risk Management & Portfolio Review Committee and a member of the Business Strategy & Development Committee and Physical Planning and Contingency Arrangements of the Bank. Umer Mansha completed his education from Babson College, Boston, USA. He also serves as a Director of Nishat Dairy (Pvt.) Ltd., Nishat Developers (Pvt.) Ltd., Adamjee Life Assurance Company Ltd., Nishat Agriculture Farming (Pvt.) Ltd. and Nishat Hotels & Properties Ltd.



Ahmed Ebrahim Hasham Director

Ahmed Ebrahim Hasham is the Managing Director of Mehran Sugar Mills which he joined in 2000. He is a graduate in International Relations (IR) and Economics from Tufts University, USA. He is a member on the Board of Mehran Sugar Mills, Pakistan Molasses Company Limited, Unicol Limited and Hasham (Pvt.) Ltd.

He is an active contributor towards Social and Academic Services and serves as a trustee of Usman Memorial Foundation and Hasham Foundation.

He is a member of the Young Presidents Organization (YPO) and serves on the Board. He is also a member of the Executive Committee of the Pakistan Sugar Mills Association.



Ali Muhammad Mahoon Director

Ali Muhammad Mahoon has over 20 years of experience with leading international banking and finance institutions including Citibank, ABN AMRO, Samba Financial Group and MCB Bank Ltd. He joined MCB Bank initially in 2005 and served for three years as SEVP and Group Head of Risk Management. After a six-year gap, where he worked for a leading bank in Saudi Arabia, he returned to MCB Bank to head the Islamic Banking Group as of January 1, 2015. During his twenty years in banking, he has held senior level roles in corporate and investment banking as well as the risk management area. He holds a Master's in Business Administration from LUMS, and is an Associate Member of the Chartered Institute of Management Accountants, England.



Fredrik Coenrard de Beer Director

Fredrik started his working career at Cape Town and later transferred to the northern part of South Africa, Pretoria - the capital of South Africa. He holds professional qualifications from SAAF (Aircraft Maintenance) Rand Afrikaans University (Human Resource Development Certification) and a Master's degree from the University of Cumbria.

He started his insurance career in 1984 and attended various Senior Management Development programs with Old Mutual (CDC / MDC I & II) and industry-related training institutes. He was awarded the prestigious recognition of "Best Leader of the Year" award by Old Mutual. He acted in the capacity of Director during his management career in South Africa with MDBCS, as well as internationally during his career in the UAE. He is currently the CEO of Adamjee Life Assurance Company Limited.



Kamran Rasool Director

Kamran Rasool joined the Civil Service of Pakistan in 1972 after doing his Master's in English Literature from Punjab University. In 1978, he obtained a Postgraduate Diploma in Development Administration from Manchester University, UK. He served in various fields and Secretariat appointments in Punjab, where he was appointed Chief Secretary in 2003. Earlier, he served as Chairman, Bank of Punjab for a period of about one year. He served as a Secretary in various Ministries of the Federal Govt., including Cabinet Secretary, Defence Secretary and retired in 2008. Kamran is currently serving as Group Head, Security and CSR in MCB Bank Ltd. He is on the Board of Directors of Pakgen Power Ltd., PASSCO, MCB Employees Security System & Services (Pvt.) Ltd. and Lalpir Power Ltd.



Ibrahim Shamsi Director

Ibrahim Shamsi is the Chief Executive of Aladin Water & Amusement Park, Karachi and Joyland, Lahore and is also the Chairman of Cotton Web (Pvt.) Ltd. He is involved in social services as trustee of Jamiat-e-Taleem ul Quran and has served on the editorial board of college and university publications. Ibrahim earned his MBA from the Lahore University of Management Sciences. He serves as the Director of Joyland (Pvt.) Ltd., Dupak Developers Pakistan (Pvt.) Ltd., Siddiqsons Ltd., Siddiqsons Tin Plate Ltd., A.A. Joyland (Pvt.) Ltd. and Dupak Tameer Ltd.



Imran Maqbool Director

Imran Maqbool serves as the President & Chief Executive Officer of MCB Bank Limited. He is a seasoned professional with over three decades of diverse banking experience. Before taking on the CEO position, he was Head of Commercial Branch Banking Group, where he successfully managed the largest group of the Bank in terms of market diversity, size of workforce, number of branches on a country-wide basis and diversified spectrum of products. Previously, he worked as Head Wholesale Banking Group-North and was the Country Head of MCB Bank's Sri Lanka Operations. He also spearheaded Islamic Banking and Special Asset Management Groups.

Prior to joining MCB Bank in 2002, Maqbool was associated with local banking operations of Bank of America and CitiBank for more than seventeen years. He worked at various senior management level positions in respective banks. He is currently the Chairman of Pakistan Banks' Association (PBA). Maqbool holds an MBA from Institute of Business Administration (IBA) Karachi and MS in Management from MIT Sloan School of Management, Massachusetts USA.

He is currently on the Board of MCB Financial Services Limited and also serves as MNET Services (Pvt.) Limited's Chairman.



Muhammad Umar Virk Director

Muhammad Umar Virk is the Chairman of Hira Textile Mills Limited. He is a qualified & seasoned professional with over 25 years' experience in textile trade and industry. Umar founded Hira Textile Mills in 1995 by acquiring a spinning unit near Lahore. He successfully turned around the unit by skillful expansion and upgradation. Muhammad Umar Virk did his graduation in Textile Engineering in 1976. He serves as the Director of Hira Textile Mills Ltd. & Hira Terry Mills Ltd.



Shahid Malik Director

Shahid Malik joined the Pakistan Foreign Service in 1972. During his career spanning over 35 years, he has held prominent positions in Pakistan Missions abroad including Tokyo, Rome, Washington, New Delhi (twice) and Ottawa. He has served as High Commissioner of Pakistan to Canada with concurrent accreditation as Ambassador to Venezuela and High Commissioner to Guyana, Trinidad and Tobago. He also served as High Commissioner of Pakistan to India from 2007 - 2012. At the Ministry of Foreign Affairs he served in various capacities which included Director, Director General and Additional Foreign Secretary. He has also represented the country in various international conferences including the UN General Assembly, NAM and SAARC Summits, etc. He has been Alternate Permanent Representative of Pakistan to ICAO (Montreal) and has represented Pakistan at various international forums and conferences. Malik is on the Board of Directors of MCB Leasing Company CJSC, Nishat Chunian Power Ltd., Nishat Chunian Ltd. and Pakgen Power Ltd.



Shaikh Muhammad Jawed Director

Shaikh Muhammad Jawed was the Director of Din Leather (Pvt.) Ltd. and has a vast experience in running a most modern tannery. Due to his technical expertise, Din Leather has received several export performance awards, merits as well as best export performance trophies for the export of Finished Leather from Pakistan and the Company's contribution is earning valuable foreign exchange for the country. Due to excellence in quality and supply, the Company has also received a Gold Medallion Award from the International Export Association, UK. He has technical education in Leather Technology from Leather Sellers College, UK. He also serves as a Director of Adamjee Life Assurance Company Ltd.



Muhammad Ali Zeb Managing Director & Chief Executive Officer

Muhammad Ali Zeb has over 19 years of experience in Manufacturing, Financial and Insurance sectors. Ali is a Fellow member of Institute of Chartered Accountants of Pakistan and was awarded a gold medal in Cost Accounting. He started his professional career in 1995 at Nishat Mills, where he rose to the position of Financial Controller. He then joined Adamjee Insurance as Chief Financial Officer in 2005 and later became the Executive Director, Finance. He was appointed Chief Executive Officer in September, 2008. Ali left Adamjee Insurance in March, 2011. He then served at City School (Pvt.) Ltd. as Chief Financial Officer from 2012 till April, 2013. He rejoined Adamjee Insurance as Chief Executive Officer in May, 2013. He also served as the Chairman for IAP in 2014 and is currently on the Board of Directors of MCB Bank Ltd. and Adamjee Life Assurance Co. Ltd.

Management Team



Muhammad Ali Zeb Managing Director & Chief Executive Officer

Muhammad Ali Zeb has over 19 years of diversified experience in the Manufacturing, Financial and Insurance sectors. He started his professional career in 1995 from Nishat Mills where he rose to the position of Financial Controller. In 2005, he joined Adamjee Insurance as Chief Financial Officer and was promoted to Executive Director Finance. In 2008, he was appointed as Chief Executive Officer and worked on this position till March, 2011. He then served at City School (Pvt.) Ltd. as Chief Financial Officer from 2012 till April, 2013. He rejoined Adamjee Insurance as Chief Executive Officer in May, 2013. He also served as Chairman Insurance Association of Pakistan in 2014.

Ali is a Fellow member of the Institute of Chartered Accountants of Pakistan and was awarded a gold medal in Cost Accounting.



Muhammad Asim Nagi Executive Director Finance & Chief Financial Officer

Muhammad Asim Nagi has over 17 years of experience in Accounts and Finance. He is an Economics graduate from University College London and is a qualified Chartered Accountant from the Institute of Chartered Accountants in England & Wales. Asim is also a member of the Institute of Chartered Accountants of Pakistan and a fellow member of the Association of Chartered Certified Accountants in United Kingdom. He has worked with a number of organizations at the management level in the UK, including Ernst & Young LLP and UHY Hacker Young LLP in London. His experience in UK comprised assurance and transaction advisory, in particular, IPOs, stock exchange flotations & reverse takeovers. He has also worked as senior manager with A.F. Ferguson & Co., Chartered Accountants (a member firm of PricewaterhouseCoopers), and has headed the Internal Audit function at DH Corporation Limited. Asim has been with Adamjee Insurance Company Limited since November 2011 and is currently serving as the Executive Director Finance & Chief Financial Officer.



Adnan Ahmad Chaudhry Executive Director Commercial

Adnan Ahmad Chaudhry has over 21 years of experience in Engineering, Manufacturing & Insurance sectors. He started his career in 1993 from Arden Engineering & Automation after which he moved to ALSTOM in 1994. He then joined Al Hassan Group of Companies, Oman as Manager Abu Dhabi Branch in 1999. In 2000, he joined KSB Pumps Company Limited as Branch Head. He joined Classic Needs Pakistan (Pvt.) Ltd. as an Executive Director in 2003. Adnan joined Adamjee Insurance in 2008 as Head of Motor Department, became General Manager Operations in 2010 and is currently serving as Executive Director Commercial.



Asif Jabbar Executive Director Technical

Asif Jabbar has over 21 years of insurance experience in the areas of Technical, Operations and Sales. He started his career in 1993 with Adamjee Insurance Company Limited and worked for almost 19 years in different functions at mid and senior level positions. He also worked as Chief Operating Officer with Marsh Operations in Pakistan with Unique Insurance Brokers from October, 2012 till July, 2013. Since August, 2013 he is serving at Adamjee Insurance as Executive Director Technical.

He is a Chartered Insurer and Associate of Chartered Insurance Institute, London. He is also a Chartered Member of Institute of Logistics and Transport, London.



Muhammad Salim Iqbal Executive Director Re-Insurance

Muhammad Salim Iqbal has over 28 years of experience in the Insurance sector. Salim started his career in 1987 from Wahidis Associates (Pvt.) Ltd. He then joined Adamjee Insurance in 1989 and left as Deputy Chief Manager in 1995 after which he joined Al-Dhafra Insurance Company, Abu Dhabi as Manager Marine Aviation and Re-insurance. Salim joined New Jubilee Insurance Company as Head of Reinsurance in 2005. He later joined Adamjee Insurance in 2006 as Deputy General Manager- Reinsurance. In 2009 he moved to IGI Insurance Limited as Head of Underwriting and rejoined Adamjee Insurance in 2010 as General Manager Technical. Salim is currently serving as Executive Director Re-Insurance.

Muhammad Salim Iqbal is a qualified engineer B.E (Civil Engg.) and Fellow of Chartered Insurance Institute (FCII). He served as member of IAP's Fire Section Committee & Engineering Insurance Sub-committee in 2009-10 and was also a member of Marine Technical Committee of Emirates Insurance Association from 1997 till 2005.



CEO's Message

“We take pride in achieving the milestone of the highest premium written in the history of Adamjee Insurance this year. Our achievement has further strengthened our commitment to provide the highest quality of service to our stakeholders and customers. We aim to evolve with our customers and set industry standards through exploration of ideas, innovation of solutions and passion for leadership.”

Our aim is not just to pursue excellence but to exemplify it with our high working standards, our relationship with our stakeholders and our dedication to customer satisfaction. With this objective, we have been successful at turning complex challenges into opportunities and have delivered solutions par excellence. We aim not only to strengthen customer relationships but also build new ones and deliver solutions beyond their expectations.

For Adamjee Insurance, our employees are our pillar of strength. We have and will continue to invest in our employees and help them grow with us. Their ideas, dedication and hard work is valued as a force that drives Adamjee Insurance to accomplish its objectives.

On behalf of the Board and Management Committee, I would like to share our gratitude to our customers and employees for their contribution which made 2014 a successful year. With your continuing support, we endeavor to grow stronger in the years to come.

We have raised the bar higher for ourselves in the forthcoming year, which will yet be another milestone of our achievements.

Muhammad Ali Zeb
Managing Director & CEO

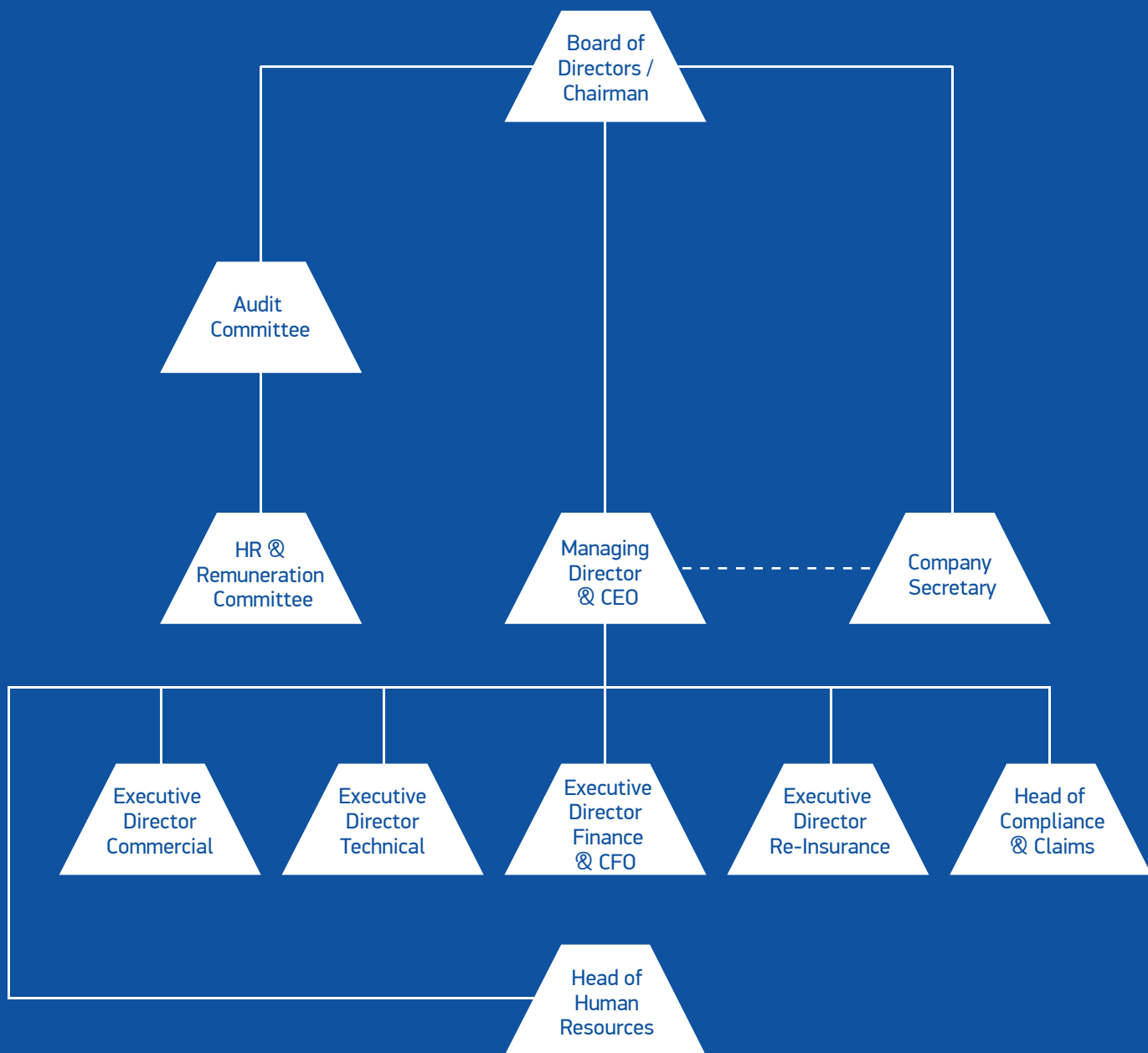
Quality Policy

The management and employees of Adamjee Insurance demonstrate commitment to satisfying customer needs by managing risk assessment in General Insurance.

In alignment with satisfaction of customer needs, processes are established to support the vision and values of the Company. We use QMS-9001 as a tool to continually review and improve the effectiveness of our implemented systems.

We regularly assess our processes and practices to build on our relationship with all our stakeholders including customers, shareholders, strategic partners and employees.

Organizational Structure





Company Profile

Adamjee Insurance Company Limited (AICL) is a general insurance giant, incorporated as a Public Limited Company on September 28, 1960. AICL, one of the leading insurance companies in Pakistan, has a regional presence in United Arab Emirates (UAE) and maintains its standing through an unwavering commitment to its corporate philosophy. AICL's competitive competency is achieved by combinations of voluminous assets, notable paid-up capital, sizable reserves, a varied portfolio and consequently, remarkable growth rates. AICL is listed with all three stock exchanges of Pakistan, establishing its credibility. The Company retains a strong regional presence in the UAE (Dubai and Abu Dhabi).

A Truly Dynamic Business Setting

AICL aims to deliver innovative customer solutions, owing to its wide-ranging line of products. Its employees are dedicated to performing their best for its valued customers, trained with all the skills necessary for a truly outstanding customer service. The Company's focus on strengthening and expanding its global presence is reflected in its tapping the potential available in the UAE market along with the consolidation of business in Dubai & Abu Dhabi. AICL collaborated with Hollard International, based in South Africa, to commence Life Assurance operations under a separate entity name, today known as Adamjee Life Assurance Company Limited.

Delivering Value to Customers

Adamjee Insurance is broadly involved in underwriting the following Classes of Business:

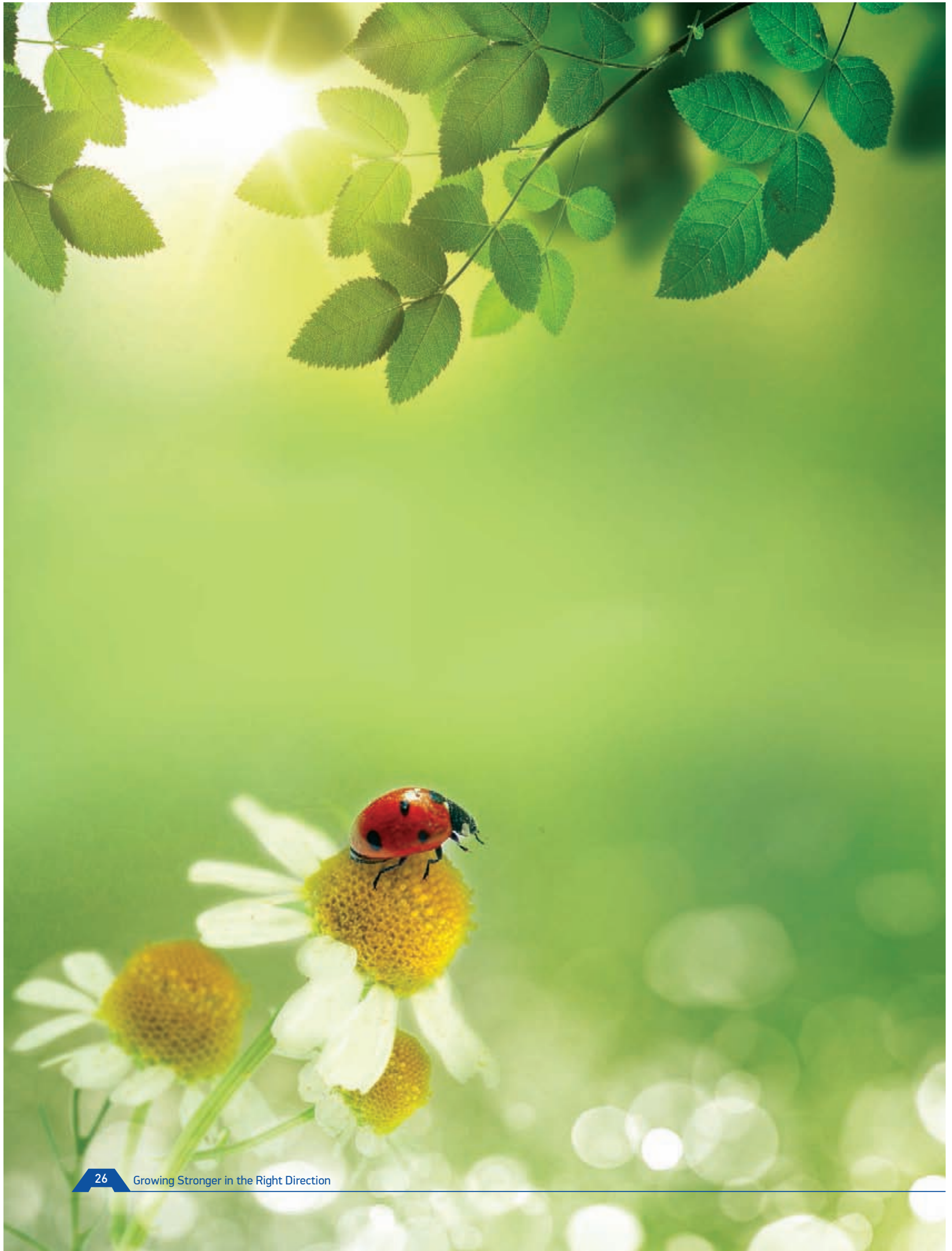
- Fire and Property
- Marine Aviation and Transport
- Motor
- Miscellaneous Insurance

AICL's well-founded confidence lies in the large number of banking and financial sector clients that AICL insures. Some of AICL's high risk-value projects include risk-coverage provision to Petrochemical Factories and Industrial Risk projects. AICL also specializes in insuring Engineering and Telecom concerns. Alternatively, AICL serves Pakistan's primary industry by providing coverage to the Textile and Sugar sectors. As a pioneer in the coverage of Oil & Gas (upstream & midstream), Wind and Thermal Energy Risks, AICL has successfully assumed the role of the leading player in Pakistan's insurance industry. The Company has also managed to secure business being brought in by foreign investors entering Pakistan to execute construction or infrastructure development projects. AICL is proud to be the premier insurer of Kidnap & Ransom, Professional Indemnity, Product Liability and other specialized lines in Pakistan.

AICL's customer-centric approach drives it forward in customer care. The Company's financial strength allows the timely remuneration and settlement of hefty claims. A competent team of professionals works tirelessly to ensure comprehensive customer satisfaction and a 24/7 dedicated customer care call center is always on call.

Achievements Through the Year

- IFS rating of AA (Double 'A') by PACRA
- Certificate of ISO 9001 by Lloyd's Register Quality Assurance
- Brands Scientist Award 2014
- Fire & Safety Award 2014
- Corporate Social Responsibility - CSR Award 2014
- Environment Excellence Award 2014



Corporate Social Responsibility

Adamjee Insurance's Corporate Social Responsibility (CSR) Program aims to address key concerns in society, such as health and education. The Company also stresses on reassuring its chief stakeholders of overall sustainability through compliance, ethics and corporate citizenship. These elements combined form the basis of AICL's corporate philosophy and CSR.

AICL's CSR is primarily focused on achieving compliance, upholding ethical standards, actively participating in corporate citizenship and maintaining overall sustainability. AICL has undertaken an array of initiatives, including improved communication and extensive training, to cultivate these aspects of its operations.

Compliance and Ethics

Regulations are becoming increasingly complex in light of high transparency prerequisites being enforced globally. AICL has continually striven to develop its capabilities until it can be at par with international players in the global insurance industry, meeting all necessary standards and checks. AICL's edge in the market at home lies in its strict and efficient compliance of international standards.

AICL has incessantly reiterated that its Compliance Performance Standards are applied to all areas of business. AICL ensures to increase compliance and ethical understanding throughout its management hierarchy. Initiatives taken include internal awareness campaigns, specific trainings in detailed regulatory areas and focused efforts on sensitive areas such as conflict of interest.

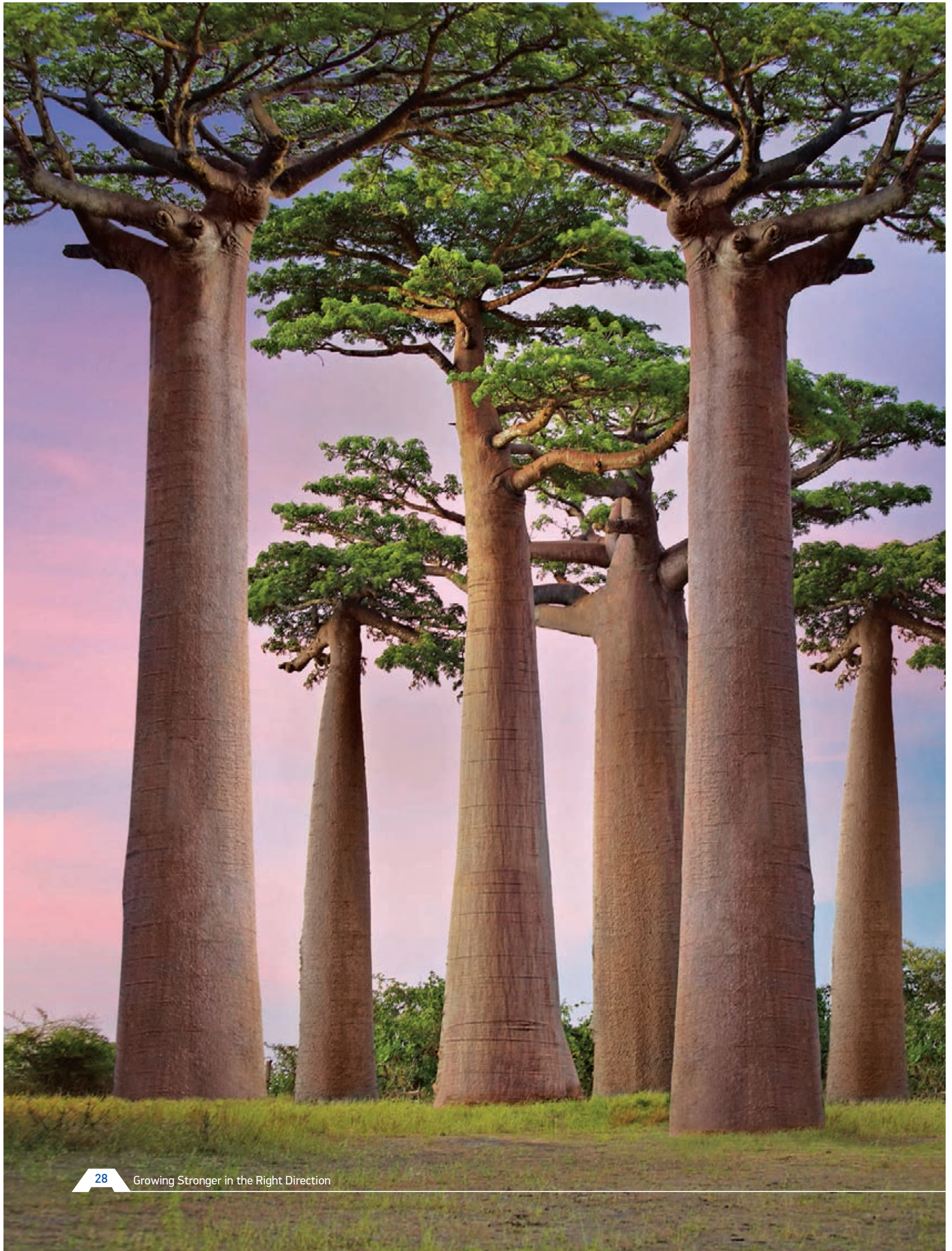
Health, Safety & Environment

Health, Safety and Environmental (HSE) responsibilities constitute an essential part of Adamjee Insurance's operations. These become the core of the Company's activities. Adamjee Insurance's management and employees share the belief that good HSE contributes positively and productively to business development and success.

It is this belief that urges Adamjee Insurance to increase team efforts, endeavor for better HSE for employees, customers and neighbors. The Company also hopes to safeguard people's health and minimize the environmental impact of their jobs. AICL's HSE policy observes all existing laws, regulations and amendments.

Committed to Excellence

In an era of intense hectic competition, AICL stays afloat with its unwavering commitment to operational and financial discipline in producing unparalleled results; keeping its promises and continually fulfilling its customers' needs.



Six Years at a Glance

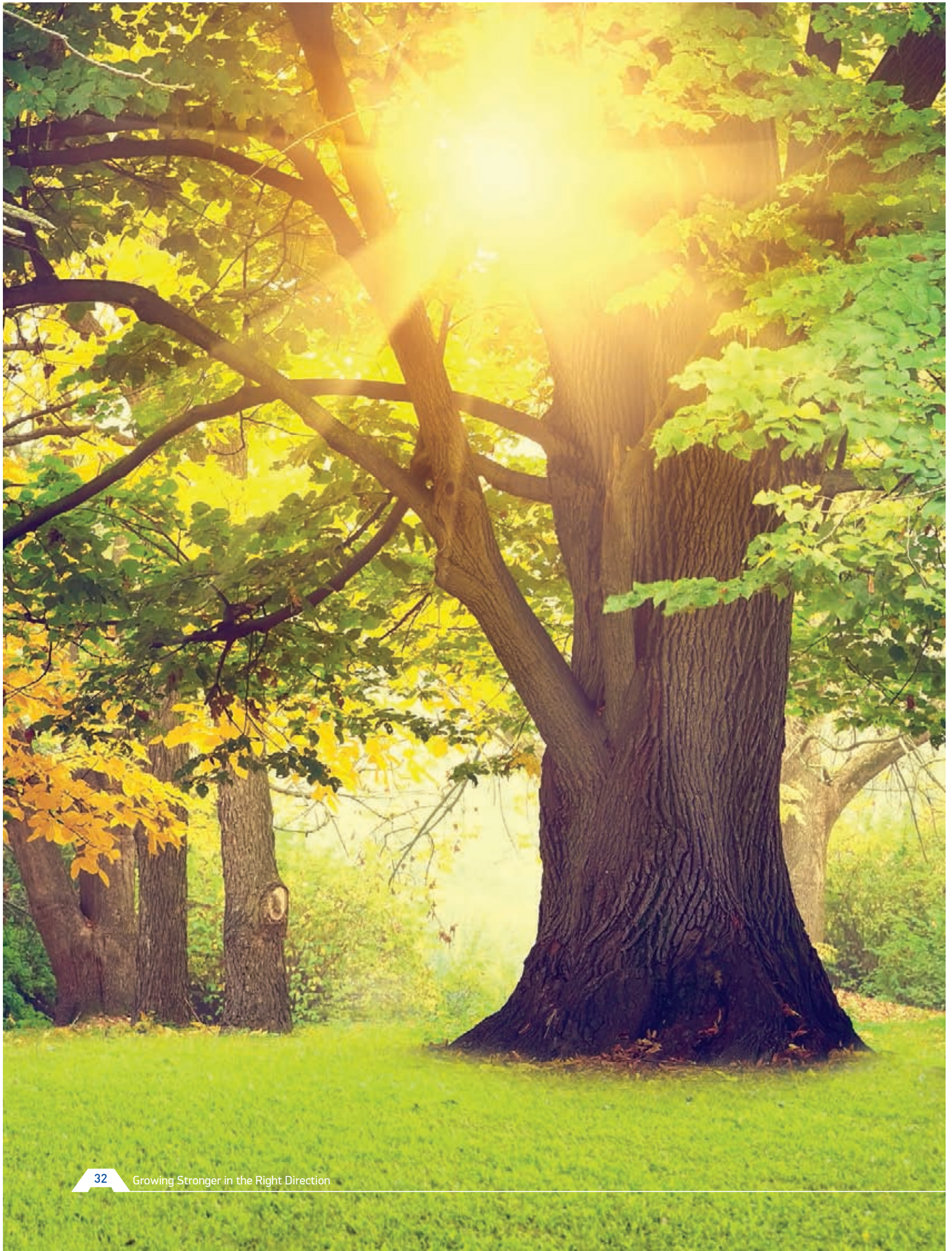
PARTICULARS	2014	2013	2012	2011	2010	2009
	Rupees in million					
Balance Sheet						
Paid Up Capital	3,500	3,500	1,237	1,237	1,237	1,125
Reserves	1,395	1,440	1,442	1,242	1,164	1,137
Equity	14,104	13,047	11,486	10,835	11,000	10,781
Investments (Book Value)	13,482	11,360	9,948	9,452	9,407	9,658
Investments (Market Value)	23,500	18,391	13,189	9,557	10,003	10,152
Fixed Assets	1,114	1,197	1,118	1,063	1,101	1,050
Cash & Bank Deposits	2,877	2,546	2,507	2,379	2,705	2,157
Other Assets	11,360	12,099	11,034	11,173	14,674	8,747
Total Assets	28,832	27,202	24,607	24,067	27,887	21,612
Total Liabilities	14,728	14,155	13,121	13,232	16,887	10,831
Operating Data						
Gross Premium	12,145	10,077	10,059	11,064	11,564	10,321
Net Premium	6,303	5,507	5,672	6,983	6,883	6,807
Net Claims	4,088	3,487	4,143	4,626	4,868	4,453
Net Commission	362	348	359	476	515	500
Underwriting Result	369	137	(412)	166	246	679
Underwriting Expenses	1,483	1,535	1,583	1,715	1,255	1,175
Gen. & Admin. Expenses	527	445	411	1,202	635	722
Financial Charges	0	2	6	15	19	12
Total Management Expenses	2,011	1,983	2,000	2,932	1,909	1,897
Investment Income	2,061	2,357	1,332	852	779	2,479
(Loss)/Profit Before Tax	2,030	2,210	670	(42)	542	2,595
Profit After Tax	1,879	1,966	628	132	484	2,434
Share Information						
Break-Up Value Per Share (Rs.)	40	37.3	92.8	87.6	88.9	95.9
No. of Shares (Million)	350	350	123.7	123.7	123.7	112.5
Share Price at End (Rs.)	49.5	37.4	68.1	46.5	87.5	123.3
Highest Share Price During Year (Rs.)	53.6	106.4	81.6	96.4	135.2	130.4
Lowest Share Price During Year (Rs.)	36.9	37.0	45.0	42.1	63.1	41.6
KSE 100 Index	32,131	25,284	16,905	11,347	12,022	9,387
Market Price To Break-Up Value (Times)	1.2	1.0	0.7	0.5	1.0	1.3
Distribution						
(*)Dividend Per Share (Rs.)	2.3	3.5	1.5	2.5	3.3	3.3
(*)Total Dividend - Amount	787.50	432.97	185.56	309.26	404.9	373.2
Cash Dividend %	22.5	35.0	15.0	25.0	23.6	24.1
Bonus Shares %	-	182.9	-	-	9.1	9.1
Total Dividend %	22.5	217.9	15.0	25.0	32.7	33.2

PARTICULARS	2014	2013	2012	2011	2010	2009
	Rupees in million					
Financial Ratios						
Profitability						
(Loss)/Profit Before Tax / Gross Premium (%)	16.7	21.9	6.7	(0.4)	4.7	25.1
(Loss)/Profit Before Tax / Net Premium (%)	32.2	40.1	11.8	(0.6)	7.9	38.1
Profit After Tax / Gross Premium (%)	15.5	19.5	6.2	1.2	4.2	23.6
Profit After Tax / Net Premium (%)	29.8	35.7	11.1	1.9	7.0	35.8
Combined Ratio (%)	94.1	97.5	107.3	97.6	96.4	90.0
Management Expenses / Gross Premium (%)	16.6	19.7	19.9	26.5	16.5	18.4
Management Expenses / Net Premium (%)	31.9	36.0	35.3	42.0	27.7	27.9
Underwriting Result / Net Premium (%)	5.9	2.5	(7.3)	2.4	3.6	10.0
Net Claims / Net Premium (%)	64.9	63.3	73.0	66.3	70.7	65.4
Investment Income / Net Premium (%)	32.7	42.8	23.5	12.2	11.3	36.4
Return To Shareholders						
Return On Average Capital Employed (%)	13.8	16.0	5.6	1.2	4.4	25.2
Return On Equity - PBT(%)	14.4	16.9	5.8	(0.4)	4.9	24.1
Return On Equity - PAT (%)	13.3	15.1	5.5	1.2	4.4	22.6
Earnings Per Share (Rs.)	5.4	5.6	5.1	1.1	3.9	21.6
P/E Ratio (Times)	9.2	6.7	13.4	43.6	22.4	5.7
Return On Capital Employed (%)	13.3	15.1	5.5	1.2	4.4	22.6
Dividend Yield (%)	4.5	9.4	2.2	5.4	3.8	2.7
Dividend Payout (%)	41.9	62.3	29.5	234.3	84.3	15.3
Return On Total Assets (%)	6.5	7.2	2.6	0.5	1.7	11.3
Liquidity / Leverage						
Total Assets Turnover (Times)	0.4	0.4	0.4	0.5	0.4	0.5
Fixed Assets Turnover (Times)	10.9	8.4	9.0	10.4	10.5	9.8
Total Liabilities / Equity (%)	104.4	108.5	114.2	122.1	153.5	100.5
Paid-Up Capital / Total Assets (%)	12.1	12.9	5.0	5.1	4.4	5.2
Equity / Total Assets (%)	48.9	48.0	46.7	45.0	39.4	49.9

(*) Including Bonus Dividend

Directors' Report
to the Members on
Unconsolidated
Financial Statements





Directors' Report

to the Members on Unconsolidated Financial Statements

On behalf of the Board of Directors, I am pleased to present the 54th Annual Report of your Company, together with the audited unconsolidated financial statements for the year ended 31 December 2014.

ECONOMIC OVERVIEW

After many years of slow growth, sentiments about the economy seem to have improved in this year, however issues of energy crisis, political instability and terrorist activities continued. A series of events have capitalized towards economic growth in the current year including growing perception of business friendly policies and external inflows specifically from issuance of Eurobonds and friendly grants. Significant decline in international oil prices and stabilization of Pakistan Rupee against US Dollar also eased pressure on economic indicators. The economy has posted a GDP growth of 4.1% this year mainly owing to the industrial sector, whereas agriculture and service sectors could not achieve their growth targets.

For Insurance sector the business environment continued to be challenging. However, the core operations comparatively showed better results along with the consistent returns on investment portfolio due to better performance of stock market.

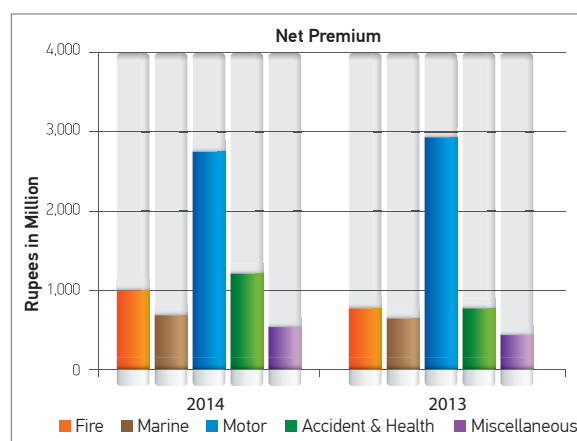
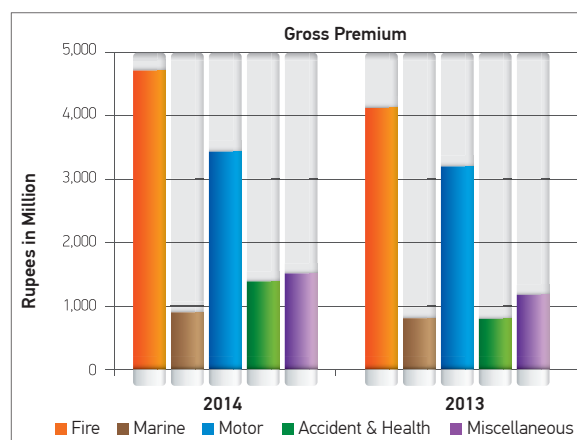
COMPANY PERFORMANCE REVIEW

In the year 2014, the Company was able to post a significant business growth in comparison to the insurance industry. The gross premium increased by 20.5% to Rs. 12,145 million as compared to Rs. 10,077 million in 2013. The net premium retained increased to Rs. 6,303 million as compared to Rs. 5,507 million in the last year.

The net claim ratio stood at 65%, compared to 63% last year. Management expenses have reduced by 3% and net commission expenses increased by 4% over the last year. The underwriting profits improved by 170% to Rs. 369 million as compared to Rs. 137 million in the preceding year.

This year, the return on investment portfolio has decreased to Rs. 2,061 million after taking effect of the provision of impairment of Rs. 6 million as compared to Rs. 2,357 million last year.

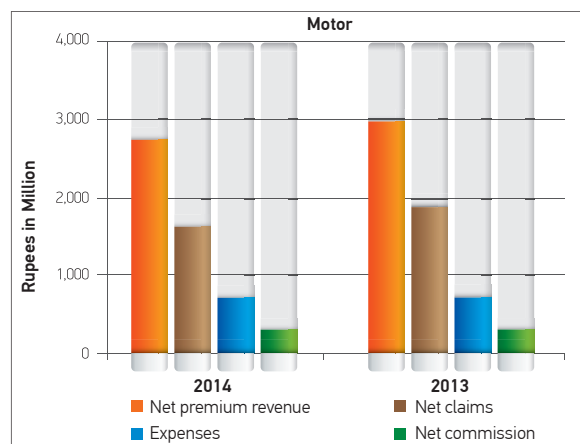
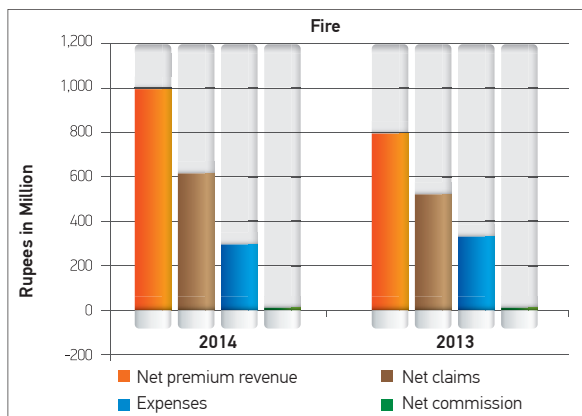
Profit before tax is reported at Rs. 2,030 million compared to profit before tax at Rs. 2,210 million last year, while profit after tax is Rs. 1,879 against profit after tax of Rs. 1,966 million in 2013.



