Annual Report 2014

askari general insurance co. ltd.

Rs. 1.72 Billion Gross Premium Written in 2014
(2013:Rs. 1.61 Billion)

Financial Highlights

+26%
Equity
2014: Rs. 780 Million
2013: Rs. 618 Million

+17%
Investments
2014: Rs. 1,014 Million
2013: Rs. 864 Million

+67%
Investment & Other Income
2014: Rs. 151 Million
2013: Rs. 90 Million

+37%
Profit After Tax
2014: Rs. 163 Million
2013: Rs. 119 Million

+37%
Earning per Share
2014: Rs. 4.21
2013: Rs. 3.07

Rated 'A+'

by

JCR-VIS & PACRA

Contents

Corporate Information

Chairman
Lt Gen Khalid Rabbani (Retd)

President & Chief Executive
Mr. Abdul Waheed

Board of Directors
Maj Gen Syed Taqi Naseer Rizvi (Retd)
Brig Irfan Azam (Retd)
Brig M. Ibrahim Khan (Retd)
Mr. Farrukh Iqbal Khan
Mr. M.A. Ghazali Marghoob
Mr. Abdul Hai Mahmood Bhaimia
Mr. Shahid Hussain Syed

Chief Financial Officer & Company Secretary
Mr. Suleman Khalid

Head of Internal Audit
Mr. Rizwan Saeed

Executive Committee
Maj Gen Syed Taqi Naseer Rizvi (Retd)
Chairman
Brig M. Ibrahim Khan (Retd)
Member
Mr. Abdul Waheed
Member

Audit Committee
Brig M. Ibrahim Khan (Retd)
Chairman
Brig Irfan Azam (Retd)
Member
Mr. Farrukh Iqbal Khan
Member

Human Resource and Remuneration (HR&R) Committee
Brig Irfan Azam (Retd)
Chairman
Mr. Farrukh Iqbal Khan
Member
Mr. Abdul Waheed
Member

Underwriting Committee
Brig M. Ibrahim Khan (Retd)
Chairman
Mr. Abdul Waheed
Member
Mrs. Samina Khan
Member

Claim Settlement Committee
Mr. M.A. Ghazali Marghoob
Chairman
Mr. Abdul Waheed
Member
Mr. Athar Alam
Member
Dr. Abbas Zaidi
Member

Reinsurance & Co-Insurance Committee
Maj Gen Syed Taqi Naseer Rizvi (Retd)
Chairman
Mr. Abdul Waheed
Member
Mr. Sohail Khalid
Member

External Auditors
KPMG Taseer Hadi & Co.
Chartered Accountants
Islamabad

Legal Advisors
Hassan Kaunain Nafees

Bankers
Askari Bank Ltd.
Askari Islamic Bank Ltd.
Habib Bank Ltd.
Bank Islami Ltd.
Bank Alfalah Ltd.
Summit Bank Ltd.
Soneri Bank Ltd.
Silk Bank Ltd.
Faysal Bank Ltd.

Registrar & Share Transfer Office
THK Associates (Private) Limited
Ground Floor, State Life Building
No. 3, Dr. Zia ud Din Ahmad Road,
Karachi 75530, PO Box 8533
Ph: +92-21-111 000 322
Fax: +92-21-35655595

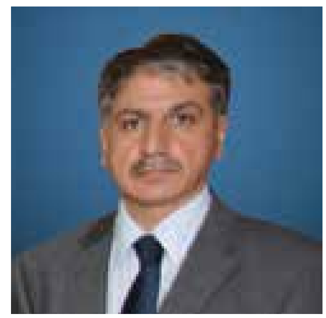
Registered Office/Head Office
3rd Floor, AWT Plaza, The Mall,
Rawalpindi, Pakistan
Ph: +92-51-9028101-2
Fax: +92-51-9272424
Email: info@agico.com.pk

Our Board

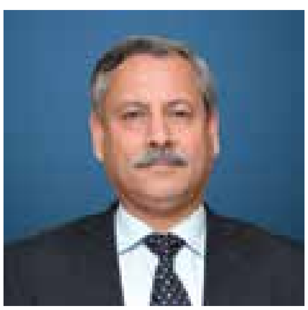
Lt Gen Khalid Rabbani (Retd)
Chairman

Mr. Abdul Waheed
President & Chief Executive

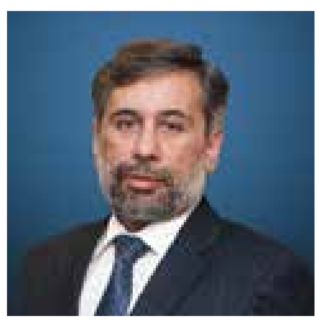
Maj Gen Syed Taqi Naseer Rizvi (Retd)
Director



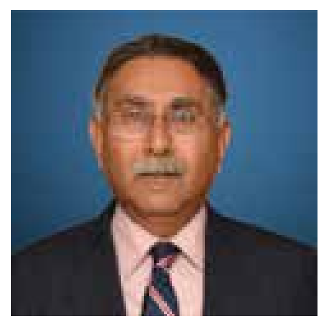
Brig. Irfan Azam (Retd)
Director



Brig. M.Ibrahim Khan (Retd)
Director

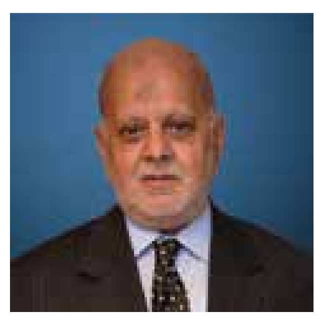


Mr. Farrukh Iqbal Khan
Director



Mr. M.A. Ghazali Marghoob
Director

Mr. Shahid Hussain Syed
Director



Mr. Abdul Hai Mahmood Bhaimia
Director

VISION

The vision of askari general insurance company limited is to be amongst the leading insurance companies of the country with the clear perception of upholding the principles of corporate governance and making agico a profitable and growth oriented insurance company while creating insurance awareness and culture.

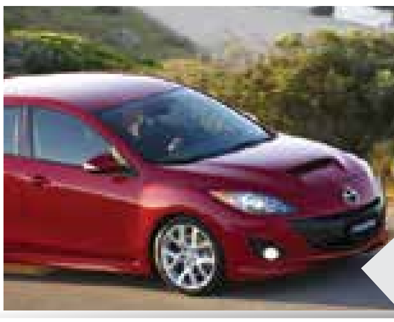
MISSION

To become a leading insurance company by providing client friendly services through highly motivated team of dedicated professionals and ensuring progressive return to the shareholders.