PORTFOLIO ANALYSIS

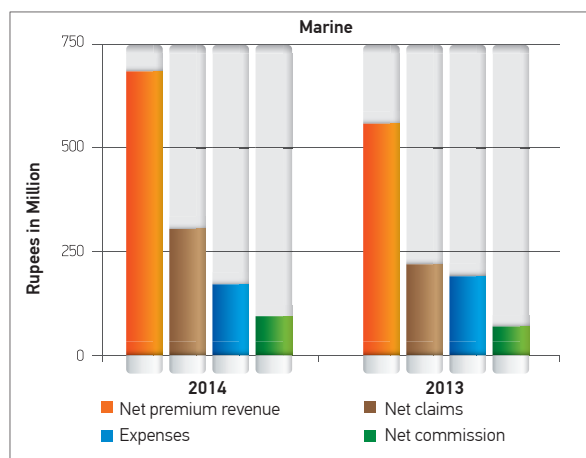
Fire & Property

The Fire and Property class of business constitutes 39% of the total portfolio. During the year, the Company has underwritten a gross premium of Rs. 4,687 million (2013: Rs. 4,115 million). The ratio of net claims to net premium is 63% this year as compared to 66% last year. The Company incurred an underwriting profit of Rs. 96 million as compared to an underwriting loss of Rs. 56 million in 2013.



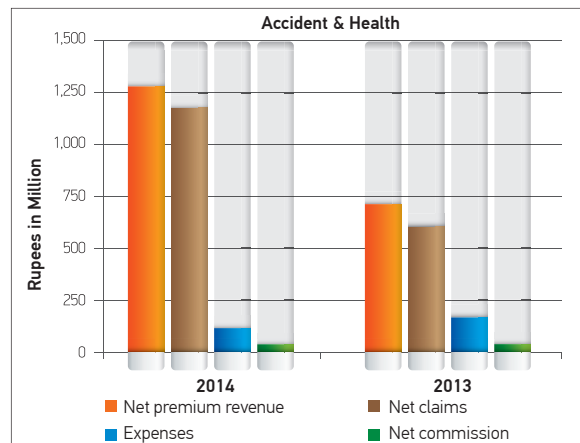
Marine, Aviation & Transport

This class of business constitutes 7% of the total portfolio. The Company has underwritten a gross premium of Rs. 876 million in current year as compared to Rs. 748 million in previous year. The net claims to net premium ratio is 48% owing losses booked due to Karachi Airport attacks, as against 37% last year, which resulted in an underwriting profit of Rs. 81 million against Rs. 94 million last year.



Accident & Health

The Accident & Health class of business constitutes 12% of the total portfolio. The gross premium showed an increase of 94% over last year with a gross premium written of Rs. 1,509 million (2013: Rs. 778 million). The ratio of net claims to net premium is 90% as against 85% last year. The portfolio showed an underwriting loss of Rs. 49 million in the current year against the underwriting loss of Rs. 99 million in 2013.



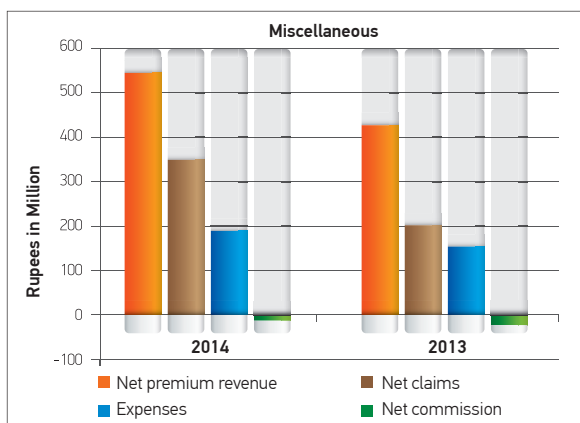
Motor

This class of business constitutes 29% of the total portfolio. During the year, the Company has underwritten a gross premium of Rs. 3,508 million as compared to Rs. 3,233 million in the last year. The ratio of net claims to net premium for the current year is 59% as compared to 65% in 2013. Prudent management of the Motor class of business improved the underwriting profit to Rs. 215 million as compared to Rs. 92 million in 2013.

Miscellaneous

The Miscellaneous class of business constitutes 13% of the total portfolio. The gross premium showed an increase of 30% over last year with a gross premium written of Rs. 1,566 million (2013: Rs. 1,203 million). The ratio of net claims to net premium is 64% as against 48%

last year. The portfolio showed an underwriting profit of Rs. 27 million in the year 2014 as compared to Rs. 106 million last year.



INVESTMENT INCOME

During the year, market capitalization and the trading volumes in KSE-100 index increased significantly as compared to the previous year. The KSE-100 index increased by 27.1%, closing at 32,131 in 2014, as compared to 25,284 in 2013.

Income from investments decreased by 13% to Rs. 2,061 million to Rs. 2,357 million in 2013. The unrealised gains on investments soared to Rs. 10,018 million in 2014.

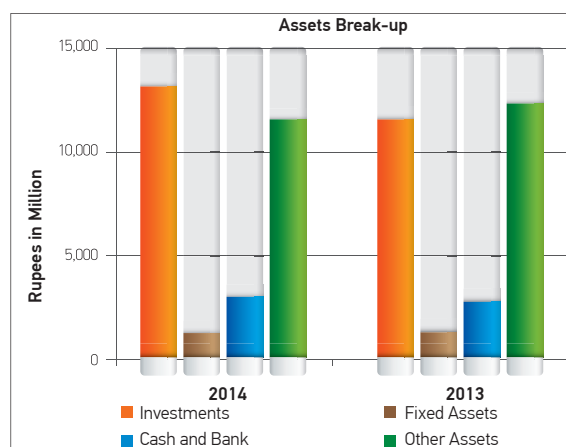
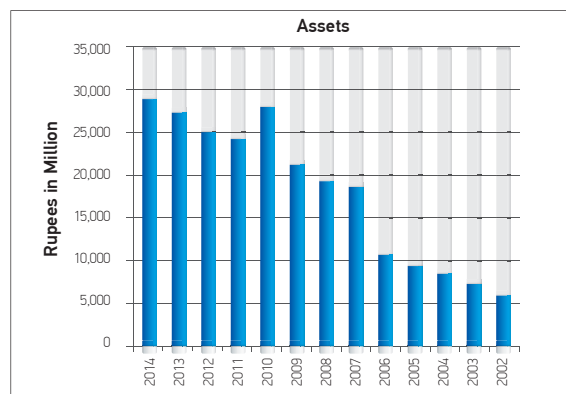
The break-up of investment income is as under:

	2014	2013
	(Rupees in million)	
Dividend income	867	936
Return on TFCs	7	11
Return on Treasury bills	18	6
Return on PIBs	27	11
Gain on sale of 'available for sale' investments	1,148	1,198
	<u>2,067</u>	<u>2,162</u>
(Provision)/Reversal of impairment	(6)	195
Net investment income	<u>2,061</u>	<u>2,357</u>

COMPANY'S ASSETS

The total assets of the Company as on 31 December 2014 stood at Rs. 28,832 million against Rs. 27,202 million last year, showing an increase of 6% mainly due to increase in

the investments and liquid assets. The total cash and bank balance at year end was Rs. 2,877 million as against Rs. 2,546 million last year, an increase of 13%.



RISK MITIGATION

Underwriting risk includes the risks of inappropriate underwriting which includes inadequate pricing, inappropriate terms and conditions and ineffective physical risk management. To manage this risk, the Company pays particular attention to the underwriting controls and risk surveys.

The underwriting heads of each department are responsible for managing and controlling the underwriting operations under their respective domains. Underwriting is conducted in accordance with a number of technical controlling protocols. This includes defined underwriting authorities, guidelines by class of business, rate monitoring, underwriting peer reviews and practice for seeking guidance on large and intricate risks from REG

(Risk Exposure Group). This Group is represented by the Executive Director Technical, Executive Director Commercial, Executive Director Reinsurance, Deputy Executive Director Technical and General Manager Claims and Compliance. By making use of Cresta Zones and Geo Coding, the Company monitors the risk of accumulation arising from catastrophic events.

The exposure is protected by a comprehensive reinsurance programme that has the capacity to respond to different possible catastrophic events.

The Company also has a separate Physical Risk inspection department which carries out a large number of risks surveys every year. The surveys are conducted both on set schedules and on a case to case basis. These surveys provide an insight of the risk to the underwriters thus assisting them in making right and well thought out decisions about the acceptance or rejection of the risks.

HUMAN RESOURCE

Focusing on Talent Management at Adamjee Insurance, we believe in providing maximum career progression to our home grown talent. Promoting a culture of on-job learning and training throughout the organization has been our belief. Our employees, with their vast experiences, are encouraged to take upon the task of paving way for their teams to grow within the organization. Upholding this culture has been beneficial in many ways, particularly employee motivation and recognition.

Rewards are performance-based and overall, the culture is engaging and a strong reflection of our Vision and Core Values.

ISO 9001: 2008 CERTIFICATION

Adamjee Insurance perseveringly continues to review, evaluate and improve the effectiveness of processes, practices and systems by using philosophies of ISO 9001: 2008 Quality Management Systems. Certification audit was successfully conducted for the third time in 2014. Internal and external surveillance audits are arranged and conducted as per plan to ensure the customer requirements are determined and met with the aim of enhancing customer satisfaction.

UAE OPERATIONS

UAE operations showed an increase of 2% in gross premium underwritten which stood at Rs. 2,217 million

against Rs. 2,171 million in the previous year. The underwriting results improved from a loss of Rs. 25 million to a profit of Rs. 35 million, primarily due to decrease in net claims in the Motor class by Rs. 370 million in the current year.

CSR ACTIVITIES

The CSR initiatives taken during the year 2014 have been separately mentioned in the report.

PACRA MAINTAINS "AA" RATING

During the year under review, The Pakistan Credit Rating Agency Limited (PACRA) has maintained the Insurer Financial Strength (IFS) rating of the Company as "AA" (Double A). This rating denotes a very strong capacity to meet policyholder and contractual obligations. Risk factors are considered modest and the impact of any adverse business and economic factors is expected to be very limited.

DIRECTORS

Mr. Ali Munir resigned as a director on 15 December 2014. The Board of Directors filled the casual vacancy on 16 January 2015 by appointing Mr. Ali Muhammad Mahoon for the remainder of the term.

SUBSIDIARY COMPANY

The Company has annexed its consolidated financial statements along with its separate financial statements.

Adamjee Life Assurance Company Limited (ALACL) is a subsidiary company of Adamjee Insurance Company Limited (AICL) and a brief description of ALACL is given below:

ALACL was incorporated in Pakistan under Companies Ordinance, 1984 on 4 August 2008 as a public unlisted company and commenced operations from 24 April 2009. ALACL is a subsidiary of AICL and an associate of IVM Inter-surer BV who have 74.28% and 25.72% holding, respectively, in the capital of ALACL.

APPROPRIATIONS

An interim dividend @ 12.5% (Rupees 1.25/per share) (2013: @ 25% [Rupees 2.5/- per share]) was paid during the year. The Board recommended final cash dividend @ 15% (Rupees 1.5/- per share) (2013: @10% [Rupee 1/-per share]).

EARNINGS PER SHARE

During the year under review, pre-tax basic earnings per share was Rs. 5.80 and after-tax basic earnings per share was Rs. 5.37 (2013: Rs. 6.32 and Rs. 5.62, respectively). Detailed working has been reported in Note 26 to the financial statements in this regard.

STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Corporate laws, rules and regulations framed thereunder spell out the overall functions of the Board of Directors of the Company. The Board is fully aware of its corporate responsibilities as envisaged under the Code of Corporate Governance, contained in listing regulations of stock exchanges issued by the Securities and Exchange Commission of Pakistan and is pleased to certify that:

- The financial statements, prepared by the Company, present fairly its state of affairs, the results of its operation, cash flows and changes in equity.
- The Company has maintained proper books of accounts as required under the Companies Ordinance, 1984.
- The Company has followed consistently appropriate accounting policies in preparation of the financial statements. Changes, wherever made, have been disclosed and accounting estimates are on the basis of prudent and reasonable judgment.
- Financial Statements have been prepared by the Company in accordance with the International Accounting and Financial Reporting Standards as applicable in Pakistan. The departure therefrom (if any), is disclosed adequately and explained.
- The System of Internal Control is sound and is being implemented and monitored. However, such a system is designed to manage rather than eliminate the risk of failure to achieve objectives, and provide reasonable but not absolute assurance against material misstatements or

losses.

- The fundamentals of the Company are strong and there are no doubts about its ability to continue as a going concern.
- Key operating and financial data for the last six years in summarized form, is included in this annual report on page 29.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 31 December 2014, except as those disclosed in the financial statements.
- The value of investments including accrued income of provident and gratuity funds on the basis of un-audited accounts as on 31 December 2014 is as follows:

	(Rupees in '000')
Provident Fund	802,422
Gratuity Fund	151,858

- The meetings of the Board of Directors and Audit Committees are held at least once every quarter. During the year, five meetings of the Board of Directors and six meetings of Audit Committee were held.

Claim Settlement and Underwriting Committees met two times and one meeting each of Human Resource & Remuneration Committee & Reinsurance Committee was held during 2014.

Leave of absence was granted to the Directors who could not attend the Board Meeting(s).

The attendance by each director / member is disclosed.

	Board of Directors		Audit Committee		Human Resource & Remuneration Committee		Claim Settlement Committee		Reinsurance Committee & Coinsurance		Underwriting Committee	
	Meetings held 5		Meetings held 6		Meetings held 1		Meetings held 2		Meetings held 1		Meetings held 2	
	Member	Attended	Member	Attended	Member	Attended	Member	Attended	Member	Attended	Member	Attended
Umer Mansha	√	4	√	6	√	1	-	-	-	-	√	2
Ahmed Ebrahim Hasham	√	2	√	3	-	-	√	2	-	-	-	-
Ali Munir	√	2	√	3	-	-	-	-	√	1	-	-
Fredrik Coenrard de Beer	√	5	-	-	-	-	-	-	-	-	√	2
Ibrahim Shamsi	√	1	√	3	√	x	-	-	-	-	-	-
Imran Maqbool	√	4	-	-	-	-	-	-	-	-	-	-
Kamran Rasool	√	4	-	-	√	1	-	-	-	-	-	-
Muhammad Umer Virk	√	5	-	-	-	-	-	-	√	1	-	-
Shahid Malik	√	4	-	-	-	-	-	-	-	-	-	-
Sheikh Muhammad Jawed	√	4	√	4	-	-	√	2	-	-	-	-
Muhammad Ali Zeb	√	5	-	-	√	x	√	2	√	1	√	2

DIRECTORS' TRAINING PROGRAM

Three directors attended the Directors' Training Program during the year. Three directors have earlier attended the Training Program. Two directors are exempt due to 14 years of education and 15 years of experience on the Board of a listed company.

PATTERN OF HOLDING OF SHARES

The pattern of holding of the shares is circulated at page no. 197.

The format of reporting, Form 34, has been slightly amended to comply with the reporting requirement under Code of Corporate Governance 2012.

For the category of executives, the Board of Directors has set the threshold and executives in the cadre of Deputy General Manager and above are included in it, in addition to the CEO, CFO, Head of Internal Audit and Company Secretary. The threshold is reviewed by the Board annually.

AUDITORS

The present auditors, KPMG Taseer Hadi & Company, Chartered Accountants being eligible, gave consent to act as auditors for the next term. The Board of Directors, on the suggestion of the Audit Committee, recommended the appointment of KPMG Taseer Hadi & Co. Chartered Accountants as statutory auditors for the next term.

ACKNOWLEDGEMENT

The Company would like to thank the shareholders of the Company for the confidence they have shown in us. We express our sincere thanks to the employees, strategic partners, vendors, suppliers and customers. We also appreciate the support and guidance provided by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan.

On behalf of the Board

Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Lahore: 19 March 2015

Review Report to the Members on Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Adamjee Insurance Company Limited ("the Company") for the year ended 31 December 2014 to comply with the requirements of Listing Regulations of respective Stock Exchanges, where the Company is listed.

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

As a 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 are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

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

Lahore: 19 March 2015

KPMG Taseer Hadi & Co
Chartered Accountants

(Bilal Ali)

Statement of Compliance with the Code of Corporate Governance for the Year Ended 31 December 2014

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on the Board of Directors. At present, the Board includes:

Category	Names
Independent Directors	Ahmed Ebrahim Hasham Muhammad Umar Virk
Executive Director	Muhammad Ali Zeb
Non-Executive Directors	Ali Muhammad Mahoon Fredrik Coenrard de Beer Ibrahim Shamsi Imran Maqbool Kamran Rasool Shahid Malik Shaikh Muhammad Jawed Umer Mansha

The independent director meets the criteria of independence under respective clause of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
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 NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the Board on 15 December 2014 was filled by the directors in 32 days.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/Shareholders.

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 arranged three training programs for its directors during the year.
10. The Board has approved the appointment of CFO, including his remuneration and terms and conditions of employment. No new appointment of Company Secretary and Head of Internal Audit has been made during the year.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The Financial Statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprised 5 members, of whom 4 were non-executive directors and 1 was independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the CCG. The terms of reference of the Committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises 4 members, of whom 3 are non-executive directors and the chairman of the committee is a non-executive director.
18. The Board has outsourced the internal audit function to M/s. A.F. Ferguson and Company, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
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 ICAP, 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 the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board

Lahore: 19 March 2015

Muhammad Ali Zeb
Managing Director & CEO

Statement Under Section 46 (6) of the Insurance Ordinance, 2000

The incharge of the management of the business was Mr. Muhammad Ali Zeb, Managing Director & Chief Executive Officer, and the report on the affairs of business during the year 2014 signed by Mr. Muhammad Ali Zeb and approved by the Board of Directors is part of the Annual Report 2014 under the title of "Directors' Report to Members" and

- a. in our opinion the annual statutory accounts of Adamjee Insurance Company Limited set out in the forms attached to the statement have been drawn up in accordance with the Insurance Ordinance, 2000 (Ordinance) and any rules made thereunder,
- b. Adamjee Insurance Company Limited has at all times in the year complied with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and re-insurance arrangements; and
- c. as at the date of the statement, Adamjee Insurance Company Limited continues to be in compliance with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and re-insurance arrangements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Unconsolidated

Financial Statements
for the Year Ended
31 December 2014





Auditors' Report to the Members

We have audited the annexed unconsolidated financial statements comprising of:

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

of Adamjee Insurance Company Limited ('the Company') as at 31 December 2014 together with the notes forming part thereof, for the year then ended, in which are incorporated the results and balances of UAE branch, audited by another firm of auditors.

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

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

in our opinion;

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

The financial statements of the Company for the year ended 31 December 2013 were audited by Riaz Ahmad & Company Chartered Accountants whose report dated 20 March 2014 expressed an unqualified opinion thereon.

KPMG Taseer Hadi & Co.
Chartered Accountants

(Bilal Ali)

Date: 19 March 2015
Lahore

Unconsolidated Balance Sheet

as at 31 December 2014

	Note	31 December 2014	31 December 2013
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital 375,000,000 (2013: 375,000,000) ordinary shares of Rs. 10 each	4.1	<u>3,750,000</u>	<u>3,750,000</u>
Issued, subscribed and paid up capital	4.2	3,500,000	3,500,000
Reserves	5	1,395,150	1,440,409
Retained Earnings		<u>9,209,094</u>	<u>8,106,138</u>
		14,104,244	13,046,547
Underwriting provisions			
Provision for outstanding claims (including IBNR)	6	5,706,373	7,322,673
Provision for unearned premium		5,269,848	4,044,831
Commission income unearned		231,121	182,184
Total underwriting provisions		<u>11,207,342</u>	<u>11,549,688</u>
Deferred liabilities			
Staff retirement benefits	7	106,248	98,247
Creditors and accruals			
Premiums received in advance		204,539	153,420
Amounts due to other insurers / reinsurers		1,226,375	641,197
Accrued expenses		68,841	59,021
Other creditors and accruals	8	<u>1,819,006</u>	<u>1,601,965</u>
		3,318,761	2,455,603
Borrowings			
Liabilities against assets subject to finance lease	9	-	6,683
Other liabilities			
Unclaimed dividends		95,416	45,218
TOTAL LIABILITIES		14,727,767	14,155,439
Contingencies and commitments	10		
TOTAL EQUITY AND LIABILITIES		<u>28,832,011</u>	<u>27,201,986</u>

The annexed notes 1 to 38 form an integral part of these unconsolidated financial statements.

Note	31 December 2014	31 December 2013
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Rupees in thousand

ASSETS

Cash and bank deposits

Cash and other equivalents	11	8,820	4,411
Current and other accounts		1,808,107	1,385,675
Deposits maturing within 12 months		1,059,703	1,156,190
		2,876,630	2,546,276

Loans - secured, considered good

To employees	12	14,225	16,151
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Investments

	13	13,482,064	11,359,717
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Deferred taxation

		97,694	105,401
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Current assets - others

Premiums due but unpaid	14	3,627,920	2,658,071
Amounts due from other insurers / reinsurers	15	817,282	1,093,985
Salvage recoveries accrued		207,471	179,703
Premium and claim reserves retained by cedants	16	-	23,252
Accrued investment income	17	26,214	15,877
Reinsurance recoveries against outstanding claims	18	3,669,232	5,574,428
Taxation - payments less provision		49,843	78,249
Deferred commission expense		477,296	390,649
Prepayments	19	2,116,209	1,766,507
Sundry receivables	20	256,133	197,048
		11,247,600	11,977,769

Operating fixed assets - Tangible & intangible

21

Owned

Land and buildings		410,689	445,207
Furniture and fixtures		124,024	140,695
Motor vehicles		313,417	262,808
Machinery and equipment		106,180	113,428
Computers and related accessories		109,056	42,923
Intangible asset - computer software		48,711	68,674
Capital work in progress - Tangible		1,721	89,310
		1,113,798	1,163,045

Leased

Motor vehicles		-	33,627
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TOTAL ASSETS

		28,832,011	27,201,986
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Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Unconsolidated Profit and Loss Account

For the Year Ended 31 December 2014

Note	Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident & Health	Miscellaneous	Treaty	31 December 2014	31 December 2013
Rupees in thousand								
Revenue account								
Net premium revenue	1,003,802	690,393	2,787,643	1,272,835	547,877	-	6,302,550	5,506,556
Net claims	(628,394)	(332,068)	(1,636,847)	(1,140,589)	(350,317)	-	(4,088,215)	(3,486,861)
Expenses	22 (294,160)	(181,676)	(661,518)	(152,642)	(193,358)	-	(1,483,354)	(1,535,469)
Net commission	14,689	(96,087)	(274,376)	(28,945)	22,948	-	(361,771)	(347,666)
Underwriting result	<u>95,937</u>	<u>80,562</u>	<u>214,902</u>	<u>(49,341)</u>	<u>27,150</u>	<u>-</u>	<u>369,210</u>	<u>136,560</u>
Investment income							2,060,861	2,357,262
Rental income							5,674	4,947
Other income	23						<u>122,542</u>	<u>148,114</u>
							<u>2,558,287</u>	<u>2,646,883</u>
General and administration expenses	24						(485,378)	(400,244)
Exchange (loss) / gain							(470)	10,647
Finance charges on lease liabilities							(270)	(1,781)
Workers' welfare fund							(41,697)	(45,110)
Profit before tax							<u>2,030,472</u>	<u>2,210,395</u>
Provision for taxation	25						(151,374)	(244,236)
Profit after tax							<u>1,879,098</u>	<u>1,966,159</u>
Balance at the commencement of the year							8,106,138	8,806,823
Profit after tax for the year							1,879,098	1,966,159
Final dividend for the year ended 31 December 2013 @ 10% (Rupee 1/- per share) [2012: @10% (Rupee 1/- per share)]							(350,000)	(123,705)
Interim dividend for the period ended 30 June 2014 @ 12.5% (Rupees 1.25/- per share) [2013: @25% (Rupees 2.5/- per share)]							(437,500)	(309,262)
Issue of bonus shares during the year: Nil (2013: @ 182.93%)							-	(2,262,955)
Other comprehensive income: Remeasurement of defined benefit obligation							11,358	29,078
Balance unappropriated profit at the end of the year							<u>9,209,094</u>	<u>8,106,138</u>
Rupees								
Earnings per share - Basic and diluted (Note 26)							<u>5.37</u>	<u>5.62</u>

The annexed notes 1 to 38 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Unconsolidated Profit and Loss Account

For the Year Ended 31 December 2014

Business Underwritten Inside Pakistan

	Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident & Health	Miscellaneous	Treaty	31 December 2014	31 December 2013
Rupees in thousand								
Revenue account								
Net premium revenue	977,764	665,436	1,352,407	1,262,272	538,754	-	4,796,633	3,710,781
Net claims	(592,444)	(333,014)	(651,712)	(1,136,020)	(350,314)	-	(3,063,504)	(2,104,143)
Expenses	(273,953)	(171,235)	(445,354)	(141,227)	(183,678)	-	(1,215,447)	(1,267,038)
Net commission	17,126	(90,963)	(105,764)	(27,290)	23,091	-	(183,800)	(178,219)
Underwriting result	128,493	70,224	149,577	(42,265)	27,853	-	333,882	161,381
Investment income							2,060,861	2,357,262
Rental income							-	-
Other income							98,718	116,364
							2,493,461	2,635,007
General and administration expenses							(408,261)	(323,094)
Exchange (loss) / gain							(60)	10,870
Finance charges on lease liabilities							(270)	(1,781)
Workers' welfare fund							(41,697)	(45,110)
Profit before tax							2,043,173	2,275,892

The annexed notes 1 to 38 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Unconsolidated Profit and Loss Account

For the Year Ended 31 December 2014

Business Underwritten Outside Pakistan								
	Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident & Health	Miscellaneous	Treaty	31 December 2014	31 December 2013
Rupees in thousand								
Revenue account								
Net premium revenue	26,038	24,957	1,435,236	10,563	9,123	-	1,505,917	1,795,775
Net claims	(35,950)	946	(985,135)	(4,569)	(3)	-	(1,024,711)	(1,382,718)
Expenses	(20,207)	(10,441)	(216,164)	(11,415)	(9,680)	-	(267,907)	(268,431)
Net commission	(2,437)	(5,124)	(168,612)	(1,655)	(143)	-	(177,971)	(169,447)
Underwriting result	(32,556)	10,338	65,325	(7,076)	(703)	-	35,328	(24,821)
Rental income							5,674	4,947
Other income							23,824	31,750
							64,826	11,876
General and administration expenses							(77,117)	(77,150)
Exchange loss							(410)	(223)
Workers' welfare fund							-	-
Loss before tax							(12,701)	(65,497)

The annexed notes 1 to 38 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Unconsolidated Statement of Comprehensive Income

For the Year Ended 31 December 2014

	31 December 2014	31 December 2013
	Rupees in thousand	
Profit after tax for the year	1,879,098	1,966,159
Other comprehensive income		
Items that will not be reclassified to profit and loss:		
Remesurement of defined benefit obligation	11,358	29,078
Items that may be reclassified subsequently to profit and loss:		
Effect of translation of investment in foreign branches - net	(45,259) (33,901)	(1,470) 27,608
Total comprehensive income for the year	1,845,197	1,993,767

The annexed notes 1 to 38 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Unconsolidated Cash Flows Statement

For the Year Ended 31 December 2014

	31 December 2014	31 December 2013
	Rupees in thousand	
Cash flows from operating activities		
a) Underwriting activities		
Premiums received	11,248,060	10,705,222
Reinsurance premiums paid	(4,348,210)	(4,486,766)
Claims paid	(7,630,278)	(6,813,101)
Surrenders paid	(21,643)	(49,559)
Reinsurance and other recoveries received	4,120,118	2,501,250
Commissions paid	(956,426)	(1,170,199)
Commissions received	551,971	534,855
Other underwriting payments	(960,501)	(1,153,147)
Net cash generated from underwriting activities	2,003,091	68,555
b) Other operating activities		
Income tax paid	(115,262)	(101,443)
General and management expenses paid	(757,562)	(360,143)
Loans disbursed	(51,415)	(39,217)
Loans repayments received	52,389	35,115
Other receipts	16,553	60,459
Net cash used in other operating activities	(855,297)	(405,229)
Total cash generated from / (used in) all operating activities	1,147,794	(336,674)
Cash flows from investing activities		
Profit / return received on bank deposits	119,450	96,701
Return on Pakistan Investment Bonds	11,004	11,388
Income received from TFCs	6,829	11,593
Income from treasury bills	-	3,694
Dividends received	863,823	943,124
Rentals received	5,674	4,947
Payments for investments	(6,633,397)	(4,182,672)
Proceeds from disposal of investments	5,654,991	4,164,980
Fixed capital expenditure - tangible assets	(108,887)	(205,138)
Fixed capital expenditure - intangible assets	-	(40,793)
Proceeds from disposal of operating fixed assets	25,198	18,650
Total cash (used in) / generated from investing activities	(55,315)	826,474
Cash flows from financing activities		
Finance lease rentals paid	(6,953)	(20,085)
Dividends paid	(755,172)	(430,850)
Net cash used in financing activities	(762,125)	(450,935)
Net cash generated from all activities	330,354	38,865
Cash at the beginning of the year	2,537,200	2,498,335
Cash at the end of the year	2,867,554	2,537,200

Unconsolidated Cash Flows Statement

For the Year Ended 31 December 2014

	31 December 2014	31 December 2013
	Rupees in thousand	
Reconciliation to profit and loss account		
Operating cash flows	1,147,795	(336,674)
Depreciation expense	(157,186)	(130,591)
Provision for gratuity	(5,990)	(9,435)
Other income - bank deposits	94,522	98,516
Gain / (loss) on disposal of operating fixed assets	11,467	(214)
Finance charge on lease obligations	(270)	(1,781)
Rental income	5,674	4,947
(Decrease) / increase in assets other than cash	(714,051)	1,208,658
Decrease / (increase) in liabilities other than running finance	718,222	(1,045,304)
	1,100,183	(211,878)
Others		
Profit on sale of investments	1,147,927	1,197,934
Amortization expense	(19,843)	(17,455)
Increase in unearned premium	(1,225,017)	(83,538)
Decrease in loans	(974)	4,102
Income taxes paid	115,262	101,443
Reversal of provision for impairment in value of 'available-for-sale' investments	(5,554)	195,394
Dividend and other income	866,838	996,763
Income from treasury bills	17,715	5,463
Return on Pakistan Investment Bonds	27,158	11,405
Income from TFCs	6,777	10,762
	930,289	2,422,273
Profit before taxation	2,030,472	2,210,395

Definition of cash

Cash comprises cash in hand, bank balances excluding Rs. 9,076 thousands (2013: Rs 9,076 thousands) held under lien, and other deposits which are readily convertible to cash and which are used in the cash management function on a day-to-day basis.

	31 December 2014	31 December 2013
	Rupees in thousand	
Cash for the purposes of the statement of cash flows consists of:		
Cash and other equivalents	8,820	4,411
Current and other accounts	1,808,107	1,385,675
Deposits maturing within 12 months	1,050,627	1,147,114
Total cash and cash equivalents	2,867,554	2,537,200

The annexed notes 1 to 38 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Unconsolidated Cash Flows Statement

For the Year Ended 31 December 2014

Business Underwritten Inside Pakistan

31 December 2014

31 December 2013

Rupees in thousand

Cash flows from operating activities

a) Underwriting activities

Premiums received	9,119,864	8,471,834
Reinsurance premiums paid	(3,717,388)	(4,109,906)
Claims paid	(4,858,319)	(4,774,599)
Surrenders paid	(21,643)	(49,559)
Reinsurance and other recoveries received	2,361,937	1,856,238
Commissions paid	(742,181)	(923,657)
Commissions received	488,240	489,891
Other underwriting payments	(616,139)	(980,564)
Net cash generated from / (used in) underwriting activities	2,014,371	(20,322)

b) Other operating activities

Income taxes paid	(115,262)	(101,443)
General and management expenses paid	(683,552)	(310,423)
Loans disbursed	(44,674)	(31,841)
Loans repayments received	43,973	27,121
Other receipts	15,707	53,297
Net cash used in other operating activities	(783,808)	(363,289)

Total cash generated from / (used in) all operating activities

1,230,563 (383,611)

Cash flows from investing activities

Profit / return received on bank deposits	91,965	74,361
Return on Pakistan Investment Bonds	11,004	11,388
Income received from TFCs	6,829	11,593
Income from treasury bills	-	3,694
Dividends received	863,823	943,124
Rentals received	-	-
Payments for investments	(6,633,397)	(4,182,672)
Proceeds from disposal of investments	5,654,991	4,164,980
Fixed capital expenditure - tangible assets	(102,195)	(183,727)
Fixed capital expenditure - intangible assets	-	(40,793)
Proceeds from disposal of fixed assets	24,926	17,667

Total cash (used in) / generated from investing activities

(82,054) 819,615

Cash flows from financing activities

Finance lease rentals paid	(6,953)	(20,085)
Dividends paid	(755,172)	(430,850)
Net cash used in financing activities	(762,125)	(450,935)

Net cash generated from / (used in) all activities

386,384 (14,931)

Cash at the beginning of the year 1,274,188 1,289,119

Cash at the end of the year 1,660,572 1,274,188

Unconsolidated Cash Flows Statement

For the Year Ended 31 December 2014

Business Underwritten Inside Pakistan		31 December 2014	31 December 2013
		Rupees in thousand	
Reconciliation to profit and loss account			
Operating cash flows		1,230,564	(383,611)
Depreciation expense		(133,528)	(104,256)
Other income - bank deposits		72,057	73,475
Gain on disposal of operating fixed assets		11,364	461
Finance charge on lease obligations		(270)	(1,781)
Rental income		-	-
(Decrease) / increase in assets other than cash		(353,862)	610,946
Decrease / (increase) in liabilities other than running finance		78,130	(358,565)
		904,455	(163,331)
Others			
Profit on sale of investments		1,147,927	1,197,934
Amortization expense		(19,843)	(17,455)
Increase in unearned premium		(1,018,263)	(67,206)
Decrease in loans		701	4,720
Income taxes paid		115,262	101,443
(Provision) / reversal of impairment in value of 'available-for-sale' investments		(5,554)	195,394
Dividend, investment and other income		866,838	996,763
Income from treasury bills		17,715	5,443
Return on Pakistan Investment Bonds		27,158	11,405
Income from TFCs		6,777	10,762
		1,138,718	2,439,223
Profit before taxation		2,043,173	2,275,892

Definition of cash

Cash comprises cash in hand, bank balances excluding Rs 9,076 thousands (2013: Rs 9,076 thousands) held under lien, and other deposits which are readily convertible to cash and which are used in the cash management function on a day-to-day basis.

		31 December 2014	31 December 2013
		Rupees in thousand	
Cash for the purposes of the statement of cash flows consists of:			
Cash and other equivalents		8,601	4,182
Current and other accounts		1,651,236	1,264,803
Deposits maturing within 12 months		735	5,203
Total cash and cash equivalents		1,660,572	1,274,188

The annexed notes 1 to 38 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Unconsolidated Cash Flows Statement

For the Year Ended 31 December 2014

Business Underwritten Outside Pakistan

	31 December 2014	31 December 2013
	Rupees in thousand	
Cash flows from operating activities		
a) Underwriting activities		
Premiums received	2,128,196	2,233,388
Reinsurance premiums paid	(630,822)	(376,860)
Claims paid	(2,771,959)	(2,038,502)
Reinsurance and other recoveries received	1,758,181	645,012
Commissions paid	(214,245)	(246,542)
Commissions received	63,731	44,964
Other underwriting payments	(344,362)	(172,583)
Net cash (used in) / generated from underwriting activities	(11,280)	88,877
b) Other operating activities		
General and management expenses paid	(74,010)	(49,720)
Loans disbursed	(6,741)	(7,376)
Loans repayments received	8,416	7,994
Other receipts	846	7,162
Net cash used in other operating activities	(71,489)	(41,940)
Total cash (used in) / generated from all operating activities	(82,769)	46,937
Cash flows from investing activities		
Profit / return received on bank deposits	27,485	22,340
Return on Pakistan Investment Bonds	-	-
Income received from TFCs	-	-
Income from treasury bills	-	-
Dividends received	-	-
Rentals received	5,674	4,947
Payments for investments	-	-
Proceeds from disposal of investments	-	-
Fixed capital expenditure - tangible assets	(6,692)	(21,411)
Fixed capital expenditure - intangible assets	-	-
Proceeds from disposal of operating fixed assets	272	983
Total cash generated from investing activities	26,739	6,859
Cash flows from financing activities		
Finance lease rentals paid	-	-
Dividends paid	-	-
Net cash generated from / (used in) financing activities	-	-
Net (cash used) / generated from in all activities	(56,030)	53,796
Cash at the beginning of the year	1,263,012	1,209,216
Cash at the end of the year	1,206,982	1,263,012

Unconsolidated Cash Flows Statement

For the Year Ended 31 December 2014

Business Underwritten Outside Pakistan		
	31 December 2014	31 December 2013
	Rupees in thousand	
Reconciliation to profit and loss account		
Operating cash flows	(82,769)	46,937
Depreciation expense	(23,658)	(26,335)
Provision for gratuity	(5,990)	(9,435)
Other income - bank deposits	22,465	25,041
Loss on disposal of operating fixed assets	103	(675)
Finance charge on lease obligations	-	-
Rental income	5,674	4,947
(Decrease) / increase in assets other than cash	(360,189)	597,712
Decrease / (Increase) in liabilities other than running finance	640,093	(686,739)
	195,729	(48,547)
Others		
Profit on sale of investments	-	-
Amortization expense	-	-
Increase in unearned premium	(206,754)	(16,332)
Decrease in loans	(1,675)	(618)
Income taxes paid	-	-
Reversal of provision for impairment in value of available-for-sale investments	-	-
Dividend income	-	-
Income from treasury bills	-	-
Return on Pakistan Investment Bonds	-	-
Income from TFCs	-	-
	(208,429)	(16,950)
Loss before taxation	(12,700)	(65,497)

Definition of cash

Cash comprises cash in hand, bank balances excluding Rs. Nil (2013: Rs. Nil) held under lien and other deposits which are readily convertible to cash and which are used in the cash management function on a day- to-day basis.

	31 December 2014	31 December 2013
	Rupees in thousand	
Cash for the purposes of the statement of cash flows consists of:		
Cash and other equivalents	219	229
Current and other accounts	156,871	120,872
Deposits maturing within 12 months	1,049,892	1,141,911
Total cash and cash equivalents	1,206,982	1,263,012

The annexed notes 1 to 38 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Unconsolidated Statement of Changes in Equity

For the Year Ended 31 December 2014

	Share Capital	Capital Reserves				Revenue Reserves		Total
	Issued, subscribed and paid-up	Reserve for issue of bonus shares	Reserve for exceptional losses	Investment fluctuation reserve	Exchange translation reserve	General reserve	Retained earnings	
Rupees in thousand								
Balance as at 31 December 2012 - restated	1,237,045	-	22,859	3,764	478,756	936,500	8,806,823	11,485,747
Comprehensive income for the year ended 31 December 2013								
Profit for the year	-	-	-	-	-	-	1,966,159	1,966,159
Other comprehensive income	-	-	-	-	(1,470)	-	29,078	27,608
Total comprehensive income for the year	-	-	-	-	(1,470)	-	1,995,237	1,993,767
Transactions with owners of the Company								
Final dividend for the year ended 31 December 2012 @ 10% (Rupee 1/- per share)	-	-	-	-	-	-	(123,705)	(123,705)
Interim dividend for the period ended 30 June 2013 @ 25% (Rupees 2.5/- per share)	-	-	-	-	-	-	(309,262)	(309,262)
Transferred to reserve for issue of bonus shares	-	2,262,955	-	-	-	-	(2,262,955)	-
Issue of bonus shares @ 182.93%	2,262,955	(2,262,955)	-	-	-	-	-	-
	2,262,955	-	-	-	-	-	(2,695,922)	(432,967)
Balance as at 31 December 2013	3,500,000	-	22,859	3,764	477,286	936,500	8,106,138	13,046,547
Comprehensive income for the year ended 31 December 2014								
Profit for the year	-	-	-	-	-	-	1,879,098	1,879,098
Other comprehensive income	-	-	-	-	(45,259)	-	11,358	(33,901)
Total comprehensive income for the year	-	-	-	-	(45,259)	-	1,890,456	1,845,197
Transactions with owners of the Company								
Final dividend for the year ended 31 December 2013 @ 10% (Rupee 1/- per share)	-	-	-	-	-	-	(350,000)	(350,000)
Interim dividend for the period ended 30 June 2014 @ 12.5% (Rupees 1.25/- per share)	-	-	-	-	-	-	(437,500)	(437,500)
	-	-	-	-	-	-	(787,500)	(787,500)
Balance as at 31 December 2014	3,500,000	-	22,859	3,764	432,027	936,500	9,209,094	14,104,244

The annexed notes 1 to 38 form an integral part of these unconsolidated financial statements.

Umer Mansha
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Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Unconsolidated Statement of Premiums

For the Year Ended 31 December 2014

Class	Premiums written	Unearned premium reserve			Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded			Reinsurance expense	Net premium revenue	
		Opening	Closing	Currency translation effect			Opening	Closing	Currency translation effect		31 December 2014	31 December 2013
Rupees in thousand												
Direct and facultative												
Fire and property damage	4,686,914	1,854,900	2,317,112	(2,895)	4,221,807	3,515,375	1,358,743	1,653,732	(2,381)	3,218,005	1,003,802	801,219
Marine, aviation and transport	876,035	55,695	48,712	(205)	882,813	190,588	7,378	5,524	(22)	192,420	690,393	598,026
Motor	3,507,686	1,504,870	1,826,457	(40,633)	3,145,466	383,104	125,874	145,516	(5,639)	357,823	2,787,643	2,964,939
Accident & Health	1,508,518	341,052	563,010	(524)	1,286,036	20,018	6,188	12,704	(301)	13,201	1,272,835	713,214
Miscellaneous	1,565,994	288,314	514,557	(318)	1,339,433	824,303	203,587	236,190	(144)	791,556	547,877	429,158
Total	12,145,147	4,044,831	5,269,848	(44,575)	10,875,555	4,933,388	1,701,770	2,053,666	(8,487)	4,573,005	6,302,550	5,506,556
Treaty												
Proportional	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total	12,145,147	4,044,831	5,269,848	(44,575)	10,875,555	4,933,388	1,701,770	2,053,666	(8,487)	4,573,005	6,302,550	5,506,556

The annexed notes 1 to 38 form an integral part of these unconsolidated financial statements.

Umer Mansha
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Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Unconsolidated Statement of Premiums

For the Year Ended 31 December 2014

Business Underwritten Inside Pakistan

Class	Premiums written	Unearned premium reserve			Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded			Reinsurance expense	Net premium revenue	
		Opening	Closing	Currency translation effect			Opening	Closing	Currency translation effect		31 December 2014	31 December 2013
Rupees in thousand												
Direct and facultative												
Fire and property damage	4,579,236	1,787,707	2,267,875	-	4,099,068	3,436,492	1,302,991	1,618,179	-	3,121,304	977,764	778,225
Marine, aviation and transport	848,259	51,249	42,421	-	857,087	190,271	6,838	5,458	-	191,651	665,436	580,120
Motor	1,484,689	606,262	718,851	-	1,372,100	20,321	205	833	-	19,693	1,352,407	1,229,516
Accident & Health	1,471,225	330,447	539,400	-	1,262,272	-	-	-	-	-	1,262,272	702,208
Miscellaneous	1,544,897	281,190	506,570	-	1,319,517	812,429	200,399	232,065	-	780,763	538,754	420,712
Total	9,928,306	3,056,855	4,075,117	-	8,910,044	4,459,513	1,510,433	1,856,535	-	4,113,411	4,796,633	3,710,781
Treaty												
Proportional	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total	9,928,306	3,056,855	4,075,117	-	8,910,044	4,459,513	1,510,433	1,856,535	-	4,113,411	4,796,633	3,710,781

The annexed notes 1 to 38 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

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Director

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Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Unconsolidated Statement of Premiums

For the Year Ended 31 December 2014

Business Underwritten Outside Pakistan

Class	Premiums written	Unearned premium reserve			Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded			Reinsurance expense	Net premium revenue	
		Opening	Closing	Currency translation effect			Opening	Closing	Currency translation effect		31 December 2014	31 December 2013
Rupees in thousand												
Direct and facultative												
Fire and property damage	107,678	67,193	49,237	(2,895)	122,739	78,883	55,752	35,553	(2,381)	96,701	26,038	22,994
Marine, aviation and transport	27,776	4,446	6,291	(205)	25,726	317	540	66	(22)	769	24,957	17,906
Motor	2,022,997	898,608	1,107,606	(40,633)	1,773,366	362,783	125,669	144,683	(5,639)	338,130	1,435,236	1,735,423
Accident & Health	37,293	10,605	23,610	(524)	23,764	20,018	6,188	12,704	(301)	13,201	10,563	11,006
Miscellaneous	21,097	7,124	7,987	(318)	19,916	11,874	3,188	4,125	(144)	10,793	9,123	8,446
Total	2,216,841	987,976	1,194,731	(44,575)	1,965,511	473,875	191,337	197,131	(8,487)	459,594	1,505,917	1,795,775
Treaty												
Proportional	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total	2,216,841	987,976	1,194,731	(44,575)	1,965,511	473,875	191,337	197,131	(8,487)	459,594	1,505,917	1,795,775

The annexed notes 1 to 38 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Unconsolidated Statement of Claims

For the Year Ended 31 December 2014

Class	Total claims paid	Outstanding claims			Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims			Reinsurance and other recoveries received	Net claims expense	
		Opening	Closing	Currency translation effect			Opening	Closing	Currency translation effect		31 December 2014	31 December 2013
Rupees in thousand												
Direct and facultative												
Fire and property damage	2,123,223	3,516,994	2,403,109	(2,548)	1,011,886	1,748,586	2,919,240	1,551,981	(2,165)	383,492	628,394	530,623
Marine, aviation and transport	404,457	176,944	308,228	(325)	536,066	162,547	126,959	168,410	-	203,998	332,068	221,507
Motor	3,214,007	2,612,650	2,120,265	(103,747)	2,825,369	1,505,115	2,068,984	1,664,900	(87,491)	1,188,522	1,636,847	1,916,298
Accident & Health	1,106,664	101,154	146,480	(26)	1,152,016	8,808	184	2,784	(19)	11,427	1,140,589	614,561
Miscellaneous	781,927	894,599	707,959	-	595,287	395,107	638,764	488,628	1	244,970	350,317	203,872
Total	7,630,278	7,302,341	5,686,041	(106,646)	6,120,624	3,820,163	5,754,131	3,876,703	(89,674)	2,032,409	4,088,215	3,486,861
Treaty												
Proportional	-	20,332	20,332	-	-	-	-	-	-	-	-	-
Total	-	20,332	20,332	-	-	-	-	-	-	-	-	-
Grand Total	7,630,278	7,322,673	5,706,373	(106,646)	6,120,624	3,820,163	5,754,131	3,876,703	(89,674)	2,032,409	4,088,215	3,486,861

The annexed notes 1 to 38 form an integral part of these unconsolidated financial statements.

Umer Mansha
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Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Unconsolidated Statement of Claims

For the Year Ended 31 December 2014

Business Underwritten Inside Pakistan

Class	Total claims paid	Outstanding claims			Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims			Reinsurance and other recoveries received	Net claims expense	
		Opening	Closing	Currency translation effect			Opening	Closing	Currency translation effect		31 December 2014	31 December 2013
Rupees in thousand												
Direct and facultative												
Fire and property damage	1,847,632	3,454,234	2,395,537	-	788,935	1,516,846	2,865,914	1,545,559	-	196,491	592,444	509,415
Marine, aviation and transport	397,704	168,844	308,152	-	537,012	162,547	126,959	168,410	-	203,998	333,014	220,881
Motor	737,292	227,331	172,203	-	682,164	16,950	52,854	66,356	-	30,452	651,712	561,152
Accident & Health	1,094,391	100,909	142,538	-	1,136,020	-	-	-	-	-	1,136,020	608,760
Miscellaneous	781,300	894,581	707,959	-	594,678	394,500	638,764	488,628	-	244,364	350,314	203,935
Total	4,858,319	4,845,899	3,726,389	-	3,738,809	2,090,843	3,684,491	2,268,953	-	675,305	3,063,504	2,104,143
Treaty												
Proportional	-	20,332	20,332	-	-	-	-	-	-	-	-	-
Total	-	20,332	20,332	-	-	-	-	-	-	-	-	-
Grand Total	4,858,319	4,866,231	3,746,721	-	3,738,809	2,090,843	3,684,491	2,268,953	-	675,305	3,063,504	2,104,143

The annexed notes 1 to 38 form an integral part of these unconsolidated financial statements.

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Chairman

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Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Unconsolidated Statement of Claims

For the Year Ended 31 December 2014

Business Underwritten Outside Pakistan

Class	Total claims paid	Outstanding claims			Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims			Reinsurance and other recoveries received	Net claims expense	
		Opening	Closing	Currency translation effect			Opening	Closing	Currency translation effect		31 December 2014	31 December 2013
Rupees in thousand												
Direct and facultative												
Fire and property damage	275,591	62,760	7,572	(2,548)	222,951	231,740	53,326	6,422	(2,165)	187,001	35,950	21,208
Marine, aviation and transport	6,753	8,100	76	(325)	(946)	-	-	-	-	-	(946)	626
Motor	2,476,715	2,385,319	1,948,062	(103,747)	2,143,205	1,488,165	2,016,130	1,598,544	(87,491)	1,158,070	985,135	1,355,146
Accident & Health	12,273	245	3,942	(26)	15,996	8,808	184	2,784	(19)	11,427	4,569	5,801
Miscellaneous	627	18	-	-	609	607	-	-	1	606	3	(63)
Total	2,771,959	2,456,442	1,959,652	(106,646)	2,381,815	1,729,320	2,069,640	1,607,750	(89,674)	1,357,104	1,024,711	1,382,718
Treaty												
Proportional	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total	2,771,959	2,456,442	1,959,652	(106,646)	2,381,815	1,729,320	2,069,640	1,607,750	(89,674)	1,357,104	1,024,711	1,382,718

The annexed notes 1 to 38 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Unconsolidated Statement of Expenses

For the Year Ended 31 December 2014

Class	Commissions paid or payable	Deferred commission			Net Commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing	Currency translation effect					31 December 2014	31 December 2013
Rupees in thousand										
Direct and facultative										
Fire and property damage	370,838	188,330	237,072	(504)	321,592	294,160	615,752	336,281	279,471	326,339
Marine, aviation and transport	106,079	3,163	10,503	(10)	98,729	181,676	280,405	2,642	277,763	282,597
Motor	323,095	150,110	169,562	(4,545)	299,098	661,518	960,616	24,722	935,894	956,660
Accident & Health	31,628	8,638	11,301	(20)	28,945	152,642	181,587	-	181,587	197,206
Miscellaneous	124,036	40,408	48,858	(39)	115,547	193,358	308,905	138,495	170,410	120,333
Total	<u>955,676</u>	<u>390,649</u>	<u>477,296</u>	<u>(5,118)</u>	<u>863,911</u>	<u>1,483,354</u>	<u>2,347,265</u>	<u>502,140</u>	<u>1,845,125</u>	<u>1,883,135</u>
Treaty										
Proportional	-	-	-	-	-	-	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Grand Total	<u>955,676</u>	<u>390,649</u>	<u>477,296</u>	<u>(5,118)</u>	<u>863,911</u>	<u>1,483,354</u>	<u>2,347,265</u>	<u>502,140</u>	<u>1,845,125</u>	<u>1,883,135</u>

The annexed notes 1 to 38 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Unconsolidated Statement of Expenses

For the Year Ended 31 December 2014

Business Underwritten Inside Pakistan

Class	Commissions paid or payable	Deferred commission			Net Commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing	Currency translation effect					31 December 2014	31 December 2013
Rupees in thousand										
Direct and facultative										
Fire and property damage	350,754	176,680	228,246	-	299,188	273,953	573,141	316,314	256,827	310,682
Marine, aviation and transport	100,852	2,946	10,308	-	93,490	171,235	264,725	2,527	262,198	269,501
Motor	111,467	48,702	54,280	-	105,889	445,354	551,243	125	551,118	570,654
Accident & Health	28,488	8,316	9,514	-	27,290	141,227	168,517	-	168,517	183,103
Miscellaneous	120,575	39,567	47,698	-	112,444	183,678	296,122	135,535	160,587	111,317
Total	712,136	276,211	350,046	-	638,301	1,215,447	1,853,748	454,501	1,399,247	1,445,257
Treaty										
Proportional	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-
Grand Total	712,136	276,211	350,046	-	638,301	1,215,447	1,853,748	454,501	1,399,247	1,445,257

The annexed notes 1 to 38 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Unconsolidated Statement of Expenses

For the Year Ended 31 December 2014

Business Underwritten Outside Pakistan

Class	Commissions paid or payable	Deferred commission			Net Commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing	Currency translation effect					31 December 2014	31 December 2013
Rupees in thousand										
Direct and facultative										
Fire and property damage	20,084	11,650	8,826	(504)	22,404	20,207	42,611	19,967	22,644	15,657
Marine, aviation and transport	5,227	217	195	(10)	5,239	10,441	15,680	115	15,565	13,096
Motor	211,628	101,408	115,282	(4,545)	193,209	216,164	409,373	24,597	384,776	386,006
Accident & Health	3,140	322	1,787	(20)	1,655	11,415	13,070	-	13,070	14,103
Miscellaneous	3,461	841	1,160	(39)	3,103	9,680	12,783	2,960	9,823	9,016
Total	243,540	114,438	127,250	(5,118)	225,610	267,907	493,517	47,639	445,878	437,878
Treaty										
Proportional	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-
Grand Total	243,540	114,438	127,250	(5,118)	225,610	267,907	493,517	47,639	445,878	437,878

The annexed notes 1 to 38 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Unconsolidated Statement of Investment Income

For the Year Ended 31 December 2014

Note	31 December 2014	31 December 2013
Rupees in thousand		

Income from non-trading investments

Available-for-sale:

Return on term finance certificates	6,777	10,762
Return on treasury bills	17,715	5,463
Return on Pakistan Investment Bonds	27,158	11,405
Dividend income:		
- associated undertakings	520,843	573,804
- others	345,995	362,500
	<u>866,838</u>	<u>936,304</u>
	918,488	963,934
Gain on sale of 'available-for-sale' investments:		
- associated undertakings	-	221,938
- others	1,147,927	975,996
	<u>1,147,927</u>	<u>1,197,934</u>
	2,066,415	2,161,868
(Provision) / reversal of impairment in value of 'available-for-sale' investments	<u>(5,554)</u>	<u>195,394</u>
Net investment income	<u><u>2,060,861</u></u>	<u><u>2,357,262</u></u>

The annexed notes 1 to 38 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

1 Legal status and nature of business

Adamjee Insurance Company Limited ("the Company") is a public limited company incorporated in Pakistan on 28 September 1960 under the Companies Act, 1913 (now the Companies Ordinance, 1984). The Company is listed on all stock exchanges in Pakistan and is engaged in the general insurance business comprising fire & property, marine, motor, health etc. The registered office of the Company is situated at Tanveer Building, 27-C-III, MM Alam Road, Gulberg III, Lahore.

The Company also operates branches in the United Arab Emirates (UAE), the Kingdom of Saudi Arabia (KSA) and the Export Processing Zone (EPZ). The branch in the KSA has closed down its operations and is in 'run-off' status with effect from 01 October 2003.

2 Basis of preparation

2.1 Statement of compliance

- These unconsolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002. In case requirements differ, the provisions or directives issued under the Companies Ordinance, 1984, Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 shall prevail.
- The SECP has allowed insurance companies to defer the application of International Accounting Standard (IAS) - 39 'Financial Instruments: Recognition and Measurement' in respect of 'available-for-sale' investments until suitable amendments have been made in the laws. Accordingly, the requirements of IAS - 39, to the extent allowed by SECP, have not been considered in the preparation of these unconsolidated financial statements. The effect of such departure from the requirements of IAS - 39 is disclosed in Note 13.1.
- These financial statements represent separate unconsolidated financial statements of Adamjee Insurance Company Limited, prepared in accordance with the format of financial statements prescribed under SEC (Insurance) Rules, 2002. The consolidated financial statements of the group are issued separately.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is also the Company's functional and presentation currency.

2.4 Use of estimates and judgments

The preparation of these unconsolidated financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates are significant to these unconsolidated financial statements or judgement was exercised in application of accounting policies, are as follows:

	Note
- Provision for outstanding claim including claims incurred but not reported (IBNR)	3.4
- Provision for taxation including the amount relating to tax contingency	3.13
- Provision for doubtful receivables	3.2
- Useful lives, pattern of economic benefits and impairments - Fixed assets	3.14
- Defined benefit plans	3.8
- Classification of investments	3.12

2.5 New Standards, amendments to approved accounting standards and interpretations which became effective during the year ended 31 December 2014

There were certain new standards, amendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) interpretations which became effective during the year but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

2.6 Standards and amendments to published approved International Financial Reporting Standards not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2015:

- Amendments to IAS 19 'Employee Benefits' Employee contributions - a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.
- Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.
- IFRS- 10 'Consolidated Financial Statements' - (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS- 27 'Consolidated and Separate Financial Statements'. IFRS- 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS- 10 has made consequential changes to IAS- 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS- 10, IFRS- 12 and IAS- 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016.
- IFRS- 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS- 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS- 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

are treated similarly to jointly controlled assets / operations under IAS-31 and are now called joint operations. Secondly, the remainder of IAS-31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS- 11 has also made consequential changes in IAS-28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016.

- IFRS- 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place.
- IFRS- 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS- 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.
- Amendment to IAS- 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS-27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. This amendment is might have impact on the unconsolidated financial statements of subsequent years only if the Company decides to use equity method of accounting for investments in subsidiary company. The Company has not yet decided whether it will decide to use equity method for accounting, hence its impact cannot be determined.
- Agriculture: Bearer Plants [Amendment to IAS- 16 and IAS-41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS- 16 'Property, Plant and Equipment' for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS-41 'Agriculture'. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS - 10 and IAS- 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS-2 'Share-based Payment'. IFRS-2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.
- IFRS-3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination.
- IFRS-8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria.

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

- Amendments to IAS-16 'Property, plant and equipment' and IAS-38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS-16 and IAS-38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS-24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS-40 'Investment Property'. IAS-40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS-40 and perform a separate assessment under IFRS-3 to determine whether the acquisition of the investment property constitutes a business combination.

The above improvements are not likely to have material impact on unconsolidated financial statements of the Company.

3 Summary of significant accounting policies

3.1 Insurance contracts

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

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

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

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

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

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

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

3.2 Premium

Premium received / receivable under a policy is recognized as written from the date of attachment of the policy to which it relates. Premium income under a policy is recognized over the period of insurance from inception to expiry evenly over the period of the policy using twenty-fourths methods as specified in the SEC (Insurance) Rules, 2002.

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

Provisions for unearned premium represents the portion of premium written relating to the unexpired period of coverage and is recognized as a liability by the Company. This liability is calculated as follows:

- for marine cargo business, as a ratio of the unexpired period to the total period of the policy applied on the gross premium of the individual policies; and
- for other classes / lines of business, by applying the twenty-fourths methods as specified in the SEC (Insurance) Rules, 2002, as majority of the remaining policies are issued for a period of one year.

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

3.3 Reinsurance ceded

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the reinsurance policies and are in accordance with the related reinsurance contract.

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

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

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

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

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

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

3.4 Provision for outstanding claims including IBNR

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

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

The Company accounts for IBNR based on an analysis of past claims reporting pattern by tracking movement in claims incurred in an accounting period. Provision for IBNR claims pertaining to Accident and Health Insurance is determined on actuary's advice.

3.5 Reinsurance recoveries against outstanding claims

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

3.6 Commission expense and other acquisition costs

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

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

3.7 Premium deficiency reserve

The Company maintains a provision in respect of premium deficiency for the class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the reporting date.

The movement in the premium deficiency reserve is recorded as an expense / income in profit or loss account for the year.

For this purpose, loss ratios for each class are estimated based on historical claim development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, premium deficiency is determined. The loss ratios estimated on these basis for the unexpired portion are as follows:

	2014	2013
Fire and property damage	74.66%	69.92%
Marine, aviation and transport	44.02%	47.19%
Motor	63.26%	64.68%
Miscellaneous (including Accident & Health)	79.89%	80.99%

Provision for premium deficiency pertaining to Accident and Health Insurance business included in Miscellaneous class of business is determined on actuary's advice.

Based on an analysis of combined operating ratio for the expired period of each reportable segment, the management considers that the unearned premium reserve for all classes of business as at the year end is adequate to meet

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

the expected future liability after reinsurance, from claims and other expenses expected to be incurred after the balance sheet date in respect of policies in those classes of business in force at the reporting date. Hence, no reserve for the same has been created in these unconsolidated financial statements.

3.8 Staff retirement benefits

Defined contribution plan

The Company operates an approved contributory provident fund scheme for all its eligible employees. Equal monthly contributions to the fund are made by the Company and the employees at the rate of 8.33% of basic salary.

Defined benefit plans

The company operates the following defined benefit plans:

- (a) an approved funded gratuity scheme for all its permanent employees in Pakistan. Annual contribution are made to this scheme on the basis of actuarial recommendations. The Company recognizes expense in accordance with IAS 19 'Employee Benefits'. The contributions have been made to pension and gratuity funds in accordance with the actuary's recommendations based on the actuarial valuation of these funds as at 31 December 2014.
- (b) unfunded gratuity scheme covering the employees in the UAE branches as per the requirements of the applicable regulations. Provision is made in these unconsolidated financial statements on the basis of the actuarial valuation carried out by an independent actuary using the projected unit credit method. The latest valuation has been carried out as 31 December 2014.

Past-service costs are recognized immediately in profit and loss account, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

"Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit and loss account.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit and loss account. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3.9 Employees' compensated absences

The Company accounts for these benefits in the period in which the absences are earned. The provision has been made in accordance with the actuarial valuation. The valuation uses a discount rate of 10% (2013: 12%) and assumes a salary increase average of 8% (2013: 10%) in the long term.

3.10 Creditors, accruals and provisions

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

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

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

3.11 Cash and cash equivalents

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

3.12 Investments

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

3.12.1 Available-for-sale

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

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

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

3.13 Taxation

(a) Current

Provision for current taxation is based on 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 include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalized during the current year for such years.

(b) 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 unconsolidated financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

charged or credited in the profit and loss account, except in the case of items credited or charged to statement of comprehensive income in which case it is included in statement of comprehensive income.

3.14 Fixed assets

(a) Tangible

Owned fixed assets, other than freehold land which is not depreciated and capital work-in-progress, are stated at cost, signifying historical cost, less accumulated depreciation and any provision for accumulated impairment. Freehold land and capital work-in-progress are carried at cost less accumulated impairment losses, if any. Depreciation is charged to income applying varying methods depending upon the nature of the asset, at the rates specified for calculation of depreciation after taking into account residual value, if any. The useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

Assets subject to finance lease are accounted for by recording the assets at the lower of present value of minimum lease payments under lease agreements and the fair value of asset at the inception of the lease contract. The related obligation under the lease is accounted for as liability. Finance charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

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

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

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

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

(b) Intangible

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

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

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

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

3.15 Expenses of management

Expenses of management both direct and indirect are allocated on the basis of activity in each class of business. Expenses not allocable to the underwriting business are charged as General and Administration expenses.

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

3.16 Investment income

From available-for-sale investments

- **Return on fixed income securities**
Return on fixed income securities classified as available-for-sale is recognized on a time proportion basis.
- **Dividend**
Dividend income is recognized when the Company's right to receive the dividend is established.
- **Gain / loss on sale of available-for-sale investments**
Gain / loss on sale of available-for-sale investments is recognized in profit and loss account in the year of sale.
- **Return on Term Finance Certificates**
The difference between the redemption value and the purchase price of the Term Finance Certificates is amortized uniformly and taken to the profit and loss account over the term of the investment.

3.17 Foreign currencies

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

The assets and liabilities of foreign branches are translated to Pak Rupees at exchange rates prevailing at the reporting date. The results of the foreign branches are translated to Pak Rupees at the average rate of exchange for the year. Translation gains and losses are included in the profit and loss account, except those arising on the translation of the Company net investments in foreign branches, which are taken to the capital reserves (exchange translation reserve).

3.18 Financial instruments

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

Financial instruments carried in the balance sheet include cash and bank, loans, investments, premiums due but unpaid, amount due from other insurers / reinsurers, premium and claim reserves retained by cedants, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other insurers reinsurers, accrued expenses, other creditors and accruals, liabilities against asset subject to finance lease and unclaimed dividends. The particular recognition method adopted are disclosed in the individual policy statements associated with each item.

3.19 Dividend and other appropriations

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

3.20 Off setting of financial assets and financial liabilities

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

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

3.21 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated if there is any potential dilutive effect on the Company's reported net profits.

3.22 Impairment

Financial assets

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

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

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

Non financial assets

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

3.23 Segment reporting

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

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

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amount of certain assets used jointly by two or more segments have been allocated to segments on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

3.24 Borrowing cost

Interest, mark-up and other charges on long-term finances are capitalized up to 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 recognized in profit and loss account.

3.25 Share capital

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

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

4. SHARE CAPITAL

4.1 Authorized share capital

2014	2013		2014	2013
Number of shares			Rupees in thousand	
<u>375,000,000</u>	<u>375,000,000</u>	Ordinary shares of Rupees 10 each	<u>3,750,000</u>	<u>3,750,000</u>

4.2 Paid-up share capital

Issued, subscribed and fully paid up share capital:

2014	2013		2014	2013
Number of shares			Rupees in thousand	
250,000	250,000	Ordinary shares of Rupees 10 each fully paid in cash	2,500	2,500
<u>349,750,000</u>	<u>349,750,000</u>	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	<u>3,497,500</u>	<u>3,497,500</u>
<u>350,000,000</u>	<u>350,000,000</u>		<u>3,500,000</u>	<u>3,500,000</u>

4.3 As at 31 December 2014, MCB Bank Limited and Nishat Mills Limited, associated undertakings held 102,812,165 (2013: 102,812,165) and 102,809 (2013: 102,809) ordinary shares of the Company of Rs. 10 each, respectively.

5 Reserves

	Note	2014	2013
Rupees in thousand			
Capital reserves			
Reserves for exceptional losses	5.1	22,859	22,859
Investment fluctuation reserves	5.2	3,764	3,764
Exchange translation reserves	5.3	<u>432,027</u>	<u>477,286</u>
		<u>458,650</u>	<u>503,909</u>
Revenue reserves			
General reserves		<u>936,500</u>	<u>936,500</u>
		<u>1,395,150</u>	<u>1,440,409</u>

5.1 The reserve for exceptional losses represents the amount set aside in prior years up to 31 December 1978, in order to avail the deduction while computing the taxable income under the old Income Tax Act of 1922. Subsequent to the introduction of repealed Income Tax Ordinance, 1979, which did not permit the such deduction, the Company discontinued the setting aside of reserves for exceptional losses.

5.2 This amount has been set aside in prior years for utilization against possible diminution in the value of investments.

5.3 The exchange translation reserve represents the gain resulted from the translation of foreign branches (having business in foreign currencies) into Pak Rupees. For the purpose of exchange translation reserve, the UAE and Export Processing Zone branches are treated as foreign branches since their functional currencies are AED and US Dollars, respectively.

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

		2014	2013
		Rupees in thousand	
6	Provision for outstanding claims (including IBNR)		
	Related parties	302,626	199,060
	Others	5,403,747	7,123,613
		<u>5,706,373</u>	<u>7,322,673</u>
7	Staff retirement benefit		
	Unfunded Gratuity Scheme	44,772	40,477
	Funded Gratuity Scheme	61,476	57,770
		<u>106,248</u>	<u>98,247</u>
7.1	Unfunded Gratuity Scheme		

7.1.1 This provision relates to the Company's operations in UAE branches. The latest actuarial valuation of gratuity scheme was carried out as at 31 December 2014 under the Projected Unit Credit Method as per the requirements of approved accounting standard - International Accounting Standard 19, the details of which are as follows:

7.1.2 Movement in the net assets/ (liabilities) recognized in the balance sheet are as follows:

		2014	2013
		Rupees in thousand	
	Present value of defined benefit obligation at the start of the year	45,667	31,042
	Charge for the year	6,249	6,543
	Benefits paid	(3,436)	(1,038)
	Remeasurement loss / (gain) on obligation	3,272	2,595
	Exchange loss	(6,981)	6,525
	Present value of defined benefit obligation at the end of the year	<u>44,772</u>	<u>45,667</u>

7.1.3 The following significant assumptions have been used for the valuation of this scheme:

		2014	2013
		Rate per annum	
-	Valuation discount rate	3.15%	4.50%
-	Expected rate of increase in salary level	4.00%	4.00%

7.1.4 The amount charged in profit and loss is as follows:

		2014	2013
		Rupees in thousand	
	Current service cost	4,578	4,936
	Interest on obligation	1,671	1,607
	Expense for the year	<u>6,249</u>	<u>6,543</u>

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

	2014	2013
Rupees in thousand		
7.1.5 The amounts charged to Other Comprehensive Income are as follows:		
Remeasurement of the present value of defined benefit obligation due to:		
- Changes in financial assumption	2,115	1,455
- Experience adjustments	1,157	1,140
	<u>3,272</u>	<u>2,595</u>

7.2 Funded Gratuity Scheme

7.2.1 The Company operates an approved funded gratuity scheme for all employees. The latest actuarial valuation of gratuity scheme was carried out as at 31 December 2014 under the Projected Unit Credit Method as per the requirements of approved accounting standard - International Accounting Standard 19, the details of which are as follows:

7.2.2 The following significant assumptions have been used for valuation of this scheme:

	2014	2013
Rate per annum		
- Valuation discount rate	10.00%	12.00%
- Expected rate of increase in salary level	8.00%	10.00%
- Rate of return on plan assets	10.00%	10.79%

7.2.3 Movement in the net assets/ (liabilities) recognized in the balance sheet are as follows:

	2014	2013
Rupees in thousand		
Net liabilities assets at the beginning of the year	57,770	65,432
Expenses recognized	18,336	18,821
Contribution paid during the year	-	-
Remeasurement gain recognized - net	(14,630)	(26,483)
Net liabilities at the end of the year	<u>61,476</u>	<u>57,770</u>

7.2.4 The amounts recognized in the profit and loss account are as follows:

Current service cost	11,404	11,296
Interest cost	6,932	7,525
Interest income on plan assets	-	-
	<u>18,336</u>	<u>18,821</u>

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

2014

2013

Rupees in thousand

7.2.5 The amounts recognised in other comprehensive income are as follows:

Remeasurement of plan obligation from:

- Change in financial assumptions
- Experience on obligation

-	799
8,249	(13,811)
8,249	(13,012)

Remeasurement of plan assets:

- Actual net return on plan assets
- Interest income on plan assets

(38,442)	(27,403)
15,563	13,932
(22,879)	(13,471)
(14,630)	(26,483)

7.2.6 The amounts recognized in the balance sheet are as follows:

Present value of the obligation	218,735	198,316
Fair value of plan assets	(157,260)	(140,546)
Net asset	61,475	57,770

7.2.7 Movement in present value of defined benefit obligation

Present value of defined benefit obligation as at the beginning of the year	198,316	194,589
Current service cost	11,404	11,296
Interest cost	22,494	21,457
Actual benefits paid during the year	(21,728)	(16,014)
Remeasurement loss / (gain) on obligation	8,249	(13,012)
Present value of defined benefit obligation as at the end of the year	218,735	198,316

7.2.8 Movement in fair value of plan assets

Fair value of plan asset as at the beginning of the year	140,546	129,157
Interest income on plan assets	15,563	13,932
Actual benefits paid during the year	(21,728)	(16,014)
Net return on plan assets over interest income	22,879	13,471
Fair value of plan asset as at the end of the year	157,260	140,546

7.2.9 Actual return on plan assets

Expected return on plan assets	15,563	13,932
Net return on plan assets over interest income	22,879	13,471
	38,442	27,403

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

	2014	2013	2014	2013
	Percentage		Rupees in thousand	
7.2.10 Plan assets consist of the following:				
Government Bonds	55.56%	52.22%	87,367	73,388
Corporate Bonds	10.53%	16.72%	16,554	23,497
Shares and deposits	24.93%	22.72%	39,205	31,933
Unit Trusts	12.06%	10.17%	18,972	14,291
Benefits due	-3.08%	-1.82%	[4,838]	[2,563]
	<u>100.00%</u>	<u>100.00%</u>	<u>157,260</u>	<u>140,546</u>

7.2.11 Plan assets do not include any investment in the Company's ordinary shares as at 31 December 2014 (2013: Nil).

7.2.12 Expected contribution to gratuity fund for the year ending 31 December 2015 is Rs. 20,238 thousands.

7.2.13 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the fund, at the beginning of the year.

7.2.14 The weighted average duration of the defined benefit obligation for gratuity plan is 3.5 years (2013: 3.5 years).

7.2.15 These defined benefit plans expose the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

7.2.16 The main features of the gratuity schemes are as follows:

- Under the gratuity scheme the normal retirement age for all employees is 60 years.
- A member shall be entitled to gratuity on resignation, termination, retirement, early retirement, retrenchment, death and dismissal based on the Company's Service rules.
- The scheme is subject to the regulations laid down under the Income Tax Rules, 2002.

7.3 The implicit objective is that the contribution to the gratuity schemes should remain reasonably stable as a percentage of salaries, under the actuarial cost method employed.

7.4 Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

Change in assumptions	Impact on Gratuity plans				
	Unfunded		Funded		
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption	
Rupees in thousand					
Discount rate	1%	(1,601)	1,734	(6,632)	7,091
Salary growth rate	1%	1,702	(1,604)	7,158	(6,811)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit obligation recognized within the statement of financial position.

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

	Note	2014	2013
Rupees in thousand			
8	Other creditors and accruals		
	Cash margin against performance bond	742,672	646,744
	Sundry creditors	173,454	209,316
	Commission payable	530,646	456,015
	Workers' welfare fund	187,749	146,052
	Federal insurance fee	23,372	37,920
	Federal excise duty	159,881	105,114
	Payable to Employees' Provident Fund	8.1	1,232
		<u>1,819,006</u>	<u>1,601,965</u>
8.1	During the year, an amount of Rs. 24,505 thousands (2013 : Rs. 20,487 thousands) has been charged to the profit and loss account in respect of the Company's contribution to the Employees' Provident Fund.		
9	Liabilities against assets subject to finance lease		
	Present value of minimum lease payments	-	6,683
9.1	Minimum lease payments		
	Not later than 1 year	-	6,951
	Later than 1 year and not later than 5 years	-	-
	Future finance charges on finance lease	-	6,951
		-	(268)
	Present value of finance lease liability	-	6,683
9.2	Present value of finance lease liability		
	Not later than 1 year	-	6,683
	Later than 1 year and not later than 5 years	-	-
		-	6,683
9.3	The above represents finance lease entered into with leasing companies for motor vehicle. The liability has repaid during the year.		

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

10 Contingencies and commitments

10.1 Contingencies

The income tax assessments of the Company have been finalized up to and including the tax year 2013. However, the Company has filed appeals in respect of certain assessment years mainly on account of the following:

- (a) The Deputy Commissioner Inland Revenue issued an order under section 161/205 of the Income Tax Ordinance, 2001 for the year 2012 whereby a tax demand aggregating to Rs. 8,649 thousands was raised against the Company on account of non-deduction of tax on dividend. The Company challenged the said order before the Commissioner Inland Revenue (Appeals) who remanded the case back to taxation officer for fresh proceedings. The management is confident that the matter will eventually be decided in favor of the Company, and has consequently not made any provision there against.
- (b) The Deputy Commissioner Inland Revenue passed an order under section 161/205 of the Income Tax Ordinance, 2001 for the tax year 2005 raising a tax demand of Rs. 3,103 thousands for alleged non-payment of tax deducted on salaries during the year. The Company filed an appeal before the Commissioner Inland Revenue (Appeals) who remanded the case back to taxation officer with the direction to provide the Company a proper opportunity of being heard. The same was challenged by the Company before Appellate Tribunal Inland Revenue. Hearing the case has not yet commenced. However, a positive outcome is expected by the Company; hence, no provision has been made by the Company in this regard.
- (c) The Additional Commissioner / Taxation Officer has reopened assessments for the assessment year 2000-2001 and 2001-2002 by taxing bonus shares received by the Company during the above mentioned periods resulting in an additional tax liability of Rs. 14,907 thousands. An appeal was filed before the Commissioner Inland Revenue (Appeals) who cancelled the amended order passed by the Additional Commissioner and allowed relief to the Company but the Tax Department had filed an appeal before the ATIR against the order of the Additional Commissioner, which has been decided in favor of the Company. However, the Company received another notice from Additional Commissioner for reassessment of the case in response to which the Company has filed a constitutional petition in Honorable Sindh High Court against such notice.
- (d) While finalizing the assessment for the assessment year 2002-2003, DCIR has reduced the business loss for the year by Rs. 88,180 thousands by adjusting the dividend income against this loss. The Company maintains that it is entitled to carry the gross loss forward for adjustment against the future taxable income and dividend income for the year should be taxed separately at reduced rate. The appeals of the Company in this respect have been rejected by the Commissioner Inland Revenue (Appeals), The ATIR and the Sindh High Court. The Company has filed a reference application with the Supreme Court of Pakistan. The management is confident that the matter will eventually be decided in favour of the Company and has consequently not made any provision against the additional tax liability of Rs. 26,455 thousands which may arise in this respect.
- (e) The Tax Authorities have also amended the assessments for tax years 2003 to 2005 on ground that the Company has not apportioned management and general administration expenses against capital gain and dividend income. The Company has filed constitutional petition in the Honorable Sindh High Court against the amendment in the assessment order. The Company may be liable to pay Rs. 5,881 thousands in the event of decision against the Company, out of which Rs. 2,727 thousands have been provided resulting in shortfall of Rs. 3,154 thousands.
- (f) The Taxation officer has passed an order in the tax years 2005 and 2006 under section 221 of Income Tax Ordinance, 2001 (the Ordinance) levying minimum tax liability aggregating to Rs. 38,358 thousands. An appeal was filed before the Commissioner Inland Revenue (Appeals) who upheld the order of the Taxation Officer. The Company has filed an appeal before the ATIR which is yet to be held.
- (g) The Company received a notice from Additional Commissioner Inland Revenue pertaining to the amendment of tax year 2008. Amongst others, the Additional Commissioner raised an issue with respect to the claim of exemption claimed on capital gains on listed securities by way of incorrect application of the provisions of law. The Company preferred to contest this matter by way of filing a constitutional petition before the Honorable Sindh High Court. The court has ordered for stay of proceedings.

Pending resolution of the above-mentioned appeals filed by the Company, no provision has been made in these unconsolidated financial statements for the aggregate amount of Rs. 94,626 thousands (2013: Rs. 98,690 thousands) as the management is confident that the eventual outcome of the above matters will be in favour of the Company.
- (h) A lawsuit for Rs. 18,904 thousands (AED 688,859) is pending before Supreme Court of U.A.E which, in the opinion of Company's lawyer, is likely to be decided in favour of the Company.

10.2 Commitments

The Company has issued letter of guarantees amounting to Rs. 7,898 thousands (AED 289,000) [2013: Rs. 1,515 thousands (AED 53,000)] relating to its UAE branch.

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

11 Cash and Bank deposits	Note	2014	2013
Rupees in thousand			
Cash and other equivalents			
Cash in hand		8,820	4,411
Current and other accounts			
Current accounts		973,713	508,688
Savings accounts		834,394	876,987
		1,808,107	1,385,675
Deposits maturing within 12 months			
Fixed and term deposits	11.1	1,059,703	1,156,190
		<u>2,876,630</u>	<u>2,546,276</u>

11.1 These include fixed deposits amounting to Rs. 189,969 thousands (AED 6,951 thousands) [2013: Rs. 197,716 thousands (AED 6,916 thousands)] kept in accordance with the requirements of Insurance Regulations applicable to the UAE branches for the purpose of carrying on business in United Arab Emirates. These also include liens against cash deposits of Rs. 9,076 thousands (2013: Rs. 9,076 thousands) with banks in Pakistan essentially in respect of guarantees issued by the banks on behalf of the Company for claims under litigation filed against the Company.

11.2 Cash and bank deposits include an amount of Rs. 1,174,526 thousands (2013: Rs. 876,596 thousands) held with related parties.

12 Loans - considered good	Note	2014	2013
Rupees in thousand			
Secured			
Executives	12.2	18,468	5,220
Employees	12.2	14,225	28,447
		32,693	33,667
Less: Recoverable within one year shown under sundry receivables			
Executives		5,103	4,871
Employees		13,365	12,645
		18,468	17,516
		<u>14,225</u>	<u>16,151</u>

12.1 Loans to employees are granted in accordance with the terms of their employment for the purchase of vehicles, purchase / construction of houses and for other purposes as specified in the SEC (Insurance) Rules, 2002. These loans are recoverable in monthly installments over various periods and are secured by registration of vehicles, deposit of title documents of property with the Company and against provident fund balance of the employees. The loans are interest free except for those granted for the purchase / construction of houses which carry interest at the rate of 5% (2013: 5%) per annum.

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

12.2 Reconciliation of carrying amount of loans

	2014		
	Executives	Others	Total
	Rupees in thousand		
Opening balance	5,220	28,447	33,667
Disbursements	15,602	35,813	51,415
Repayments	(15,146)	(37,243)	(52,389)
Closing balance	<u>5,676</u>	<u>27,017</u>	<u>32,693</u>

	2013		
	Executives	Others	Total
	Rupees in thousand		
Opening balance	6,700	22,865	29,565
Disbursements	13,622	25,595	39,217
Repayments	(15,102)	(20,013)	(35,115)
Closing balance	<u>5,220</u>	<u>28,447</u>	<u>33,667</u>

13 Investments

In related parties

Available-for-sale:

Marketable securities
Listed

Note	2014	2013
	Rupees in thousand	
13.3		
	<u>5,713,706</u>	<u>7,477,264</u>
	<u>5,713,706</u>	<u>7,477,264</u>

Investment in Subsidiary - Adamjee Life

Assurance Company Limited

<u>694,895</u>	<u>694,895</u>
<u>6,408,601</u>	<u>8,172,159</u>

Others

13.3

Available-for-sale:

Marketable securities

Listed

Unlisted

Less: Provision for impairment in value of investments

<u>6,582,200</u>	<u>3,408,448</u>
<u>351,471</u>	<u>-</u>
<u>(226,444)</u>	<u>(220,890)</u>
<u>6,707,227</u>	<u>3,187,558</u>

Fixed income securities

<u>366,236</u>	<u>364,004</u>
<u>13,482,064</u>	<u>11,359,717</u>

- 13.1 On 31 December 2014, the fair value of 'available-for-sale' securities was Rs. 23,500,013 thousands (2013: Rs. 18,391,034 thousands). As per the Company's accounting policy, 'available-for-sale' investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary.) However, International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' dealing with the recognition and measurement of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as at 31 December 2014 would have been higher by Rs. 10,017,949 thousands (2013: Rs. 7,031,317 thousands).

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

13.2 Reconciliation of provision for impairment in value of investments

	2014	2013
	Rupees in thousand	
Balance as at 01 January	220,890	416,284
Impairment / (reversal) for the year	5,554	(195,394)
Balance as at 31 December	<u>226,444</u>	<u>220,890</u>

13.3 Available-for-sale

Note	2014			2013
	Cost	Provision there against	Carrying Value	Carrying Value
	Rupees in thousand			
12.3.1				
In related parties:				
- Listed shares	5,713,706	-	5,713,706	5,290,151
- Investment in Subsidiary - Adamjee Life Assurance Company Limited	694,895	-	694,895	694,895
- Mutual Fund Certificates	-	-	-	2,187,113
	<u>6,408,601</u>	-	<u>6,408,601</u>	<u>8,172,159</u>
Others				
- Listed shares	3,422,499	(226,444)	3,196,055	2,733,321
- Unlisted shares	351,471	-	351,471	-
- Term Finance Certificates	39,925	-	39,925	49,927
- Mutual Fund Certificates	3,119,615	-	3,119,615	40,145
- NIT Units	161	-	161	161
- Government treasury bills	-	-	-	274,695
- Pakistan Investment Bonds	366,236	-	366,236	89,309
	<u>7,299,907</u>	<u>(226,444)</u>	<u>7,073,463</u>	<u>3,187,558</u>
	<u>13,708,508</u>	<u>(226,444)</u>	<u>13,482,064</u>	<u>11,359,717</u>

13.3.1 Related parties

Listed Shares:

No. of Shares / Certificates	Face value	Company's name	2014	2013	
			Rupees in thousand		
2014	2013	Rupees			
1,258,650	1,258,650	10	Nishat Mills Limited [Equity held 0.36% (2013: 0.36%)]	34,211	34,211
-	115,500	10	Hub Power Company Limited [Equity held Nil (2013: 0.01%)]	-	3,224
34,641,587	29,914,034	10	MCB Bank Limited [Equity held 3.11% (2013: 2.96%)]	4,947,531	4,454,396
440,000	440,000	10	Hira Textile Mills Limited [Equity held 0.56% (2013: 0.56%)]	5,000	5,000
25,631,181	25,631,181	10	Pakgen Power Limited [Equity held 6.89% (2013: 6.89%)]	355,448	355,448
27,348,388	27,348,388	10	Lalpir Power Limited [Equity held 7.20% (2013: 7.20%)]	371,516	371,516
-	3,396,340	10	MCB-Arif Habib Savings & Investment Limited [Equity held Nil (2013: 4.72%)]	-	66,356
				<u>5,713,706</u>	<u>5,290,151</u>
Investment in Subsidiary Company					
69,489,545	69,489,545	10	Adamjee Life Assurance Company Limited [Equity held 74.28% (2013: 74.28%)]	<u>694,895</u>	<u>694,895</u>

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

No. of Shares / Certificates		Face value	Company's name	2014	2013
2014	2013	Rupees		Rupees in thousand	
Mutual Fund Certificates					
-	10,202,734	100	MCB Dynamic Cash Fund [Units held Nil (2013: 9.35%)]	-	943,345
-	10,565,767	100	MCB Cash Management Optimizer Fund [Units held Nil (2013: 7.38%)]	-	993,768
-	5,193,482	50	Metro Bank Pakistan Sovereign Fund [Units held Nil (2013: 48.66)]	-	250,000
				-	2,187,113
13.3.2 Others - listed shares					
Commercial Bank					
4,143,128	3,358,480	10	Allied Bank Limited	213,480	176,805
777,022	777,022	10	Askari Bank Limited	21,359	21,359
5,725,178	6,565,208	10	Bank Al-Habib Limited	122,610	154,660
640,319	354,890	10	Habib Bank Limited	84,635	38,447
3,901,899	3,901,899	10	Habib Metropolitan Bank Limited	87,327	87,327
3,798,950	6,968,950	10	National Bank of Pakistan	189,701	319,034
4,334,004	4,330,544	10	United Bank Limited	357,172	342,973
Non Banking Financial Institutions					
3,396,340	-	10	MCB- Arif Habib Savings & Investment Limited	66,356	-
Insurance					
3,840	3,000	10	EFU General Insurance Company Limited	211	211
335,706	305,188	10	International General Insurance Company of Pakistan	22,888	22,888
286,843	286,843	10	Pakistan Reinsurance Company Limited	6,326	6,326
Power Generation & Distribution					
85,000	85,000	10	Kot Addu Power Company Limited	3,913	3,913
115,500	-	10	Hub Power Company Limited	3,224	-
1,638,882	-	10	Saif Power Limited	49,166	-
Oil And Gas Marketing Companies					
100,000	100,000	10	Attock Refinery Limited	15,157	15,157
2,213,095	2,213,095	10	Sui Northern Gas Pipelines Limited	127,666	127,666
Oil And Gas Exploration Companies					
110,000	10,000	10	Oil and Gas Development Company Limited	27,326	1,067
563,485	213,485	10	Pakistan Oilfields Limited	247,635	62,392
1,708,428	978,428	10	Pakistan Petroleum Limited	256,246	96,220
Automobile Assembler					
406,860	301,378	5	Al-Ghazi Tractors Limited	43,030	43,030
340,996	340,996	10	Millat Tractors Limited	25,239	25,239
Cables And Electrical Goods					
326,128	326,128	10	Pakistan Cables Limited	27,717	27,717
148,131	148,131	10	Siemens (Pakistan) Engineering Company Limited	116,770	116,770
Industrial Metals and Mining					
88,000	88,000	10	Aisha Steel Mills Limited	-	-
Fertilizer					
1,936,906	1,936,906	10	Fauji Fertilizer Bin Qasim	85,611	85,611
6,664,140	6,429,140	10	Fauji Fertilizer Company Limited	640,762	614,226
Pharmaceutical					
28,646	1,170,996	10	Abbott Laboratories Pakistan Limited	3,501	143,131
683,661	985,147	10	GlaxoSmithKline Pakistan Limited	53,506	84,811
Chemical					
968,000	968,000	10	Arif Habib Corporation Limited	98,981	98,981
110,401	110,401	10	Archroma Pakistan Limited	11,762	11,762
Food And Personal Care Products					
371,868	709,868	10	Murree Brewery Company Limited	15,804	30,168
66,290	66,290	10	Rafhan Maize Products Limited	90,271	90,271
Cement					
5,003,944	2,707,944	10	D.G. Khan Cement Company Limited	307,147	106,049
				3,422,499	2,954,211

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

No. of Shares / Certificates		Face value	Company's name	2014	2013
2014	2013	Rupees		Rupees in thousand	
13.3.3 Others - Unlisted shares					
3,684,914	-	10	Security General Insurance Company Limited	351,471	-
13.3.4 Others-Term Finance Certificates					
3,000	3,000	5,000	Bank Alfalah Limited	14,970	14,976
5,000	5,000	5,000	KESC AZM Certificate	24,955	24,975
-	2,000	5,000	Allied Bank Limited	-	9,976
				<u>39,925</u>	<u>49,927</u>
13.3.5 Others-Mutual Fund Certificates					
Open-Ended-Mutual Funds					
6,137,613	-	100	MCB Dynamic Cash Fund	559,097	-
10,416,977	-	100	MCB Cash Management Optimizer Fund	987,830	-
22,436,114	-	50	Metro Bank Pakistan Sovereign Fund	1,168,878	-
1,748,646	1,672,184	10	ABL Income Fund	17,534	13,938
5,287,342	-	50	Pakistan Income Enhancement Fund	269,395	-
334,476	312,602	50	Meezan Islamic Income Fund	16,881	10,000
1,016,489	-	100	PICIC Cash Fund	100,000	-
-	8,041	500	Atlas Income Fund	-	2,725
-	38,310	100	KASB Cash Fund	-	3,482
-	1,416,817	10	NIT Government Bond Fund	-	10,000
				<u>3,119,615</u>	<u>40,145</u>

		2014	2013
		Rupees in thousand	
14	Premium due but unpaid - Unsecured		
	Considered good	3,627,920	2,658,071
	Considered doubtful	363,482	369,231
		<u>3,991,402</u>	<u>3,027,302</u>
	Less: Provision for doubtful balances	<u>(363,482)</u>	<u>(369,231)</u>
		<u>3,627,920</u>	<u>2,658,071</u>
14.1	Reconciliation of provision for doubtful balances		
	Balance as at 01 January exchange (Gain) / loss charge for the year	369,231	359,147
		<u>(5,749)</u>	<u>10,084</u>
		<u>363,482</u>	<u>369,231</u>
14.2	Premium due but unpaid include an amount of Rs. 346,287 thousands (2013: Rs. 164,477 thousands) held with related parties.		