Our Smart Products

Fire Insurance

Marine Insurance



Motor Insurance

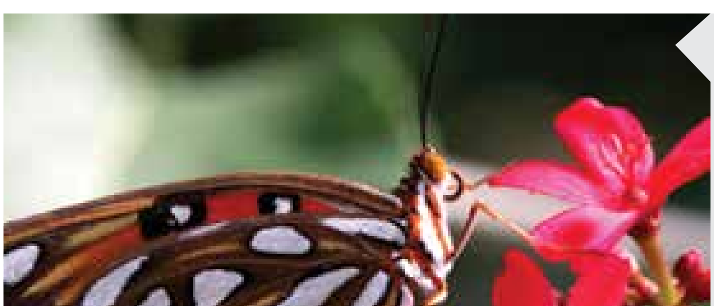
Aviation Insurance

Engineering Insurance

Travel Insurance

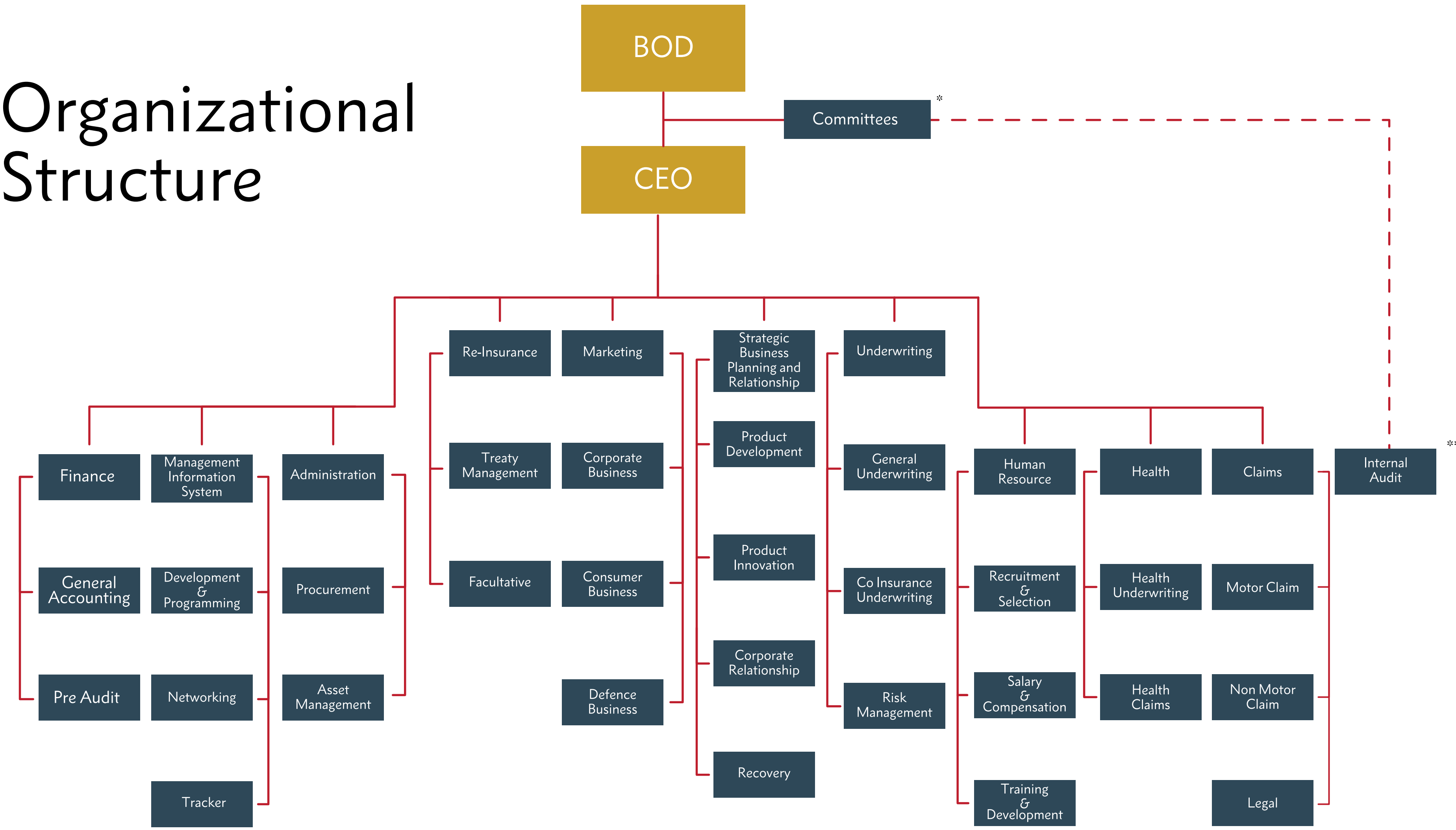
Health Insurance

Agriculture Insurance



Miscellaneous Insurance

Organizational Structure



* Committees include the following:-
- Human Resource and Remuneration Committee
- Audit Committee
- Executive Committee
- Underwriting Committee
- Claims Settlement Committee
- Reinsurance & Co-insurance Committee

** Internal Audit functionally reports to the Audit Committee

Our Management

From left to right

1. Dr. Abbas Zaidi > Chief Health Officer
2. Ch. Shams -ul- Haq > Business Head - Agriculture Insurance
3. Mr. Mustafa Salman Pasha > Business Head - Defence Institutions
4. Mrs. Samina Khan > Head of Underwriting
5. R ana Shahbaz Ahmed > Head of Marketing
6. Col. Ayub Aezad (Retd.) > Head of Administration
7. Mr. Suleman Khalid > CFO & Company Secretary

From left to right

1. Mr. Anwaar Ahmed Malik > Head of External Coordination
2. Mr. Rizwan Saeed > Head of Internal Audit
3. Mr. Noor Afsar > Head of MIS
4. Mr. Jamshed Jadoon > Head of Tracker Services
5. Mr. Fawad Asif Rana > Head of HR
6. Mr. Sohail Khalid > Head of Reinsurance
7. Mr. Athar Alam > Head of Claims
8. Mr. Ashraf Malik > Head of Legal Affairs

President's Message

Your Company continued to grow as is evident from higher Gross Premiums Written and Net Earnings. Amid strong competition in the market, we managed to underwrite record gross premium figure of Rs. 1.7 Billion during the year. Net Profit before and after taxes were Rs. 202 million and Rs. 163 million respectively. Your Company earned remarkable increase in investment income and its investment portfolio grew over Rs. 1 billion at the year end.

We are emphasizing on continuous improvement of quality of our service and reducing claims settlement time for genuine claims. Via use of technology we are facilitating our clients and business partners. We are planning to start E-Insurance business and opening of a merchant account during the year was one of the steps taken towards the same.

We value the trust and confidence of our shareholders and will make all out efforts to maximize their portfolio by delivering good results. I have full confidence in my team which is capable and ambitious for excellent results in coming years.

Abdul Waheed
President & CE

Notice of 20th Annual General Meeting

Notice is hereby given that the 20th Annual General Meeting of askari general insurance company limited (the Company) will be held on Wednesday, April 29, 2015 at 10:00 am at 3rd floor, AWT Plaza, The Mall, Rawalpindi, to transact the following business:

Ordinary Business:

1. To confirm the Minutes of the Extra Ordinary General Meeting held on December 09, 2014.

2. To receive, consider and adopt Financial Statements of the Company for the year ended December 31, 2014 together with Directors' and Auditors' Reports thereon.

3. To appoint Auditors of the Company for the year ending December 31, 2015 and to fix their remuneration(s).

Any Other Business:

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

By order of the Board

Suleman Khalid
Company Secretary

Rawalpindi
08 April 2015

Notes:

1 Closure of Share Transfer book

The Share Transfer Book of the Company will remain closed from April 23, 2015 to April 29, 2015 (both days inclusive). Transfers received at our Registrars, Messrs. THK Associates (Pvt.) Limited, Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi at the close of business on April 22, 2015 will be treated in time.

2 Change in Address

Members of the Company are requested to immediately notify the change in address if any, and ask for consolidation of folio number, provided the member holds more than one folio, to our registrar Messrs. THK Associates (Pvt.) Limited.

3 Participation in Annual General Meeting

a. A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote for him/her. No person shall act as proxy, who is not a member of the Company except that Government of Pakistan/Corporate entity may appoint a person who is not a member of the Company. If the member is corporate entity (other than Government of Pakistan) its common seal should be affixed on the instrument.

b. The instrument appointing a proxy duly completed, together with Power of Attorney or Board Resolution, if any, under which it is signed or a notarially certificate copy thereof, should be deposited with the Company Secretary, askari general insurance company limited, 3rd Floor, AWT Plaza, The Mall, Rawalpindi, not later than 48 hours before the time of holding the meeting.

c. For attending the Meeting and appointing proxies, CDC Account Holders will further have to follow the guidelines as laid down in Circular No. 1 of 2000 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

4 Inspection of Documents

Copies of memorandum and articles of association of the Company, annual and quarterly financial statements as the case may be and other related information or documents of the Company and the investee company may be inspected/produced during business hours on any working day at the registered office of the Company from the date of publication of this notice till conclusion of the Annual General Meeting.

5 Deduction of Withholding Tax on the Amount of Dividend

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 return:	10%
(b) For non-filers of income tax returns:	15%

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

For any query/problem/information, the investors may contact the company and/or the Share Registrar at the following:

Company Representative:	Suleman Khalid
Designation:	Company Secretary
Phone #:	051-9028105
Email id:	skhalid@agico.com.pk
Share Registrar:	THK Associates (Private) Limited
Address:	Ground Floor, State Life Building # 3, Dr. Zia ud Din Ahmad Road, Karachi. 75530, PO Box 8533
Phone #:	021-111-000-322

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 Share Registrar i.e. THK Associates (Private) Limited.

The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

6 Transmission of Audited Financial Statements & Notices to members through email

In terms of S.R.O. 787(I)/2014 of SECP, the Company has made available on its website, a Standard Request Form, which members may use to communicate their e-mail address and consent for electronic transmission of Audited Financial Statements and Notice, along with postal and email address of Share Registrar to whom such requests shall be sent.

Directors' Report

The Directors of Askari General Insurance Company Limited (AGICO) take pleasure in presenting the 20th Annual Report of the Company, together with the audited financial statements for the year ended 31st December 2014 and Auditor's Report thereon.

ECONOMIC REVIEW

The economic outlook of the country remained positive due to the steps taken by the government to promote development and eradicate terrorism. The increase in remittances contributed in enhanced foreign exchange reserves and lower inflation rate. The Rupee witnessed slight appreciation in its value. Gross Domestic Product (GDP) growth was not achieved due to poor performance of agriculture sector. Industrial sector performed better due to the Generalized System of Preference Plus (GSP+) status granted by European Union (EU) despite of heavy energy crisis. The decrease in oil prices also contributed towards decreased export bill.

Gross Premiums written by the Insurance industry improved in 2014 and despite uncertain law & order situation and the launch of war against terrorism. Government is also making policies to attract local and foreign investment in the country.

2014 FOR AGICO

The highlight of the Company's success in 2014 was achieving record Gross Premium Written of Rs. 1.7 billion. The Company posted 37% increase in net profits after tax and enjoyed profitability in all classes of business except Health where a nominal loss was incurred. The investments of the Company stood at its highest with Rs 1.014 billion.

KEY HIGHLIGHTS OF 2014

Increase in Authorized Share Capital

The Company increased its Authorized Share Capital to Rs. 1 billion from Rs. 500 million during the year.

Insurer Financial Strength (IFS) Rating

Both rating companies of Pakistan i.e. JCR-VIS and PACRA maintained IFS Rating 'A+' for the Company.

Information Technology Developments

The Company improved its IT infrastructure which improved routine operations and resulted in efficient and effective financial reporting and decision making.

Human Resource Development

At AGICO, we consider our employees to be the most valuable asset. This is demonstrated through our continuous efforts to provide our employees with opportunities to enhance their skills and expertise. The Company provides a balanced work environment and encourages innovation and creativity. In-house training sessions are regularly conducted and our employees are encouraged to attend trainings and seminars organized by various professional bodies of the country. The Company also provides financial support to its employees for attaining international Insurance qualifications offered by Chartered Insurance Institute (CII). This allows the Company to improve quality of its workforce and retain the experienced employees.

Takaful Window

The Company has obtained permission from its shareholders to open Takaful window. The requisite legal formalities for the same are being completed and the Company is hopeful of launching Takaful operations in 2015.

PERFORMANCE REVIEW

The Company achieved an increase of 37% in the net profits after tax. This was chiefly contributed by the remarkable 67% increase in investment & other income.

The key performance indicators of the Company are summarized below:

	2014	2013
	Rupees In thousands (unless specified otherwise)	
Gross premium written	1,719,458	1,605,033
Net premium revenue	971,450	841,925
Underwriting results	209,802	206,764
Investment & other income	150,533	89,975
Profit before tax	202,217	149,636
Profit after tax	163,415	119,065
Return on average equity	23%	21%
Earnings Per Share (Rs.)	4.21	3.07

SEGMENT WISE PERFORMANCE ANALYSIS

Fire & Property Damage

This segment contributed 14% of our portfolio in the current year and its gross premium underwritten was Rs. 245.27 Million (2013: Rs. 219.49 Million).

The Company has underwritten Rs 25.78 Million more business this year and underwriting profit of this segment was Rs.48.84 Million as compared with Rs. 30.67 Million in the previous year. Loss ratio decreased from 52% last year to 26% in 2014. The premium ceded to the reinsurers marginally increased by 1% to 80% in the current year when compared with 79% of last year.

Marine, Aviation and Transport

This segment contributed 8% of our portfolio in the current year and its gross premium underwritten is Rs. 140.53 Million (2013: Rs. 125.75 Million).

The underwriting profit from this segment in the 2014 was Rs. 26.07 Million as compared to a profit of Rs. 14.93 Million in 2013, depicting an increase of 75%. Loss ratio decreased from 55% last year to 40% this year. The Company maintained a steady approach towards premium ceded to the Re-insurers.

Motor

This segment constituted 41% of our total portfolio in the current year as compared to 37% previous year. The premium underwritten increased by Rs. 98.06 Million. This segment contributed Rs. 76.21 Million underwriting profit in the current year as compared to Rs. 50.19 Million in the previous year. This segment contributed 36% of the total underwriting profit for the current year as opposed to 24% in 2013. Loss ratio of this segment decreased from 57% last year to 53% this year.

Accident & Health

Accident & Health portfolio contributed 23% to the total portfolio in the current year as compared to 21% of the total portfolio in previous year. The segment observed a nominal loss of Rs 0.26 Million this year. The management has taken a number of strict control measures to convert nominal loss of this segment into profit in the next financial year.

Miscellaneous

This segment comprises of miscellaneous classes of business including engineering, bond insurance, crop insurance, travel insurance etc. The Gross Premium Written in this class decreased by Rs 79.05 Million (25%) over the last year. This segment resulted in an underwriting profit of Rs 58.95 Million (2013: Rs. 87.97 Million) despite the decrease in written premium.

Investment & Other Income

The Company continues to keep a substantial portion of its portfolio invested in money market mutual funds, which keeps the Company's exposure to market risk at a very low level.

Investment and other income of the Company recorded a growth of 67% this year, rising to Rs. 151 Million from Rs. 90 Million in the previous year. The book value of the investments rose by 150 Million in the current year depicting a rise of 17%.

Reinsurance

AGICO enjoys long standing business relationships with internationally renowned Re-Insurers such as SCOR Re, Swiss Re, Malaysian Re, Trust Int'l, Korean Re and Hannover Re as well as local re-insurers such as Pakistan Reinsurance Company Limited (PRCL). We are also engaged with internationally reputed Reinsurance brokers including AON Group, MID and J.B. Boda.

The Company opted not to give any dividend to strengthen its equity to support its risk retention capacity.

AUDITORS

KPMG Taseer Hadi & Co. Chartered Accountants have audited the financial statements for the current financial year. The Board, on the recommendation of the Audit Committee, has recommended the appointment of KPMG Taseer Hadi & Co. Chartered Accountants for appointment as auditors of the Company for the next financial year ending December 31, 2015.

Directors' Report

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

Statement of Directors' Responsibilities

In compliance with the Corporate and Financial Reporting Framework of the Code of Corporate Governance the Directors confirm the following:

- The financial statements, together with the notes forming an integral part of these statements, have been prepared by the management of the Company in conformity with the Companies Ordinance 1984 and the Insurance Ordinance 2000; present fairly its state of affairs, the results of its operations, cash flows and changes in equity.

- Proper books of accounts of the Company have been maintained.

- Appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgment.

- Approved Accounting Standards, as applicable in Pakistan, have been followed in preparation of these financial statements and any departures therefrom have been adequately disclosed and explained.

- The system of internal controls is sound in design and has been effectively implemented and monitored throughout the year. Internal controls and their implementation are reviewed continuously by the Internal Audit department and any weakness in controls is timely addressed.

- There are no significant doubts upon the Company's ability to continue as a going concern.

- There has been no material departure from the best practices of Code of Corporate Governance as detailed in the listing regulations.

- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 31 December 2014, except as disclosed in the financial statements. All such dues primarily related to the dues of last month of the financial year 2014 and were subsequently deposited in Government treasury in time.

- The related party transactions are approved or ratified by the Audit Committee and the Board of Directors.

KEY FINANCIAL DATA

Key operational and financial data for the last 6 years is annexed at page 26 of the Annual Report.