		Note	2014	2013
		Rupees in thousand		
15	Amounts due from Other Insurers / Reinsurers - Unsecured			
	Considered good		817,282	1,093,985
	Considered doubtful		299,558	322,810
			<u>1,116,840</u>	<u>1,416,795</u>
	Less: Provision for doubtful balances	15.1	<u>(299,558)</u>	<u>(322,810)</u>
			<u>817,282</u>	<u>1,093,985</u>
15.1	Reconciliation of provision for doubtful balances			
	Balance as at 01 January		322,810	326,327
	Reversal for the year		<u>(23,252)</u>	-
	Written off during the year		-	<u>(3,517)</u>
	Balance as at 31 December		<u>299,558</u>	<u>322,810</u>
16	Premium and claim reserves retained by cedants			
	Considered good		-	23,252
	Considered doubtful		23,252	-
			<u>23,252</u>	<u>23,252</u>
	Less: Provision for doubtful balances	16.1	<u>(23,252)</u>	-
			<u>-</u>	<u>23,252</u>

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

	Note	2014	2013
Rupees in thousand			
16.1 Reconciliation of provision for doubtful balances			
Balance as at 01 January		-	-
Charge for the year		23,252	-
Balance as at 31 December		<u>23,252</u>	<u>-</u>
17 Accrued investment income			
Return accrued on Term Finance Certificates		681	733
Return accrued on Treasury Bills		-	2,957
Return accrued on Pakistan Investment Bonds		19,192	4,605
Dividend income			
- associated undertakings		-	-
- others		3,035	20
		<u>3,035</u>	<u>20</u>
Return on deposit accounts			
- associated undertakings		-	-
- others		3,306	7,562
		<u>3,306</u>	<u>7,562</u>
		<u>26,214</u>	<u>15,877</u>
18 Reinsurance recoveries against outstanding claims			
These are unsecured and considered to be good.			
19 Prepayments			
Prepaid reinsurance premium ceded		2,053,666	1,701,770
Others		62,543	64,737
		<u>2,116,209</u>	<u>1,766,507</u>
20 Sundry receivables			
Considered good			
Current portion of long-term loans			
Executives	12	5,103	4,871
Employees	12	13,365	12,645
Other advances		113,840	113,077
Security deposits		33,609	21,410
Miscellaneous		90,216	45,045
		<u>256,133</u>	<u>197,048</u>
21 Fixed Assets			
Owned assets - tangibles		1,063,366	1,005,061
Owned assets - intangibles		48,711	68,674
		<u>1,112,077</u>	<u>1,073,735</u>
Leased assets		-	33,627
Capital work in progress	21.2	1,721	89,310
		<u>1,113,798</u>	<u>1,196,672</u>

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

21.1 Property, plant and equipment

	2014											
	Cost				Depreciation					Book value		Rate
	As at 01 Jan 2014	Additions / transfers	Exchange differences and other adjustments	Disposals	As at 31 Dec 2014	As at 01 Jan 2014	Exchange differences and other adjustments	On Disposals	Charge for the year	As at 31 Dec 2014	As at 31 Dec 2014	
	Rupees in thousand											
Tangible												
Land and Buildings	546,697	2,402	(8,438)	(1,704)	538,957	101,490	(1,311)	(1,236)	29,325	128,268	410,689	10.00%
Furniture and fixtures	205,886	6,003	(1,317)	(103)	210,469	65,191	(172)	(98)	21,524	86,445	124,024	15.00%
Motor vehicles	483,115	79,804	(353)	(17,338)	599,611	220,307	(451)	(10,301)	45,393	286,194	313,417	15.00%
		54,383						31,246				
Machinery and equipment	228,470	12,029	(1,665)	(203)	238,631	115,042	(302)	(97)	17,808	132,451	106,180	15.00%
Computer and related accessories	186,386	104,683	(734)	(221)	290,114	143,463	(589)	(135)	38,319	181,058	109,056	30.00%
Intangibles												
Computer software	162,230	568	(411)	-	162,387	93,556	(79)	-	20,199	113,676	48,711	20.00%
Leased												
Motor vehicles	67,100	-	-	(12,717)	-	33,473	-	(6,688)	4,461	-	-	15.00%
		(54,383)						(31,246)				
	1,879,884	205,489	(12,918)	(32,286)	2,040,169	772,522	(2,904)	(18,555)	177,029	928,092	1,112,077	

	2013											
	Cost				Depreciation					Book value		Rate
	As at 01 Jan 2013	Additions / transfers	Exchange differences and other adjustments	Disposals	As at 31 Dec 2013	As at 01 Jan 2013	Exchange differences and other adjustments	On Disposals	Charge for the year	As at 31 Dec 2013	As at 31 Dec 2013	
	Rupees in thousand											
Tangible												
Land and Buildings	532,493	200	14,004	-	546,697	68,443	(1,518)	-	34,565	101,490	445,207	10.00%
Furniture and fixtures	144,924	60,591	472	(101)	205,886	44,652	(471)	(61)	21,071	65,191	140,695	15.00%
Motor vehicles	413,925	77,833	1,491	(10,134)	483,115	192,515	(563)	(4,908)	33,263	220,307	262,808	15.00%
Machinery and equipment	197,238	33,291	754	(2,813)	228,470	99,521	(627)	(1,414)	17,562	115,042	113,428	15.00%
Computer and related accessories	172,420	13,992	301	(327)	186,386	127,838	(1,575)	(241)	17,441	143,463	42,923	30.00%
Intangibles												
Computer software	121,593	39,465	1,172	-	162,230	76,257	(156)	-	17,455	93,556	68,674	20.00%
Leased												
Motor vehicles	89,221	-	-	(22,121)	67,100	36,792	-	(10,008)	6,689	33,473	33,627	15.00%
	1,671,814	225,372	18,194	(35,496)	1,879,884	646,018	(4,910)	(16,632)	148,046	772,522	1,107,362	

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

21.1.1 Details of tangible assets disposed off during the year are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
Rupees in thousand						
Buildings						
Al Amin Towers Karachi	1,704	1,236	468	10,068	Negotiation	Burhan Basri
	<u>1,704</u>	<u>1,236</u>	<u>468</u>	<u>10,068</u>		
Furniture & Fixtures						
Items having book value below Rs. 50,000	103	98	5	14		
	<u>103</u>	<u>98</u>	<u>5</u>	<u>14</u>		
Motor Vehicles						
Owned						
Honda City (LEC-07-2889)	840	568	272	885	Auction	Muhammad Umair Abbas
Mitsubishi Lancer (MLJ-959)	800	564	236	780	Auction	Muhammad Tayyab
Mitsubishi Lancer (CR-9669)	800	504	296	700	Auction	Ahmad Jalil Raja
Honda Civic (LZY-4488)	1,288	943	345	745	Auction	Gulam Rasool
Honda City (APA-741)	940	596	344	727	Auction	Mian Asad Masood
Suzuki Cultus (APW-471)	632	410	222	556	Auction	Muhammad Asif
Suzuki Mehran (AFP-706)	220	182	38	220	Auction	Qalandar Khan
Suzuki Cultus (FSN-376)	600	427	173	342	Auction	Muhammad Imran
Suzuki Bolan (CT-9919)	660	212	448	568	Auction	Jamsheed Khan
Honda Citi (AXU-442)	1,533	450	1,083	1,114	Negotiation	Arif Khan - Company Employee
Honda Civic (AUK-395)	1,935	806	1,129	1,129	Negotiation	Jahangir Bashir Nawaz - Ex Company employee
Honda Civic (LZW-7966)	1,287	975	312	288	Auction	Sikandar Hameed Lodhi
Suzuki Mehran (ASX-509)	525	268	257	205	Negotiation	Sohail Ahmed - Company employee
Suzuki Mehran (ASW-291)	591	290	301	222	Negotiation	Masood Pervaiz - Company employee
Honda City (AYN-714)	1,507	321	1,186	1,077	Auction	Javed ul Islam
Honda Civic (FSH-0034)	1,287	982	305	305	Negotiation	Iqbal Muhammad Chaudhry - Company employee
Items having book value below Rs. 50,000	1,893	1,803	90	151		
	<u>17,338</u>	<u>10,301</u>	<u>7,037</u>	<u>10,014</u>		
Leased						
Toyota Corolla Gli (ASM-657)	1,389	779	610	1,117	Auction	Allah Dita Ranjha
Suzuki Mehran (ASA-576)	534	315	219	367	Auction	Muhammad Awais
Suzuki Mehran (ASC-562)	530	293	237	360	Auction	Jamsheed Khan
Suzuki Mehran (ASA-541)	534	305	229	301	Auction	Ahmad Jalil Raja
Suzuki Mehran (ASC-689)	534	214	320	166	Negotiation	Lal Mohammad Khan - Company employee
Suzuki Mehran (ASA-574)	529	280	249	150	Negotiation	Shahab A. Qadri - Company employee
Suzuki Mehran (ASA-569)	530	280	250	150	Negotiation	Abdul Sattar Kaimkhani - Company employee
Suzuki Mehran (ARY-139)	534	227	307	151	Negotiation	S.M. Bilal Shahzad - Company employee
Suzuki Mehran (ASA-658)	534	289	245	141	Negotiation	Farrukh Hassan Qureshi - Company employee
Suzuki Mehran (ASC-372)	534	276	258	153	Negotiation	Zafarullah A. Karim - Company employee
Suzuki Mehran (ASC-547)	530	278	252	140	Negotiation	Munir Ahmed - Company employee
Suzuki Mehran (ASC-536)	534	279	255	143	Negotiation	Akbar Arshad - Company employee
Suzuki Mehran (ASC-684)	534	279	255	143	Negotiation	Khalid Ikram - Company employee
Suzuki Mehran (ASC-809)	534	279	255	142	Negotiation	Hanif Ismail - Company employee
Suzuki Cultus (ASB-831)	805	412	393	265	Negotiation	Asif Aziz - Company employee
Suzuki Cultus (ASA-196)	844	436	408	237	Negotiation	Mohammad Rizwan - Company employee
Honda City A-T (ASM-644)	1,365	714	651	424	Negotiation	Shaila Hassan - Company employee
Toyota Corolla Gli (ASP-795)	1,389	753	636	357	Negotiation	Rubina Qureshi - Company employee
	<u>12,717</u>	<u>6,688</u>	<u>6,029</u>	<u>4,907</u>		
Machinery & Equipment						
Items having book value below Rs. 50,000	203	97	106	110		
	<u>203</u>	<u>97</u>	<u>106</u>	<u>110</u>		
Computer						
Items having book value below Rs. 50,000	221	135	86	85		
	<u>221</u>	<u>135</u>	<u>86</u>	<u>85</u>		
Grand Total	<u>32,286</u>	<u>18,555</u>	<u>13,731</u>	<u>25,198</u>		

21.2 Capital work in progress represents capital expenditure in respect of IT infrastructure.

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

	Note	2014	2013
		Rupees in thousand	
22 Expenses			
Salaries and wages	24.1	904,636	810,085
Rent, rates and taxes		56,299	54,328
Utilities		54,208	68,003
Communication and computer expenses		29,879	32,474
Printing and stationery		28,763	34,789
Traveling and entertainment		51,562	60,192
Repairs and maintenance		88,524	140,349
Advertisement and sales promotion		32,194	28,387
Depreciation	21.1	101,294	110,533
Tracking and monitoring charges		91,600	93,886
Legal and professional		19,756	24,905
Others		24,639	77,538
		<u>1,483,354</u>	<u>1,535,469</u>
23 Other income			
Income from financial assets			
Return on bank deposits		94,522	98,516
Interest on loans to employees		359	358
Income from non financial assets			
Gain / (loss) on sale of fixed assets		11,467	(214)
Miscellaneous		16,194	49,454
		<u>122,542</u>	<u>148,114</u>
24 General and administration expenses			
Salaries and wages	24.1	147,549	97,319
Rent, rates and taxes		22,039	14,204
Depreciation	21.1	55,536	20,058
Communication and computer expenses		39,424	11,758
Utilities		14,977	3,960
Repairs and maintenance		24,476	40,500
Advertisement and sales promotion		20,091	16,448
Traveling and entertainment		27,270	20,028
Directors' fee		350	440
Legal and professional		57,985	98,184
Auditors' remuneration	24.2	5,594	5,702
Donations	24.3	300	6,481
Amortization of intangible asset	21.1	20,199	17,455
Others		49,588	47,707
		<u>485,378</u>	<u>400,244</u>
24.1	Management expenses and General and Administration expenses include Rs. 43,683 thousands (2013: Rs. 45,851 thousands) in respect of staff retirement benefits.		
24.2	Auditor's remuneration		
		2014	2013
		Rupees in thousand	
Inside Pakistan:			
Audit fee		2,380	2,380
Half yearly review		469	469
Other certifications		370	370
Out of pocket expenses		518	520
		<u>3,737</u>	<u>3,739</u>
Outside Pakistan:			
Audit fee		1,647	1,728
Out of pocket expenses		210	235
		<u>1,857</u>	<u>1,963</u>
		<u>5,594</u>	<u>5,702</u>
24.3	None of the directors or their spouses had any interest in the donee.		

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

	Note	2014	2013
25 Provision for taxation			
		Rupees in thousand	
Current tax			
For the year		147,660	108,466
Prior year		(3,993)	-
Deferred tax			
For the year		7,707	135,770
		<u>151,374</u>	<u>244,236</u>

25.1 Tax charge reconciliation

Numerical reconciliation between the average tax rate and applicable tax rate has not been presented as provision for the current year income tax has been made under the provision of minimum tax under section 113 of Income Tax Ordinance, 2001.

	2014	2013
25.2 Deferred tax effect due to temporary differences of:		
	Rupees in thousand	
Tax depreciation allowance	(70,336)	(68,501)
Provision for gratuity	14,836	13,307
Assets subject to finance lease	-	(9,161)
Carried forward tax losses	153,194	169,756
	<u>97,694</u>	<u>105,401</u>
Less: Opening balance of deferred tax asset	105,401	241,171
	<u>(7,707)</u>	<u>(135,770)</u>

26 Earnings per share - Basic and diluted

There is no dilutive effect on the basic earnings per share which is based on:
Net profit after tax for the year

	2014	2013
	Rupees in thousand	
	<u>1,879,098</u>	<u>1,966,159</u>
	(Number of shares)	
Weighted average number of shares	<u>350,000,000</u>	<u>350,000,000</u>
	Rupees	
Basic earning per share	<u>5.37</u>	<u>5.62</u>

27 Remuneration of Chief Executive, Executive Director, Non-Executive Directors and Executives

	Chief Executive Officer / Executive Director		Non-executive Directors		Executives		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	Rupees in thousand							
Fee	-	-	350	440	-	-	350	440
Managerial remuneration	6,480	5,608	-	-	160,647	123,788	167,127	129,396
Allowances and perquisites	7,854	5,959	-	-	183,310	154,571	191,164	160,530
	<u>14,334</u>	<u>11,567</u>	<u>350</u>	<u>440</u>	<u>343,957</u>	<u>278,359</u>	<u>358,641</u>	<u>290,366</u>
Number	<u>1</u>	<u>1</u>	<u>10</u>	<u>10</u>	<u>154</u>	<u>128</u>	<u>165</u>	<u>139</u>

27.1 In addition, the Chief Executive Officer and certain executives are also provided with free use of the Company's cars, certain household items, furniture and fixtures and equipment in accordance with the policy of the Company.

27.2 No remuneration was paid to non - executive directors of the Company except for meeting fees.

27.3 The retirement benefits paid by the Company for CEO are Rs 540 thousands (2013: 480 thousands)

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

29. Segment Reporting

Each class of business has been identified as reportable segment. Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirements of the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The following is a schedule of class of business wise assets and liabilities:

		31 December 2014															
		Rupees in thousand															
Other Information	Fire and Property Damage	Marine, Aviation and Transport		Motor		Accident & Health		Miscellaneous		Treaty		Unallocated Corporate Assets/Liabilities		Total			
		Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan		
Segment assets	4,917,742	106,037	466,808	14,509	616,153	2,896,256	499,712	33,621	1,283,136	18,891	-	-	-	7,783,551	3,069,314	10,852,865	
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	16,516,217	1,462,929	16,516,217	1,462,929	17,979,146	
Total assets	4,917,742	106,037	466,808	14,509	616,153	2,896,256	499,712	33,621	1,283,136	18,891	-	-	16,516,217	1,462,929	16,532,743	28,832,011	
Segment liabilities	5,423,224	69,499	463,623	7,763	1,088,578	3,182,075	877,587	29,413	1,465,989	10,173	20,332	-	-	9,339,333	3,298,923	12,638,256	
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	1,828,696	260,815	1,828,696	2,089,511	
Total liabilities	5,423,224	69,499	463,623	7,763	1,088,578	3,182,075	877,587	29,413	1,465,989	10,173	20,332	-	1,828,696	260,815	11,168,029	3,559,738	
Capital expenditure															102,195	6,692	108,887

		31 December 2013															
		Rupees in thousand															
Other Information	Fire and Property Damage	Marine, Aviation and Transport		Motor		Accident & Health		Miscellaneous		Treaty		Unallocated Corporate Assets/Liabilities		Total			
		Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan		
Segment assets	5,708,947	190,382	386,545	10,849	533,403	3,209,264	269,769	14,660	1,285,707	12,332	-	-	-	8,184,371	3,437,487	11,621,858	
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	14,051,217	1,528,911	14,051,217	1,528,911	15,580,128	
Total assets	5,708,947	190,382	386,545	10,849	533,403	3,209,264	269,769	14,660	1,285,707	12,332	-	14,051,217	1,528,911	14,051,217	22,235,588	4,966,398	27,201,986
Segment liabilities	5,633,773	157,179	270,550	15,024	919,898	3,520,445	483,622	12,741	1,300,751	9,990	20,332	-	-	8,628,926	3,715,379	12,344,305	
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	1,590,929	220,205	1,590,929	220,205	1,811,134
Total liabilities	5,633,773	157,179	270,550	15,024	919,898	3,520,445	483,622	12,741	1,300,751	9,990	20,332	-	1,590,929	220,205	10,219,855	3,935,584	
Capital expenditure															224,520	21,411	245,931

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

30 Financial and insurance risk management objectives and policies

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

The individual risk wise analysis is given below :

30.1 Credit risk and concentration of credit risk

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

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

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

	2014	2013
	Rupees in thousand	
Bank deposits	2,876,630	2,541,865
Investments	13,482,064	11,359,717
Premium due but unpaid	3,627,920	2,658,071
Amount due from other insurers / reinsurers	817,282	1,093,985
Salvage recoveries accrued	207,471	179,703
Loans	32,693	33,667
Accrued investment income	26,214	15,877
Reinsurance recoveries against outstanding claims	3,669,232	5,574,428
Sundry receivables	237,665	179,532
	<u>24,977,172</u>	<u>23,636,845</u>

Provision for impairment is made for doubtful receivables according to the Company's policy. The impairment provision is written off when the Company expects that it cannot recover the balance due. During the year, receivables of Rs. Nil (2013: Rs. Nil) were further impaired and provided for. The movement in the provision for doubtful debt account is shown in note 14.1, 15.1 and 16.1 to these unconsolidated financial statements.

	2014	2013
	Rupees in thousand	
The age analysis of receivables from other than related parties is as follows:		
Up to 1 year	2,866,825	2,048,532
1-2 & prior years	778,290	814,293
	<u>3,645,115</u>	<u>2,862,825</u>

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

Up to 1 year	308,375	146,389
1-2 & prior years	37,912	18,088
	<u>346,287</u>	<u>164,477</u>

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

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

	Rating		Rating	2014	2013
	Short term	Long term	Agency	Rupees in thousand	
Allied Bank Limited	A- 1+	AA+	PACRA	9	9
Askari Bank Limited	A- 1+	AA	PACRA	46	46
Bank Alfalah Limited	A- 1+	AA	PACRA	63,728	550
Bank Al Habib Limited	A- 1+	AA+	PACRA	26,843	23,125
Citibank N.A.	P-2	A3	Moody's	9,595	9,595
Habib Bank Limited	A- 1+	AA+	JCR-VIS	127,952	142,305
Industrial Development Bank of Pakistan	-	-	-	831	831
FINCA Micro Finance Bank Limited	A-3	BBB+	JCR-VIS	997	953
MCB Bank Limited	A- 1+	AAA	PACRA	1,174,526	876,596
National Bank of Pakistan	A- 1+	AAA	JCR-VIS	4,116	4,163
Oman International Bank S.A.O.G.	A-2	BBB	JCR-VIS	-	2,537
The Punjab Provincial Cooperative Bank Limited	-	-	-	139,103	66,672
Rozgar Micro Finance Bank Limited	A-3	BB+	JCR-VIS	-	1,000
Soneri Bank Limited	A- 1+	AA-	PACRA	1	1
Standard Chartered Bank (Pakistan) Limited	A- 1+	AAA	PACRA	2,691	5,644
Tameer Micro Finance Bank Limited	A- 1	A	JCR-VIS	-	1,000
United Bank Limited, Dubai U.A.E	A- 1+	AA+	JCR-VIS	1,038,977	1,057,384
Al-Meezan Bank (Formerly HSBC)	A- 1+	AA	JCR-VIS	12,056	-
Zarai Taraqiati Bank Limited	B	B+	JCR-VIS	266,339	349,454
				2,867,810	2,541,865

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

	Amount due from other insurers / reinsurers	Reinsurance and other recoveries against outstanding claims	2014	2013
			Rupees in thousand	
A or Above (including PRCL)	1,015,149	3,335,139	4,350,288	6,385,523
BBB	11,385	37,404	48,789	123,148
Others	90,306	296,689	386,995	662,255
Total	<u>1,116,840</u>	<u>3,669,232</u>	<u>4,786,072</u>	<u>7,170,926</u>

30.2 Liquidity Risk

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

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

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

	2014			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	Rupees in thousand			
Financial liabilities				
Provision for outstanding claims	5,706,373	5,706,373	5,706,373	-
Amount due to insurers / reinsurers	1,226,375	1,226,375	1,226,375	-
Accrued expenses	68,841	68,841	68,841	-
Unclaimed dividend	95,416	95,416	95,416	-
Other creditors and accruals	1,448,004	1,448,004	1,448,004	-
	<u>8,545,009</u>	<u>8,545,009</u>	<u>8,545,009</u>	<u>-</u>

	2013			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	Rupees in thousand			
Financial liabilities				
Provision for outstanding claims	7,322,673	7,322,673	7,322,673	-
Amount due to insurers / reinsurers	641,197	641,197	641,197	-
Accrued expenses	59,021	59,021	59,021	-
Unclaimed dividend	45,218	45,218	45,218	-
Other creditors and accruals	1,312,879	1,312,879	1,312,879	-
Liabilities against asset subject to finance lease	6,683	6,683	6,683	-
	<u>9,387,671</u>	<u>9,387,671</u>	<u>9,387,671</u>	<u>-</u>

30.3 Market risk

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

(a) Interest / mark - up rate risk

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

	Effective interest rate [%]		Carrying amounts	
	2014	2013	2014	2013
	Rupees in thousand			
Fixed rate of financial instruments				
Financial assets:				
Investments- PIBs and Treasury Bills	8.98% - 12.35 %	8.98% - 11.50 %	366,236	364,004
Loans	5%	5%	19,328	33,667
Floating rate financial instruments				
Financial assets:				
Bank deposits	5% - 9%	5% - 10.25 %	1,894,097	2,033,177
Investments - TFCs	12.02% - 15.00%	10.95% - 14.75%	39,925	49,927
Financial liabilities:				
Liabilities against assets subject to finance lease	3 month KIBOR plus 2% - 2.5%	3 month KIBOR plus 2% - 2.5%	-	6,683

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not affect fair value of any financial instruments. For cash flow sensitivity analysis of variable rate instruments a hypothetical change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variation in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	Profit and loss	
	Increase	Decrease
	Rupees in thousand	
As at 31 December 2014 - Fluctuation of 100 bps		
Cash flow sensitivity - variable rate financial liabilities	-	-
Cash flow sensitivity - variable rate financial assets	19,340	(19,340)
As at 31 December 2013 - Fluctuation of 100 bps		
Cash flow sensitivity - variable rate financial liabilities	(67)	67
Cash flow sensitivity - variable rate financial assets	20,831	(20,831)

Price risk

Price risk represents the risk that the fair value of financial instruments will fluctuate because of changes in the market prices (other than those arising from interest / mark-up rate risk or currency risk), whether those changes are caused by factors specific to individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. The Company is exposed to equity price risk that arises as a result of changes in the levels of KSE - Index and the value of individual shares. The equity price risk arises from the Company's investment in equity securities for which the prices in the future are uncertain. The Company policy is to manage price risk through selection of blue chip securities.

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

The Company has investments in quoted equity securities amounting to Rs. 9,136,205 thousands (2013: Rs. 8,244,362 thousands) at the reporting date. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the reporting date. Market prices are subject to fluctuation which may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

Sensitivity analysis

As the entire investment portfolio has been classified in the 'available-for-sale' category, a 10% increase / decrease in redemption value and share prices at year end would have increased / decreased impairment loss of investment recognized in profit and loss account as follows:

	Impact on profit before tax	Impact on equity
2014		
Effect of increase in share price	161	145
Effect of decrease in share price	(125,479)	(112,931)
2013		
Effect of increase in share price	49,405	44,465
Effect of decrease in share price	(80,939)	(72,845)

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried out in Pak Rupees and its exposure to foreign exchange risk arises primarily with respect to AED and US dollars in respect of foreign branches. Financial assets and liabilities exposed to foreign exchange risk amounted to Rs. 4,532,244 thousands (2013: Rs. 4,966,398 thousands) and Rs. 3,559,737 thousands (2013: Rs. 3,934,246 thousands), respectively, at the end of the year.

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

The following significant exchange rates were applied during the year:

	2014	2013
Rupees per US Dollar		
Average rate	100.80	101.55
Reporting date rate	100.40	105.00
Rupees per AED		
Average rate	27.44	27.65
Reporting date rate	27.33	28.59

Insurance risk

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

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

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

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

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

a) Geographical concentration of insurance risk

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

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

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

b) Reinsurance arrangements

Keeping in view the maximum exposure in respect of key zone aggregate, a number of proportional and non-proportional reinsurance

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

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

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

	Gross sum insured		Reinsurance		Net	
	2014	2013	2014	2013	2014	2013
	Rupees in thousand					
Fire	3,596,080,575	2,930,329,596	2,703,936,470	2,403,817,867	892,144,105	526,511,730
Marine	1,006,744,658	769,669,132	664,733,532	308,946,842	342,011,125	460,722,290
Motor	109,931,734	94,331,950	10,975,728	9,275,496	98,956,007	85,056,454
Accident & Health	79,234,945	52,195,929	1,026,830	730,774	78,208,115	51,465,155
Miscellaneous	289,892,944	476,817,904	157,296,762	354,659,450	132,596,181	122,158,454
	5,081,884,856	4,323,344,511	3,537,969,322	3,077,430,429	1,543,915,534	1,245,914,083

c) Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the balance sheet date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessary based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty, and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the balance sheet date.

d) Neutral assumptions for claim estimation

The process used to determine the assumptions for calculating the outstanding claim reserves is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed in separate, case to case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case the information about the claim event is available. IBNR provision is initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries.

The estimation process takes into account the past claims reporting pattern and details of reinsurance programs. The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of reporting date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

e) Sensitivity analysis

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

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

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

	Pre tax profit/ (loss)		Shareholder's equity	
	2014	2013	2014	2013
	Rupees in thousand			
10% increase in claims liability				
Net:				
Fire	(62,839)	(53,062)	(40,846)	(34,490)
Marine	(33,207)	(22,151)	(21,584)	(14,398)
Motor	(163,685)	(191,630)	(106,395)	(124,560)
Accident & Health	(114,059)	(61,456)	(74,138)	(39,946)
Miscellaneous	(35,032)	(20,387)	(22,771)	(13,252)
	<u>(408,822)</u>	<u>(348,686)</u>	<u>(265,734)</u>	<u>(226,646)</u>
10% decrease in claims liability				
Net:				
Fire	62,839	53,062	40,846	34,490
Marine	33,207	22,151	21,584	14,398
Motor	163,685	191,630	106,395	124,560
Accident & Health	114,059	61,456	74,138	39,946
Miscellaneous	35,032	20,387	22,771	13,252
	<u>408,822</u>	<u>348,686</u>	<u>265,734</u>	<u>226,646</u>

f) Claims development table

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

	31 December 2012	31 December 2013	31 December 2014	Total
	Rupees in thousand			
Estimate of the ultimate claim cost:				
At end of accident year	6,702,042	7,689,784	6,298,282	20,690,108
One year later	4,083,676	4,043,963	-	8,127,639
Two years later	1,368,115	-	-	1,368,115
Estimate of cumulative claims	1,368,115	4,043,963	6,298,282	11,710,360
Less: Cumulative payments to date	912,238	2,801,491	3,293,767	7,007,496
Liability recognized	<u>455,877</u>	<u>1,242,472</u>	<u>3,004,515</u>	<u>4,702,864</u>

31 Fair value of Financial Assets and Liabilities

The carrying values of all financial assets and liabilities reflected in these unconsolidated financial statements approximate to their fair value except for 'available-for-sale' investments which are stated at lower of cost and market value in accordance with the requirements of the SEC (Insurance) Rules, 2002. The carrying and fair value of these investments have been disclosed in note 13 to the financial statements. Since the financial assets are not stated at exact fair values, therefore, analysis under following groups from level 1 to level 3 based on the degree to which fair value is observable is not produced.

Level 1: Quoted market prices

Level 2: Valuation techniques (market observable)

Level 3: Valuation techniques (non market observable)

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

32 Financial instruments by categories	2014	2013
Loans and Receivables	Rupees in thousand	
Cash and other equivalents	8,820	4,411
Current and other accounts	1,808,107	1,385,675
Deposits maturing within 12 months	1,059,703	1,156,190
Loans to employees	32,693	33,667
Premium due but unpaid	3,627,920	2,658,071
Amounts due from other insurers / reinsurers	817,282	1,093,985
Salvage recoveries accrued	207,471	179,703
Accrued investment income	26,214	15,877
Reinsurance recoveries against outstanding claims	3,669,232	5,574,428
Sundry receivables	237,665	179,532
Available-for-sale	<u>13,482,064</u>	<u>11,359,717</u>
	<u>24,977,172</u>	<u>23,641,256</u>
Financial liabilities		
Provision for outstanding claims (including IBNR)	5,706,373	7,322,673
Amounts due to other insurers / reinsurers	1,226,375	641,197
Accrued expenses	68,841	59,021
Other creditors and accruals	1,446,772	1,312,075
Unclaimed dividend	95,416	45,218
Liabilities against assets subject to finance lease	-	6,683
	<u>8,543,777</u>	<u>9,386,867</u>

33 Capital risk management

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

- To be an appropriately capitalized institution in compliance with the paid-up capital requirement set by the SECP. Minimum paid-up capital requirement for non-life insurers is Rs. 300,000 thousands. The Company's current paid-up capital is well in excess of the limit prescribed by the SECP;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders;
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk;
- To maintain strong ratings and to protect the Company against unexpected events / losses; and
- To ensure a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

34 Non - Adjusting events after the balance sheet date

The Board of Directors of the Company in their meeting held on 19 March 2015 proposed a final cash dividend for the year ended 31 December 2014 @ 15% i.e Rupees 1.5/- per share (2013: 10% i.e. Rupee 1/- per share). This is in addition to the interim cash dividend @ 12.5% i.e. Rupees 1.25/- per share (2013: Rupees 2.5/- per share) resulting in a total cash dividend for the year ended 31 December 2014 of Rupees 2.75/- per share (2013: Rupees 3.5/- per share). The approval of the members for the final dividend will be obtained at the forthcoming Annual General Meeting. The financial statements for the year ended 31 December 2014 do not include the effect of final dividend which will be accounted for in the financial statements for the year ending 31 December 2015.

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

35 Provident fund related disclosure

The following information is based on unaudited financial statements for the year ended 31 December 2014 and audited financial statements for the year ended 31 December 2013:

	2014	2013
	Rupees in thousand	
Size of the fund - Total assets	863,517	849,653
Cost of investments	720,866	685,560
Percentage of investments made	97%	97%
Fair value of investments	836,226	824,131

35.1 The break-up of fair value of investments is as follows:

	2014	2013	2014	2013
	Percentage		Rupees in thousand	
Deposits and bank balances	4.0%	20.6%	33,804	169,694
Term finance certificates	4.0%	5.6%	33,613	46,346
Treasury bills	-	43.0%	-	354,390
Pakistan Investment Bonds	56.2%	-	470,210	-
Mutual funds	25.9%	18.4%	216,597	151,556
Listed securities	9.8%	12.4%	82,002	102,145
	100.0%	100.0%	836,226	824,131

35.2 The above investments / placement of funds in a special bank account has been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

36 Number of employees

The number of employees as at / average during the year were as follows:

	2014	2013
At year end	840	782
Average during the year	811	765

Notes to the Unconsolidated Financial Statements

For the Year Ended 31 December 2014

37 Date of authorization for issue

These unconsolidated financial statements were approved and authorized for issue on 19 March 2014 by the Board of Directors of the Company.

38 General

- 38.1 Corresponding figures have been rearranged and reclassified for better presentation, wherever considered necessary. Accident & health business has been disclosed separately as required under Insurance Ordinance, 2000.
- 38.2 Figures in these unconsolidated financial statements have been rounded off to the nearest thousand of rupees unless otherwise stated.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Consolidated

Financial Statements
for the Year Ended
31 December 2014



Directors' Report to the Members on Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2014

On behalf of the Board, I am pleased to present the consolidated financial statements of Adamjee Insurance Company Limited and its subsidiary, Adamjee Life Assurance Company Limited for the year ended 31 December 2014.

The following appropriation of profit has been recommended by the Board of Directors:

	31 December 2014	31 December 2013
	Rupees in thousand	
Profit before tax	2,049,156	2,226,946
Taxation	(155,053)	(248,705)
Profit after tax	1,894,103	1,978,241
Profit attributable to non-controlling interest	(3,860)	(3,421)
Profit attributable to ordinary shareholders	1,890,243	1,974,820
Unappropriated profit brought forward	7,807,566	8,523,919
Profit available for appropriation	9,697,809	10,498,739
Appropriation		
Final dividend for the year ended 31 December 2013 @10% (Rupee 1/- per share) [2012: @ 10% (Rupee 1/- per share)]	(350,000)	(123,705)
Interim dividend for the period ended 30 June 2014 @ 12.5% (Rupees 1.25/- per share) [2013: @ 25% (Rupee 2.5/- per share)]	(437,500)	(309,262)
Issue of bonus shares: Nil (2013: @ 182.93%)	-	(2,262,955)
Other comprehensive income: Remeasurement of defined benefit obligation	11,358	29,078
Capital contribution to statutory funds	(52,090)	(24,329)
Total appropriation	(828,232)	(2,691,173)
Profit after appropriation	8,869,577	7,807,566
	Rupees	
Earnings per share	5.40	5.64

On Behalf of Board of Directors

Date: 19 March 2015
Lahore

Muhammad Ali Zeb
Managing Director and Chief Executive

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of Adamjee Insurance Company Limited (the Holding Company) and its subsidiary company (together referred to as the Group) as at 31 December 2014 and the related consolidated Profit and Loss Account, consolidated Statement of Comprehensive Income, consolidated Statement of Changes in Equity, consolidated Cash Flow Statement, consolidated Statement of Premiums, consolidated Statement of Claims, consolidated Statement of Expenses and consolidated Statement of Investment Income together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Adamjee Insurance Company Limited and its subsidiary company Adamjee Life Assurance Company Limited. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Adamjee Insurance Company Limited and its subsidiary company as at 31 December 2014 and the results of their operations for the year then ended.

The consolidated financial statements of the Group for the year ended 31 December 2013 were audited by Riaz Ahmad & Company Chartered Accountants whose report dated 20 March 2014 expressed an unqualified opinion thereon.

KPMG Taseer Hadi & Co.
Chartered Accountants

(Bilal Ali)

Date: 19 March 2015
Lahore

Consolidated Balance Sheet

as at 31 December 2014

	Note	31 December 2014	31 December 2013
Rupees in thousand			
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital 375,000,000 (2013: 375,000,000) ordinary shares of Rs. 10 each	4.1	3,750,000	3,750,000
Issued, subscribed and paid up capital	4.2	3,500,000	3,500,000
Reserves	5	1,395,150	1,440,409
Retained earnings		8,869,577	7,807,566
Equity attributable to equity holders of the parent		13,764,727	12,747,975
Non-controlling interest	6	8,526	22,702
		13,773,253	12,770,677
Balance of statutory funds (including policy holders' liabilities of Rs. 7.986 billion (2013: Rs. 4.732 billion))	7	8,256,341	4,860,342
Underwriting provisions			
Provision for outstanding claims (including IBNR)	8	5,819,872	7,406,692
Provision for unearned premium		5,269,848	4,044,831
Commission income unearned		231,121	182,184
Total underwriting provisions		11,320,841	11,633,707
Deferred liabilities			
Staff retirement benefits	9	112,547	113,922
Creditors and accruals			
Premiums received in advance		346,706	228,934
Amounts due to other insurers / reinsurers		1,245,594	662,515
Accrued expenses		72,803	61,304
Other creditors and accruals	10	2,058,253	1,717,213
		3,723,356	2,669,966
Borrowings			
Liabilities against assets subject to finance lease	11	-	6,683
Other liabilities			
Unclaimed dividends		95,416	45,218
Total liabilities		15,252,160	14,469,496
Contingencies and commitments	12		
TOTAL EQUITY AND LIABILITIES		37,281,754	32,100,515

	Note	31 December 2014	31 December 2013
ASSETS			
Rupees in thousand			
Cash and bank deposits	13		
Cash and other equivalents		8,893	4,531
Current and other accounts		2,380,695	1,698,980
Deposits maturing within 12 months		1,059,703	1,156,190
		3,449,291	2,859,701
Loans - secured, considered good			
To employees	14	14,225	16,151
Loans secured against life insurance policies	15	3,523	966
Investments	16	20,886,884	15,822,211
Deferred taxation		98,873	107,346
Current assets - others			
Premiums due but unpaid	17	3,652,444	2,673,944
Amounts due from other insurers / reinsurers	18	820,933	1,094,914
Salvage recoveries accrued		207,471	179,703
Premium and claim reserves retained by cedants	19	-	23,252
Accrued investment income	20	357,131	30,121
Reinsurance recoveries against outstanding claims	21	3,669,232	5,574,428
Taxation - payments less provision		57,714	87,428
Deferred commission expense		477,296	390,649
Prepayments	22	2,147,235	1,784,281
Sundry receivables	23	267,025	204,339
		11,656,481	12,043,059
Operating fixed assets - tangible and intangible	24		
Owned			
Land and buildings		410,689	445,207
Furniture and fixtures		140,439	156,160
Motor vehicles		323,015	272,065
Machinery and equipment		112,986	116,425
Computers and related accessories		126,425	54,507
Intangible asset - computer software		57,202	83,780
Capital work in progress - Tangible		1,721	89,310
		1,172,477	1,217,454
Leased			
Motor vehicles		-	33,627
TOTAL ASSETS		37,281,754	32,100,515

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Consolidated Profit and Loss Account

For the Year Ended 31 December 2014

Note	General Insurance						Life Insurance				31 December 2014	31 December 2013	
	Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident and Health	Miscellaneous	Treaty	Conventional Business	Accident and Health Business	Non-Unitized Investment Link Business	Unit Link Business			
Rupees in thousand													
Revenue account													
Net premium revenue	1,003,802	690,393	2,787,643	1,272,835	547,877	-	138,760	-	521,271	4,316,402	11,278,983	9,819,244	
Net claims	(628,394)	(332,068)	(1,636,847)	(1,140,589)	(350,317)	-	(62,140)	-	(17,091)	(1,164,168)	(5,331,614)	(4,094,981)	
Expenses	25 (294,160)	(181,676)	(661,518)	(152,642)	(193,358)	-	(33,947)	-	(43,366)	(350,273)	(1,910,940)	(1,812,638)	
Net commission	14,689	(96,087)	(274,376)	(28,945)	22,948	-	(31,339)	-	(51,364)	(945,823)	(1,390,297)	(1,283,211)	
Net Investment income - statutory funds	-	-	-	-	-	-	21,065	12	230,842	797,033	1,048,952	316,862	
Add: Policyholders' liabilities at beginning of the year	-	-	-	-	-	-	64,704	9	1,047,079	3,620,367	4,732,159	1,925,952	
Less: Policyholders' liabilities at end of the year	-	-	-	-	-	-	(101,213)	-	(1,613,531)	(6,271,711)	(7,986,455)	(4,732,159)	
Surplus / (deficit) of Policyholders' funds	-	-	-	-	-	-	4,110	(21)	(73,840)	(1,827)	(71,578)	(2,509)	
Underwriting result	<u>95,937</u>	<u>80,562</u>	<u>214,902</u>	<u>(49,341)</u>	<u>27,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>369,210</u>	<u>136,560</u>	
Investment income - other											2,094,715	2,385,183	
Rental income											5,674	4,947	
Other income	26											120,663	149,759
											<u>2,590,262</u>	<u>2,676,449</u>	
General and administration expenses	27											(498,669)	(412,923)
Exchange (loss) / gain											(470)	10,649	
Finance charges on lease liabilities											(270)	(1,781)	
Workers' welfare fund											(41,697)	(45,448)	
Profit before tax											<u>2,049,156</u>	<u>2,226,946</u>	
Provision for taxation	28											(155,053)	(248,705)
Profit after tax											<u>1,894,103</u>	<u>1,978,241</u>	
Profit attributable to:													
Equity holders of the parent											1,890,243	1,974,820	
Non-controlling interest											3,860	3,421	
											<u>1,894,103</u>	<u>1,978,241</u>	
Profit and loss appropriation account - Parent Company													
Balance at the commencement of the year											7,807,566	8,523,919	
Profit after tax for the year											1,890,243	1,974,820	
Final dividend for the year ended 31 December 2013 @ 10% (Rupee 1/- per share) [2012: @10% (Rupee 1/- per share)]											(350,000)	(123,705)	
Interim dividend for the period ended 30 June 2014 @ 12.5% (Rupees 1.25/- per share) [2013: @25% (Rupees 2.5/- per share)]											(437,500)	(309,262)	
Issue of bonus shares during the year: Nil [2013: @ 182.93%]											-	(2,262,955)	
Other comprehensive income: Remeasurement of defined benefit obligation											11,358	29,078	
Capital contribution to statutory funds											(52,090)	(24,329)	
Balance unappropriated profit at the end of the year											<u>8,869,577</u>	<u>7,807,566</u>	
Rupees													
Earnings per share - Basic and diluted (Note 29)											<u>5.40</u>	<u>5.64</u>	

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2014

	31 December 2014	31 December 2013
	Rupees in thousand	
Profit after tax for the year	1,894,104	1,978,241
Other comprehensive income		
Items that will not be reclassified to profit and loss:		
Remeasurement of defined benefit obligation	11,358	29,078
Items that may be reclassified subsequently to profit and loss:		
Effect of translation of investment in foreign branches - net	(45,259) (33,901)	(1,470) 27,608
Total comprehensive income for the year	1,860,203	2,005,849
Total comprehensive income attributable to:		
Equity holders of the parent	1,864,062	2,009,270
Non-controlling interest	(3,860)	(3,421)
	1,860,203	2,005,849

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Consolidated Cash Flow Statement

For the Year Ended 31 December 2014

	31 December 2014	31 December 2013
	Rupees in thousand	
Cash flows from operating activities		
a) Underwriting activities		
Premiums received	16,522,446	15,242,518
Reinsurance premiums paid	(4,421,906)	(4,498,237)
Claims paid	(9,013,836)	(7,511,079)
Surrenders paid	(21,643)	(49,559)
Reinsurance and other recoveries received	4,120,118	2,501,250
Commissions paid	(1,865,036)	(2,086,024)
Commissions received	551,971	534,855
Other underwriting payments	(960,501)	(1,430,301)
Net cash generated from underwriting activities	4,911,613	2,703,423
b) Other operating activities		
Income tax paid	(117,033)	(103,285)
General and management expenses paid	(1,611,067)	(659,052)
Loans disbursed	(51,415)	(39,217)
Loans repayments received	52,389	35,115
Other receipts	427,061	337,611
Net cash used in other operating activities	(1,300,065)	(428,828)
Total cash generated from / (used in) all operating activities	3,611,548	2,274,595
Cash flows from investing activities		
Profit / return received on bank deposits	311,942	154,356
Return on Pakistan Investment Bonds	11,004	11,388
Income received from TFCs	6,829	11,593
Income from treasury bills	-	3,694
Dividends received	867,913	945,982
Rentals received	5,674	4,947
Disbursement of policy loans	(3,564)	(2,037)
Settlement of policy loans	1,007	1,072
Payments for investments	(22,958,111)	(24,697,093)
Proceeds from disposal of investments	19,606,126	22,128,041
Fixed capital expenditure - tangible assets	(139,670)	(238,719)
Fixed capital expenditure - intangible assets	-	(40,793)
Proceeds from disposal of fixed assets	31,017	20,651
Total cash (used in) / generated from investing activities	(2,259,833)	(1,696,918)
Cash flows from financing activities		
Finance lease rentals paid	(6,953)	(20,085)
Dividends paid	(755,172)	(430,850)
Net cash used in financing activities	(762,125)	(450,935)
Net cash generated from all activities	589,590	126,742
Cash at the beginning of the year	2,850,625	2,723,883
Cash at the end of the year	3,440,215	2,850,625

	31 December 2014	31 December 2013
Rupees in thousand		
Reconciliation to profit and loss account		
Operating cash flows	3,611,549	2,274,595
Depreciation expense	(173,603)	(142,478)
Provision for gratuity	(5,990)	(9,435)
Other income - bank deposits	94,522	98,516
Gain on disposal of operating fixed assets	14,486	1,329
Finance charge on lease obligations	(270)	(1,781)
Rental income	5,674	4,947
(Decrease) / increase in assets other than cash	(681,682)	1,204,595
Increase in liabilities other than running finance	(2,891,623)	(3,999,229)
	<u>(26,937)</u>	<u>(568,941)</u>
Others		
Profit on sale of investments	1,189,066	1,222,636
Amortization expense	(27,138)	(24,403)
Capital contribution from shareholders fund	70,126	33,937
Increase in unearned premium	(1,225,017)	(83,538)
Decrease in loans	(974)	4,102
Income taxes paid	115,262	103,285
Reversal of provision for impairment in value of available-for-sale investments	(5,554)	195,394
Dividend, investment and other income	1,908,672	1,316,844
Income from treasury bills	17,715	5,463
Return on Pakistan Investment bonds	27,158	11,405
Income from TFCs	6,777	10,762
	<u>2,076,093</u>	<u>2,795,887</u>
Profit before taxation	<u>2,049,156</u>	<u>2,226,946</u>

Definition of cash

Cash comprises cash in hand, bank balances excluding Rs. 9,076 thousands (2013: Rs 9,076 thousands) held under lien, and other deposits which are readily convertible to cash and which are used in the cash management function on a day-to-day basis.

	31 December 2014	31 December 2013
Rupees in thousand		
Cash for the purposes of the statement of cash flows consists of:		
Cash and other equivalents	8,893	4,531
Current and other accounts	2,380,695	1,698,980
Deposits maturing within 12 months	1,050,627	1,147,114
Total cash and cash equivalents	<u>3,440,215</u>	<u>2,850,625</u>

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2014

	Share capital	Capital reserve				Revenue reserves				Equity attributable to equity holders of the parent	Non-controlling interest	Total Equity
	Issued, subscribed and paid-up	Reserve for issue of bonus shares	Reserve for exceptional losses	Investment fluctuation reserve	Exchange translation reserve	General reserve	Capital Contribution to statutory fund	Retained earnings	Net retained earnings			
Rupees in thousand												
Balance as at 31 December 2012 - restated (Audited)	1,237,045	-	22,859	3,764	478,756	936,500	(307,309)	8,831,228	8,523,919	11,202,843	28,889	11,231,732
Comprehensive income for the year ended 31 December 2013												
Profit for the year	-	-	-	-	-	-	1,974,820	1,974,820	1,974,820	3,421	-	1,978,241
Other comprehensive income	-	-	-	-	(1,470)	-	29,078	29,078	27,608	-	-	27,608
Capital contribution to statutory funds	-	-	-	-	-	-	(24,329)	-	(24,329)	(24,329)	(9,608)	(33,937)
Total comprehensive income for the year	-	-	-	-	(1,470)	-	(24,329)	2,003,898	1,979,569	1,978,099	(6,187)	1,971,912
Transactions with owners of the Company												
Final dividend for the year ended 31 December 2012 @ 10% (Rupee 1/- per share)	-	-	-	-	-	-	(123,705)	(123,705)	(123,705)	-	-	(123,705)
Interim dividend for the period ended 30 June 2013 @ 25% (Rupees 2.5/- per share)	-	-	-	-	-	-	(309,262)	(309,262)	(309,262)	-	-	(309,262)
Transferred to reserve for issue of bonus shares	-	2,262,955	-	-	-	-	(2,262,955)	(2,262,955)	-	-	-	-
Issue of bonus shares @ 182.93%	2,262,955	(2,262,955)	-	-	-	-	-	-	-	-	-	-
	2,262,955	-	-	-	-	-	(2,695,922)	(2,695,922)	(432,967)	-	-	(432,967)
Balance as at 31 December 2013	3,500,000	-	22,859	3,764	477,286	936,500	(331,638)	8,139,204	7,807,566	12,747,975	22,702	12,770,677
Comprehensive income for the year ended 31 December 2014												
Profit for the year	-	-	-	-	-	-	1,890,243	1,890,243	1,890,243	3,860	-	1,894,103
Other comprehensive income	-	-	-	-	(45,259)	-	11,358	11,358	(33,901)	-	-	(33,901)
Capital contribution to statutory funds	-	-	-	-	-	-	(52,090)	-	(52,090)	(52,090)	(18,036)	(70,126)
Total comprehensive income for the year	-	-	-	-	(45,259)	-	(52,090)	1,901,601	1,849,511	1,804,252	(14,176)	1,790,076
Transactions with owners of the Company												
Final dividend for the year ended 31 December 2013 @ 10% (Rupee 1/- per share)	-	-	-	-	-	-	(350,000)	(350,000)	(350,000)	-	-	(350,000)
Interim dividend for the period ended 30 June 2014 @ 12.5% (Rupees 1.25/- per share)	-	-	-	-	-	-	(437,500)	(437,500)	(437,500)	-	-	(437,500)
	-	-	-	-	-	-	(787,500)	(787,500)	(787,500)	-	-	(787,500)
Balance as at 31 December 2014	3,500,000	-	22,859	3,764	432,027	936,500	(383,728)	9,253,305	8,869,577	13,764,727	8,526	13,773,253

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Consolidated Statement of Premiums

For the Year Ended 31 December 2014

Class	Premiums written	Unearned premium reserve			Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded			Reinsurance expense	Net premium revenue	
		Opening	Closing	Currency translation effect			Opening	Closing	Currency translation effect		31 December 2014	31 December 2013

Rupees in thousand

General insurance:

Direct and facultative

Fire and property damage	4,686,914	1,854,900	2,317,112	(2,895)	4,221,807	3,515,375	1,358,743	1,653,732	(2,381)	3,218,005	1,003,802	801,219
Marine, aviation and transport	876,035	55,695	48,712	(205)	882,813	190,588	7,378	5,524	(22)	192,420	690,393	598,026
Motor	3,507,686	1,504,870	1,826,457	(40,633)	3,145,466	383,104	125,874	145,516	(5,639)	357,823	2,787,643	2,964,939
Accident & health	1,508,518	341,052	563,010	(524)	1,286,036	20,018	6,188	12,704	(301)	13,201	1,272,835	713,214
Miscellaneous	1,565,994	288,314	514,557	(318)	1,339,433	824,303	203,587	236,190	(144)	791,556	547,877	429,158
Total	12,145,147	4,044,831	5,269,848	(44,575)	10,875,555	4,933,388	1,701,770	2,053,666	(8,487)	4,573,005	6,302,550	5,506,556

Treaty

Proportional	-	-	-	-	-	-	-	-	-	-	-	-
Total	12,145,147	4,044,831	5,269,848	(44,575)	10,875,555	4,933,388	1,701,770	2,053,666	(8,487)	4,573,005	6,302,550	5,506,556

Life insurance:

Conventional business	300,419	-	-	-	300,419	161,659	-	-	-	161,659	138,760	95,457
Accident and health business	-	-	-	-	-	-	-	-	-	-	-	2
Non-united investment link business	530,250	-	-	-	530,250	8,979	-	-	-	8,979	521,271	547,227
Unit link business	4,384,278	-	-	-	4,384,278	67,876	-	-	-	67,876	4,316,402	3,670,002
Total	5,214,947	-	-	-	5,214,947	238,514	-	-	-	238,514	4,976,433	4,312,688
Grand Total	17,360,094	4,044,831	5,269,848	(44,575)	16,090,502	5,171,902	1,701,770	2,053,666	(8,487)	4,811,519	11,278,983	9,819,244

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Consolidated Statement of Premiums

For the Year Ended 31 December 2014

Business Underwritten Inside Pakistan

Class	Premiums written	Unearned premium reserve			Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded			Reinsurance expense	Net premium revenue	
		Opening	Closing	Currency translation effect			Opening	Closing	Currency translation effect		31 December 2014	31 December 2013

Rupees in thousand

General insurance:

Direct and facultative

Fire and property damage	4,579,236	1,787,707	2,267,875	-	4,099,068	3,436,492	1,302,991	1,618,179	-	3,121,304	977,764	778,225
Marine, aviation and transport	848,259	51,249	42,421	-	857,087	190,271	6,838	5,458	-	191,651	665,436	580,120
Motor	1,484,689	606,262	718,851	-	1,372,100	20,321	205	833	-	19,693	1,352,407	1,229,516
Accident & health	1,471,225	330,447	539,400	-	1,262,272	-	-	-	-	-	1,262,272	702,208
Miscellaneous	1,544,897	281,190	506,570	-	1,319,517	812,429	200,399	232,065	-	780,763	538,754	420,712
Total	9,928,306	3,056,855	4,075,117	-	8,910,044	4,459,513	1,510,433	1,856,535	-	4,113,411	4,796,633	3,710,781

Treaty

Proportional	-	-	-	-	-	-	-	-	-	-	-	-
Total	9,928,306	3,056,855	4,075,117	-	8,910,044	4,459,513	1,510,433	1,856,535	-	4,113,411	4,796,633	3,710,781

Life insurance:

Conventional business	300,419	-	-	-	300,419	161,659	-	-	-	161,659	138,760	95,457
Accident and health business	-	-	-	-	-	-	-	-	-	-	-	2
Non-unitised investment link business	530,250	-	-	-	530,250	8,979	-	-	-	8,979	521,271	547,227
Unit link business	4,384,278	-	-	-	4,384,278	67,876	-	-	-	67,876	4,316,402	3,670,002
Total	5,214,947	-	-	-	5,214,947	238,514	-	-	-	238,514	4,976,433	4,312,688
Grand Total	15,143,253	3,056,855	4,075,117	-	14,124,991	4,698,027	1,510,433	1,856,535	-	4,351,925	9,773,066	8,023,469

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Consolidated Statement of Premiums

For the Year Ended 31 December 2014

Business Underwritten Outside Pakistan

Class	Premiums written	Unearned premium reserve			Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded			Reinsurance expense	Net premium revenue	
		Opening	Closing	Currency translation effect			Opening	Closing	Currency translation effect		31 December 2014	31 December 2013

Rupees in thousand

General insurance:

Direct and facultative

Fire and property damage	107,678	67,193	49,237	(2,895)	122,739	78,883	55,752	35,553	(2,381)	96,701	26,038	22,994
Marine, aviation and transport	27,776	4,446	6,291	(205)	25,726	317	540	66	(22)	769	24,957	17,906
Motor	2,022,997	898,608	1,107,606	(40,633)	1,773,366	362,783	125,669	144,683	(5,639)	338,130	1,435,236	1,735,423
Accident & health	37,293	10,605	23,610	(524)	23,764	20,018	6,188	12,704	(301)	13,201	10,563	11,006
Miscellaneous	21,097	7,124	7,987	(318)	19,916	11,874	3,188	4,125	(144)	10,793	9,123	8,446
Total	2,216,841	987,976	1,194,731	(44,575)	1,965,511	473,875	191,337	197,131	(8,487)	459,594	1,505,917	1,795,775

Treaty

Proportional	-	-	-	-	-	-	-	-	-	-	-	-
Total	2,216,841	987,976	1,194,731	(44,575)	1,965,511	473,875	191,337	197,131	(8,487)	459,594	1,505,917	1,795,775

Life insurance:

Conventional business	-	-	-	-	-	-	-	-	-	-	-	-
Accident and health business	-	-	-	-	-	-	-	-	-	-	-	-
Non-unitised investment link business	-	-	-	-	-	-	-	-	-	-	-	-
Unit link business	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total	2,216,841	987,976	1,194,731	(44,575)	1,965,511	473,875	191,337	197,131	(8,487)	459,594	1,505,917	1,795,775

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Consolidated Statement of Claims

For the Year Ended 31 December 2014

Class	Total claims paid	Outstanding claims			Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims			Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing	Currency translation effect			Opening	Closing	Currency translation effect		31 December 2014	31 December 2013
Rupees in thousand												
General Insurance:												
Direct and facultative												
Fire and property damage	2,123,223	3,516,994	2,403,109	(2,548)	1,011,886	1,748,586	2,919,240	1,551,981	(2,165)	383,492	628,394	530,623
Marine, aviation and transport	404,457	176,944	308,228	(325)	536,066	162,547	126,959	168,410	-	203,998	332,068	221,507
Motor	3,214,007	2,612,650	2,120,265	(103,747)	2,825,369	1,505,115	2,068,984	1,664,900	(87,491)	1,188,522	1,636,847	1,916,298
Accident & health	1,106,664	101,154	146,480	(26)	1,152,016	8,808	184	2,784	(19)	11,427	1,140,589	614,561
Miscellaneous	781,927	894,599	707,959	-	595,287	395,107	638,764	488,628	1	244,970	350,317	203,872
Total	7,630,278	7,302,341	5,686,041	(106,646)	6,120,624	3,820,163	5,754,131	3,876,703	(89,674)	2,032,409	4,088,215	3,486,861
Treaty												
Proportional	-	20,332	20,332	-	-	-	-	-	-	-	-	-
Total	7,630,278	7,322,673	5,706,373	(106,646)	6,120,624	3,820,163	5,754,131	3,876,703	(89,674)	2,032,409	4,088,215	3,486,861
Life Insurance:												
Conventional business	181,655	38,307	56,380	-	199,728	126,425	26,017	37,180	-	137,588	62,140	44,600
Accident and health business	-	-	-	-	-	-	-	-	-	-	-	-
Non- unitised investment link business	21,249	10,280	11,911	-	22,880	4,569	5,789	7,009	-	5,789	17,091	8,698
Unit link business	1,180,653	35,432	45,208	-	1,190,429	14,885	20,594	31,970	-	26,261	1,164,168	554,822
Total	1,383,557	84,019	113,499	-	1,413,037	145,879	52,400	76,159	-	169,638	1,243,399	608,120
Grand Total	9,013,835	7,406,692	5,819,872	(106,646)	7,533,661	3,966,042	5,806,531	3,952,862	(89,674)	2,202,047	5,331,614	4,094,981

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Consolidated Statement of Claims

For the Year Ended 31 December 2014

Business Underwritten Inside Pakistan

Class	Total claims paid	Outstanding claims			Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims			Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing	Currency translation effect			Opening	Closing	Currency translation effect		31 December 2014	31 December 2013

Rupees in thousand

General Insurance:

Direct and facultative

Fire and property damage	1,847,632	3,454,234	2,395,537	-	788,935	1,516,846	2,865,914	1,545,559	-	196,491	592,444	509,415
Marine, aviation and transport	397,704	168,844	308,152	-	537,012	162,547	126,959	168,410	-	203,998	333,014	220,881
Motor	737,292	227,331	172,203	-	682,164	16,950	52,854	66,356	-	30,452	651,712	561,152
Accident & health	1,094,391	100,909	142,538	-	1,136,020	-	-	-	-	-	1,136,020	608,760
Miscellaneous	781,300	894,581	707,959	-	594,678	394,500	638,764	488,628	-	244,364	350,314	203,935
Total	4,858,319	4,845,899	3,762,389	-	3,738,809	2,090,843	3,684,491	2,268,953	-	675,305	3,063,504	2,104,143

Treaty

Proportional	-	20,332	20,332	-	-	-	-	-	-	-	-	-
	-	20,332	20,332	-	-	-	-	-	-	-	-	-
Total	4,858,319	4,866,231	3,746,721	-	3,738,809	2,090,843	3,684,491	2,268,953	-	675,305	3,063,504	2,104,143

Life Insurance:

Conventional business	181,655	38,307	56,380	-	199,728	126,425	26,017	37,180	-	137,588	62,140	44,600
Accident and health business	-	-	-	-	-	-	-	-	-	-	-	-
Non-united investment link business	21,249	10,280	11,911	-	22,880	4,569	5,789	7,009	-	5,789	17,091	8,698
Unit link business	1,180,653	35,432	45,208	-	1,190,429	14,885	20,594	31,970	-	26,261	1,164,168	554,822
Total	1,383,557	84,019	113,499	-	1,413,037	145,879	52,400	76,159	-	169,638	1,243,399	608,120
Grand Total	6,241,876	4,950,250	3,860,220	-	5,151,846	2,236,722	3,736,891	2,345,112	-	844,943	4,306,903	2,712,263

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Consolidated Statement of Claims

For the Year Ended 31 December 2014

Business Underwritten Outside Pakistan												
Class	Total claims paid	Outstanding claims			Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims			Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing	Currency translation effect			Opening	Closing	Currency translation effect		31 December 2014	31 December 2013
Rupees in thousand												
General Insurance:												
Direct and facultative												
Fire and property damage	275,591	62,760	7,572	(2,548)	222,951	231,740	53,326	6,422	(2,165)	187,001	35,950	21,208
Marine, aviation and transport	6,753	8,100	76	(325)	(946)	-	-	-	-	-	(946)	626
Motor	2,476,715	2,385,319	1,948,062	(103,747)	2,143,205	1,488,165	2,016,130	1,598,544	(87,491)	1,158,070	985,135	1,355,146
Accident & health	12,273	245	3,942	(26)	15,996	8,808	184	2,784	(19)	11,427	4,569	5,801
Miscellaneous	627	18	-	-	609	607	-	-	1	606	3	(63)
Total	2,771,959	2,456,442	1,959,652	(106,646)	2,381,815	1,729,320	2,069,640	1,607,750	(89,674)	1,357,104	1,024,711	1,382,718
Treaty												
Proportional	-	-	-	-	-	-	-	-	-	-	-	-
Total	2,771,959	2,456,442	1,959,652	(106,646)	2,381,815	1,729,320	2,069,640	1,607,750	(89,674)	1,357,104	1,024,711	1,382,718
Life Insurance:												
Conventional business	-	-	-	-	-	-	-	-	-	-	-	-
Accident and health business	-	-	-	-	-	-	-	-	-	-	-	-
Non-unitised investment link business	-	-	-	-	-	-	-	-	-	-	-	-
Unit link business	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total	2,771,959	2,456,442	1,959,652	(106,646)	2,381,815	1,729,320	2,069,640	1,607,750	(89,674)	1,357,104	1,024,711	1,382,718

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Consolidated Statement of Expenses

For the Year Ended 31 December 2014

Class	Commissions paid or payable	Deferred commission			Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing	Currency translation effect					31 December 2014	31 December 2013

Rupees in thousand

General Insurance:

Direct and facultative

Fire and property damage	370,838	188,330	237,072	(504)	321,592	294,160	615,752	336,281	279,471	326,339
Marine, aviation and transport	106,079	3,163	10,503	(10)	98,729	181,676	280,405	2,642	277,763	282,597
Motor	323,095	150,110	169,562	(4,545)	299,098	661,518	960,616	24,722	935,894	956,660
Accident & health	31,628	8,638	11,301	(20)	28,945	152,642	181,587	-	181,587	197,206
Miscellaneous	124,036	40,408	48,858	(39)	115,547	193,358	308,905	138,495	170,410	120,333
Total	955,676	390,649	477,296	(5,118)	863,911	1,483,354	2,347,265	502,140	1,845,125	1,883,135

Treaty

Proportional	-	-	-	-	-	-	-	-	-	-
Total	955,676	390,649	477,296	(5,118)	863,911	1,483,354	2,347,265	502,140	1,845,125	1,883,135

Life Insurance:

Conventional business	31,339	-	-	-	31,339	33,947	65,286	-	65,286	49,367
Accident and health business	-	-	-	-	-	-	-	-	-	-
Non-united investment link business	51,364	-	-	-	51,364	43,366	94,730	-	94,730	201,778
Unit link business	945,823	-	-	-	945,823	350,273	1,296,096	-	1,296,096	961,569
Total	1,028,526	-	-	-	1,028,526	427,586	1,456,112	-	1,456,112	1,212,714
Grand Total	1,984,202	390,649	477,296	(5,118)	1,892,437	1,910,940	3,803,377	502,140	3,301,237	3,095,849

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Consolidated Statement of Expenses

For the Year Ended 31 December 2014

Business Underwritten Inside Pakistan

Class	Commissions paid or payable	Deferred commission			Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing	Currency translation effect					31 December 2014	31 December 2013

Rupees in thousand

General Insurance:

Direct and facultative

Fire and property damage	350,754	176,680	228,246	-	299,188	273,953	573,141	316,314	256,827	310,682
Marine, aviation and transport	100,852	2,946	10,308	-	93,490	171,235	264,725	2,527	262,198	269,501
Motor	111,467	48,702	54,280	-	105,889	445,354	551,243	125	551,118	570,654
Accident & health	28,488	8,316	9,514	-	27,290	141,227	168,517	-	168,517	183,103
Miscellaneous	120,575	39,567	47,698	-	112,444	183,678	296,122	135,535	160,587	111,317
Total	712,136	276,211	350,046	-	638,301	1,215,447	1,853,748	454,501	1,399,247	1,445,257

Treaty

Proportional	-	-	-	-	-	-	-	-	-	-
Total	712,136	276,211	350,046	-	638,301	1,215,447	1,853,748	454,501	1,399,247	1,445,257

Life Insurance:

Conventional business	31,339	-	-	-	31,339	33,947	65,286	-	65,286	49,367
Accident and health business	-	-	-	-	-	-	-	-	-	-
Non-united investment link business	51,364	-	-	-	51,364	43,366	94,730	-	94,730	201,778
Unit link business	945,823	-	-	-	945,823	350,273	1,296,096	-	1,296,096	961,569
Total	1,028,526	-	-	-	1,028,526	427,586	1,456,112	-	1,456,112	1,212,714
Grand Total	1,740,662	276,211	350,046	-	1,666,827	1,643,033	3,309,860	454,501	2,855,359	2,657,971

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Consolidated Statement of Expenses

For the Year Ended 31 December 2014

Business Underwritten Outside Pakistan										
Class	Commissions paid or payable	Deferred commission			Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing	Currency translation effect					31 December 2014	31 December 2013
Rupees in thousand										
General Insurance:										
Direct and facultative										
Fire and property damage	20,084	11,650	8,826	(504)	22,404	20,207	42,611	19,967	22,644	15,657
Marine, aviation and transport	5,277	217	195	(10)	5,239	10,441	15,680	115	15,565	13,096
Motor	211,628	101,408	115,282	(4,545)	193,209	216,164	409,373	24,597	384,776	386,006
Accident & health	3,140	322	1,787	(20)	1,655	11,415	13,070	-	13,070	14,103
Miscellaneous	3,461	841	1,160	(39)	3,103	9,680	12,783	2,960	9,823	9,016
Total	243,540	114,438	127,250	(5,118)	225,610	267,907	493,517	47,639	445,878	437,878
Treaty										
Proportional	-	-	-	-	-	-	-	-	-	-
Total	243,540	114,438	127,250	(5,118)	225,610	267,907	493,517	47,639	445,878	437,878
Life Insurance:										
Conventional business	-	-	-	-	-	-	-	-	-	-
Accident and health business	-	-	-	-	-	-	-	-	-	-
Non-unitised investment link business	-	-	-	-	-	-	-	-	-	-
Unit link business	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-
Grand Total	243,540	114,438	127,250	(5,118)	225,610	267,907	493,517	47,639	445,878	437,878

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Consolidated Statement of Investment Income

For the Year Ended 31 December 2014

Note	31 December 2014	31 December 2013
Rupees in thousand		
General insurance:		
Income from non-trading investment		
Available-for-sale:		
Return on term finance certificates	6,777	10,762
Return on treasury bills	17,715	5,463
Return on Pakistan Investments Bonds	27,158	11,405
Dividend income:		
- associated undertakings	520,843	573,804
- others	345,995	362,500
	866,838	936,304
	918,488	963,934
Gain on sale of available-for-sale investments:		
- associated undertakings	-	221,938
- others	1,147,927	975,996
	1,147,927	1,197,934
	2,066,415	2,161,868
(Provision) / reversal of impairment in value of available-for-sale investments 16.2	(5,554)	195,394
	2,060,861	2,357,262
Life insurance:		
Share holders' fund		
Unrealised appreciation in value of quoted securities	208	(74)
Return on Government Securities	26,659	22,538
Return on bank deposit	1,453	1,519
Dividend income	2,415	2,545
Gain on sale of non trading investments	3,119	1,393
Reversal of impairment in value of available-for-sale investments	-	-
	33,854	27,921
Statutory Funds:		
Conventional Business		
Return on Government Securities	11,170	1,192
Realisation of discount on government securities	-	3,128
Investment income on bank deposits	9,895	5,961
Gain on sale of disposal of open-end non trading investments	-	11
Reversal of impairment in value of available-for-sale investments	-	-
	21,065	10,292
Carried Forward	2,115,780	2,395,475

Consolidated Statement of Investment Income

For the Year Ended 31 December 2014

	31 December 2014	31 December 2013
	Rupees in thousand	
Brought Forward	2,115,780	2,395,475
Accident and Health Business		
Return on Government Securities	6	13
Return on bank deposits	6	-
	12	13
Non-unitised Investment Link Business		
Appreciation in value of quoted securities	85,667	436
Return on fixed income securities	4,663	4,420
Realisation of discount on government securities	-	62,013
Return on Government Securities	133,639	6,950
Return on bank deposits	4,731	2,437
Gain on sale of trading investments	2,142	2,062
	230,842	78,318
Unit Link Business		
Appreciation in value of quoted securities	319,698	14,028
Realisation of discount on government securities	-	160,311
Return on Government Securities	408,502	12,182
Return on fixed income securities	10,036	7,672
Dividend income	1,448	411
Investment income on bank deposits	21,471	12,399
Gain on sale of open-end trading / non trading investments	35,878	21,236
	797,033	228,239
	<u>3,143,667</u>	<u>2,702,045</u>
Net investment income		
Net investment income - statutory funds	1,048,952	316,862
Net investment income - other	2,094,715	2,385,183
	<u>3,143,667</u>	<u>2,702,045</u>

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Consolidated Statement of Investment Income

For the Year Ended 31 December 2014

1 The group and its operations

1.1 The group comprises of:

Holding Company

Adamjee Insurance Company Limited

	2014 (Holding percentage)	2013
Subsidiary Company		
Adamjee Life Assurance Company Limited	74.28%	74.28%

Adamjee Insurance Company Limited (Holding Company)

Adamjee Insurance Company Limited is a public limited company incorporated in Pakistan on 28 September 1960 under the Companies Act, 1913 (now the Companies Ordinance, 1984). The Company is listed on all stock exchanges in Pakistan and is engaged in the general insurance business comprising fire & property, marine, motor, health etc. The registered office of the Company is situated at Tanveer Building, 27-C-III, MM Alam Road, Gulberg III, Lahore.

The Company also operates branches in the United Arab Emirates (UAE), the Kingdom of Saudi Arabia (KSA) and the Export Processing Zone (EPZ). The branch in the KSA has closed down its operations and is in "run-off" status with effect from 01 October 2003.

Adamjee Life Assurance Company Limited (Subsidiary Company)

Adamjee Life Assurance Company Limited was incorporated in Pakistan on 4 August 2008 as a public unlisted company under the Companies Ordinance, 1984. The company started its operations from 24 April 2009. The registered office of the Company is located at 1st floor, Islamabad Stock Exchange Towers, 55-B, Jinnah Avenue, Blue Area, Islamabad while its principal place of business is located at 3rd Floor, The Forum, Khayaban-e-Jami, Clifton, Karachi. The Company is a subsidiary of Adamjee Insurance Company Limited and an associate of IVM Intersurer B.V, each having a holding of 74.28% and 25.72% (2013: 74.28% and 25.72%) respectively in the share capital of the Company. IVM Intersurer B.V. has nominated Hollard Life Assurance Company Limited ("HLA"), an associate company of IVM Intersurer B.V. to act on its behalf in respect of matters relating to the Company. HLA is South Africa's largest private sector insurance company.

The Company is engaged in life assurance business carrying on non-participating business only. In accordance with the requirements of the Insurance Ordinance, 2000, the Company has established a shareholders' fund and the following statutory funds in respect of each class of its life assurance business:

- Conventional Business
- Accident and Health Business
- Non-unitised Investment Link Business
- Unit Link Business

2 Basis of preparation

2.1 Statement of compliance

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

Consolidated Statement of Investment Income

For the Year Ended 31 December 2014

- The SECP has allowed insurance companies to defer the application of International Accounting Standard (IAS) - 39 'Financial Instruments: Recognition and Measurement' in respect of 'available-for-sale' investments until suitable amendments have been made in the laws. Accordingly, the requirements of IAS - 39, to the extent allowed by SECP, have not been considered in the preparation of these consolidated financial statements. The effect of such departure from the requirements of IAS - 39 is disclosed in Note 16.1.

2.2 Consolidation

2.2.1 Subsidiary Company

Subsidiary Company is the entity in which Holding Company directly or indirectly controls beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The financial statements of the Subsidiary Company are included in the consolidated financial statements from the date the control commences until the date that control ceases.

The assets and liabilities of Subsidiary Company have been consolidated on a line by line basis and carrying value of investments held by the Holding Company is eliminated against Holding Company's share in paid up capital of the Subsidiary Company.

Intergroup balances and transactions have been eliminated.

Non-controlling interests are that part of net results of the operations and of net assets of Subsidiary Company attributable to interest which are not owned by the Holding Company. Non-controlling interests are presented as separate item in the consolidated financial statements.

2.2.2 Associates

Associates are the entities over which the Group has significant influence but not control. Significant influence is generally considered where shareholding percentage is between 20% to 50% of the voting shares. However, such significant influence can also arise where shareholding is lesser than 20% but due to other factors e.g. Group's representation on the Board of Directors of investee Company, the Group can exercise significant influence. Investments in these associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associate includes goodwill identified on acquisition, net of any accumulated impairment loss, if any.

The Group's share of its associate's post-acquisition profits or losses, movement in other comprehensive income, and its share of post-acquisition movements in reserves is recognized in the consolidated profit and loss account, consolidated statement of comprehensive income and reserves respectively. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distributions received from an associate reduce the carrying amount of the investment.

However, there was no associate during the year required to be accounted for under equity method.

The Group's share of its associate's post-acquisition profits or losses, movement in other comprehensive income, and its share of post-acquisition movements in reserves is recognized in the consolidated profit and loss account, consolidated statement of comprehensive income and reserves respectively. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distributions received from an associate reduce the carrying amount of the investment.

2.3 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except that certain investments which are stated at lower of cost and market value and valuation of policyholders liability and employees' retirement benefits which are carried on the basis of actuarial valuation. Accrual basis of accounting has been used except for cash flow information.

2.4 Functional and presentation currency

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

Consolidated Statement of Investment Income

For the Year Ended 31 December 2014

2.5 Use of estimates and judgments

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

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

	Note
- Provision for outstanding claim including claims incurred but not reported (IBNR)	3.2.3
- Provision for taxation including the amount relating to tax contingency	3.12
- Provision for doubtful receivables	3.2.1
- Useful lives, pattern of economic benefits and impairments - Fixed assets	3.13
- Valuation discount rate	
- Mortality assumption	
- Defined benefit plans	3.6
- Classification of investments	3.10

2.6 New Standards, amendments to approved accounting standards and interpretations which became effective during the year ended 31 December 2014

There were certain new standards, amendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) interpretations which became effective during the year but are considered not to be relevant or have any significant effect on the Group's operations and are, therefore, not disclosed in these financial statements.

2.7 Standards and amendments to published approved International Financial Reporting Standards not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2015:

- Amendments to IAS 19 'Employee Benefits' Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.
- Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.
- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016.
- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or consolidated structured entities, into one place.
- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 'Property, Plant and Equipment' for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 'Agriculture'. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [Amendments to IFRS 10 and IAS 28] (effective for annual periods beginning on or after 1 January 2016). The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.
- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination.
- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria.
- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

The above improvements are not likely to have material impact on consolidated financial statements of the Group.

3 Summary of significant accounting policies

3.1 Insurance contracts

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

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

Insurance contracts issued by the Group are generally classified in nine basic categories among them five categories are covered by the Holding Company i.e. Fire and property, Marine, aviation and transport, Motor, Health and Miscellaneous and four categories i.e. Conventional Business, Accident and Health Business, Non-Unitized Investment Link Business and Unit Link Fund are covered by the Subsidiary Company. These are issued to multiple types of clients with businesses in engineering, automobiles, cement, power, textiles, paper, agriculture, services and trading sectors etc. and individuals as well. The tenure of these insurance contracts depends upon terms of the policies written and vary accordingly.

Holding Company - Non Life Business

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

Subsidiary Company - Life Business

- The Conventional Business includes individual life, group life and group credit life assurance.
- Accident and Health Business provides fixed pecuniary benefits or benefits in the nature of indemnity or a combination of both in case of accident or sickness to individuals. The risk underwritten is mainly related

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

to medical expenses relating to hospitalisation and death by accidental means. This business is written through direct sales by the head office as well as through tele-sales.

- Individual Life Non-unitised Investment Linked Business provides life assurance coverage to individuals under universal life policies issued by the Company. Benefits are expressed in terms of account value of the policyholder account which is related to the market value of the underlying assets of the investment fund. The risk underwritten is mainly death and disability. This business is written through bancassurance channel and brokers.
- Individual Life Unit Linked Business provides life assurance coverage to individuals under unit-linked investment policies issued by the Company. Benefits are expressed in terms of account value of the policyholder account which is related to the market value of the underlying assets of the investment fund. Various types of riders (Accidental death, family income benefits etc.) are also sold along with the basic policies. Some of these riders are charged through deductions from policyholders fund value, while others are not charged i.e. additional premium is charged there against. The risk underwritten is mainly death and disability. This business is only written through bancassurance channel, brokers and Company's own agency distribution channel.

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

Since the nature of insurance contracts entered in to by the Holding Company and its Subsidiary Company are different, the respective accounting policies have separately been disclosed here under.

3.2 Holding Company - Non-life business

3.2.1 Premium

Premium received / receivable under a policy is recognized as written from the date of attachment of the policy to which it relates. Premium income under a policy is recognized over the period of insurance from inception to expiry evenly over the period of the policy using twenty-fourths methods as specified in the SEC (Insurance) Rules, 2002.

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

Provisions for unearned premium represents the portion of premium written relating to the unexpired period of coverage and is recognized as a liability by the Holding Company. This liability is calculated as follows:

- for marine cargo business, as a ratio of the unexpired period to the total period of the policy applied on the gross premium of the individual policies; and
- for other classes / lines of business, by applying the twenty-fourths methods as specified in the SEC (Insurance) Rules, 2002, as majority of the remaining policies are issued for a period of one year.

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

3.2.2 Reinsurance ceded

The Holding Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the reinsurance policies and are in accordance with the related reinsurance contract.

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

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

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

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

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

3.2.3 Provision for outstanding claims including IBNR

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

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

The Holding Company accounts for IBNR based on an analysis of past claims reporting pattern by tracking movement in claims incurred in an accounting period. Provision for IBNR claims pertaining to Accident and Health Insurance is determined on actuary's advice.

3.2.4 Reinsurance recoveries against outstanding claims

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

3.2.5 Commission expense and other acquisition costs

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

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

3.2.6 Premium deficiency reserve

The Holding Company maintains a provision in respect of premium deficiency for the class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the reporting date.

The movement in the premium deficiency reserve is recorded as an expense / income in profit or loss account for the year.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

For this purpose, loss ratios for each class of non-life insurance business are estimated based on historical claim development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, premium deficiency is determined. The loss ratios estimated by the Holding Company on these basis for the unexpired portion are as follow

	2014	2013
Fire and property damage	74.66%	69.92%
Marine, aviation and transport	44.02%	47.19%
Motor	63.26%	64.68%
Miscellaneous (including Accident & Health)	79.89%	80.99%

Provision for premium deficiency pertaining to Accident and Health Insurance business included in Miscellaneous class of business is determined on actuary's advice.

Based on an analysis of combined operating ratio for the expired period of each reportable segment, the management considers that the unearned premium reserve for all classes of business as at the year end is adequate to meet the expected future liability after reinsurance, from claims and other expenses expected to be incurred after the balance sheet date in respect of policies in those classes of business in force at the reporting date. Hence, no reserve for the same has been created in these consolidated financial statements.

3.3 Subsidiary Company - Life business

3.3.1 Conventional Business

The Conventional Business includes individual life, group life and group credit life assurance.

3.3.1.1 Individual life

The individual life business segment provides coverage to individuals against deaths and disability under conventional policies issued by the Company. Additional riders are included on the discretion of the policyholder. The business is written through bancassurance, tele-sales and direct sales made by head office.

Revenue recognition

Premiums are recognised once the related policies have been issued and the premiums have been received.

Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the balance sheet date, in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claims expenses are recognised on the earlier of the policy expiry or the date when the intimation of the event giving rise to the claim is received. Surrender of conventional business policies is made after these have been approved in accordance with the Company's Policy.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the balance sheet.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

3.3.1.2 Group life and group credit life

Group Life contracts are mainly issued to employers to ensure their commitments to their employees as required under the West Pakistan Industrial and Commercial Employment (Standing Orders) Ordinance, 1968.

The group life business segment provides coverage to members / employees of business enterprises and corporate entities, against death and disability under group life assurance schemes issued by the Subsidiary Company. The group credit life business segment provides coverage to a group of member or subscribers registered under a common platform against death and disability. The business is written mainly through direct sales force and bancassurance.

Revenue recognition

Premiums are recognised as and when due. In respect of certain group policies the Company continues to provide insurance cover even if the premium is received after the grace period. Provision for unearned premiums is included in the policyholders' liabilities.

Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the balance sheet date, in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claims expenses are recognised on the date the insured event is intimated.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the balance sheet.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

Experience refund of premium

Experience refund of premium payable to policyholders' is included in policyholders' liability in accordance with the advice of the appointed actuary.

3.3.2 Accident and Health Business

Accident and Health Business provides fixed pecuniary benefits or benefits in the nature of indemnity or a combination of both in case of accident or sickness to individuals. The risk underwritten is mainly related to medical expenses relating to hospitalisation and death by accidental means. This business is written through direct sales by the head office as well as through tele-sales.

Revenue recognition

Premiums are recognised once the related policies have been issued and the premiums have been received.

Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the balance sheet date, in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claims expenses are recognised after the date the insured event is initiated and a reliable estimate of the claim amount can be made.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the balance sheet.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

3.3.3 Non-unitised Investment Linked Business

Individual Life Non-unitised Investment Linked Business provides life assurance coverage to individuals under universal life policies issued by the Company. Benefits are expressed in terms of account value of the policyholder account which is related to the market value of the underlying assets of the investment fund. The risk underwritten is mainly death and disability. This business is written through bancassurance channel and brokers.

Revenue recognition

Premiums are recognised once the related policies have been issued and the premiums have been received.

Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the balance sheet date, in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expense

Claim expenses are recognised on the earlier of the policy expiry or the date when the intimation of the event giving rise to the claim is received. Surrender of non-unitised investment linked business policies is made after these have been approved in accordance with the Company's Policy.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the balance sheet.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

3.3.4 Unit Linked Business

Individual Life Unit Linked Business provides life assurance coverage to individuals under unit-linked investment policies issued by the Company. Benefits are expressed in terms of account value of the policyholder account which is related to the market value of the underlying assets of the investment fund. Various types of riders (Accidental death, family income benefits etc.) are also sold along with the basic policies. Some of these riders are charged through deductions from policyholders fund value, while others are not charged i.e. additional premium is charged there against. The risk underwritten is mainly death and disability. This business is only written through bancassurance channel, brokers and Company's own agency distribution channel.

Revenue recognition

Premiums (including first year, renewal and single premiums) are recognised once the resulted policies have been issued / renewed against receipt and realization of premiums.

Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the balance sheet date, in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claim expenses are recognised on the earlier of the policy expiry or the date when the intimation of the event

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

giving rise to the claim is received. Surrender of unit linked business policies is made after these have been approved in accordance with the Company's Policy.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the balance sheet.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

3.3.5 Reinsurance contracts held

Individual policies (including joint life policies underwritten as such) are reinsured under an individual life reinsurance agreement whereas group life and group credit life policies are reinsured under group life and group credit life reinsurance agreements respectively.

Reinsurance premium

Reinsurance premium expense is recognised at the same time when the related premium income is recognised. It is measured in line with the terms and conditions of the reinsurance treaties.

Claim recoveries

Claim recoveries from reinsurers are recognised at the same time when the claim giving rise to the right of recovery is recognised in the books of accounts of the Company.

Experience refund

Experience refund receivable for re-insurance is included in the re-insurance recoveries of claims.

Amount due from / to reinsurer

All receivables (reinsurer's share in claims, commission from reinsurer and experience refund) and payables (reinsurance premium) under reinsurance agreements are recognised on net basis in the Company's financial statements, only under the circumstances that there is a clear legal right of off-set of the amounts.

Amounts due from / to reinsurers are carried at cost which is the fair value of the consideration to be received / paid in the future for services rendered / received, less provision for impairment, if any.

3.3.6 Receivables and payables related to insurance contracts

These include amounts relating to and from agents and policyholders' which are recognised when due except unpaid premiums. Unpaid premiums are recognised as revenue only:

- during days of grace as specified in the policy; or
- where actuarial valuation assumes that all the premium due have been received.

3.4 Statutory funds

Subsidiary Company - Life business

The Subsidiary Company maintains statutory funds in respect of each class of life assurance business in which it operates. Assets, liabilities, revenues and expenses of the Subsidiary Company are referable to the respective statutory funds. However, where these are not referable to statutory funds, these are allocated to shareholders' fund on the basis of actuarial advice. Apportionment of assets, liabilities, revenues and expenses, whenever required between funds are made on the basis certified by the appointed actuary of the Subsidiary Company. Policyholders' liabilities have been included in statutory funds on the basis of the actuarial valuation carried out by the appointed actuary of the Subsidiary Company on the balance sheet date as required by section 50 of the Insurance Ordinance, 2000.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

3.5 Policyholders' liabilities

3.5.1 Subsidiary Company - Life business

3.5.1.1 Conventional business

Individual life

Policyholders' liabilities constitute the reserves for basic plans and riders attached to the basic plans.

Policy reserves pertaining to the primary plans are based on Full Preliminary Term - Net Premium method using SLIC (2001-05) Individual Life Ultimate Mortality Table mortality table and a discounting factor interest rate of 3.75% per annum. This table reflects the recent mortality expectation in Pakistan and in line with the requirements of Circular No: 17 of 2013 issued by the SECP Insurance Division on September 13, 2013. The interest rate is considerably lower than the actual investment return the Subsidiary Subsidiary Company is managing on its conventional portfolio. The difference between the above and actual investment return is intended to be available to the Subsidiary Subsidiary Company for meeting administrative expense and for providing margins against adverse deviations. Policy reserves for both waiver of premium and accidental death riders have been based on net unearned premiums.

Group Life and Group Credit Life

Policy reserves for these plans are based on the unearned premium method net of allowances made for acquisition expenses, unexpired reinsurance premium and profit commission. Consideration is also given to the requirement for a Premium Deficiency Reserve. The reserves also comprise allowance for "Incurred But Not Reported" (IBNR) claims. The provision for 'Incurred But Not Reported' (IBNR) claims as included in policyholders' liability is estimated as 10% of the unearned premium for the year. This approach is being used as the Subsidiary Subsidiary Company has recently started business. Once sufficient experience of claim reporting patterns have built up in the Subsidiary Subsidiary Company's books, the appointed actuary of the Subsidiary Subsidiary Company will determine IBNR in accordance with these claim log patterns for each line of business separately. Appropriate margins will be added to ensure that the reserve set aside are resilient to changes in the experience.

Accident and Health Business

Currently there are no policyholders' liabilities to consider in this statutory fund.

Non-united Investment Linked Business

Policyholders' liabilities constitute the account value of investment linked contracts as well as non-investment or risk reserves of these contracts. Risk reserves constitute liabilities held to account for risks such as death and risk only riders (accidental death and disability, monthly income benefit, waiver of premium, etc.). Reserves for risk only contracts where premiums are level over the term of the contract are based on the Net Premium Method whereas reserves for age related risk contracts are based on net unearned premiums.

Unit Link Business

Policyholders' liabilities constitute the account value of investment linked contracts as well as non-investment or risk reserves of these contracts. Risk reserves constitute liabilities held to account for risks such as death and risk only riders (accidental death and disability, monthly income benefit, waiver of premium, etc.). Reserves for risk only contracts where premiums are level over the term of the contract are based on the Net Premium Method whereas reserves for age related risk contracts are based on net unearned premiums.

3.6 Staff retirement benefits

3.6.1 Holding Company

Defined contribution plan

The Holding Company operates an approved contributory provident fund scheme for all its eligible employees. Equal monthly contributions to the fund are made by the Holding Company and the employees at the rate of 8.33% of basic salary.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

Defined benefit plans

The Holding Company operates the following defined benefit plans:

- (a) an approved funded gratuity scheme for all its permanent employees in Pakistan. Annual contribution are made to this scheme on the basis of actuarial recommendations. The Holding Company recognizes expense in accordance with IAS 19 'Employee Benefits'. The contributions have been made to pension and gratuity funds in accordance with the actuary's recommendations based on the actuarial valuation of these funds as at 31 December 2014.
- (b) unfunded gratuity scheme covering the employees in the UAE branches as per the requirements of the applicable regulations. Provision is made in these consolidated financial statements on the basis of the actuarial valuation carried out by an independent actuary using the projected unit credit method. The latest valuation has been carried at 31 December 2014.

Past-service costs are recognized immediately in profit and loss account, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

The Holding Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Holding Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Holding Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit and loss account.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit and loss account. The Holding Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3.6.2 Subsidiary Company

Defined benefit scheme

Up to 31 December 2013, the Subsidiary Company operated an unfunded gratuity scheme for all permanent, confirmed and full time, employees who have completed minimum qualifying eligible service period of six months. However, during the year ended 31 December 2014, the Subsidiary Company has registered an approved funded gratuity scheme for all permanent, confirmed and full time employees who have completed minimum qualifying eligible service period of six months. Contribution to the fund is made and expense is recognised on the basis of actuarial valuation carried out as at each year end using the Projected Unit Credit Method. Gratuity is based on employees' last drawn salary. Provisions are made to cover the obligations under the scheme on the basis of actuarial assumptions.

The measurement differences representing actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost/income are recognized immediately with a charge or credit to profit and loss and revenue account. The standard requires these to be recognized in other comprehensive income (OCI). However, the format of presentation and disclosure of financial statements notified by SECP does not require preparation of statement of comprehensive income, resultantly the charge / credit has been taken to profit and loss and revenue account. Therefore net interest cost/income of the Subsidiary Company has not recognized in other comprehensive income of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

3.7 Employees' compensated absences

The Group accounts for these benefits in the period in which the absences are earned.

3.8 Creditors, accruals and provisions

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

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

3.9 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 cash and bank deposits and short term bank borrowings and excludes bank balance held under lien.

3.10 Investments

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

The above investments are classified into following categories:

3.10.1 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of investments in which there is evidence of short term profit taking.

3.10.2 Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has both the intent and the ability to hold till maturity.

3.10.3 Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

3.10.4 Available for sale

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

All financial assets are recognised when the Group becomes a party to the contractual provision of the instrument. Investments other than those categorised into 'financial assets at fair value through profit or loss' category are initially recognised at fair value plus transaction costs which are directly attributable to the acquisition of the securities. Financial assets classified 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are expensed in the profit and loss / revenue account. All regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date when the Group commits to purchase or sell the investment.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

Financial assets classified as 'at fair value through profit or loss' are subsequently measured at their fair values and gains and losses arising from changes in fair value are included in the profit and loss / revenue account. Available for sale investments are subsequently measured at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002 and the reduction is recognised as a provision for impairment in value of financial assets. Any change in the provision for impairment in value of investment is recognised in the profit and loss/ revenue account. Amortization of premium/ discounts on acquisition of investments is carried out using effective yield method and charged to profit and loss/ revenue account, as appropriate. Investments classified as held to maturity and loans and receivables are subsequently measured at amortised cost less any impairment losses, taking into account any discount or premium on acquisition by using the effective interest rate method.

Fair / market value measurements

For investments in quoted equity securities, the market value is determined by using Stock Exchange quotations at the balance sheet date. For investments in Government securities, the market value is determined using rates announced by the Financial Market Association of Pakistan. The fair market value of Term Finance Certificates is as per the rates issued by the Mutual Funds Association of Pakistan (MUFAP) and the fair value of open end fund is as declared by the relevant fund.

Impairment against financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss - measured as the difference between the carrying value and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss / revenue account, as the case may be, is taken to the profit and loss account / revenue account. For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash inflows, discounted at the original effective interest rate.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statement only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liabilities simultaneously.

3.11 Financial liabilities

All financial liabilities are recognised at the time the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attribute transaction cost. Subsequent to initial recognition, these are measured at fair/ market value or amortised cost using the effective interest rate method, as the case may be.

3.12 Taxation

(a) Current

Provision for current taxation is based on 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 include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalized during the current year for such years.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

(b) 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 consolidated financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

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

3.13 Fixed assets

(a) Tangible

Owned fixed assets, other than freehold land which is not depreciated and capital work-in-progress, are stated at cost, signifying historical cost, less accumulated depreciation and any provision for accumulated impairment. Freehold land and capital work-in-progress are carried at cost less accumulated impairment losses, if any. Depreciation is charged to income applying varying methods depending upon the nature of the asset, at the rates specified for calculation of depreciation after taking into account residual value, if any. The useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

Assets subject to finance lease are accounted for by recording the assets at the lower of present value of minimum lease payments under lease agreements and the fair value of asset at the inception of the lease contract. The related obligation under the lease is accounted for as liability. Finance charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

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

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

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

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

(b) Intangible

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with them will flow to the Group and the cost of the item can be measured reliably. All other expenses are charged to the profit and loss/ revenue account during the financial period in which they are incurred.

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

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

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

3.14 Expenses of management

Holding Company

Expenses of management both direct and indirect are allocated on the basis of activity in each class of business. Expenses not allocable to the underwriting business are charged as General and Administration expenses.

Subsidiary Company

Expenses of management have been allocated to various classes of business as deemed equitable by the management. Allocation to each segment is based on the nature of the expense and its correlation to each segment.

3.15 Investment income

3.15.1 From available-for-sale investments

- Return on fixed income securities

Return on fixed income securities classified as available-for-sale is recognized on a time proportion basis.

- Dividend

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

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

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

- Return on Term Finance Certificates

The difference between the redemption value and the purchase price of the Term Finance Certificates is amortized uniformly and taken to the profit and loss account over the term of the investment.

3.15.2 From held-to-maturity investments

Income from held-to-maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments.

3.15.3 From investments at fair value through profit or loss

Gain or loss on sale of investment is included in profit and loss account or respective revenue account of the fund in the period in which disposal has been made.

3.16 Foreign currencies

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

The assets and liabilities of foreign branches are translated to Pak Rupees at exchange rates prevailing at the reporting date. The results of the foreign branches of the Holding Company are translated to Pak Rupees at the average rate of exchange for the year. Translation gains and losses are included in the profit and loss account, except those arising on the translation of the Holding Company net investments in foreign branches, which are taken to the capital reserves (exchange translation reserve).

3.17 Financial instruments

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

Financial instruments carried on the balance sheet include cash and bank, loans, investments, premiums due but unpaid, amount due from other insurers / reinsurers, premium and claim reserves retained by cedants, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other insurers / reinsurers, accrued expenses, other creditors and accruals, liabilities against asset subject to finance lease and unclaimed dividends. The particular recognition method adopted are disclosed in the individual policy statements associated with each item.

3.18 Dividend and other appropriations

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

3.19 Off setting of financial assets and financial liabilities

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

3.20 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Holding Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated if there is any potential dilutive effect on the reported net profits.

3.21 Impairment

Financial assets

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

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

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

Non financial assets

The carrying amounts of Group's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of asset exceeds its recoverable

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

3.22 Segment reporting

3.22.1 Holding Company

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

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

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amount of certain assets used jointly by two or more segments have been allocated to segments on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

3.22.2 Subsidiary Company

Operating segments are reported in a manner consistent with that provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

The Subsidiary Company operates in Pakistan only. The Subsidiary Company has four primary business segments for reporting purposes namely; Conventional Business, Accident and Health Business, Non-Unitised Investment Link Business and Unit Link Business. The details of all operating segments are described in note 4.1 to the financial statements. The Subsidiary Company accounts for segment reporting using the classes or sub-classes of business (Statutory Funds) as specified under the Insurance Ordinance 2000 and SEC (Insurance) Rules, 2002 as the primary reporting format.

3.23 Borrowing cost

Interest, mark-up and other charges on long-term finances are capitalized up to 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 recognized in profit and loss account.

3.24 Share capital

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

4 Share capital

4.1 Authorized share capital

2014	2013		2014	2013
Number of shares			Rupees in thousand	
<u>375,000,000</u>	<u>375,000,000</u>	Ordinary shares of Rupees 10 each	<u>3,750,000</u>	<u>3,750,000</u>

4.2 Paid-up share capital

Issued, subscribed and fully paid up share capital

2014	2013		2014	2013
Number of shares			Rupees in thousand	
250,000	250,000	Ordinary shares of Rupees 10 each fully paid in cash	2,500	2,500
349,750,000	349,750,000	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	3,497,500	3,497,500
<u>350,000,000</u>	<u>350,000,000</u>		<u>3,500,000</u>	<u>3,500,000</u>

4.3 As at 31 December 2014, MCB Bank Limited and Nishat Mills Limited, associated undertakings held 102,812,165 (2013: 102,812,165) and 102,809 (2013: 102,809) ordinary shares of the Holding Company of Rs. 10 each, respectively.

	Note	2014	2013
5. Reserves			
Capital reserves			
Reserves for exceptional losses	5.1	22,859	22,859
Investment fluctuation reserves	5.2	3,764	3,764
Exchange translation reserves	5.3	432,027	477,286
		<u>458,650</u>	<u>503,909</u>
Revenue reserve			
General reserve		936,500	936,500
		<u>1,395,150</u>	<u>1,440,409</u>

5.1 The reserve for exceptional losses represents the amount set aside by the Holding Company in prior years up to 31 December 1978, in order to avail the deduction while computing the taxable income under the old Income Tax Act of 1922. Subsequent to the introduction of repealed Income Tax Ordinance, 1979, which did not permit the such deduction, the Holding Company discontinued the setting aside of reserves for exceptional losses.

5.2 This amount has been set aside by the Holding Company in prior years for utilization against possible diminution in the value of investments.

5.3 The exchange translation reserve represents the gain resulted from the translation of foreign branches (having business in foreign currencies) of Holding Company into Pak Rupees. For the purpose of exchange translation reserve, the UAE and Export Processing Zone branches are treated as foreign branches since their functional currencies are AED and US Dollars, respectively.

	2014	2013
6 Non-Controlling interest		
	Rupees in thousand	
Share capital	240,599	240,599
Profit for the year	3,860	3,421
Capital contribution to statutory funds	(258,083)	(240,048)
Opening retained earnings	22,150	18,729
	<u>8,526</u>	<u>22,701</u>

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

	Statutory Funds				Aggregate	
	Conventional Business	Accident and Health Business	Non-unitised Investment Link Business	Unit link Business	31 December 2014	31 December 2013
7 Policyholders' Liabilities	Rupees in thousand					
Life insurance:						
7.1 Gross of reinsurance						
Actuarial liability relating to future events	153,017	-	1,625,494	6,330,908	8,109,419	4,828,243
Provision for incurred but not reported claims	11,319	-	-	-	11,319	8,047
	<u>164,336</u>	<u>-</u>	<u>1,625,494</u>	<u>6,330,908</u>	<u>8,120,738</u>	<u>4,836,290</u>
7.2 Net of reinsurance						
Actuarial liability relating to future events	95,500	-	1,613,531	6,271,711	7,980,742	4,728,571
Provision for incurred but not reported claims	5,713	-	-	-	5,713	3,587
	<u>101,213</u>	<u>-</u>	<u>1,613,531</u>	<u>6,271,711</u>	<u>7,986,455</u>	<u>4,732,158</u>
7.3 Balance of statutory funds						
Policyholders' liabilities						
Balance at beginning of the year	64,704	9	1,047,079	3,620,367	4,732,159	1,925,951
Increase during the year	36,508	(9)	566,452	2,651,344	3,254,295	2,806,207
Balance at end of the year	<u>101,212</u>	<u>-</u>	<u>1,613,531</u>	<u>6,271,711</u>	<u>7,986,454</u>	<u>4,732,158</u>
Retained earnings on other than participating business						
Balance at beginning of the year	(111,557)	(1,428)	(169,431)	(161,086)	(443,502)	(446,011)
Surplus / (deficit) for the year	(4,109)	21	73,839	1,827	71,578	2,509
Surplus appropriated to shareholders' fund	-	-	-	-	-	-
Balance at end of the year	<u>(115,666)</u>	<u>(1,407)</u>	<u>(95,592)</u>	<u>(159,259)</u>	<u>(371,924)</u>	<u>(443,502)</u>
Capital contributed by shareholders' fund						
Balance at beginning of the year	152,707	1,511	209,492	207,975	571,685	537,749
Capital contribution during the year	25,416	-	17,240	27,470	70,126	33,937
Capital withdrawn during the year	-	-	-	-	-	-
Balance at end of the year	<u>178,123</u>	<u>1,511</u>	<u>226,732</u>	<u>235,445</u>	<u>641,811</u>	<u>571,686</u>
Balance of statutory funds at the year end	<u>163,669</u>	<u>104</u>	<u>1,744,671</u>	<u>6,347,897</u>	<u>8,256,341</u>	<u>4,860,342</u>

7.4 The appointed actuary of the Subsidiary Company has carried out a valuation of the policyholders' liabilities with respect to the Conventional Business, Accident and Health Business, Non-unitised Investment Linked Business and Unit Link Business (Statutory Funds) as per section 50 of the Insurance Ordinance, 2000. The significant assumptions used in the valuations are disclosed in note 33.4.2 to these consolidated financial statements.

The details of the significant assumptions used by the appointed actuary in computation of policyholders' liability will be specified in the Financial Condition Report for the year ended 31 December 2014 to be issued by the appointed actuary of the Subsidiary Company in accordance with the requirements set out in section 50 of the Insurance Ordinance, 2000.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

8	Provision for outstanding claims (including IBNR)	Note	2014		2013	
			Rupees in thousand			
	General insurance					
	Related parties		302,626		199,060	
	Others		5,403,747		7,123,613	
			5,706,373		7,322,673	
	Life insurance					
			113,499		84,019	
			<u>5,819,872</u>		<u>7,406,692</u>	
9	Staff retirement benefit					
	Unfunded Gratuity Scheme - Holding Company	9.1	44,772		40,477	
	Funded Gratuity Scheme - Holding Company	9.2	61,476		57,770	
	Funded Gratuity Scheme - Subsidiary Company	9.3	6,299		15,675	
			<u>112,547</u>		<u>113,922</u>	

9.1 Unfunded Gratuity Scheme - Holding Company

9.1.1 This provision relates to the Company's operations in UAE branches. The latest actuarial valuation of gratuity scheme was carried out as at 31 December 2014 under the Projected Unit Credit Method as per the requirements of approved accounting standard - International Accounting Standard 19, the details of which are as follows:

9.1.2 Movement in the net assets/ (liabilities) recognized in the balance sheet are as follows:

	2014		2013	
	Rupees in thousand			
Present value of defined benefit obligation at the start of the year		45,667		31,042
Charge for the year		6,249		6,543
Benefits paid		(3,436)		(1,038)
Remeasurement loss / (gain) on obligation		3,272		2,595
Exchange loss		(6,981)		6,525
Present value of defined benefit obligation at the end of the year		<u>44,772</u>		<u>45,667</u>

9.1.3 The following significant assumptions have been used for the valuation of this scheme:

	2014		2013	
	Rupees in thousand			
- Valuation discount rate		3.15%		4.50%
- Expected rate of increase in salary level		4.00%		4.00%

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

9.1.4 The amount charged in profit and loss is as follows:

	2014	2013
	Rupees in thousand	
Current service cost	4,578	4,936
Interest on obligation	1,671	1,607
Expense for the year	<u>6,249</u>	<u>6,543</u>

9.1.5 The amounts charged to Other Comprehensive Income are as follows:

Remeasurement of the present value of defined benefit obligation due to:		
- Changes in financial assumptions	2,115	1,455
- Experience adjustments	1,157	1,140
	<u>3,272</u>	<u>2,595</u>

9.2 Funded Gratuity Scheme - Holding Company

9.2.1 The Company operates an approved funded gratuity scheme for all employees. The latest actuarial valuation of gratuity scheme was carried out as at 31 December 2014 under the Projected Unit Credit Method as per the requirements of approved accounting standard - International Accounting Standard 19, the details of which are as follows:

9.2.2 The following significant assumptions have been used for valuation of this scheme:

	2014	2013
	Rupees in thousand	
- Valuation discount rate	10.00%	12.00%
- Expected rate of increase in salary level	8.00%	10.00%
- Rate of return on plan assets	10.00%	10.79%

9.2.3 Movement in the net (assets)/ liabilities recognized in the balance sheet are as follows:

	2014	2013
	Rupees in thousand	
Net liabilities at the beginning of the year	57,770	65,432
Expenses recognized	18,336	18,821
Contribution paid during the year	-	-
Remeasurement gain recognized - net	(14,630)	(26,483)
Net liabilities at the end of the year	<u>61,476</u>	<u>57,770</u>

9.2.4 The amounts recognized in the profit and loss account are as follows:

	2014	2013
	Rupees in thousand	
Current service cost	11,404	11,296
Interest cost	6,932	7,525
Interest income on plan assets	-	-
	<u>18,336</u>	<u>18,821</u>

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

	2014	2013
	Rupees in thousand	
9.2.5 The amounts recognised in other comprehensive income are as follows:		
Remeasurement of plan obligation from:		
- Change in financial assumptions	-	799
- Experience on obligation	8,249	(13,811)
	<u>8,249</u>	<u>(13,012)</u>
Remeasurement of plan assets:		
- Actual net return on plan assets	(38,442)	(27,403)
- Interest income on plan assets	15,563	13,932
	<u>(22,879)</u>	<u>(13,471)</u>
	<u>(14,630)</u>	<u>(26,483)</u>
9.2.6 The amounts recognized in the balance sheet are as follows:		
Present value of the obligation	218,736	198,316
Fair value of plan assets	(157,260)	(140,546)
Net asset	<u>61,476</u>	<u>57,770</u>
9.2.7 Movement in present value of defined benefit obligation		
Present value of defined benefit obligation as at the beginning of the year	198,316	194,589
Current service cost	11,404	11,296
Interest cost	22,495	21,457
Actual benefits paid during the year	(21,728)	(16,014)
Remeasurement loss / (gain) on obligation	8,249	(13,012)
Present value of defined benefit obligation as at the end of the year	<u>218,736</u>	<u>198,316</u>
9.2.8 Movement in fair value of plan assets		
Fair value of plan asset as at the beginning of the year	140,546	129,157
Interest income on plan assets	15,563	13,932
Actual benefits paid during the year	(21,728)	(16,014)
Net return on plan assets over interest income	22,879	13,471
Fair value of plan asset as at the end of the year	<u>157,260</u>	<u>140,546</u>
9.2.9 Actual return on plan assets		
Expected return on plan assets	15,563	13,932
Net return on plan assets over interest income	<u>22,879</u>	<u>13,471</u>
	<u>38,442</u>	<u>27,403</u>

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

	2014	2013	2014	2013
	Rupees in thousand			
9.2.10 Plan assets consist of the following:				
Government Bonds	55.56%	52.22%	87,367	73,388
Corporate Bonds	10.53%	16.72%	16,554	23,497
Shares and deposits	24.93%	22.72%	39,205	31,933
Unit Trusts	12.06%	10.17%	18,972	14,291
Benefits due	-3.08%	-1.82%	(4,838)	(2,563)
	<u>100.00%</u>	<u>100.00%</u>	<u>157,260</u>	<u>140,546</u>

9.2.11 Plan assets do not include any investment in the Company's ordinary shares as at 31 December 2014 (2013: Nil).

9.2.12 Expected contribution to gratuity fund for the year ending 31 December 2015 is Rs. 20,238 thousands.

9.2.13 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the fund, at the beginning of the year.

9.2.14 The weighted average duration of the defined benefit obligation for gratuity plan is 3.5 years (2013: 3.5 years).

9.2.15 These defined benefit plans expose the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

9.2.16 The main features of the gratuity schemes are as follows:

- Under the gratuity scheme the normal retirement age for all employees is 60 years.
- A member shall be entitled to gratuity on resignation, termination, retirement, early retirement, retrenchment, death and dismissal based on the Company's Service rules.
- The scheme is subject to the regulations laid down under the Income Tax Rules, 2002.

	Note	2014	2013
	Rupees in thousand		
9.3 Funded Gratuity Scheme - Subsidiary Company			
Present value of defined benefit obligations at 31 December	9.3.3	28,341	15,675
Fair value of plan assets at 31 December	9.3.4	(22,042)	-
Net liability at end of the year	9.3.6	<u>6,299</u>	<u>15,675</u>

9.3.1 During the year, the Subsidiary Company converted its unfunded gratuity scheme to funded gratuity scheme covering eligible employees who have completed the minimum qualifying eligible service of six months. Contribution to the fund is made and expense is recognised on the basis of actuarial valuations carried out at each year end using the projected unit credit method.

9.3.2 Plan assets held in trust are governed by local regulations which mainly includes Trust Act, 1882; the Companies Ordinance, 1984, Income Tax Rules 2002 and Rules under the trust deed of the plan. Responsibility for governance of the plans, including investment decisions and contribution schedules, lies with the Board of Trustees. The Company appoints the Trustees and all trustees are employees of the Company. Company's obligation under the staff gratuity scheme is determined on the basis of an actuarial valuation carried out by an independent actuary as at 31 December 2014 under the Projected Unit Credit Method.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

9.3.3 Movement in present value of defined benefit obligations	Note	2014	2013
		Rupees in thousand	
Present value of defined benefit obligations at beginning of the year		15,675	11,823
Current service cost	9.3.5	4,976	4,555
Interest cost on defined benefit obligation	9.3.5	2,597	1,840
Benefits paid during the year	9.3.4	(1,621)	(570)
Remeasurement loss / (gain) on obligation:			
- due to unexpected experience		883	949
- due to changes in financial assumptions		5,831	(2,922)
	9.3.5	6,714	(1,973)
Present value of defined benefit obligations at end of the year		28,341	15,675

9.3.4 Movement in fair value of plan assets	Note	2014	2013
		Rupees in thousand	
Fair value of plan assets at beginning of the year		-	-
Contributions made by the Company to the Fund		23,248	-
Benefits paid during the year	9.3.3	(1,621)	-
Remeasurement gain on plan assets	9.3.5	415	-
Fair value of plan assets at end of the year		22,042	-

9.3.5 Expense recognised in profit and loss / revenue account	Note	2014	2013
Current service cost	9.3.3	4,976	4,555
Net interest cost	9.3.3	2,597	1,840
Remeasurement losses / (gains) on obligation	9.3.3	6,714	(1,973)
Remeasurement gain on fair value of plan assets	9.3.4	(415)	-
Expense for the year		13,872	4,422

9.3.6 Net recognised liability	Note	2014	2013
Net liability at beginning of the year		15,675	11,823
Expense recognised in profit and loss account / revenue account	9.3.5	13,872	4,422
Contributions made to the fund during the year		(23,248)	-
Net benefits paid		-	(570)
Net liability at end of the year	9.3	6,299	15,675

9.3.7 Estimated Gratuity Cost for the year ending 31 December 2015, is as follows:

	2015
	Rupees in thousand
Current service cost	7,765
Net interest cost	963
Remeasurements recognised in profit and loss / revenue account	-
Total expense to be recognised in profit and loss / revenue account	8,728

9.3.7.1 The gratuity cost for the year ending 31 December 2015 is estimated excluding the effect of the actuarial gain/loss, which will be known as at 31 December 2015.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

9.3.8 Plan assets comprise of following:

	Note	2014		2013	
		Rupees in thousand	%	Rupees in thousand	%
Bank balance		17,980	82%	-	-
Mutual Funds	9.3.8.1	4,062	18%	-	-
Fair value of plan assets at end of the year		<u>22,042</u>	<u>100%</u>	<u>-</u>	<u>-</u>

9.3.8.1 Investments of Rs. 2,060 thousands in mutual funds are managed by a related party.

9.3.9 The principal assumptions used in the actuarial valuations carried out as of 31 December 2014, using the 'Projected Unit Credit' method, are as follows:

	2014		2013	
	Gratuity fund			
Discount rate per annum	11.75%		13.24%	
Expected per annum rate of return on plan assets	11.75%		N/A	
Expected per annum rate of increase in salary level	11.00%		11.00%	
Expected mortality rate	LIC 94-96 Mortality table for males (rated down table for by 3 years for females)		LIC 94-96 Mortality males (rated down by 3 years for females)	
Expected withdrawal rate	Age dependent		Age dependent	

9.3.10 The plans expose the Company to actuarial risks such as:

Salary risks

The risks that the final salary at the time of cessation of service is higher than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Discount risks

The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/ age distribution and the benefit.

Discount risks

The risk of volatile discount rates over the funding life of the scheme. The final effect could go either way depending on the relative of salary increases, timing of contributions, performance of investments and outgo of benefits.

Mortality / withdrawal risks

The risks that the actual mortality / withdrawal experience is different from expected. The effect depends upon the beneficiaries' service / age distribution and the benefit.

Investment risks

The risk of the investment underperforming and not being sufficient to meet the liabilities. This is managed by formulating an investment policy and guidelines based on which investments are made after obtaining approval of trustees of funds.

In case of the funded plan, the investment positions are managed within an Asset-Liability Matching (ALM) framework to ensure that long-term investments are in line with the obligation under the retirement benefit plan. The Company actively monitors the duration and the expected yield of the investments matching the same with expected cash outflows arising from the retirement benefit plan obligations. The Company does not use derivatives to manage the risk. Investments are diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy.

The actuary conducts valuations for calculating contribution rates and the Company contributes to the fund according to the actuary's advice. Expense of the defined benefit plan is calculated by the actuary.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

9.3.11 Sensitivity analysis - Subsidiary Company

	Impact on Funded Gratuity plan		
	Change in assumptions	Increase in assumption	Decrease in assumption
Rupees in thousand			
Discount rate	1%	(4,111)	5,098
Salary growth rate	1%	5,059	(4,146)

The sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability for gratuity recognised within the balance sheet.

9.3.12 The weighted average duration of the defined benefit obligation is 22.06 years.

9.3.13 The expected maturity analysis of undiscounted retirement benefit plan is:

	Rupees in thousand
Less than a year	609
Between 1-2 years	-
Between 2-3 years	-
Between 3-4 years	-
Between 4-5 years	-

9.3.14 The implicit objective is that the contribution to the gratuity schemes should remain reasonably stable as a percentage of salaries, under the actuarial cost method employed.

9.4 Sensitivity analysis - Holding Company

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

	Impact on Gratuity plan				
	Change in assumptions	Unfunded		Funded	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Rupees in thousand					
Discount rate	1%	(1,601)	1,734	(6,632)	7,091
Salary growth rate	1%	1,702	(1,604)	7,158	(6,811)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit obligation recognized within the statement of financial position.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

	Note	2014	2013
10 Other creditors and accruals		Rupees in thousand	
Cash margin against performance bond		742,672	646,744
Sundry creditors		412,701	302,237
Commission payable		530,646	456,015
Workers' welfare fund		187,749	146,574
Federal insurance fee		23,372	37,920
Federal excise duty		159,881	105,114
Payable to Employees' Provident Fund	10.1	1,232	804
Others	10.2	-	21,805
		<u>2,058,253</u>	<u>1,717,213</u>

10.1 During the year, an amount of Rs. 24,505 thousands (2013 : Rs. 20,487 thousands) has been charged to the profit and loss account in respect of the Holding Company's contribution to the Employees' Provident Fund.

10.2 This includes balance payable by Subsidiary Company to its related parties of Rs. Nil (2013: Rs. 20,773 thousands).

	2014	2013
11 Liabilities against assets subject to finance lease	Rupees in thousand	
Present value of minimum lease payments	-	6,683
11.1 Minimum lease payments		
Not later than 1 year	-	6,951
Later than 1 year and not later than 5 years	-	-
Future finance charges on finance lease	-	6,951 (268)
Present value of finance lease liability	-	6,683
11.2 Present value of finance lease liability		
Not later than 1 year	-	6,683
Later than 1 year and not later than 5 years	-	-
	-	6,683

11.3 The above represents finance lease entered into with leasing companies for motor vehicle. The liability has repaid during the year.

12 Contingencies and commitments

12.1 Contingencies

Holding Company

The income tax assessments of the Holding Company have been finalized up to and including the tax year 2013. However, the Holding Company has filed appeals in respect of certain assessment years mainly on account of the following:

- (a) The Deputy Commissioner Inland Revenue issued an order under section 161/205 of the Income Tax Ordinance, 2001 for the year 2012 whereby a tax demand aggregating to Rs. 8,649 thousands was raised against the Holding

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

Company on account of non-deduction of tax on dividend. The Holding Company challenged the said order before the Commissioner Inland Revenue (Appeals) who remanded the case back to taxation officer for fresh proceedings. The management is confident that the matter will eventually be decided in favor of the Holding Company, and has consequently not made any provision there against.

- (b) The Deputy Commissioner Inland Revenue passed an order under section 161/205 of the Income Tax Ordinance, 2001 for the tax year 2005 raising a tax demand of Rs. 3,103 thousands for alleged non-payment of tax deducted on salaries during the year. The Holding Company filed an appeal before the Commissioner Inland Revenue (Appeals) who remanded the case back to taxation officer with the direction to provide the Holding Company a proper opportunity of being heard. The same was challenged by the Holding Company before Appellate Tribunal Inland Revenue. Hearing the case has not yet commenced. However, a positive outcome is expected by the Holding Company; hence, no provision has been made by the Holding Company in this regard.
- (c) The Additional Commissioner / Taxation Officer has reopened assessments for the assessment year 2000-2001 and 2001-2002 by taxing bonus shares received by the Holding Company during the above mentioned periods resulting in an additional tax liability of Rs. 14,907 thousands. An appeal was filed before the Commissioner Inland Revenue (Appeals) who cancelled the amended order passed by the Additional Commissioner and allowed relief to the Holding Company but the Tax Department had filed an appeal before the ATIR against the order of the Additional Commissioner, which has been decided in favor of the Holding Company. However, the Holding Company received another notice from Additional Commissioner for reassessment of the case in response to which the Holding Company has filed a constitutional petition in Honorable Sindh High Court against such notice.
- (d) While finalizing the assessment for the assessment year 2002-2003, DCIR has reduced the business loss for the year by Rs. 88,180 thousands by adjusting the dividend income against this loss. The Holding Company maintains that it is entitled to carry the gross loss forward for adjustment against the future taxable income and dividend income for the year should be taxed separately at reduced rate. The appeals of the Holding Company in this respect have been rejected by the Commissioner Inland Revenue (Appeals), The ATIR and the Sindh High Court. The Holding Company has filed a reference application with the Supreme Court of Pakistan. The management is confident that the matter will eventually be decided in favour of the Holding Company and has consequently not made any provision against the additional tax liability of Rs. 26,455 thousands which may arise in this respect.
- (e) The Tax Authorities have also amended the assessments for tax years 2003 to 2005 on ground that the Holding Company has not apportioned management and general administration expenses against capital gain and dividend income. The Holding Company has filed constitutional petition in the Honorable Sindh High Court against the amendment in the assessment order. The Holding Company may be liable to pay Rs. 5,881 thousands in the event of decision against the Holding Company, out of which Rs. 2,727 thousands have been provided resulting in shortfall of Rs. 3,154 thousands.
- (f) The Taxation officer has passed an order in the tax years 2005 and 2006 under section 221 of Income Tax Ordinance, 2001 (the Ordinance) levying minimum tax liability aggregating to Rs. 38,358 thousands. An appeal was filed before the Commissioner Inland Revenue (Appeals) who upheld the order of the Taxation Officer. The Holding Company has filed an appeal before the ATIR which is yet to be held.
- (g) The Holding Company received a notice from Additional Commissioner Inland Revenue pertaining to the amendment of tax year 2008. Amongst others, the Additional Commissioner raised an issue with respect to the claim of exemption claimed on capital gains on listed securities by way of incorrect application of the provisions of law. The Holding Company preferred to contest this matter by way of filing a constitutional petition before the Honorable Sindh High Court. The court has ordered for stay of proceedings.

Pending resolution of the above-mentioned appeals filed by the Holding Company, no provision has been made in these consolidated financial statements for the aggregate amount of Rs. 94,626 thousands (2013: Rs. 98,690 thousands) as the management is confident that the eventual outcome of the above matters will be in favour of the Holding Company.

- (h) A lawsuit for Rs. 18,904 thousands (AED 688,859) is pending before Supreme Court of U.A.E which, in the opinion of Holding Company's lawyer, is likely to be decided in favour of the Holding Company.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

Subsidiary Company

- (i) The Subsidiary Company has contingent liabilities in respect of death claims in the ordinary course of business amounting to Rs. 3.395 million. The management of the Subsidiary Company is confident that no provision in respect of these items is required to be made in the financial statements.

12.2 Commitments

Holding Company

The Holding Company has issued letter of guarantees amounting to Rs. 7,898 thousands (AED 289,000) [2013: Rs. 1,515 thousands (AED 53,000)] relating to its UAE branch.

Subsidiary Company

There were no capital or other commitments as at 31 December 2014 (2013: Nil).

13 Cash and Bank deposits	Note	2014	2013
Rupees in thousand			
Cash and other equivalents			
Cash in hand		8,893	4,531
Current and other accounts			
Current accounts		988,421	510,632
Savings accounts	13.1	1,392,274	1,188,348
		2,380,695	1,698,980
Deposits maturing within 12 months			
Fixed and term deposits	13.2	1,059,703	1,156,190
		<u>3,449,291</u>	<u>2,859,701</u>

13.1 During the year, the Federal Government, on application of State Bank of Pakistan placed KASB Limited under moratorium for a period of six months with effect from close of business as of 14 November 2014. Accordingly, the payments made to the depositors by the Subsidiary Company having account balance exceeding Rs. 0.3 million per depositor was frozen, resulting in frozen amount of Rs. 7.452 million.

13.2 These include fixed deposits amounting to Rs. 189,969 thousands (AED 6,951 thousands) [2013: Rs. 197,716 thousands (AED 6,916 thousands)] kept in accordance with the requirements of Insurance Regulations applicable to the UAE branches for the purpose of carrying on business in United Arab Emirates. These also include liens against cash deposits of Rs. 9,076 thousands (2013: Rs. 9,076 thousands) with banks in Pakistan essentially in respect of guarantees issued by the banks on behalf of the Holding Company for claims under litigation filed against the Holding Company.

13.3 Cash and bank deposits include an amount of Rs. 1,174,526 thousands (2013: Rs. 876,596 thousands) held with related parties.

14 Loans - considered good	Note	2014	2013
Rupees in thousand			
Secured			
Executives	14.2	18,468	5,220
Employees	14.2	14,225	28,447
		32,693	33,667
Less: Recoverable within one year shown under sundry receivables			
Executives		5,103	4,871
Employees		13,365	12,645
		18,468	17,516
		<u>14,225</u>	<u>16,151</u>

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

14.1 Loans to employees are granted in accordance with the terms of their employment for the purchase of vehicles, purchase / construction of houses and for other purposes as specified in the SEC (Insurance) Rules, 2002. These loans are recoverable in monthly installments over various periods and are secured by registration of vehicles, deposit of title documents of property with the Holding Company and against provident fund balance of the employees. The loans are interest free except for those granted for the purchase / construction of houses which carry interest at the rate of 5% (2013: 5%) per annum.

14.2 Reconciliation of carrying amount of loans

	2014			2013		
	Executives	Others	Total	Executives	Others	Total
	Rupees in thousand			Rupees in thousand		
Opening balance	5,220	28,447	33,667	6,700	22,865	29,565
Disbursements	15,602	35,813	51,415	13,622	25,595	39,217
Repayments	(15,146)	(37,243)	(52,389)	(15,102)	(20,013)	(35,115)
Closing balance	5,676	27,017	32,693	5,220	28,447	33,667

15 Loans secured against life insurance policies

These loans carry profit rate at 3 month KIBOR plus 4% per annum and are secured against the cash values of the respective policies of the policyholders. These are generally payable within 3 months.