Value of investments in Provident Fund and Gratuity Fund

The value of investment of provident fund and gratuity fund, on the basis of audited accounts, as at 31 December 2014 was:

Name of Fund	2014	2013
	Rupees In Millions	
Employees' Provident Fund	45	38
Employees' Gratuity Fund	49	39

Board Meetings

5 Board of Directors meetings were held during the Year 2014. Attendance by each of the director was as follows:

Name of Directors	Meetings Attended
Lt Gen Tahir Mahmood (Retd)	5
Maj Gen Mukhtar Ahmed (Retd)	5
Brig Irfan Azam (Retd)	5
M. Ibrahim Khan (Retd)	5
Mr Farrukh Iqbal Khan	5
Mr. M.A. Ghazali Marghoob	3
Mr. Abdul Hai Mahmood Bhaimia	5
Mr Shahid Hussain Syed	2

The Board granted leave of absence to those directors who could not attend the Board Meeting.

Casual Vacancies in the Board of Directors

No casual vacancies occurred on the Board of Directors during the year 2014. Later in 2015, two casual vacancies occurred on the Board. Lt Gen Khalid Rabbani (Retd) and Maj Gen Syed Taqi Naseer Rizvi (Retd) replaced Lt Gen Tahir Mahmood (Retd) and Maj Gen Mukhtar Ahmed (Retd) respectively, w.e.f. 16th March 2015.

Pattern of Shareholding and trading in the shares

The pattern of shareholding is given at pages 90-92 of this report. Trade in shares of the Company by the Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses and minor children is given at pages 91-92 of this report.

Board Committees

During the year, the Audit Committee and Human Resource & Remuneration Committee held five and two meetings respectively. The composition of the Board Committees and their terms of reference are given at page 19.

Further, the Company has three sub committees of the Board which cover the core areas of business; these are Underwriting Committee, Claims Settlement Committee and Re-insurance & Co-Insurance Committee. The names of members and the terms of references of these committees are given at page 20.

Whistle Blowing Policy

In compliance with the Code of Corporate Governance, the Company has adopted a Whistle Blowing policy. Same has been well disseminated across the Company and placed on the Company's website as well.

Directors' Report

FUTURE PROSPECTS

The current economic outlook of the country is encouraging and the positive growth trends are expected to continue in future as well. With this in mind, we are planning for further expansion of our branch network and also focus our attention on growing products and channels having minimum risk. We believe in providing quality services and will achieve further growth by identifying new and innovative products.

ACKNOWLEDGMENTS

The Directors would like to thank the regulatory authorities, banks and financial institutions, Re-Insurers and credit rating companies for their guidance and valued support. We also thank our shareholders for posing their trust and confidence in the Company. Finally, we place on record our appreciation for the commitment and hard work of our employees towards the growth of the Company.

Lt Gen Khalid Rabbani (Retd)	Rawalpindi
Chairman	March 24, 2015

Board Committees

The Company has three committees at the board level. These committees meet regularly to review the company's performance, which strengthens its governance framework.

The terms of reference and composition of these committees are given below:

Executive Committee

The terms of reference of this committee include the following:

- Approve all over Rs. 10 Million and review progress of investments.
- Review yearly budget and recommend its approval to the Board.
- Review monthly performance of the Company.
- Review and approve claim payments over Rs. 1 Million.
- Review legal suits filed by or against the Company.
- Consider any other matter related to the performance and operations of the Company.

The Committee comprises of three members, including the Chairman of this committee. Following is the composition of this committee:-

Name of Member	Status in Committee
Maj Gen Syed Taqi Naseer Rizvi (Retd)	Chairman
Brig M. Ibrahim Khan (Retd)	Member
Mr Abdul Waheed	Member

Audit Committee

The terms of reference of this committee include the following:

- Determination of appropriate measures to safeguard the Company's assets;
- Review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:-
    - major judgmental areas
    - significant adjustments resulting from the audit
    - the going concern assumption
    - any changes in accounting policies and practices
    - compliance with applicable accounting standards
    - compliance with listing regulations and other statutory and regulatory requirements; and
    - significant related party transactions.
- Review of preliminary announcements of results prior to publication;
- Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary)
- Review of management letter issued by external auditors and management's response there to
- Ensuring coordination between the internal and external auditors of the Company
- Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company
- Consideration of major findings of internal investigations and management's response there to
- Ascertaining that the internal control systems including financial and operational controls, accounting systems and the reporting structure are adequate and effective
- Review of the Company's statement on internal control systems prior to endorsement by the Board of Directors
- Determination of compliance with relevant statutory requirements
- Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
- Consideration of any other issue or matter as may be assigned by the Board of Directors.

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The Committee comprises of three members, including the Chairman of this committee, all of whom are non-executive directors. Following is the composition of this committee:

Name of Member	Status in Committee
Brig M. Ibrahim Khan (Retd)	Chairman
Brig Irfan Azam (Retd)	Member
Mr. Farrukh Iqbal Khan	Member

Human Resource & Remuneration Committee

The terms of reference of this committee include the following:

- Recommending human resource management policies to the board;
- Recommending to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;
- Recommending to the board the selection, evaluation, compensation (including retirement benefits) of CFO, Company Secretary and Head of Internal Audit; and
- Consideration and approval of recommendations of CEO

Board Committees

on such matters for key management positions who report directly to CEO.

The committee comprises of three members including the Chairman of this committee, out of which two are non-executive directors and one is executive director. Following is the composition of this committee:-

Name of Member	Status in Committee
Brig Irfan Azam (Retd)	Chairman
Mr. Farrukh Iqbal Khan	Member
Mr. Abdul Waheed	Member

Furthermore, the Company has three sub-committees of the Board, which covers the core areas of business. These committees meet on regular basis and are headed by non-executive directors. The functions and composition of the committees are given below:-

Underwriting Committee

The underwriting committee formulates the under writing policy of the Company. It sets out the criteria for assessing various types of insurance risks and determines the premium policy of different insurance covers. It regularly reviews the underwriting and premium policies of the Company with due regard to relevant factors such as business portfolio and the market development.

Following is the composition of this committee:

Name of Member	Status in Committee
Brig M. Ibrahim Khan (Retd)	Chairman
Mr. Abdul Waheed	Member
Mrs. Samina Khan	Member

Claims Settlement Committee

This committee devises the claims settling policy of the Company. It oversees the claims position of the Company and ensures that adequate claims reserves are made. It pays particular attention to significant claims cases or events, which gives rise to a series of claims. The Claims Settlement Committee determines the circumstances under which the claims disputes be brought to its attention and decide how to deal with such claims disputes. It also oversees the implementation of the measures for combating fraudulent claims cases.

Following is the composition of this committee:

Name of Member	Status in Committee
Mr. M. A. Ghazali Marghoob	Chairman
Mr. Abdul Waheed	Member
Dr. Abbas Zaidi	Member
Mr. Athar Alam	Member

Re-insurance & Co-insurance Committee

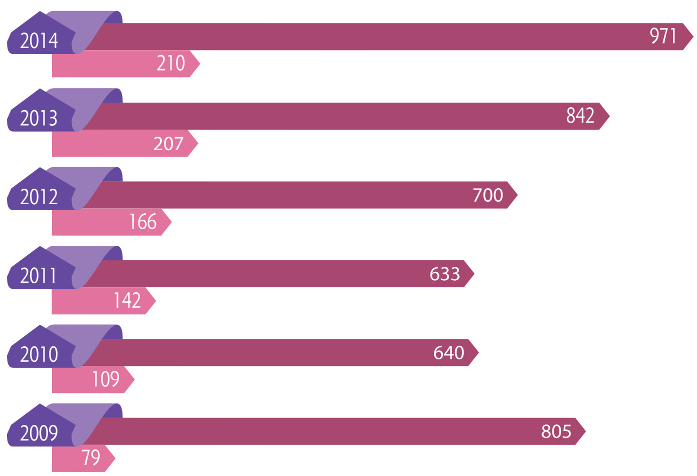
This committee ensures that adequate reinsurance arrangements are made for the Company. It pursues the proposed reinsurance arrangements prior to their execution, reviews the arrangements from time to time and subject to the consent of the participating reinsures, makes appropriate adjustments to those arrangements in the light of the market development. It also assesses the effectiveness of the reinsurance programme for the future reference.