16 Investments

	Note	2014	2013
		Rupees in thousand	
In related parties			
Available-for-sale:	16.3		
Marketable securities			
Listed		5,713,706	7,493,387
At fair value through profit or loss:			
Marketable securities			
Listed		-	249,785
		5,713,706	7,743,172
Others	16.3		
Available-for-sale:			
Marketable securities			
Listed		6,610,673	3,072,756
Unlisted		351,471	-
Less: Provision for impairment in value of investments		(226,444)	(220,890)
		6,735,700	2,851,866
Fixed income securities	16.3	6,632,429	831,811
At fair value through profit or loss:	16.4		
Marketable securities			
Listed		1,290,162	365,388
Unlisted		-	-
Less: Provision for impairment in value of investments		-	-
		1,290,162	365,388
Fixed income securities	16.4	514,887	4,029,974
		15,173,178	8,079,039
		20,886,884	15,822,211

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

- 16.1 On 31 December 2014, the fair value of 'available-for-sale' securities was Rs. 23,543,990 thousands (2013: Rs. 18,350,806 thousands). As per the Company's accounting policy, 'available-for-sale' investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary.) However, International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' dealing with the recognition and measurement of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as at 31 December 2014 would have been higher by Rs. 10,033,454 thousands (2013: Rs. 7,046,654 thousands).

	2014	2013
16.2 Reconciliation of provision for impairment in value of investments	Rupees in thousand	
Balance as at 01 January	220,890	416,284
Impairment / (reversal) for the year	5,554	(195,394)
Balance as at 31 December	<u>226,444</u>	<u>220,890</u>

Note	2014		2013	
	Cost	Provision there against	Carrying value	Carrying value
	Rupees in thousand			
16.3 Available-for-sale				
In related parties				
- Listed shares	5,713,706	-	5,713,706	5,290,151
- Mutual Fund Certificates	-	-	-	2,203,236
	<u>5,713,706</u>	-	<u>5,713,706</u>	<u>7,493,387</u>
Others				
- Listed shares	3,445,972	(226,444)	3,219,528	2,751,403
- Unlisted shares	351,471	-	351,471	-
- Term Finance Certificates	39,925	-	39,925	49,927
- Mutual Fund Certificates	3,124,615	-	3,124,615	50,375
- NIT Units	161	-	161	161
- Government treasury bills	24,953	-	24,953	645,064
- Pakistan Investment Bonds	6,592,444	-	6,592,444	186,747
- Ijarah sukuks	15,032	-	15,032	-
	<u>13,594,573</u>	<u>(226,444)</u>	<u>13,368,129</u>	<u>3,683,677</u>
	<u>19,308,279</u>	<u>(226,444)</u>	<u>19,081,835</u>	<u>11,177,064</u>

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

16.3.1 Available-for-sale

Listed Shares:

No. of Shares / Certificates		Face value	Company's name	2014	2013
2014	2013	Rupees		Rupees in thousand	
1,258,650	1,258,650	10	Nishat Mills Limited [Equity held 0.36% (2013: 0.36%)]	34,211	34,211
-	115,500	10	Hub Power Company Limited [Equity held Nil (2013: 0.01%)]	-	3,224
34,641,587	29,914,034	10	MCB Bank Limited [Equity held 3.11% (2013: 2.96%)]	4,947,531	4,454,396
440,000	440,000	10	Hira Textile Mills Limited [Equity held 0.56% (2013: 0.56%)]	5,000	5,000
25,631,181	25,631,181	10	Pakgen Power Limited [Equity held 6.89% (2013: 6.89%)]	355,448	355,448
27,348,388	27,348,388	10	Lalpir Power Limited [Equity held 7.20% (2013: 7.20%)]	371,516	371,516
-	3,396,340	10	MCB-Arif Habib Savings & Investment Limited [Equity held Nil (2013: 4.72%)]	-	66,356
				<u>5,713,706</u>	<u>5,290,151</u>

Mutual Fund Certificates

No. of Shares / Certificates		Face value	Company's name	2014	2013
2014	2013	Rupees		Rupees in thousand	
-	10,202,734	100	MCB Dynamic Cash Fund [Units held Nil (2013: 9.35%)]	-	943,345
-	10,748,654	100	MCB Cash Management Optimizer Fund [Units held Nil (2013: 7.38%)]	-	1,009,891
-	5,193,482	50	Metro Bank Pakistan Sovereign Fund [Units held Nil (2013: 48.66%)]	-	250,000
				<u>-</u>	<u>2,203,236</u>

16.3.2 Others - listed shares

No. of Shares / Certificates		Face value	Company's name	2014	2013
2014	2013	Rupees		Rupees in thousand	
Commercial Banks					
4,192,128	3,358,480	10	Allied Bank Limited	218,870	176,805
777,022	777,022	10	Askari Bank Limited	21,359	21,359
5,725,178	6,565,208	10	Bank Al-Habib Limited	122,610	154,660
666,092	378,320	10	Habib Bank Limited	87,135	40,947
3,901,899	3,901,899	10	Habib Metropolitan Bank Limited	87,327	87,327
3,878,012	7,048,012	10	National Bank of Pakistan	192,691	322,024
4,363,404	4,359,944	10	United Bank Limited	359,672	345,473
Non Banking Financial Institutions					
3,396,340	-	10	MCB-Arif Habib Savings & Investment Limited	66,356	-
Insurance					
3,840	3,000	10	EFU General Insurance Company Limited	211	211
335,706	305,188	10	International General Insurance Company of Pakistan	22,888	22,888
286,843	286,843	10	Pakistan Reinsurance Company Limited	6,326	6,326
Power Generation & Distribution					
85,000	85,000	10	Kot Addu Power Company Limited	3,913	3,913
115,500	-	10	Hub Power Company Limited	3,224	-
1,638,882	-	10	Saif Power Limited	49,166	-
Oil And Gas Marketing Companies					
100,000	100,000	10	Attock Refinery Limited	15,157	15,157
2,213,095	2,213,095	10	Sui Northern Gas Pipelines Limited	127,666	127,666
Oil And Gas Exploration Companies					
110,000	10,000	10	Oil and Gas Development Company Limited	27,326	1,067
574,985	224,985	10	Pakistan Oilfields Limited	252,515	67,272
1,744,464	1,014,464	10	Pakistan Petroleum Limited	259,410	99,384

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

No. of Shares / Certificates		Face value	Company's name	2014	2013
2014	2013	Rupees		Rupees in thousand	
Automobile Assembler					
406,860	301,378	5	Al- Ghazi Tractors Limited	43,030	43,030
340,996	340,996	10	Millat Tractors Limited	25,239	25,239
Cables And Electrical Goods					
326,128	326,128	10	Pakistan Cables Limited	27,717	27,717
148,131	148,131	10	Siemens (Pakistan) Engineering Company Limited	116,770	116,770
Industrial Metals and Mining					
91,300	91,300	10	Aisha Steel Mills Limited	-	-
Fertilizer					
1,936,906	1,936,906	10	Fauji Fertilizer Bin Qasim	85,611	85,611
6,701,640	6,466,640	10	Fauji Fertilizer Company Limited	642,811	616,274
9,000	-	10	Fatima Fertilizer Company Limited	-	-
Pharmaceutical					
28,646	1,170,996	10	Abbott Laboratories Pakistan Limited	3,501	143,131
683,661	985,147	10	GlaxoSmithKline Pakistan Limited	53,506	84,811
Chemical					
968,000	968,000	10	Arif Habib Corporation Limited	98,981	98,981
110,401	110,401	10	Archroma Pakistan Limited	11,762	11,762
Food And Personal Care Products					
371,868	709,868	10	Murree Brewery Company Limited	15,804	30,168
66,290	66,290	10	Rafhan Maize Products Limited	90,271	90,271
Cement					
5,003,944	2,707,944	10	D.G. Khan Cement Company Limited	307,147	106,049
				<u>3,445,972</u>	<u>2,972,293</u>

16.3.3 Others - Unlisted shares

No. of Shares / Certificates		Face value	Company's name	2014	2013
2014	2013	Rupees		Rupees in thousand	
3,684,914	-	10	Security General Insurance Company Limited	351,471	-

16.3.4 Others-Term Finance Certificates

No. of Shares / Certificates		Face value	Company's name	2014	2013
2014	2013	Rupees		Rupees in thousand	
3,000	3,000	5,000	Bank Alfalah Limited	14,970	14,976
5,000	5,000	5,000	KESC AZM Certificate	24,955	24,975
-	2,000	5,000	Allied Bank Limited	-	9,976
				<u>39,925</u>	<u>49,927</u>

16.3.5 Others-Mutual Fund Certificates Open-Ended-Mutual Funds

No. of Shares / Certificates		Face value	Company's name	2014	2013
2014	2013	Rupees		Rupees in thousand	
6,137,613	-	100	MCB Dynamic Cash Fund	559,097	-
10,416,977	-	100	MCB Cash Management Optimizer Fund	987,830	-
22,436,114	-	50	Metro Bank Pakistan Sovereign Fund	1,168,878	-
1,748,646	1,672,184	10	ABL Income Fund	17,534	13,938
5,287,342	-	50	Pakistan Income Enhancement Fund	269,395	-
334,476	312,602	50	Meezan Islamic Income Fund	16,881	10,000
1,016,489	-	100	PICIC Cash Fund	100,000	-
-	8,041	500	Atlas Income Fund	-	2,725
-	38,310	100	KASB Cash Fund	-	3,482
-	1,416,817	10	NIT Government Bond Fund	-	10,000
-	568,899	10	ABL Government Securities Fund	-	-
579,169	500,511	100	ABL Islamic Stock Fund	5,000	-
				<u>3,124,615</u>	<u>40,145</u>

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

	Note	2014		2013
		Cost	Provision there against	Carrying value
Rupees in thousand				
16.3.6 At fair value through profit or loss				
In related parties				
- Listed shares		-	-	3,122
- Mutual Fund Certificates		-	-	246,663
		-	-	249,785
Others				
- Listed shares	16.4.3	54,337	-	4,481
- Unlisted shares		-	-	-
- Term Finance Certificates		119,191	-	150,808
- Mutual Fund Certificates	16.4.4	1,116,634	-	210,099
- Government treasury bills		292,758	-	3,889,033
- Pakistan Investment Bonds		222,129	-	100,621
- Ijarah sukuks		-	-	40,320
		1,805,049	-	4,395,362
		1,805,049	-	4,645,147
		<u>21,113,328</u>	<u>(226,444)</u>	<u>15,822,211</u>

16.4.1 At fair value through profit or loss Listed Shares:

No. of Shares / Certificates	Face value	Company's name	2014	2013
2014	2013	Rupees	Rupees in thousand	
-	27,500	10 Hub Power Company Limited	-	1,670
-	11,000	10 D.G. Khan Cement Company Limited	-	943
-	4,000	10 Nishat Mills Limited	-	509
			-	3,122

16.4.2 Mutual Fund Certificates

No. of Shares / Certificates	Face value	Company's name	2014	2013
2014	2013	Rupees	Rupees in thousand	
-	255,646	MCB Dynamic Cash Fund	-	29,045
-	2,173,564	MCB Cash Management Optimizer Fund	-	217,468
-	2,994	Metro Bank Pakistan Sovereign Fund	-	150
			-	246,663

16.4.3 Others - listed shares

No. of Shares / Certificates	Face value	Company's name	2014	2013
2014	2013	Rupees	Rupees in thousand	
		Commercial Banks		
1,964	1,964	10 Askari Bank Limited	45	27
200,000	-	10 Habib Metropolitan Bank Limited	7,460	-
11,555	5,055	10 Meezan Bank Limited	543	199
135,338	-	10 United Bank Limited	23,916	-
		Power Generation & Distribution		
14,500	-	10 Kot Addu Power Company Limited	1,145	-
69,500	-	10 Hub Power Company Limited	5,446	-
		Oil And Gas Marketing Companies		
2,800	-	10 Attock Petroleum Limited	1,511	-
-	800	10 Pakistan State Oil Company Limited	-	266
-	1,600	10 Paksitan Oil fields Limited	-	796
-	2,000	10 National Refinery Limited	-	431
		Telecommunication Companies		
-	8,000	10 Pakistan Tele Communication Limited	-	228

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

16.4.4 Others-Mutual Fund Certificates Open-Ended-Mutual Funds

No. of Shares / Certificates		Face value	Company's name	2014	2013
2014	2013	Rupees		Rupees in thousand	
11,420	4,220	10	Oil And Gas Exploration Companies Pakistan Petroleum Limited	2,016	903
1,100	-	10	Automobile Assembler Millat Tractors Limited	712	-
3,400	-	10	Pakistan Suzuki Motors Company Limited	1,262	-
18,000	-	10	Fertilizer Engro Fertilizer Limited	1,406	-
8,500	-	10	Fauji Fertilizer Company Limited	995	-
36,300	36,300	10	Chemical Arif Habib Corporation Limited	998	808
1,000	1,000	10	Packages Limited	678	273
5,000	-	10	Engro Corporation	1,108	-
100	-	10	Food And Personal Care Products Nestle Pakistan Limited	910	-
-	1,300	10	Cement Kohat Cement Limited	-	127
-	3,000	10	Cherat Cement Limited	-	190
44,000	-	10	Fauji Cement Company Limited	1,137	-
5,600	-	10	Attock Cement Pakistan Limited	1,093	-
25,000	8,500	10	Maple Leaf Cement Company Limited	1,106	233
1,700	-	10	Lucky Cement Limited	850	-
778,258	686,367		MCB Islamic Income Fund	54,337	4,481
310,066	-		MCB Islamic Allocation Fund	79,895	68,723
247,820	-		MCB Dynamic Allocation Fund	18,117	-
70,591	2,543,073		Pakistan Cash Management Fund	19,637	-
687,445	-		Pakistan Income Fund	3,682	127,217
4,719,116	-		Pakistan Stock Market Fund	38,057	-
572,896	-		MCB Dynamic Cash Fund	347,044	-
10,011,835	-		MCB Dynamic Cash Fund - Class A	62,033	-
893	853		Metrobank - Pakistan Sovereign Fund	545,649	-
23,465	140,397		Pakistan Income Enhancement Fund - A	49	43
			IGI Money Market Fund	2,471	14,116
				<u>1,116,634</u>	<u>210,099</u>

		2014	2013
		Rupees in thousand	
17	Premium due but unpaid - Unsecured		
	Considered good	3,652,444	2,673,944
	Considered doubtful	363,482	369,231
		<u>4,015,926</u>	<u>3,043,175</u>
	Less: Provision for doubtful balances	(363,482)	(369,231)
		<u>3,652,444</u>	<u>2,673,944</u>
17.1	Reconciliation of provision for doubtful balances		
	Balance as at 01 January	369,231	359,147
	Exchange (gain) / loss	(5,749)	10,084
	Charge for the year	-	-
	Balance as at 31 December	<u>363,482</u>	<u>369,231</u>
17.2	Premium due but unpaid include an amount of Rs. 346,287 thousands (2013: Rs. 164,477 thousands) held with related parties.		

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

	Note	2014	2013
Rupees in thousand			
18	Amounts due from Other Insurers / Reinsurers - Unsecured		
	Considered good	820,933	1,094,914
	Considered doubtful	299,558	322,810
		<u>1,120,491</u>	<u>1,417,724</u>
	Less: Provision for doubtful balances	18.1	
		<u>(299,558)</u>	<u>(322,810)</u>
		<u>820,933</u>	<u>1,094,914</u>
18.1	Reconciliation of provision for doubtful balances		
	Balance as at 01 January	322,810	326,327
	Reversal for the year	(23,252)	-
	Written off during the year	-	(3,517)
	Balance as at 31 December	<u>299,558</u>	<u>322,810</u>
19	Premium and claim reserves retained by cedants		
	Considered good	-	23,252
	Considered doubtful	23,252	-
		<u>23,252</u>	<u>23,252</u>
	Less: Provision for doubtful balances	19.1	
		<u>(23,252)</u>	<u>-</u>
		<u>-</u>	<u>23,252</u>
19.1	Reconciliation of provision for doubtful balances		
	Balance as at 01 January	-	-
	Charge for the year	23,252	-
	Balance as at 31 December	<u>23,252</u>	<u>-</u>
20	Accrued investment income		
	Return accrued on Term Finance Certificates	681	5,331
	Return accrued on Treasury Bills	-	2,957
	Return accrued on Pakistan Investment Bonds	343,663	13,555
	Return on ijara sukuk	415	675
	Return on policy holders loan	210	21
	Dividend income		
	- associated undertakings	-	-
	- others	3,083	20
		<u>3,083</u>	<u>20</u>
	Return on deposit accounts		
	- associated undertakings	-	-
	- others	9,079	7,562
		<u>9,079</u>	<u>7,562</u>
		<u>357,131</u>	<u>30,121</u>
21	Reinsurance recoveries against outstanding claims		
	These are unsecured and considered to be good.		
22	Prepayments		
	Prepaid reinsurance premium ceded	2,053,666	1,701,770
	Others	93,569	82,511
		<u>2,147,235</u>	<u>1,784,281</u>

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

	Note	2014	2013
23 Sundry receivables			
Considered good			
Current portion of long-term loans			
Executives	14	5,103	4,871
Employees	14	13,365	12,645
Other advances		113,840	119,294
Security deposits		33,609	21,410
Miscellaneous		101,108	46,119
		<u>267,025</u>	<u>204,339</u>
24 Fixed assets			
Owned assets - tangibles	24.1	1,113,554	1,005,061
Owned assets - intangibles	24.1	57,202	68,674
		<u>1,170,756</u>	<u>1,073,735</u>
Leased assets	24.1	-	33,627
Capital work in progress	24.2	1,721	89,310
		<u>1,172,477</u>	<u>1,196,672</u>

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

2014											
Rupees in thousand											
As at 01 Jan 2014	Cost			As at 31 Dec 2014	As at 01 Jan 2014	Exchange differences and other adjustments	Depreciation On Disposals	Charge for the year	As at 31 Dec 2014	Book value As at 31 Dec 2014	Rate
	Additions / transfers	Exchange differences and other adjustments	Disposals								
	546,697	2,402	(8,438)	538,957	101,490	(1,311)	(1,236)	29,325	128,268	410,689	10.00%
Tangible											
Land and Buildings	231,642	11,181	(1,317)	240,934	75,482	(172)	(354)	25,539	100,495	140,439	15.00%
Furniture and fixtures	499,006	84,619	(353)	611,880	226,941	(451)	(16,301)	47,430	288,865	323,015	15.00%
Motor vehicles		54,383					31,246				
Machinery and equipment	234,715	17,258	(1,665)	249,718	118,290	(302)	(468)	19,212	136,732	112,986	15.00%
Computer and related accessories	216,414	119,563	(734)	333,325	161,907	(589)	(1,697)	47,279	206,900	126,425	30.00%
Intangibles											
Computer software	198,317	1,248	(411)	199,154	114,537	(79)	-	27,494	141,952	57,202	20.00%
Leased											
Motor vehicles	67,100	-	-	-	33,473	-	(6,688)	4,461	-	-	15.00%
	1,993,891	236,271	(12,918)	2,175,968	832,120	(2,904)	(26,744)	200,740	1,003,212	1,170,756	

2013											
Rupees in thousand											
As at 01 Jan 2013	Cost			As at 31 Dec 2013	As at 01 Jan 2013	Exchange differences and other adjustments	Depreciation On Disposals	Charge for the year	As at 31 Dec 2013	Book value As at 31 Dec 2013	Rate
	Additions / transfers	Exchange differences and other adjustments	Disposals								
	532,493	200	14,004	546,697	68,443	(1,518)	-	34,545	101,490	445,207	10.00%
Tangible											
Land and Buildings	165,949	65,322	472	231,642	51,613	(471)	(61)	24,401	75,482	156,160	15.00%
Furniture and fixtures	422,178	87,475	1,491	499,006	198,173	(563)	(6,523)	35,854	226,941	272,065	15.00%
Motor vehicles		35,448	754	234,715	102,017	(627)	(1,620)	18,520	118,290	116,425	15.00%
Machinery and equipment	201,576			234,715							
Computer and related accessories	192,233	24,844	301	216,414	141,885	(1,575)	(852)	22,449	161,907	54,507	30.00%
Intangibles											
Computer software	151,481	45,664	1,172	198,317	90,290	(156)	-	24,403	114,537	83,780	20.00%
Leased											
Motor vehicles	89,221	-	-	67,100	36,792	-	(10,008)	6,689	33,473	33,627	15.00%
	1,795,131	258,953	18,194	1,993,891	689,213	(4,910)	(19,064)	166,881	832,120	1,161,771	

2.4.1 Property, plant and equipment:

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

24.1.1 Details of tangible assets disposed off during the year are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
Rupees in thousand						
Buildings						
Al Amin Towers Karachi	1,704	1,236	468	10,068	Negotiation	Burhan Basri
	<u>1,704</u>	<u>1,236</u>	<u>468</u>	<u>10,068</u>		
Furniture and fixtures						
Air conditioner	124	56	68	-	Written off	
Items having book value below Rs. 50,000	448	298	150	63		
	<u>572</u>	<u>354</u>	<u>218</u>	<u>63</u>		
Motor Vehicles						
Owned:						
Honda City [LEC-07-2889]	840	568	272	885	Auction	Muhammad Umair Abbas
Mitsubishi Lancer [MLJ-959]	800	564	236	780	Auction	Muhammad Tayyab
Mitsubishi Lancer [CR-9669]	800	504	296	700	Auction	Ahmad Jalil Raja
Honda Civic [LZY-4488]	1,288	943	345	745	Auction	Gulam Rasool
Honda City [APA-741]	940	596	344	727	Auction	Mian Asad Masood
Suzuki Cultus [APW-471]	632	410	222	556	Auction	Muhammad Asif
Suzuki Mehran [AFP-706]	220	182	38	220	Auction	Qalandar Khan
Suzuki Cultus [FSN-376]	600	427	173	342	Auction	Muhammad Imran
Suzuki Bolan [CT-9919]	660	212	448	568	Auction	Jamsheed Khan
Honda Citi [AXU-442]	1,533	450	1,083	1,113	Negotiation	Arif Khan - Company Employee
Honda Civic [AUW-395]	1,935	806	1,129	1,129	Negotiation	Jahangir Bashir Nawaz - Ex Company employee
Honda Civic [LZW-7966]	1,287	975	312	288	Auction	Sikandar Hameed Lodhi
Suzuki Mehran [ASX-509]	525	268	257	205	Negotiation	Sohail Ahmed - Company employee
Suzuki Mehran [ASW-291]	591	290	301	222	Negotiation	Masood Pervaiz - Company employee
Honda City [AYN-714]	1,507	321	1,186	1,077	Auction	Javed ul Islam
Honda Civic [FSH-0034]	1,287	982	305	305	Negotiation	Iqbal Muhammad Chaudhry - Company employee
Honda Accord	1,762	1,087	675	1,316	Company policy	Noman Noor - Subsidiary Company Employee
Honda Civic	2,157	395	1,762	1,800	Company policy	Iftikhar Khan - Subsidiary Company Employee
Items having book value below Rs. 50,000	6,411	6,321	90	2,610		
	<u>25,775</u>	<u>16,301</u>	<u>9,474</u>	<u>15,588</u>		
Leased:						
Toyota Corolla Gli [ASM-657]	1,389	779	610	1,117	Auction	Allah Dita Ranjha
Suzuki Mehran [ASA-576]	534	315	219	367	Auction	Muhammad Awais
Suzuki Mehran [ASC-562]	530	293	237	360	Auction	Jamsheed Khan
Suzuki Mehran [ASA-541]	534	305	229	301	Auction	Ahmad Jalil Raja
Suzuki Mehran [ASC-689]	534	214	320	166	Negotiation	Lal Mohammad Khan - Company employee
Suzuki Mehran [ASA-574]	529	280	249	150	Negotiation	Shahab A. Qadri - Company employee
Suzuki Mehran [ASA-569]	530	280	250	150	Negotiation	Abdul Sattar Kaikhani - Company employee
Suzuki Mehran [ARY-139]	534	227	307	151	Negotiation	S.M. Bilal Shahzad - Company employee
Suzuki Mehran [ASA-658]	534	289	245	141	Negotiation	Farrukh Hassan Qureshi - Company employee
Suzuki Mehran [ASC-372]	534	276	258	153	Negotiation	Zafarullah A. Karim - Company employee
Suzuki Mehran [ASC-547]	530	278	252	140	Negotiation	Munir Ahmed - Company employee
Suzuki Mehran [ASC-536]	534	279	255	143	Negotiation	Akbar Arshad - Company employee
Suzuki Mehran [ASC-684]	534	279	255	143	Negotiation	Khalid Ikram - Company employee
Suzuki Mehran [ASC-809]	534	279	255	142	Negotiation	Hanif Ismail - Company employee
Suzuki Cultus [ASB-831]	805	412	393	265	Negotiation	Asif Aziz - Company employee
Suzuki Cultus [ASA-196]	844	436	408	237	Negotiation	Mohammad Rizwan - Company employee
Honda City A-T [ASM-644]	1,365	714	651	424	Negotiation	Shaila Hassan - Company employee
Toyota Corolla Gli [ASP-795]	1,389	753	636	357	Negotiation	Rubina Qureshi - Company employee
	<u>12,717</u>	<u>6,688</u>	<u>6,029</u>	<u>4,907</u>		
Machinery and equipment						
Items having book value below Rs. 50,000	590	468	122	110		
	<u>590</u>	<u>468</u>	<u>122</u>	<u>110</u>		
Computer						
Laptop	71	16	55	-	Theft	
Laptop	71	16	55	-	Theft	
Items having book value below Rs. 50,000	1,776	1,665	111	231		
	<u>1,918</u>	<u>1,697</u>	<u>221</u>	<u>231</u>		
Grand Total	<u>43,276</u>	<u>26,744</u>	<u>16,532</u>	<u>30,967</u>		

24.2 Capital work in progress represents capital expenditure in respect of IT infrastructure of the Holding Company.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

	Note	2014	2013
25 Expenses		Rupees in thousand	
Salaries and wages	27.1	1,107,609	944,967
Rent, rates and taxes		86,586	69,753
Utilities		62,943	74,948
Communication and computer expenses		35,979	35,800
Printing and stationery		33,184	38,597
Traveling and entertainment		55,034	65,746
Repairs and maintenance		124,815	151,521
Advertisement and sales promotion		42,793	45,980
Depreciation	24.1	123,936	127,585
Tracking and monitoring charges		91,600	93,886
Legal and professional		59,668	75,844
Others		86,793	88,011
		<u>1,910,940</u>	<u>1,812,638</u>
26 Other income			
Income from financial assets			
Return on bank deposits		94,522	98,516
Interest on loans to employees		359	358
Income from non financial assets			
Gain on sale of fixed assets		14,486	1,329
Miscellaneous		11,296	49,556
		<u>120,663</u>	<u>149,759</u>
27 General and administration expenses			
Salaries and wages	27.1	159,455	106,112
Rent, rates and taxes		18,160	14,904
Depreciation	24.1	56,044	20,530
Communication and computer expenses		39,523	11,774
Utilities		15,320	4,247
Repairs and maintenance		25,771	40,894
Advertisement and sales promotion		19,926	16,459
Traveling and entertainment		27,467	20,180
Directors' fee		350	440
Legal and professional		58,948	98,659
Auditors' remuneration	27.2	5,734	5,939
Donations	27.3	1,154	6,481
Amortization of intangible asset	24.1	20,762	18,010
Others		50,055	48,294
		<u>498,669</u>	<u>412,923</u>

27.1 Management expenses and General and Administration expenses include Rs. 57,555 thousands (2013: Rs. 50,273 thousands) in respect of staff retirement benefits.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

27.2 Auditor's remuneration

Holding Company

Audit fee
Half yearly review
Other certifications
Out of pocket expenses

Subsidiary Company

Audit fee :
- Not related to statutory fund
- Related to statutory fund

	2014	2013
Rupees in thousand		
	4,027	4,108
	469	450
	370	370
	728	774
	<u>5,594</u>	<u>5,702</u>
	140	237
	1,261	1,680
	<u>1,401</u>	<u>1,917</u>
	<u>6,995</u>	<u>7,619</u>

27.3 None of the directors or their spouses had any interest in the donee.

28 Provision for taxation

Current tax

For the year
Prior year

Deferred tax

For the year

Note	2014	2013
Rupees in thousand		
28.1	150,573	108,987
	(3,993)	(1)
28.2	8,473	139,719
	<u>155,053</u>	<u>248,705</u>

28.1 Tax charge reconciliation

Numerical reconciliation between the average tax rate and applicable tax rate has not been presented as provision for the current year income tax has been made under the provision of minimum tax under section 113 of Income Tax Ordinance, 2001.

28.2 Deferred tax effect due to temporary differences of:

Tax depreciation allowance
Provision for gratuity
Assets subject to finance lease
Carried forward tax losses

Less: Opening balance of deferred tax asset

	2014	2013
Rupees in thousand		
	(69,157)	(67,185)
	14,836	13,635
	-	(9,161)
	153,194	170,057
	<u>98,873</u>	<u>107,346</u>
	<u>107,346</u>	<u>247,065</u>
	<u>(8,473)</u>	<u>(139,719)</u>

29 Earnings per share - Basic and diluted

There is no dilutive effect on the basic earnings per share which is based on:
Net profit after tax for the year attributable to owners of the parent

Weighted average number of shares

Basic earnings per share

	2014	2013
Rupees in thousand		
	<u>1,890,243</u>	<u>1,974,820</u>
Number of shares		
	350,000,000	350,000,000
Rupees		
	5.40	5.64

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

30 Remuneration of Chief Executive, Executive Director, Non-Executive Directors and Executives

The aggregate amount charged for the year for remuneration including all benefits to Chief Executive Officer, executive directors, non-executive directors and executives of the Holding Company is as follows:

	Chief Executive Officer / Executive Director		Non-executive Directors		Executives		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	Rupees in thousand							
Fee	-	-	350	440	-	-	350	440
Managerial remuneration	6,480	5,608	-	-	160,647	123,788	167,127	129,396
Allowances and perquisites	7,854	5,959	-	-	183,310	154,571	191,164	160,530
	14,334	11,567	350	440	343,957	278,359	358,641	290,366
Number	1	1	10	10	154	128	165	139

30.1 In addition, the Chief Executive Officer and certain executives are also provided with free use of the Holding Company's cars, certain household items, furniture and fixtures and equipment in accordance with the policy of the Holding Company.

30.2 No remuneration was paid to non - executive directors of the Holding Company except for meeting fees.

30.3 The retirement benefits paid by the Holding Company for CEO are Rs 540 thousands (2013: 480 thousands)

31 Transactions with related parties

The Group has related party relationships with its associated companies, subsidiary Group, employee benefit plans, key management personnel and other parties. Transactions entered into with such related parties include the issuance of policies to and disbursements of claims incurred by them and payments of rentals for the use of premises rented from them, etc.

There are no transactions with key management personnel other than as per their terms of employment. These transactions are disclosed in notes 16 and 30 of these consolidated financial statements. Particulars of transactions with the Group's staff retirement benefit schemes are disclosed in note 9 and 10.1. Investments in and balances outstanding with related parties have been disclosed in the relevant notes to the consolidated balance sheet. Other transactions with related parties not elsewhere disclosed are summarized as follows.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

Holding Company

i) Transactions

	2014	2013
	Rupees in thousand	
Premium underwritten	1,143,225	1,037,631
Premium received	834,422	1,152,879
Claims paid	322,214	438,495
Premiums paid	-	-
Service charges received	5,045	-
Investments made	493,136	2,990,882
Rent paid	870	3,815
Rent received	5,674	4,947
Dividends received	520,843	573,805
Dividend paid	326,627	138,727
Income on deposit account	37,375	18,241

Number of shares

Bonus shares received	3,004,653	5,666,111
Bonus shares issued	-	66,540,545

ii) Year end balances

Other related parties

Balances receivable	347,346	584,777
Balances payable	305,383	316,360
Cash and bank balances	1,174,526	876,596

Subsidiary Company

i) Transactions

Associated undertakings

	2014	2013
	Rupees in thousand	
Premium written	86,727	79,501
Claims expense	57,882	36,794
Commission and other incentives in respect of Bancassurance	861,870	851,418
Profit on bank deposits	30,408	19,011
Investment advisor fee	14,515	8,468
Trustee fee	4,553	2,621
Technical support fee	4,284	19,948
Bank charges	186	78
Investment purchased	1,311,979	1,142,526
Investment sold	791,751	835,677

ii) Year end balances

Associated undertakings

Premium due but unpaid	9,669	4,198
Bank deposits	501,317	274,038
Investments held	1,119,609	461,892
Technical support fee payable	15,520	16,311
Commission payable	221,359	76,223
Claims payable	7,290	4,514
Remuneration payable to Investments advisor	1,763	3,679
Remuneration payable to Trustee	447	284

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

32 Segment Reporting

32.1 In addition to note 32.2 class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirements of the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The following is a schedule of class of business wise assets and liabilities:

	2014																											
	Fire and Property Damage		Marine, Aviation and Transport		Motor		Accident and Health		Miscellaneous		Treaty		Unallocated Concrete Assets/Liabilities		Total		Aggregate General Insurance	Life Insurance			Aggregate Life Insurance	Grand Total						
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Shareholders' Fund	Conventional Business		Accident and Health Business	Non-unified Investment Link Business	Unit Link Business								
OTHER INFORMATION	Rupees in thousand																											
Segment Assets																												
Reinsurance and other recoveries accrued	1,545,539	6,422	168,410	-	66,356	1,598,544	-	488,628	2,784	-	-	-	-	2,268,953	1,607,750	3,076,703	-	-	-	-	-	3,876,703						
Deferred commission expense	229,246	8,826	10,308	195	54,280	115,282	9,514	47,698	1,160	-	-	-	-	350,046	127,250	477,296	-	-	-	-	-	477,296						
Prepaid reinsurance premium ceded	1,618,179	35,553	5,458	66	833	144,683	12,704	232,065	4,125	-	-	-	-	1,856,535	197,131	2,053,666	-	-	-	-	-	2,053,666						
Premiums due but unpaid	1,148,803	55,236	212,805	14,248	372,467	1,037,747	389,090	387,572	10,823	-	-	-	-	2,490,737	1,137,184	3,627,921	-	-	-	-	-	3,627,921						
Premium and claim reserves retained by cedants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Amounts due from other insurers/reinsurers	374,955	-	69,827	-	122,217	-	-	248,283	-	-	-	-	-	817,282	-	817,282	-	-	-	-	-	3,651	820,933					
Unallocated Assets																												
Cash and bank deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	1,669,648	1,206,982	1,669,648	1,206,982	2,876,630	10,295	43,831	64	38,529	459,942	572,661	3,449,291			
Loans	-	-	-	-	-	-	-	-	-	-	-	-	11,738	2,487	11,738	2,487	14,225	-	-	-	-	2,794	729	3,523	17,768			
Investments	-	-	-	-	-	-	-	-	-	-	-	-	12,787,169	-	12,787,169	-	97,694	1,179	85	1,660,233	5,977,960	8,093,714	20,886,883					
Deferred taxation	-	-	-	-	-	-	-	-	-	-	-	-	26,214	-	26,214	-	26,214	7,336	1,315	-	-	71,342	250,924	300,917	357,131			
Accrued investment income	-	-	-	-	-	-	-	-	-	-	-	-	49,843	-	49,843	-	49,843	7,971	-	-	-	-	-	7,871	57,714			
Taxation payments less provision	-	-	-	-	-	-	-	-	-	-	-	-	62,202	341	62,202	341	62,543	27,860	-	-	-	-	3,167	31,027	93,570			
Prepayments - others	-	-	-	-	-	-	-	-	-	-	-	-	188,052	68,081	188,052	68,081	256,133	9,792	21	-	-	-	-	10,892	26,025			
Sundry receivables	-	-	-	-	-	-	-	-	-	-	-	-	928,760	185,038	1,113,798	98,679	-	-	-	-	-	-	-	-	58,679	1,172,477		
Fixed assets	-	-	-	-	-	-	-	-	-	-	-	-	15,821,320	1,462,929	23,604,973	4,532,244	28,137,117	387,282	286,856	149	1,776,549	6,693,801	9,144,637	37,291,754				
Total assets	4,917,742	106,037	466,808	14,509	616,153	2,896,256	378,604	33,621	1,404,246	-	-	-	-	15,821,320	1,462,929	23,604,973	4,532,244	28,137,117	387,282	286,856	149	1,776,549	6,693,801	9,144,637	37,291,754			
Segment Liabilities																												
Provision for outstanding claims (including IBNR)	2,395,537	7,572	308,152	76	172,203	1,948,042	142,538	3,942	707,959	-	20,332	-	-	3,746,721	1,959,652	5,706,373	-	-	-	-	-	-	-	56,380	113,699	5,819,872		
Commission income unearned	150,849	7,317	245	10	85	25,448	46,014	-	46,014	1,133	-	-	-	197,193	33,928	231,121	-	-	-	-	-	-	-	-	-	231,121		
Provision for unearned premium	2,267,875	49,237	42,421	6,291	718,851	1,107,606	539,400	23,610	506,570	7,987	-	-	-	4,075,117	1,194,731	5,269,848	-	-	-	-	-	-	-	-	-	5,269,848		
Premiums received in advance	94,340	-	17,476	-	30,587	-	-	-	62,136	-	-	-	-	204,539	-	204,539	-	-	-	-	-	-	-	-	-	99,198	142,167	346,706.02
Commission payable	165,864	8,308	30,724	2,143	53,777	156,079	53,289	2,877	55,957	1,628	-	-	-	359,610	171,035	530,645	-	-	-	-	-	-	-	-	-	530,645		
Amounts due to other insurers/reinsurers	514,624	5,373	95,329	1,386	166,852	100,939	-	-	338,958	2,914	-	-	-	1,115,764	110,611	1,226,375	-	-	-	-	-	-	-	-	-	6,452	19,219	1,245,594
Unallocated Liabilities																												
Accrued expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	46,121	22,720	68,841	3,962	-	-	-	-	-	-	-	-	3,962	72,803	
Other creditors and accruals	-	-	-	-	-	-	-	-	-	-	-	-	-	1,265,109	22,288	1,287,397	30,770	8,973	35	7,497	192,337	-	-	-	240,212	1,527,609		
Staff retirement benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	61,476	44,772	106,248	6,299	-	-	-	-	-	-	-	-	6,299	112,546	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Unclaimed dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	95,616	-	95,616	-	-	-	-	-	-	-	-	-	-	95,616	
Total liabilities	5,587,089	77,806	494,347	9,706	1,142,355	3,338,154	795,227	30,429	1,717,594	13,661	20,332	-	-	1,468,122	89,780	1,557,902	3,589,737	14,726,603	41,030	82,633	45	57,854	343,795	525,868	15,252,160			
Capital expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,383	139,670	

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

		31 DECEMBER 2013																Grand Total								
		Fire and Property Damage		Marine, Aviation and Transport		Motor		Accident and Health		Miscellaneous		Treaty		Unallocated Corporate Assets/Liabilities		Total			Aggregate General Insurance		Life Insurance			Aggregate Life Insurance		
		Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Shareholders Fund	Conventional Business		Accident and Health Business	Non-utilised Investment Link Business	Unit Link Business					
Rupees in thousand																										
OTHER INFORMATION																										
Segment Assets																										
Reinsurance and other recoveries accrued		2,865,914	53,326	126,959	-	52,854	2,016,130	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,754,131		
Deferred commission expense		176,680	11,650	2,946	-	47,883	1,163	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	390,649	
Prepaid reinsurance premium ceded		1,302,991	55,752	6,338	-	540	205	125,669	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,701,770	
Premiums due but unpaid		808,767	48,767	148,186	-	9,963	256,056	953,747	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,276	
Premium and claim reserves retained by cedants		11,684	-	2,141	-	3,679	-	5,728	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23,252	
Amounts due from other insurers/reinsurers		542,912	888	99,475	-	129	171,886	12,310	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	928	
Unallocated Assets																										
Cash and bank deposits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	313,425	
Loans		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	966	
Investments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,157,389	
Deferred taxation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,822,211	
Accrued investment income		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,945	
Taxation payments less provision		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	107,346	
Prepayments - others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,103	
Sundry receivables		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,372	
Fixed assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,244	
Total assets		5,708,948	190,383	386,545	10,849	533,402	3,209,264	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	95	
Segment Liabilities																										
Provision for outstanding claims (including IBNR)		3,654,234	427,600	168,844	8,100	227,331	2,385,319	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	84,019
Commission income unearned		119,291	10,684	521	81	18	7,090	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35,432
Provision for unearned premium		1,787,707	67,193	51,249	4,446	606,262	896,608	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,280
Premiums received in advance		77,091	-	14,126	-	24,407	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	966
Commission payable		131,010	9,296	24,004	1,347	41,478	128,926	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,028,184
Amounts due to other insurers/reinsurers		195,450	16,542	35,811	2,397	61,880	229,428	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,044,831
Unallocated Liabilities																										
Accrued expenses		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,283
Other creditors and accruals		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,082
Staff retirement benefits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	82,193
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,675
Unclaimed dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,683
Total liabilities		5,744,783	166,475	294,555	14,371	961,376	3,649,371	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	452,218
Capital expenditure																										
		5,708,948	190,383	386,545	10,849	533,402	3,209,264	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	316,640
		5,708,948	190,383	386,545	10,849	533,402	3,209,264	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,649,496
		5,708,948	190,383	386,545	10,849	533,402	3,209,264	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33,583
		5,708,948	190,383	386,545	10,849	533,402	3,209,264	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	279,514

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

32.2 For general insurance, each class of business has been identified as reportable segment whereas, for life insurance the statutory funds are treated as reportable segments. Following is a schedule of segment wise revenue and results:

	BUSINESS UNDERWRITTEN INSIDE PAKISTAN											BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN												
	General Insurance					Life Insurance					Total													
	Fire and property damage	Marine, aviation and transport	Motor and Health	Accident and Health	Misc.	Treaty	Conventional Business	Accident and Health Business	Non-United Investment Link Business	Link Business	31 December 2014	31 December 2013	31 December 2014	31 December 2013	Aggregate									
	977,744	665,436	1,352,407	1,262,272	538,754	-	138,760	-	521,271	4,216,402	7,773,066	8,023,649	26,038	24,997	1,435,236	10,563	9,123	-	1,505,917	1,795,775	11,278,983	10,482,989		
Net premium revenue	(592,444)	(333,014)	(651,712)	(1,136,020)	(350,314)	-	(62,140)	-	(17,091)	(1,164,181)	(4,306,903)	(2,712,263)	(35,960)	946	(985,135)	(4,569)	(3)	-	(1,024,711)	(1,382,718)	(5,331,414)	(4,730,260)		
Net claims	(273,959)	(171,235)	(445,354)	(141,227)	(155,678)	-	(33,947)	-	(43,364)	(350,273)	(1,643,033)	(1,544,207)	(20,207)	(10,441)	(216,164)	(11,415)	(9,680)	-	(267,907)	(208,431)	(1,910,540)	(1,935,055)		
Expenses	17,126	(90,943)	(105,764)	(27,290)	23,091	-	(31,399)	-	(51,364)	(95,823)	(1,212,326)	(1,133,744)	(2,437)	(5,124)	(148,412)	(1,455)	(143)	-	(177,971)	(149,447)	(1,390,271)	(1,376,192)		
Net investment income - statutory fund	-	-	-	-	-	-	21,065	12	230,842	797,033	1,048,952	316,862	-	-	-	-	-	-	-	(1,048,952)	1,048,952	-	-	
Add: Policyholder's liabilities at beginning of the year	-	-	-	-	-	-	64,704	9	1,047,079	3,620,367	4,732,159	1,956,675	-	-	-	-	-	-	-	-	4,732,159	4,732,159	-	-
Less: Policyholder's liabilities at end of the year	-	-	-	-	-	-	(101,213)	-	(1,613,531)	(6,271,711)	(7,966,455)	(4,824,672)	-	-	-	-	-	-	-	-	(7,966,455)	(7,966,455)	-	-
Capital contribution from shareholder's fund	-	-	-	-	-	-	25,416	-	17,240	17,470	70,126	33,937	-	-	-	-	-	-	-	-	70,126	70,126	-	-
Surplus of Policyholders' funds	-	-	-	-	-	-	(21,206)	(21)	(91,080)	(29,297)	(141,704)	27,344	-	-	-	-	-	-	-	-	(141,704)	(141,704)	-	-
Underwriting result	128,449	70,224	149,577	(42,265)	27,653	-	-	-	-	33,882	141,381	33,882	(32,564)	10,338	45,925	(7,076)	(703)	-	35,328	(24,921)	349,210	136,560		
Investment income - other	-	-	-	-	-	-	-	-	-	2,094,715	2,385,183	-	-	-	-	-	-	-	-	-	2,094,715	2,385,183		
Rental income	-	-	-	-	-	-	-	-	-	96,839	118,009	-	-	-	-	-	-	-	-	-	5,674	4,947		
Other income	-	-	-	-	-	-	-	-	-	2,525,636	2,444,573	-	-	-	-	-	-	-	-	-	23,824	120,643		
General and administration expenses	-	-	-	-	-	-	-	-	-	(463,249)	(381,121)	-	-	-	-	-	-	-	-	-	64,826	2,590,462		
Exchange gain / (loss)	-	-	-	-	-	-	-	-	-	(60)	10,872	-	-	-	-	-	-	-	-	-	(77,117)	(540,366)		
Finance charge on lease liabilities	-	-	-	-	-	-	-	-	-	(270)	(1,781)	-	-	-	-	-	-	-	-	-	(410)	(470)		
Share of profit of associated companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(270)	(1,781)	
Profit before tax	-	-	-	-	-	-	-	-	-	2,161,857	2,292,443	-	-	-	-	-	-	-	-	-	(12,701)	(65,497)		
Provision for taxation	-	-	-	-	-	-	-	-	-	(155,053)	(248,705)	-	-	-	-	-	-	-	-	-	-	(155,053)		
Profit after tax	-	-	-	-	-	-	-	-	-	1,906,804	2,043,738	-	-	-	-	-	-	-	-	-	(12,701)	(65,497)		

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

33 Financial and insurance risk management objectives and policies

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

The individual risk wise analysis is given below :

33.1 Credit risk and concentration of credit risk

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

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

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

	2014	2013
	Rupees in thousand	
Bank deposits	3,440,398	2,855,170
Investments	20,886,884	15,822,211
Premium due but unpaid	3,652,444	2,673,944
Amount due from other insurers / reinsurers	820,933	1,094,914
Salvage recoveries accrued	207,471	179,703
Loans	32,693	33,667
Accrued investment income	357,131	30,121
Reinsurance recoveries against outstanding claims	3,669,232	5,574,428
Sundry receivables	248,557	186,823
	<u>33,315,743</u>	<u>28,450,981</u>

Provision for impairment is made for doubtful receivables according to the Group's policy. The impairment provision is written off when the Group expects that it cannot recover the balance due. During the year, receivables of Rs. Nil (2013: Rs. Nil) were further impaired and provided for. The movement in the provision for doubtful debt account is shown in note 17.1, 18.1 and 19.1 to these consolidated financial statements.