Following is the composition of this committee:

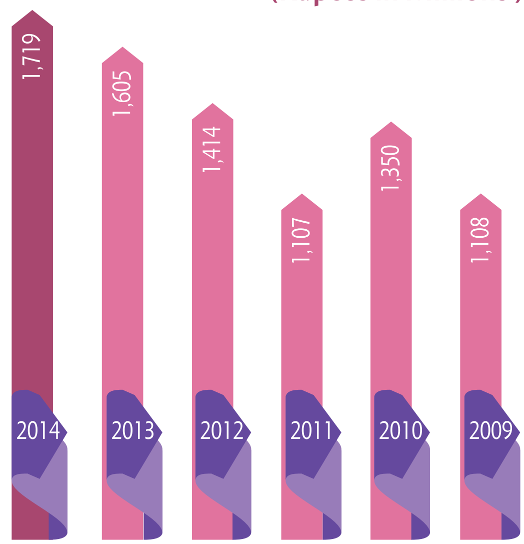
Name of Member	Status in Committee
Maj Gen Syed Taqi Naseer Rizvi (Retd)	Chairman
Mr. Abdul Waheed	Member
Mr. Sohail Khalid	Member

Performance at a Glance

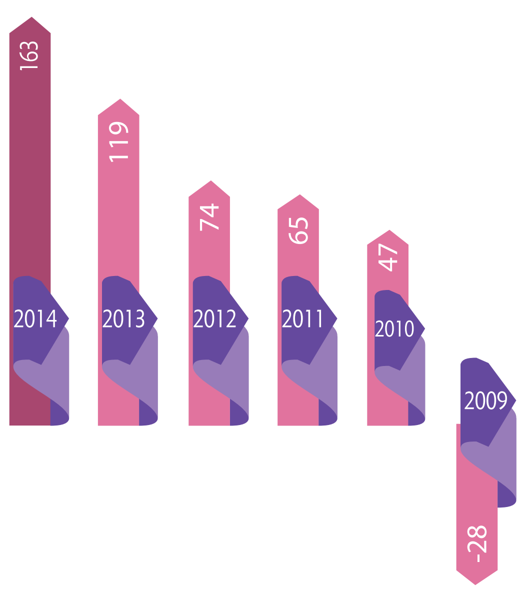
(Rupees in Millions)



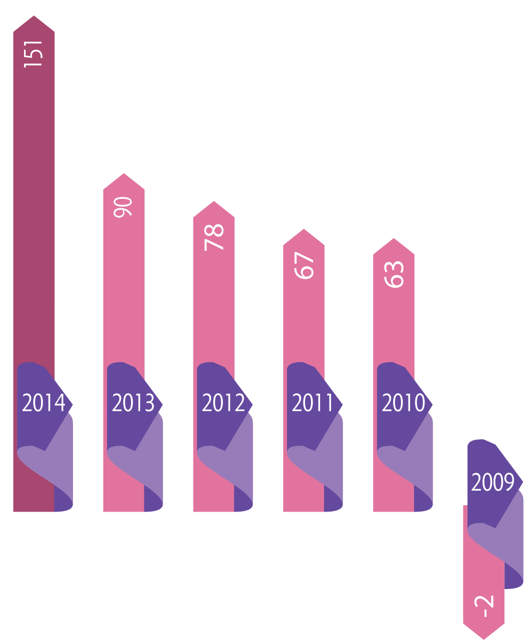
■ Net Premium Revenue
■ Underwriting Income



Gross Premiums Written



Profit After Tax

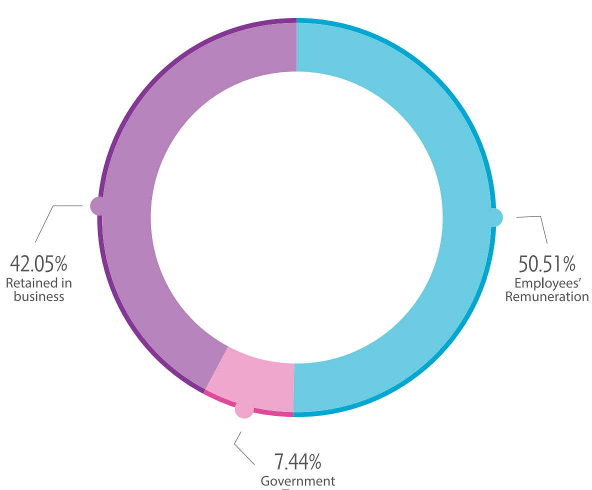


Investment and Other Income

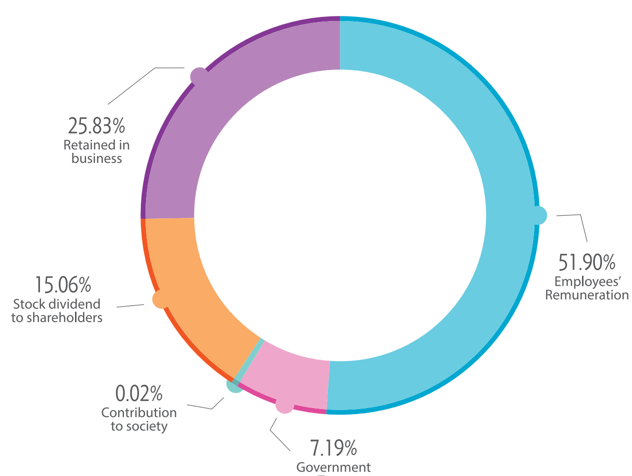
Statement of Value Added
For the year ended 31 December, 2014

	2014	2013
	Rupees	
Wealth Generated		
Net Premium Revenue	971,450,101	841,924,949
Commission from reinsurers	188,286,649	146,838,356
Investment income and profit on bank deposits	133,856,057	79,242,690
Rental income	3,069,158	2,366,264
Other income	3,166,613	8,365,792
	1,299,828,578	1,078,738,051
Less:		
Claims, commission and expenses (excluding employees remuneration, depreciation and other taxes)	776,338,126	648,821,531
Net wealth generated	523,490,452	429,916,520
Wealth distribution:		
Employees' remuneration	264,436,037	223,136,374
Government taxes (includes income tax and other taxes)	38,937,870	30,907,233
Contribution to society	-	81,720
Stock dividend to shareholders	-	64,724,000
Retained in business:		
Depreciation and amortization	28,340,223	26,236,771
Earnings	191,776,322	84,830,422
	220,116,545	111,067,193
Total Wealth Distributed	523,490,452	429,916,520

2014



2013



Financial Statements Analysis - Vertical

	2014		2013		2012		2011		2010		2009	
Balance Sheet	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Cash and Bank Deposits	133,968,902	5.36	119,602,484	5.34	483,241,871	21.73	130,566,287	8.45	91,251,429	6.28	114,277,274	9.56
Loans to Employees	1,586,168	0.06	1,111,191	0.05	1,736,354	0.08	1,189,796	0.08	2,158,634	0.15	4,197,435	0.35
Investments	1,014,303,858	40.61	864,102,144	38.61	605,033,838	27.20	503,413,264	32.58	457,771,860	31.49	413,606,523	34.59
Investment Properties	47,050,833	1.88	48,360,833	2.16	49,670,833	2.23	50,980,833	3.30	52,290,833	3.60	-	-
Deferred Taxation	3,941,089	0.16	7,189,578	0.32	4,595,303	0.21	3,282,478	0.21	877,003	0.06	-	-
Other Assets	1,247,776,595	49.95	1,130,505,991	50.51	1,003,036,980	45.10	807,557,885	52.27	801,935,999	55.16	533,026,181	44.58
Fixed Assets- Tangible and Intangible	49,320,986	1.97	67,122,542	3.00	76,698,735	3.45	47,989,542	3.11	47,647,803	3.28	130,643,671	10.93
Total Assets	2,497,948,431	100.00	2,237,994,763	100.00	2,224,013,914	100.00	1,544,980,085	100.00	1,453,933,561	100.00	1,195,751,084	100.00
Total Equity	779,535,099	31.21	618,475,400	27.64	502,897,135	22.61	432,207,395	27.97	315,832,847	21.72	268,411,298	22.45
Underwriting Provisions	1,344,769,548	53.83	1,307,779,309	58.44	1,084,382,558	48.76	810,378,263	52.45	833,018,628	57.29	776,587,694	64.95
Staff Retirement Benefits	15,131,659	0.61	11,080,700	0.50	9,916,198	0.45	9,177,635	0.59	6,950,909	0.48	12,294,231	1.03
Creditors and Accruals	343,742,791	13.76	281,638,722	12.58	617,858,721	27.78	280,646,459	18.17	290,058,284	19.95	65,363,727	5.47
Other Liabilities	14,769,334	0.59	19,020,632	0.85	8,959,302	0.40	12,570,333	0.81	8,072,893	0.56	73,094,134	6.11
Total Share Holders' Equity & Liabilities	2,497,948,431	100.00	2,237,994,763	100.00	2,224,013,914	100.00	1,544,980,085	100.00	1,453,933,561	100.00	1,195,751,084	100.00
Profit & Loss Account												
Net Premium Revenue	971,450,101	100.00	841,924,949	100.00	699,947,477	100.00	633,283,427	100.00	639,901,275	100.00	805,176,472	100.00
Net Claims	561,423,600	57.79	464,837,715	55.21	372,933,697	53.28	327,856,816	51.77	385,889,597	60.30	522,426,357	64.88
Expenses	260,298,862	26.79	220,939,216	26.24	194,920,917	27.85	182,398,162	28.80	153,942,248	24.06	155,001,481	19.25
Net Commission	60,074,407	6.18	50,616,251	6.01	33,715,190	4.82	19,321,513	3.05	9,067,781	1.42	48,991,518	6.08
Investment Income Including Rental & Bank Deposits Returns	136,925,215	14.09	75,528,437	8.97	64,826,470	9.26	56,481,782	8.92	56,246,175	8.79	(24,780,549)	(3.08)
Other Income Including Share of Profit of Associates	13,607,610	1.40	14,446,309	1.72	13,279,657	1.90	10,140,981	1.60	6,809,753	1.06	22,378,573	2.78
General and Administration Expenses	158,117,552	16.27	147,102,873	17.47	157,521,013	22.50	130,051,371	20.54	(118,810,809)	(18.57)	(91,430,623)	(11.36)
Impairment in Value of Available for Sale Securities	-	-	-	-	-	-	-	-	64,737,599	10.12	(66,762,828)	(8.29)
Profit / (Loss) Before Tax	202,217,319	20.81	149,636,142	17.77	86,393,167	12.34	78,921,354	12.46	53,346,745	8.34	(15,075,483)	(1.87)
Taxation - net	(38,801,950)	(3.99)	(30,570,673)	(3.63)	(12,106,528)	(1.73)	(13,487,156)	(2.13)	(5,928,576)	(0.93)	(12,469,446)	(1.55)
Profit / (Loss) After Tax	163,415,369	16.82	119,065,469	14.14	74,286,639	10.61	65,434,198	10.33	47,418,169	7.41	(27,544,929)	(3.42)

Financial Statements Analysis - Horizontal

	2014	2013	2012	2011	2010	2009	% increase / (decrease) over preceding year 2014	2013	2012	2011	2010	2009
Balance Sheet												
Cash and Bank Deposits	133,968,902	119,602,484	483,241,871	130,566,287	91,251,429	114,277,274	12.01	(75.25)	270.11	43.08	(20.15)	34.27
Loans to Employees	1,586,168	1,111,191	1,736,354	1,189,796	2,158,634	4,197,435	42.74	(36.00)	45.94	(44.88)	(48.57)	42.01
Investments	1,014,303,858	864,102,144	605,033,838	503,413,264	457,771,860	413,606,523	17.38	42.82	20.19	9.97	10.68	(19.35)
Investment Properties	47,050,833	48,360,833	49,670,833	50,980,833	52,290,833	-	(2.71)	(2.64)	(2.57)	(2.51)		-
Deferred Taxation	3,941,089	7,189,578	4,595,303	3,282,478	877,003	-	(45.18)	56.45	39.99	274.28		-
Other Assets	1,247,776,595	1,130,505,991	1,003,036,980	807,557,885	801,935,999	533,026,181	10.37	12.71	24.21	0.70	50.45	8.92
Fixed Assets- Tangible and Intangible	49,320,986	67,122,542	76,698,735	47,989,542	47,647,803	130,643,671	(26.52)	(12.49)	59.82	0.72	(63.53)	2.88
Total Assets	2,497,948,431	2,237,994,763	2,224,013,914	1,544,980,085	1,453,933,561	1,195,751,084	11.62	0.63	43.95	6.26	21.59	(1.77)
Total Equity	779,535,099	618,475,400	502,897,135	432,207,395	315,832,847	268,411,298	26.04	22.98	16.36	36.85	17.67	(9.31)
Underwriting Provisions	1,344,769,548	1,307,779,309	1,084,382,558	810,378,263	833,018,628	776,587,694	2.83	20.60	33.81	(2.72)	7.27	9.33
Staff Retirement Benefits	15,131,659	11,080,700	9,916,198	9,177,635	6,950,909	12,294,231	36.56	11.74	8.05	32.04	(43.46)	6.94
Creditors and Accruals	343,742,791	281,638,722	617,858,721	280,646,459	290,058,284	65,363,727	22.05	(54.42)	120.16	(3.24)	343.76	(40.03)
Other Liabilities	14,769,334	19,020,632	8,959,302	12,570,333	8,072,893	73,094,134	(22.35)	112.30	(28.73)	55.71	(88.96)	(19.20)
Total Share Holders' Equity and Liabilities	2,497,948,431	2,237,994,763	2,224,013,914	1,544,980,085	1,453,933,561	1,195,751,084	11.62	0.63	43.95	6.26	21.59	(1.77)
Profit & Loss Account												
Net Premium Revenue	971,450,101	841,924,949	699,947,477	633,283,427	639,901,275	805,176,472	15.38	20.28	10.53	(1.03)	(20.53)	23.79
Net Claims	561,423,600	464,837,715	372,933,697	327,856,816	385,889,597	522,426,357	20.78	24.64	13.75	(15.04)	(26.14)	23.39
Expenses	260,298,862	220,939,216	194,920,917	182,398,162	153,942,248	155,001,481	17.81	13.35	6.87	18.48	(0.68)	18.49
Net Commission	60,074,407	50,616,251	33,715,190	19,321,513	9,067,781	48,991,518	18.69	50.13	74.50	113.08	(81.49)	110.98
Investment Income Including Rental & Bank Deposits Returns	136,925,215	75,528,437	64,826,470	56,481,782	56,246,175	(24,780,549)	81.29	16.51	14.77	0.42	(326.98)	(248.08)
Other Income Including Share of Profit of Associates	13,607,610	14,446,309	13,279,657	10,140,981	6,809,753	22,378,573	(5.81)	8.79	30.95	48.92	(69.57)	188.29
General and Administration Expenses	158,117,552	147,102,873	157,521,013	130,051,371	118,810,809	91,430,623	7.49	(6.61)	21.12	9.46	29.95	14.13
Impairment in Value of Available for Sale Securities	-	-	-	-	64,737,599	(66,762,828)				(100.00)	(196.97)	-
Profit / (Loss) Before Tax	202,217,319	149,636,142	86,393,167	78,921,354	53,346,745	(15,075,483)	35.14	73.20	9.47	47.94	(453.86)	(186.71)
Taxation - net	38,801,950	30,570,673	12,106,528	13,487,156	5,928,576	12,469,446	26.93	152.51	(10.24)	127.49	(52.46)	16.25
Profit / (Loss) After Tax	163,415,369	119,065,469	74,286,639	65,434,198	47,418,169	(27,544,929)	37.25	60.28	13.53	37.99	(272.15)	(513.62)

A Glimpse of Six Years Performance

(Rupees in Millions unless stated otherwise)