	2014	2013
	Rupees in thousand	
The age analysis of receivables from other than related parties is as follows:		
Up to 1 year	2,891,348	2,048,532
1-2 & prior years	778,290	814,293
	<u>3,669,638</u>	<u>2,862,825</u>

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

Up to 1 year	308,375	161,598
1-2 & prior years	37,912	18,088
	<u>346,287</u>	<u>179,686</u>

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

The credit quality of Group's bank balance can be assessed with reference to external credit rating as follows:

	Rating		Rating Agency	2014	2013
	Short term	Long term		Rupees in thousand	
Allied Bank Limited	A-1+	AA+	PACRA	9	9
Askari Bank Limited	A-1+	AA	PACRA	46	46
Bank Alfalah Limited	A-1+	AA	PACRA	64,083	2,859
Bank Al Habib Limited	A-1+	AA+	PACRA	26,843	23,125
Citibank N.A.	P-2	A3	Moody's	9,595	9,599
Habib Bank Limited	A-1+	AA+	JCR-VIS	127,952	142,305
Industrial Development Bank of Pakistan	-	-	-	831	831
FINCA Micro Finance Bank Limited	A-3	BBB+	JCR-VIS	997	953
KASB Bank Limited				7,453	19,114
MCB Bank Limited	A-1+	AAA	PACRA	1,670,704	1,150,634
National Bank of Pakistan	A-1+	AAA	JCR-VIS	4,116	4,163
Oman International Bank S.A.O.G.	A-2	BBB	JCR-VIS	-	2,537
The Punjab Provincial Cooperative Bank Limited	BB+	B	JCR-VIS	139,103	66,672
Rozgar Micro Finance Bank Limited	A-3	BB+	JCR-VIS	-	1,000
Bank of Punjab	AA+	A-1+	PACRA	4	5
Soneri Bank Limited	A-1+	AA-	PACRA	1	1
Standard Chartered Bank (Pakistan) Limited	A-1+	AAA	PACRA	29,117	22,471
Tameer Micro Finance Bank Limited	A-1	A	JCR-VIS	-	1,000
United Bank Limited, Dubai U.A.E	A-1+	AA+	JCR-VIS	1,055,169	1,057,394
Al-Meezan Bank (Formerly HSBC)	A-1+	AA	JCR-VIS	12,056	-
Zarai Taraqati Bank Limited	B	B+	JCR-VIS	266,339	349,454
Faysal Bank Limited	A-1+	AA	JCR-VIS	25,980	998
				<u>3,440,398</u>	<u>2,855,170</u>

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

	Amounts due from other insurers / reinsurers	Reinsurance and other recoveries against outstanding claims	2014	2013
	Rupees in thousand			
A or Above (including PRCL)	1,015,149	3,335,139	4,647,153	6,386,452
BBB	11,385	37,404	52,117	123,148
Others	90,306	296,689	413,402	662,255
Total	<u>1,116,840</u>	<u>3,669,232</u>	<u>5,112,672</u>	<u>7,171,855</u>

Subsidiary Company's receivable from reinsurers is Rs. 3,651 thousands (2013: Rs. 929 thousands).

33.2 Liquidity risk

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

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

	2014			
	Carrying amount	Contractual cash flow	Upto one year	
Rupees in thousand				
Financial liabilities				
Provision for outstanding claims (including IBNR)	5,819,872	5,819,872	5,819,872	-
Amount due to insurers / reinsurers	1,245,594	1,245,594	1,245,594	-
Accrued expenses	72,803	72,803	72,803	-
Unclaimed dividend	95,416	95,416	95,416	-
Other creditors and accruals	1,687,251	1,687,251	1,687,251	-
	8,920,936	8,920,936	8,920,936	-

	2013			
	Carrying amount	Contractual cash flow	Upto one year	
Rupees in thousand				
Financial liabilities				
Provision for outstanding claims (including IBNR)	7,406,692	7,406,692	7,406,692	-
Amount due to insurers / reinsurers	662,515	662,515	662,515	-
Accrued expenses	61,304	61,304	61,304	-
Unclaimed dividend	45,218	45,218	45,218	-
Other creditors and accruals	1,405,800	1,405,800	1,405,800	-
Liabilities against asset subject to finance lease	6,683	6,683	6,683	-
	9,588,212	9,588,212	9,588,212	-

33.3 Market risk

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

(a) Interest / mark - up rate risk

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

	2014		2013	
	Effective interest rate (in %)		Carrying amounts	
	Rupees in thousand			
Fixed rate financial instruments				
Financial assets:				
Investments- PIBs and Treasury Bills	8.98% - 12.35 %	8.98% - 11.50 %	7,147,315	287,368
Loans	5%	5%	19,328	33,667
Floating rate financial instruments				
Financial assets:				
Bank deposits	5% - 9%	5% - 10.25 %	2,466,685	2,346,482
Investments - TFCs	12.02% - 15.00%	10.95% - 14.75%	159,116	200,735
Financial liabilities:				
Liabilities against assets subject to finance lease	3 month KIBOR plus 2% - 2.5%	3 month KIBOR plus 2% - 2.5%	-	6,683

Sensitivity analysis

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not affect fair value of any financial instruments. For cash flow sensitivity analysis of variable rate instruments a hypothetical change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variation in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	Profit and loss 100 bps	
	Increase	Decrease
	Rupees in thousand	
As at 31 December 2014 - Fluctuation of 100 bps		
Cash flow sensitivity - variable rate financial liabilities	-	-
Cash flow sensitivity - variable rate financial assets	20,680	(20,680)
As at 31 December 2013 - Fluctuation of 100 bps		
Cash flow sensitivity - variable rate financial liabilities	-	-
Cash flow sensitivity - variable rate financial assets	21,345	(21,345)

Price risk

Price risk represents the risk that the fair value of financial instruments will fluctuate because of changes in the market prices (other than those arising from interest / mark-up rate risk or currency risk), whether those changes are caused by factors specific to individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. The Group is exposed to equity price risk that arises as a result of changes in the levels of KSE - Index and the value of individual shares. The equity price risk arises from the Group's investment in equity securities for which the prices in the future are uncertain. The Group policy is to manage price risk through selection of blue chip securities.

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

The Group has investments in quoted equity securities amounting to Rs. 12,378,716 thousands (2013: Rs. 10,570,624 thousands) at the reporting date. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the reporting date. Market prices are subject to fluctuation which may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

Sensitivity analysis

Group's investment portfolio has been classified in the 'available-for-sale' category and fair value through profit and loss categories, a 10% increase / decrease in redemption value and share prices at year end would have increased / decreased impairment loss of investment recognized in profit and loss account or in revenue account of both statutory funds of life insurance business as follows:

	Impact on profit before tax	Impact on equity
	Rupees in thousand	
2014		
Effect of increase in share price	161	145
Effect of decrease in share price	(125,479)	(112,931)
2013		
Effect of increase in share price	49,405	44,465
Effect of decrease in share price	(80,939)	(72,845)

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's principal transactions are carried out in Pak Rupees and its exposure to foreign exchange risk arises primarily with respect to AED and US dollars in respect of foreign branches. Financial assets and liabilities exposed to foreign exchange risk amounted to Rs. 4,532,244 thousands (2013: Rs. 4,966,398 thousands) and Rs. 3,559,737 thousands (2013: Rs. 3,934,246 thousands), respectively, at the end of the year.

The following significant exchange rates were applied during the year:

	2014	2013
	Rupees in thousand	
Rupees per US Dollar		
Average rate	100.80	101.55
Reporting date rate	100.40	105.00
Rupees per AED		
Average rate	27.44	27.65
Reporting date rate	27.33	28.59

33.4 Insurance risk

33.4.1 Holding Company

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

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

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

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

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

a) Geographical concentration of insurance risk

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

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

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

b) Reinsurance arrangements

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

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

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

	Gross sum insured		Reinsurance		Net	
	2014	2013	2014	2013	2014	2013
	Rupees in thousand					
Fire	3,596,080,575	2,930,329,596	2,703,936,470	2,403,817,867	892,144,105	526,511,729
Marine	1,006,744,658	769,669,132	664,733,532	308,946,842	342,011,126	460,722,290
Motor	109,931,734	94,331,950	10,975,728	9,275,496	98,956,006	85,056,454
Accident & Health	79,234,945	52,195,929	1,026,830	730,774	78,208,115	51,465,155
Miscellaneous	289,892,944	476,817,904	157,296,762	354,659,450	132,596,182	122,158,454
	5,081,884,856	4,323,344,511	3,537,969,322	3,077,430,429	1,543,915,534	1,245,914,082

c) Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the balance sheet date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessary based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty, and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the balance sheet date.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

d) Neutral assumptions for claim estimation

The process used to determine the assumptions for calculating the outstanding claim reserves is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed in separate, case to case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Holding Company, in which case the information about the claim event is available. IBNR provision is initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries.

The estimation process takes into account the past claims reporting pattern and details of reinsurance programs. The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of reporting date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

e) Sensitivity analysis

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

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

	Pre tax profit		Shareholders' equity	
	2014	2013	2014	2013
Rupees in thousand				
General Insurance				
10% increase in claims liability				
Net:				
Fire	(62,839)	(53,062)	(40,846)	(34,490)
Marine	(33,207)	(22,151)	(21,584)	(14,398)
Motor	(163,685)	(191,630)	(106,395)	(124,560)
Accident & Health	(114,059)	(61,456)	(74,138)	(39,946)
Miscellaneous	(35,032)	(20,387)	(22,771)	(13,252)
	<u>(408,822)</u>	<u>(348,686)</u>	<u>(265,734)</u>	<u>(226,646)</u>
10% decrease in claims liability				
Net:				
Fire	62,839	53,062	40,846	34,490
Marine	33,207	22,151	21,584	14,398
Motor	163,685	191,630	106,395	124,560
Accident & Health	114,059	61,456	74,138	39,946
Miscellaneous	35,032	20,387	22,771	13,252
	<u>408,822</u>	<u>348,686</u>	<u>265,734</u>	<u>226,646</u>

f) Claims development table

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

	2012	2013	2014	Total
Rupees in thousand				
Estimate of ultimate claims cost:				
At end of accident year	6,702,042	7,689,784	6,298,282	20,690,108
One year later	4,083,676	4,043,963	-	8,127,639
Two years later	1,368,115	-	-	1,368,115
Estimate of cumulative claims	1,368,115	4,043,963	6,298,282	11,710,360
Less: Cumulative payments to date	912,238	2,801,491	3,293,767	7,007,496
Liability recognized	<u>455,877</u>	<u>1,242,472</u>	<u>3,004,515</u>	<u>4,702,864</u>

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

33.4.2 Subsidiary Company

33.4.2.1 Conventional business

(i) Individual Life

The risk underwritten is mainly death and sometimes disability. The risk of death and disability will vary in degree by age, gender, occupation, income group and geographical location of the assured person. The Subsidiary Company's exposure to poor risks may lead to unexpectedly high severity and frequency in claims' experience. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Subsidiary Company may also face the risk of poor investment return, inflation of business expenses and liquidity issues on amount invested in the fund. The Subsidiary Company faces the risk of under-pricing particularly due to the fact that majority of these contracts are long term. Additionally, the risk of poor persistency may result in the Subsidiary Company being unable to recover expenses incurred at policy acquisition.

The Subsidiary Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Subsidiary Company has a well defined medical underwriting policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. The need for profit testing is reviewed on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Subsidiary Company to limit the maximum exposure on any one insured person. The Subsidiary Company is developing and intends to eventually have a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Subsidiary Company applies quality controls on the standard of service provided to policyholders and has placed checks to control mis-selling and to track improvements in the standard of service provided to policyholders. For this, a regular monitoring of lapsation rates is conducted. On the claims handling side, the Subsidiary Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. Further, all payments on account of claims are made after necessary approval of the Chief Executive Officer of the Subsidiary Company. The Subsidiary Company maintains adequate liquidity in its fund to cater for a potentially sudden and high cash requirement.

a) Frequency and severity of claims

The Subsidiary Company measures concentration of risk in terms of exposure by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

There is some concentration by sum assured amounts which may have an impact on the severity of benefit payments on a portfolio basis.

The table below presents the concentration of assured benefits across five bands of assured benefits per individual life assured. The benefit assured figures are shown gross and net of the reinsurance contracts described above. The amounts presented are showing total exposure of the Subsidiary Company including exposure in respect of riders attached to the main policies.

Benefits assured per life	Sum assured at the end of 2014			
	Total benefits assured			
	Before reinsurance		After reinsurance	
Rupees	(Rupees in thousand)	%	(Rupees in thousand)	%
0-200,000	1,868	1.43	560	2.06
200,001 - 400,000	2,083	1.60	625	2.29
400,001 - 800,000	4,697	3.60	1,409	5.17
800,001 - 1,000,000	4,802	3.69	1,441	5.28
More than 1,000,000	116,857	89.68	23,239	85.20
Total	<u>130,307</u>		<u>27,274</u>	

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

Benefits assured per life	Sum assured at the end of 2013			
	Total benefits assured			
	Before reinsurance		After reinsurance	
Rupees	(Rupees in thousand)	%	(Rupees in thousand)	%
0-200,000	1,868	1.30	583	1.74
200,001 - 400,000	4,320	3.01	1,384	4.12
400,001 - 800,000	17,671	12.30	7,350	21.89
800,001 - 1,000,000	4,710	3.28	1,878	5.59
More than 1,000,000	115,079	80.11	22,384	66.66
Total	<u>143,648</u>		<u>33,579</u>	

b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term conventional assurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and morbidity incidence rates.

The Subsidiary Company assumes the expected mortality to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible. Morbidity incidence rates are taken as a percentage of reinsurer's risk premium rate.

c) Process used to decide on assumptions

For long-term conventional assurance contracts, long-term assumptions are made at the inception of the contract. Keeping the statutory minimum reserving basis in view, the Subsidiary Company determines assumptions on future mortality, morbidity, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

- The expected mortality is assumed to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.
- Morbidity incidence rates for morbidity are taken as a percentage of reinsurer's risk premium rate.
- Persistency: The Subsidiary Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.
- Expense levels and inflation: As the business is new, estimates from business projections have been used. Once established, a periodic study will be conducted on the Subsidiary Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.
- Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

d) Changes in assumptions

There have been no changes in assumptions since the last valuation carried out a year ago.

e) Sensitivity analysis

After reinsurance, the overall liability for individual life conventional business stands at less than 1% of the total policyholder liability held in respect of individual life business. Due to its immateriality, sensitivity analysis has not been conducted.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

Group Life

The main risk written by the Subsidiary Company is mortality. The Subsidiary Company may be exposed to the risk of unexpected claim severity or frequency. This can be a result of writing business with higher than expected mortality (such as mining or other hazardous industries), writing high cover amounts without adequate underwriting, difficulty of verification of claims, fraudulent claims or a catastrophe. The Subsidiary Company also faces risk such as that of under-pricing to acquire business in a competitive environment and of non-receipt of premium in due time. There also exists a potential risk of asset liability term mismatch due to liabilities being very short term in nature.

The Subsidiary Company manages these risks through underwriting, reinsurance, effective claims handling and other related controls. The Subsidiary Company has a well defined medical under-writing policy and avoids writing business for groups with overly hazardous exposure. Pricing is done in line with the actual experience of the Subsidiary Company. The premium charged takes into account the actual experience of the client and the nature of mortality exposure the group faces. The Management undertakes to write business in line with the limits set by the appointed actuary, especially for large groups having a group assurance policy with annual premium of Rs 2 million or above in accordance with the requirements of Circular 11 of 2013 dated June 14, 2013. The Subsidiary Company also maintains a Management Information System (MIS) to track the adequacy of the premium charged. Reinsurance contracts have been purchased by the Subsidiary Company to limit the maximum exposure to any one life. At the same time, due caution is applied in writing business in areas with a high probability of terrorism. The Subsidiary Company ensures writing business with good geographical spread and tries to maintain a controlled exposure to large groups which generally have poor experience. Writing business of known hazardous groups is also avoided. On the claims handling side, the Subsidiary Company ensures that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. Strict monitoring is in place at the Board of Directors level in order to keep the outstanding balances of premium at a minimum, especially the ones that are due for more than 90 days. The bulk of the assets held against liabilities of this line of business are cash to money market with short durations and high liquidity, thus mitigating the risk of asset value deterioration and liability mismatch.

a) Frequency and severity of claims

The Subsidiary Company measures concentration of risk in terms of exposure by geographical area. Concentration of risk arising from geographical area is not a factor of concern as the Subsidiary Company aims to achieve a spread of risks across various parts of the country.

The following table presents the concentration of assured benefits across five bands of assured benefits per individual life assured. The benefit assured figures are shown gross and net of the reinsurance contracts described above.

The amounts presented are showing total exposure of the Subsidiary Company including exposure in respect of riders attached to the main policies.

Benefits assured per life	Sum assured at the end of 2014			
	Total benefits assured			
	Before reinsurance		After reinsurance	
Rupees	(Rupees in thousand)	%	(Rupees in thousand)	%
0- 200,000	79,103	0.03	79,103	0.06
200,001 - 400,000	30,900	0.01	30,900	0.02
400,001 - 800,000	750	0.00	225	0.00
800,001 - 1,000,000	-	0.00	-	0.00
More than 1,000,000	313,050,766	99.96	140,372,003	99.92
Total	<u>313,161,519</u>		<u>140,482,231</u>	

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

Benefits assured per life	Sum assured at the end of 2013			
	Total benefits assured			
	Before reinsurance		After reinsurance	
Rupees	(Rupees in thousand)	%	(Rupees in thousand)	%
0-200,000	1,786	0.00	536	0.00
200,001 - 400,000	-	0.00	-	0.00
400,001 - 800,000	22,250	0.01	6,675	0.01
800,001 - 1,000,000	-	0.00	-	0.00
More than 1,000,000	195,837,770	99.99	100,056,022	99.99
Total	<u>195,861,806</u>		<u>100,063,233</u>	

b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Other than conducting a liability adequacy for Unexpired Risk Reserves (URR), there is no need to estimate mortality for future years because of the short duration of the contracts.

c) Process used to decide on assumptions

The business is too new for any meaningful investigation into the group's past experience. However, industry experience, the insured group's own past experience and reinsurer risk rates are used to determine the expected level of risk in relation to the SLIC (2001-05) Individual Life Ultimate Mortality Table.

d) Changes in assumptions

There have been no changes in assumptions since the last valuation carried out a year ago.

e) Sensitivity analysis

After reinsurance, the net unearned premium reserve for this business stands at less than 1% of the total policyholder liability. This liability will be on the Subsidiary Company's books for under a year. Due to its immateriality, a sensitivity analysis has not been conducted.

33.4.2.2 Non unitized Investment Linked Business

The risk underwritten is mainly death and sometimes disability. The risk of death and disability will vary in degree by age, gender, occupation, income group and geographical location of the assured person. The Subsidiary Company's exposure to poor risks may lead to unexpectedly high severity and frequency in claims' experience. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Subsidiary Company may also face the risk of inflation of business expenses and liquidity issues on amount invested in the fund. The Subsidiary Company faces the risk of underpricing particularly due to the fact that these contracts are long term. Additionally, the risk of poor persistency may result in the Subsidiary Company being unable to recover expenses incurred at policy acquisition.

The Subsidiary Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Subsidiary Company has a well defined medical underwriting policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. The need for profit testing is reviewed on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Subsidiary Company to limit the maximum exposure on any one insured person. The Subsidiary Company is developing and intends to eventually have a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Subsidiary Company applies quality controls on the standard of service provided to policyholders and has placed checks to control mis-selling and to track improvements in the standard of service provided to policyholders. For this, a regular monitoring of lapsation rates is conducted. On the claims handling side, the Subsidiary Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. The Subsidiary Company maintains adequate liquidity in its fund to cater for a potentially sudden and high cash requirement. Further all payments on account of claims are made after necessary approval of the Chief Executive Officer of the Subsidiary Company. The Subsidiary Company reserves the right to review the charges deductible under the contracts, thus limiting the risk of under pricing.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

a) Frequency and severity of claims

The Subsidiary Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

There is some concentration by sum assured amounts which may have an impact on the severity of benefit payments on a portfolio basis.

The Subsidiary Company charges for mortality risk on a monthly basis for all insurance contracts. It has the right to alter these charges based on its mortality experience and hence minimizes its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may hinder its mitigating effect. The Subsidiary Company manages these risks through its underwriting strategy and reinsurance arrangements.

The table below presents the concentration of assured benefits across five bands of assured benefits per individual life assured. The benefit assured figures are shown gross and net of the reinsurance contracts described above. The amounts presented are showing total exposure of the Subsidiary Company including exposure in respect of riders attached to the main policies.

Benefits assured per life	Sum assured at the end of 2014			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees in thousand)	%	(Rupees in thousand)	%
0- 200,000	99,755	1.56	29,927	1.80
200,001 - 400,000	141,529	2.22	42,459	2.56
400,001 - 800,000	814,945	12.73	244,483	14.73
800,001 - 1,000,000	287,605	4.49	86,281	5.20
More than 1,000,000	5,056,738	79.00	1,257,049	75.71
Total	<u>6,400,572</u>		<u>1,660,199</u>	

Benefits assured per life	Sum assured at the end of 2013			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees in thousand)	%	(Rupees in thousand)	%
0- 200,000	229,253	2.70	28,345	1.49
200,001 - 400,000	232,228	2.73	47,536	2.50
400,001 - 800,000	1,067,239	12.56	278,804	14.65
800,001 - 1,000,000	406,464	4.78	105,068	5.52
More than 1,000,000	6,563,820	77.23	1,443,301	75.84
Total	<u>8,499,004</u>		<u>1,903,054</u>	

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term Non-unitized Investment Linked assurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and morbidity of the insured population and variability in policyholders' behavior.

Factors impacting future benefit payments and premium receipts are as follows:

- Mortality: The Subsidiary Company assumes the expected mortality to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.
- Morbidity: Incidence rates for morbidity are taken as a proportion of reinsurer's risk rates.
- Persistency: The Subsidiary Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

c) Process used to decide on assumptions

For long-term Non-unitized Investment Linked assurance contracts, assumptions are made in two stages. At inception of the contract, the Subsidiary Company determines assumptions on future mortality, morbidity, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

- Mortality: The expected mortality is assumed to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.
- Morbidity: Incidence rates for morbidity are taken as a proportion of reinsurer's risk rates.
- Persistency: The Subsidiary Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.
- Expense levels and inflation: As the business is new, estimates from business projections have been used. Once established, a periodic study will be conducted on the Subsidiary Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.
- Investment returns: The investment returns are based on the historic performance of different types of assets underlying the fund.

d) Changes in assumptions

There have been no changes in assumptions since the last valuation carried out a year ago.

e) Sensitivity analysis

Periodic sensitivity analyses of the Subsidiary Company's in-force business determine whether any reserve needs to be created or product prices for new business need to be revised in light of changing or anticipated changes in experience from that expected when pricing the existing book of business. The current nature, volume and age of in-force business does not require a detailed sensitivity analysis at this stage.

33.4.2.3 Unit Link Business

The risk underwritten is mainly death and sometimes disability and/or critical illness. The risk of death and disability will vary from region to region. The Subsidiary Company may get exposed to poor risks due to unexpected experience in terms of claim severity or frequency. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Subsidiary Company may also face the risk of poor investment return, inflation of business expenses and liquidity issues on monies invested in the fund. The Subsidiary Company faces the risk of under-pricing particularly due to the fact that these contracts are long term. Additionally, the risk of poor persistency may result in the Subsidiary Company being unable to recover expenses incurred at policy acquisition.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

The Subsidiary Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Subsidiary Company has a well defined medical under-writing policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. The need for profit testing is reviewed on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Subsidiary Company to limit the maximum exposure on any one policyholder. The Subsidiary Company has a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Subsidiary Company applies quality controls on the standard of service provided to policyholders and has placed checks to curb mis-selling and improvement in standard of service provided to the policyholders. For this, a regular branch wise monitoring of lapsation rates is conducted. On the claims handling side, the Subsidiary Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. The Subsidiary Company maintains adequate liquidity in each unit fund to cater for potentially sudden and high cash requirement. The Subsidiary Company reserves the right to review the charges deductible under the contracts, thus limiting the risk of under pricing.

The Subsidiary Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Subsidiary Company charges for mortality risk on a monthly basis for all insurance contracts. It has the right to alter these charges based on its mortality experience and hence minimizes its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may hinder its mitigating effect. The Subsidiary Company manages these risks through its underwriting strategy and reinsurance arrangements.

The table below presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above. At year-end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Subsidiary Company.

The amounts presented are showing total exposure of the Subsidiary Company including exposure in respect of riders attached to the main policies.

Benefits assured per life	Sum assured at the end of 2014			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees in thousand)	%	(Rupees in thousand)	%
0- 200,000	412,559	0.93	123,768	1.13
200,001 - 400,000	1,586,156	3.58	475,847	4.36
400,001 - 800,000	6,221,041	14.03	1,866,312	17.08
800,001 - 1,000,000	4,512,854	10.18	1,353,856	12.39
More than 1,000,000	31,594,171	71.28	7,104,919	65.04
Total	<u>44,326,781</u>		<u>10,924,702</u>	

Benefits assured per life	Sum assured at the end of 2013			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees in thousand)	%	(Rupees in thousand)	%
0- 200,000	279,740	0.85	61,876	0.83
200,001 - 400,000	847,210	2.56	225,346	3.03
400,001 - 800,000	3,736,965	11.30	1,046,695	14.08
800,001 - 1,000,000	3,551,921	10.74	991,304	13.33
More than 1,000,000	24,648,151	74.55	5,110,430	68.73
Total	<u>33,063,987</u>		<u>7,435,651</u>	

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

a) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term unit linked insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and variability in policyholder's behavior.

b) Factors impacting future benefit payments and premium receipts are as follows:

Mortality: The expected mortality is assumed to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.

Persistency: The business is developing and eventually the Subsidiary Company intends to conduct periodic analyses on its historic book of business, using statistical methods to determine its persistency experience. Persistency rates are expected to vary by product and more importantly the sales distribution channel. Allowance will then be made for any trend in the data to arrive at best estimates of future persistency rates for each sales distribution channel.

c) Process used to decide on assumptions

For long-term unit linked insurance contracts, assumptions are made in two stages. At inception of the contract, the Subsidiary Company determines assumptions on future mortality, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

Mortality: The Subsidiary Company assumes the expected mortality to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.

Persistency: Since the Subsidiary Company has recently started business, it has no own experience to which it can refer. Industry standards for anticipated persistency rates have been used initially. Eventually, a periodic analysis of the Subsidiary Company's recent and historic experience will be performed and persistency will be calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance will then be made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

Expense levels and inflation: As the business is new, estimates from business projections have been used. Once established, a periodic study will be conducted on the Subsidiary Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.

Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

d) Changes in assumptions

There have been no changes in assumptions since the last valuation carried out a year ago.

e) Sensitivity analysis

Periodic sensitivity analyses of the Subsidiary Company's in-force business determine whether any reserve needs to be created or product prices for new business need to be revised in light of changing or anticipated changes in experience from that expected when pricing the existing book of business. The current nature, volume and age of in-force business does not require a detailed sensitivity analysis at this stage.

34. Reinsurance Risk

In order to minimize the financial exposure arising from large claims, the Subsidiary Company, in the normal course of business, enters into agreement with other reinsurers.

Reinsurance ceded does not relieve the Subsidiary Company from its obligation to policyholders and as a result the Subsidiary Company remains liable for the portion of outstanding claims reinsured to the extent that reinsurer fails to meet the obligation under the reinsurance agreements.

In order to manage this risk, the Subsidiary Company obtains reinsurance cover only from companies with sound financial health.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

35. Fair value of Financial Assets and Liabilities

Holding Company

The carrying values of all financial assets and liabilities of Holding Company reflected in these consolidated financial statements approximate to their fair value except for 'available-for-sale' investments which are stated at lower of cost and market value in accordance with the requirements of the SEC (Insurance) Rules, 2002. The carrying and fair value of these investments have been disclosed in note 16 to the financial statements. Since the financial assets are not stated at exact fair values, therefore, analysis under following groups from level 1 to level 3 based on the degree to which fair value is observable is not produced.

Level 1: Quoted market prices

Level 2: Valuation techniques (market observable)

Level 3: Valuation techniques (non market observable)

Subsidiary Company

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair values estimates.

As at 31 December 2014, the fair values of all major financial assets of Subsidiary Company are estimated to be not significantly different from their carrying values except for the following:

Financial assets designated	2014		2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Government securities	514,887	525,595	467,807	467,278
Listed equities and mutual funds	28,472	43,977	44,435	59,772

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

IFRS 7, 'Financial instruments: Disclosures' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Financial assets designated at fair value through profit or loss	2014			
	Level1	Level1	Level1	Total
	Rupees in thousand			
- Government securities	-	6,266,193	-	6,266,193
- Other fixed income securities	-	119,191	-	119,191
- Listed equity securities and units of mutual funds	1,170,971	-	-	1,170,971

Financial assets designated at fair value through profit or loss	2013			
	Level1	Level2	Level3	Total
	Rupees in thousand			
- Government securities	-	4,029,974	-	4,029,974
- Other fixed income securities	-	150,808	-	150,808
- Listed equity securities and units of mutual funds	464,364	-	-	464,364

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

36 Financial instruments by categories

Financial assets

Loans and receivables:

	2014	2013
	Rupees in thousand	
Cash and other equivalents	8,893	4,531
Current and other accounts	2,380,695	1,698,980
Deposits maturing within 12 months	1,059,703	1,156,190
Loans to employees	32,693	33,667
Premium due but unpaid	3,652,444	2,673,944
Amounts due from other insurers / reinsurers	820,933	1,094,914
Salvage recoveries accrued	207,471	179,703
Accrued investment income	357,131	30,121
Reinsurance recoveries against outstanding claims	3,669,232	5,574,428
Sundry receivables	248,557	186,823
Available-for-sale	19,081,835	11,177,064
At fair value through profit & loss	1,805,049	4,395,362
	<u>33,324,636</u>	<u>28,205,727</u>

Financial liabilities

Provision for outstanding claims (including IBNR)	5,819,872	7,406,692
Amounts due to other insurers / reinsurers	1,245,594	662,515
Accrued expenses	72,803	61,304
Other creditors and accruals	1,686,019	1,404,996
Unclaimed dividend	95,416	45,218
Liabilities against assets subject to finance lease	-	6,683
	<u>8,919,704</u>	<u>9,587,408</u>

37 Capital risk management

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

- To be an appropriately capitalized institution in compliance with the paid-up capital requirement set by the SECP. Minimum paid-up capital requirement for non-life insurers is Rs. 300,000 thousands while for life insurance it is Rs. 500,000 thousands. The Group's current paid-up capital is well in excess of the limit prescribed by the SECP and is also complying with solvency requirements prescribed by the SECP;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders;
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk;
- To maintain strong ratings and to protect the Group against unexpected events / losses; and
- To ensure a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

38 Non - Adjusting events after the balance sheet date

The Board of Directors of the Holding Company in their meeting held on 19 March 2015 proposed a final cash dividend for the year ended 31 December 2014 @15% i.e Rupees 1.5/- per share (2013: 10% i.e. Rupee 1/- per share). This is in addition to the interim cash dividend @ 12.5% i.e. Rupees 1.25/- per share (2013: @ 25% i.e Rupees 2.5/- per share) resulting in a total cash dividend for the year ended 31 December 2014 of Rupees 2.75/- per share (2013: Rupees 3.5/- per share). The approval of the members for the final dividend will be obtained at the forthcoming Annual General Meeting. The financial statements for the year ended 31 December 2014 do not include the effect of final dividend which will be accounted for in the financial statements for the year ending 31 December 2015.

39 Provident fund related disclosure

The following information is based on unaudited financial statements for the year ended 31 December 2014 and audited financial statements for the year ended 31 December 2013 of provident fund of the Holding Company:

	2014	2013
	Rupees in thousand	
Size of the fund - Total assets	863,517	849,653
Cost of investments	720,866	685,560
Percentage of investments made	97%	97%
Fair value of investments	836,226	824,131

39.1 The break-up of fair value of investments is as follows:

	2014	2013	2014	2013
	Percentage		Rupees in thousand	
Deposits and bank balances	4.0%	20.6%	33,804	169,694
Term finance certificates	4.0%	5.6%	33,613	46,346
Treasury bills	-	43.0%	-	354,390
Pakistan Investment Bonds	56.2%	-	470,210	-
Mutual funds	25.9%	18.4%	216,597	151,556
Listed securities	9.8%	12.4%	82,002	102,145
	<u>100.0%</u>	<u>100.0%</u>	<u>836,226</u>	<u>824,131</u>

39.2 The above investment / placement of funds in special bank account has been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

40. NUMBER OF EMPLOYEES

The number of employees as at / average during the year were as follows:

	2014	2013
	Number	
At year end		
Holding Company	<u>840</u>	<u>782</u>
Subsidiary Company	<u>183</u>	<u>111</u>
Average during the year		
Holding Company	<u>811</u>	<u>765</u>
Subsidiary Company	<u>147</u>	<u>95</u>

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2014

41 Date of authorization for issue

These consolidated financial statements were approved and authorized for issue on 19 March 2015 by the Board of Directors of the Company.

42 General

42.1 Corresponding figures have been rearranged and reclassified for better presentation, wherever considered necessary. Accident & health business has been disclosed separately as required under Insurance Ordinance, 2000.

42.2 Figures in these consolidated financial statements have been rounded off to the nearest thousand of rupees unless otherwise stated.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

The Companies Ordinance 1984 (Section 236 (2)(D) and 464) Pattern of Shareholding

- 1 Incorporation Number 0001190
- 2 Name of the Company ADAMJEE INSURANCE COMPANY LIMITED.
- 3 Pattern of holding of the shares held by the shareholders as at 31 December 2014

4

No. of Shareholders	Shareholdings					Total Shares Held
1,135	Shareholding	From	1	To	100	35,414
1,508	Shareholding	From	101	To	500	524,965
1,048	Shareholding	From	501	To	1000	925,556
3,684	Shareholding	From	1001	To	100000	38,605,341
116	Shareholding	From	100001	To	500000	24,549,222
23	Shareholding	From	500001	To	980000	15,925,660
22	Shareholding	From	1050001	To	5000000	44,844,171
1	Shareholding	From	6305001	To	6310000	6,305,238
1	Shareholding	From	8085001	To	8090000	8,087,907
1	Shareholding	From	8810001	To	8815000	8,813,896
1	Shareholding	From	12635001	To	12640000	12,639,735
1	Shareholding	From	15525001	To	15530000	15,526,087
1	Shareholding	From	16210001	To	16215000	16,211,396
1	Shareholding	From	20720001	To	20725000	20,723,378
1	Shareholding	From	33465001	To	33470000	33,469,869
1	Shareholding	From	102810001	To	102815000	102,812,165
7,545						350,000,000

5	Categories of Shareholders	Shares held	Percentage
5.1(a) Directors			
	Ahmed Ebrahim Hasham	90,609	0.026
	Fredrik Coenrard De Beer	7,073	0.002
	Ibrahim Shamsi	16,797	0.005
	Imran Maqbool Malik	7,073	0.002
	Kamran Rasool	8,487	0.002
	Mian Umer Mansha	60,335	0.017
	Muhammad Umar Virk	7,073	0.002
	S.M.Jawed	17,117	0.005
	Shahid Malik	8,487	0.002
5.1(b) Chief Executive Officer			
	(7,073 shares of Muhammad Ali Zeb, CEO has been included in the Executives holdings)	-	-
5.1(c) Directors spouse & minor children			
		-	-
5.1.1 Executives / Executives' spouse			
		88,097	0.025
5.2 Associated Companies, undertakings & related parties			
	a) MCB Bank Ltd.,	102,812,165	29.375
	b) Nishat Mills Ltd.	102,809	0.029
5.3 NIT and ICP			
		2,611	0.001
5.4 Banks, DFLs and NBFIs			
		19,879,015	5.680
5.5 Insurance Companies			
		20,835,953	5.953
5.6 Modaraba			
		1,100	-
5.6.1 Mutual Funds			
		17,313,450*	4.947
5.7 Shareholders holding 5% or more voting interest			
	MCB Bank Ltd. (5.2.a)	-	-
	Mian Nisar Elahi	20,723,378	5.921
5.8 General Public			
	a) Local (Individuals)	77,261,895	22.075
	b) Foreign Companies/ organizations/ Individuals (on repatriable basis)	13,555,483	3.873
5.9 Others			
	Joint Stock Companies	24,869,062	7.106
	Pension Fund, Provident Fund etc.	52,331,931	14.952
		<u>350,000,000</u>	<u>100.000</u>

Lahore: 19 March 2015

MUHAMMAD ALI ZEB
Managing Director &
Chief Executive Officer
CNIC # 35202-2689723-9

* **Mutual Funds**

AL-MEEZAN MUTUAL FUND LIMITED	2,062	0.001
CDC - TRUSTEE AKD AGGRESSIVE INCOME FUND	12,400	0.004
CDC - TRUSTEE AKD INDEX TRACKER FUND	56,440	0.016
CDC - TRUSTEE AKD OPPORTUNITY FUND	775,500	0.222
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	4,432	0.001
CDC - TRUSTEE APF-EQUITY SUB FUND	15,000	0.004
CDC - TRUSTEE ATLAS INCOME FUND - MT	430,300	0.123
CDC - TRUSTEE ATLAS STOCK MARKET FUND	400,000	0.114
CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND	393,500	0.112
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	5,074	0.001
CDC - TRUSTEE FIRST HABIB STOCK FUND	22,306	0.006
CDC - TRUSTEE HBL - STOCK FUND	5,000,000	1.429
CDC - TRUSTEE IGI INCOME FUND - MT	129,700	0.037
CDC - TRUSTEE IGI STOCK FUND	4,000	0.001
CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT	210,661	0.060
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	899,580	0.257
CDC - TRUSTEE PICIC INCOME FUND - MT	651,200	0.186
CDC - TRUSTEE UNIT TRUST OF PAKISTAN	1,291,000	0.369
CDC - TRUSTEE ASKARI HIGH YIELD SCHEME	565,000	0.161
CDC - TRUSTEE FAYSAL INCOME & GROWTH FUND	1,500	0.000
CDC - TRUSTEE JS AGGRESSIVE ASSET ALLOCATION FUND	175,000	0.050
CDC - TRUSTEE PIML STRATEGIC MULTI ASSET FUND	30,000	0.009
CONFIDENCE MUTUAL FUND LIMITED	3,601	0.001
FIRST CAPITAL MUTUAL FUND LTD.	67	0.000
GOLDEN ARROW SELECTED STOCKS FUND LIMITED	1,700,000	0.486
GROWTH MUTUAL FUND LIMITED	1,901	0.001
KASB PREMIER FUND LIMITED,	2,778	0.001
MCBFSL - TRUSTEE JS GROWTH FUND	3,314,500	0.947
MCBFSL - TRUSTEE JS KSE-30 INDEX FUND	9,948	0.003
MCBFSL - TRUSTEE JS VALUE FUND	1,106,000	0.316
SAFEWAY FUND LIMITED	100,000	0.029
	<u>17,313,450</u>	<u>4.947</u>



ADAMJEE INSURANCE COMPANY LIMITED

Registered Office: 4th Floor, 27-C-III, Tanveer Building, M.M. Alam Road, Gulberg-III, Lahore.

PROXY FORM

I/We of being a member of Adamjee Insurance Company Limited hereby appoint Mr. of or failing him Mr. of as my/our Proxy to vote for me/us and on my/our behalf at the Fifty Fourth Annual General Meeting of the Company to be held on Wednesday, 29 April 2015 at 11.00 a.m. at the Institute of Chartered Accountants of Pakistan (ICAP), Thoker Niaz Baig, Raiwind Road, Lahore, and at any adjournment thereof.

Signed this day of 2015

WITNESSES:

1- Signature
Name
Address
CNIC No.

2- Signature
Name
Address
CNIC No.

Rupees Five
Revenue
Stamp

Signature
Holder of Ordinary Shares
Share Register Folio No.
"CDC" Participant's ID No. A/c. No.

(Please See Notes on reverse)

NOTES

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as proxy to attend and vote instead of him/her. A corporation or a company being a member of the Company may appoint any of its officers, though not a member of the Company.
2. Proxy(s) must be received at the Registered Office of the Company not less than 48 hours before the time appointed for the Meeting.
3. The signature on the instrument of proxy must conform to the specimen signature recorded with the Company.
4. CDC Account Holders will further have to follow the under-mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For attending the Meeting:

- a) In case of Individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or original Passport along with Participant ID number and the Account number at the time of attending the Meeting.
- b) In case of corporate entity, the Board's resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For appointing Proxies:

- a) In case of individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.
- b) The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.
- c) Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
- d) The proxy shall produce his original CNIC or original passport at the time of the Meeting.
- e) In case of corporate entity, the Board's resolution / power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.