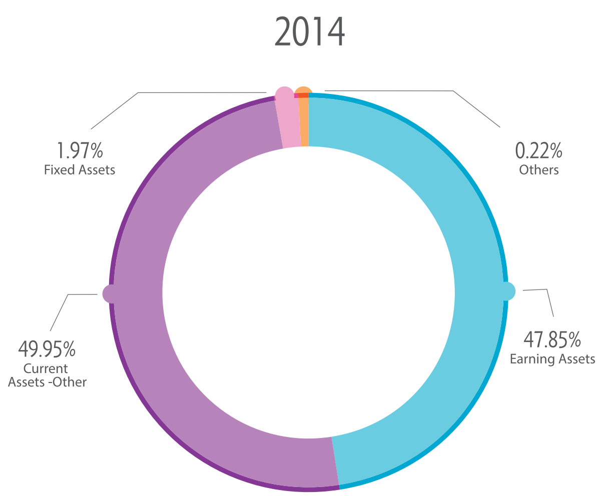
	2014	2013	2012	2011	2010	2009
Financial Position						
Paid-Up Capital	388	388	324	308	204	204
General Reserve	75	75	75	70	70	70
Equity	779	618	503	432	316	268
Underwriting Reserve	895	926	767	465	492	486
Investments	1,014	864	605	503	458	414
Investment Property	47	48	50	51	52	-
Fixed Assets - Tangible and Intangible	49	67	77	48	48	131
Retained Profit	317	155	105	49	37	-10
Total Assets	2,498	2,238	2,224	1,545	1,454	1,196
Market Share Price (Rs.)	27.40	19.50	13.51	8.07	11.00	17.00
Financial Performance						
Gross Premiums Written	1,719	1,605	1,414	1,107	1,350	1,108
Net Premium Revenue	971	842	700	633	640	805
Net Claims	561	465	373	328	386	522
Underwriting Income	210	207	166	142	109	79
Management Expenses	260	221	195	182	154	155
Administration Expenses	158	147	158	128	118	91
Investment and Other Income	151	90	78	67	63	-2
Profit Before Tax	202	149	86	79	53	-15
Profit After Tax	163	119	74	65	47	-28
Dividend (Restated)	-	-	20% (B)	5% (B)	10% (B)	-
Earning Per Share (Rs.)	4.21	3.07	1.91	2.18	2.33	-1.35
Cash Flows Summary						
Operating Activities	29	-169	436	-17	-54	5
Investing Activities	-15	-195	-83	5	31	26
Financing Activities	0	0	0	51	-1	-1
Cash & Cash Equivalents at the year end	134	120	483	131	91	114

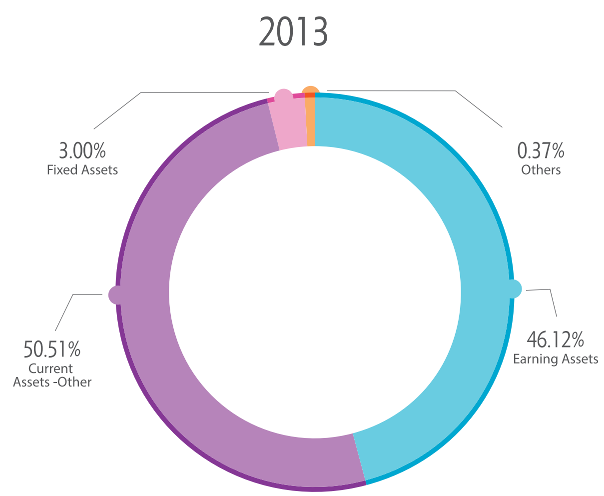
Financial Ratios

		2014	2013	2012	2011	2010	2009
Profitability							
Profit / (Loss) Before Tax / Gross Premium	%	11.76	9.32	6.11	7.14	3.93	-1.35
Profit / (Loss) Before Tax / Net Premium	%	20.82	17.77	12.34	12.48	8.28	-1.86
Profit / (Loss) After Tax / Gross Premium	%	9.50	7.42	5.26	5.87	3.48	-2.53
Profit / (Loss) After Tax / Net Premium	%	16.82	14.14	10.61	10.27	7.34	-3.48
Underwriting Result / Gross Premium	%	12.20	12.88	11.73	12.83	8.07	7.13
Underwriting Result / Net Premium	%	21.60	24.56	23.69	22.43	17.03	9.81
Profit / (Loss) Before Tax / Total Income	%	17.11	15.23	10.64	11.29	7.54	-1.87
Profit / (Loss) After Tax / Total Income	%	13.82	12.12	9.15	9.29	6.69	-3.49
Combined ratio	%	75.38	73.75	75.36	72.5	65.68	80.93
Net Claims / Net Premium	%	57.79	55.21	53.28	51.82	60.31	64.84
Management Expense / Net Premium	%	26.79	26.24	27.85	28.75	24.06	19.25
Return to Share Holders							
Return on Equity - PAT	%	26.42	23.68	17.19	15.05	14.87	-10.45
Earning Growth	%	37.25	60.28	13.53	38.3	-267.86	-500
Return on Assets (Book value)	%	6.54	5.32	3.34	4.21	3.23	-2.34
Earning / (Loss) Per Share	Rs.	4.21	3.07	1.91	2.18	2.33	-1.35
Breakup Value Per Share	Rs.	20.07	15.93	15.54	14.03	15.49	13.14
Market Share Price	Rs.	27.40	19.50	13.51	8.07	11.00	17.00
Performance / Liquidity							
Current Ratio	Times	1.34	1.22	1.15	1.35	1.24	1.15
Cash / Current Liabilities	Times	0.08	0.07	0.28	0.12	0.08	0.12
Total Assets Turnover	Times	0.69	0.72	0.64	0.72	0.93	0.93
Fixed Assets Turnover	Times	35.08	23.91	18.43	23.06	28.13	8.46
Total Liabilities / Equity	Times	2.23	2.62	3.42	2.58	3.6	3.46
Paid-up Capital / Total Assets	%	15.55	17.35	14.55	19.94	14.03	17.06
Earning Assets / Total Assets	%	47.85	46.11	51.17	44.34	41.33	44.15
Equity / Total Assets	%	31.21	27.64	22.61	27.96	21.73	22.41
Cash Flow from Operation / Sales	%	1.69	-10.53	30.83	-1.54	-4.00	0.45

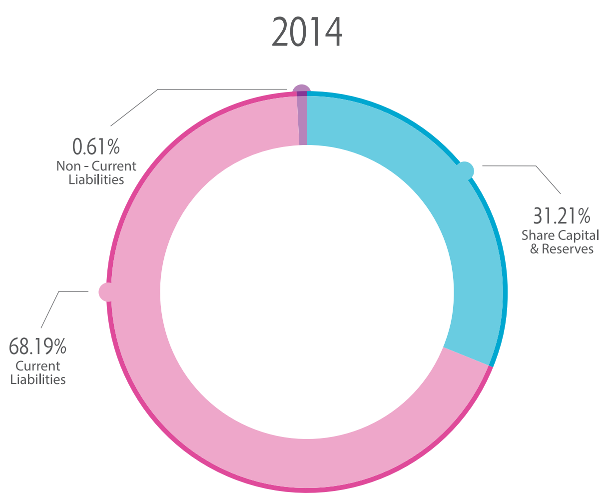
Graphical Composition of Balance Sheet

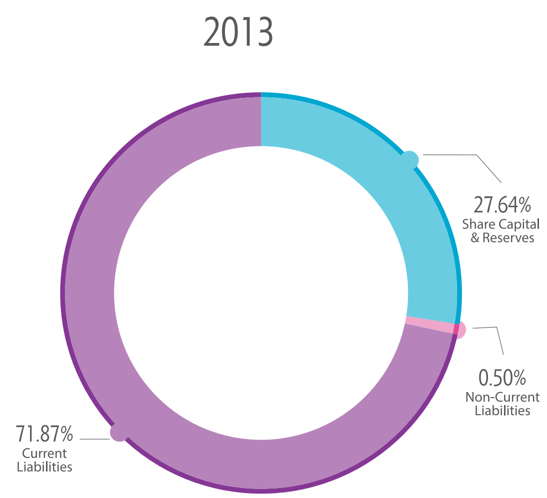
Assets





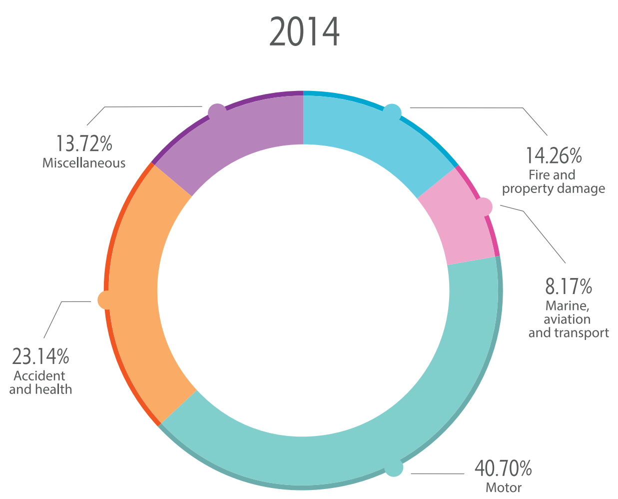
Shareholders' Equity and Liabilities

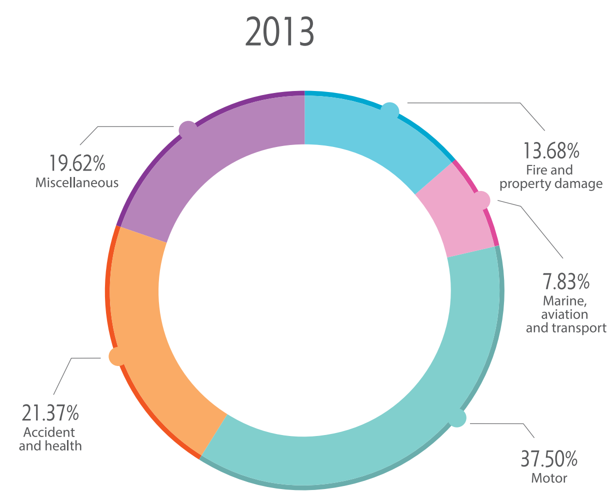




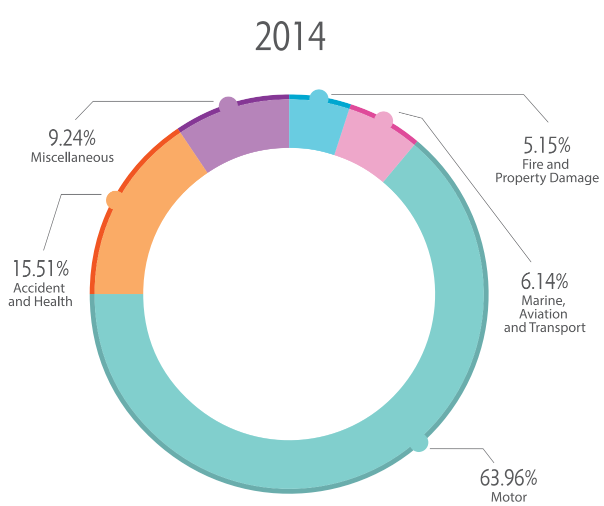
Graphical Analysis of Profit & Loss

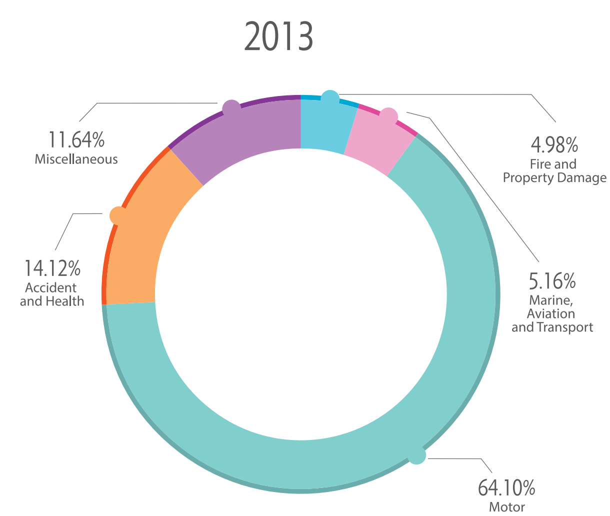
Gross Premium - Business Wise





Net Premium - Business Wise





Financial Calendar

1

First Quarter ended
March 31, 2014

Announced on
April 22, 2014

2

Half Year ended
June 30, 2014

Announced on
August 25, 2014

3

Third Quarter ended
September 30, 2014

Announced on
October 28, 2014

4

Year ended
December 31, 2014

Announced on
March 24, 2015

5

Issuance of Annual Report 2014

April 08, 2015

6

20th Annual General Meeting

April 29, 2015

Financial Statements

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 the 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 non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Name
Independent Directors	Mr. Abdul Hai Mahmood Bhaimia Mr. Shahid Hussain Syed
Non-Executive Directors	Lt Gen Khalid Rabbani (Retd) Maj Gen Syed Taqi Naseer Rizvi (Retd) Brig Irfan Azam (Retd) Brig M. Ibrahim Khan (Retd) Mr. Farrukh Iqbal Khan Mr. M.A. Ghazali Marghoob
Executive Director	Mr. Abdul Waheed – President & CE

   The independent directors meet the criteria of independence under clause i (b) 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 directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, DFI or NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancies occurred in the Board during the year 2014.

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 and mission statements, 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 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 Directors are well conversant with listing regulations, legal requirement and operational imperatives of the Company, and as such are fully aware of their duties and responsibilities. Two directors and the President & CE have completed the prescribed training under Code of Corporate Governance. However, during the year, none of the directors attended the training program.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

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 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 comprises of three members, who are non-executive directors including the chairman of the committee.

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 and 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 Human Resource & Remuneration Committee. It comprises 3 members, one of whom is executive director and other members including the Chairman are non-executive directors.

18. The Board has set up an effective Internal Audit function which is considered suitably qualified and experienced for the purpose and is 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 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.

For and on behalf of the Board

March 24, 2015
Rawalpindi

Lt Gen Khalid Rabbani (Retd)
Chairman

KPMG Taseer Hadi & Co.
Chartered Accountants
Sixth Floor, State Life Building No. 5
Jinnah Avenue, Blue Area
Islamabad, Pakistan

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Internet www.kpmg.com.pk

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 askari general insurance company limited ("the Company") for the year ended 31 December 2014 to comply with the requirements of Listing Regulation No. 35 of Karachi Stock Exchange Limited, Listing Regulation No. 35 of Lahore Stock Exchange Limited and chapter 11 of the Listing Regulation Listing of Islamabad Stock Exchange Limited, 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 the 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.

Further, we highlight below instance of non-compliance with the requirements of the Code as reflected in the paragraph reference where this is stated in the Statement of Compliance:

i. As stated in paragraph 9, none of the directors attended training program during the year.

KPMG Taseer Hadi & Co.

Date: 24 March 2015
Islamabad

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement partner:
Riaz Pesnani

KPMG Taseer Hadi & Co.
Chartered Accountants
Sixth Floor, State Life Building No. 5
Jinnah Avenue, Blue Area
Islamabad, Pakistan

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AUDITORS' REPORT TO THE MEMBERS of askari general insurance company limited

We have audited the annexed financial statements comprising of:

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

of askari general insurance company limited ("the Company") as at 31 December 2014 together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;

b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;

c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2014 and of the profit, its 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) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

KPMG Taseer Hadi & Co.

Date: 24 March 2015
Islamabad

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement partner:
Riaz Pesnani

Balance Sheet
As at 31 December 2014

	Note	2014	2013
		Rupees	
Share Capital and Reserves			
Authorized share capital			
100,000,000 (2013: 50,000,000) ordinary shares of Rs. 10 each		1,000,000,000	500,000,000
Paid up share capital	6	388,344,030	388,344,030
Retained earnings		316,533,388	155,473,689
Reserves		74,657,681	74,657,681
		779,535,099	618,475,400
Underwriting Provisions			
Provision for outstanding claims (including IBNR)		357,316,088	280,899,123
Provision for unearned premium		895,425,878	926,428,492
Commission income unearned		92,027,582	100,451,694
		1,344,769,548	1,307,779,309
Deferred Liability			
Staff Compensated Absences	7	15,131,659	11,080,700
Creditors and Accruals			
Premium received in advance		16,159,369	17,358,218
Amounts due to other insurers / reinsures		164,533,889	119,400,979
Accrued expenses		18,984,895	1,964,044
Other creditors and accruals	8	144,064,638	142,915,481
		343,742,791	281,638,722
Other Liabilities			
Unclaimed dividend		830,102	830,102
Others		13,939,232	18,190,530
		14,769,334	19,020,632
TOTAL LIABILITIES		1,718,413,332	1,619,519,363
TOTAL EQUITY AND LIABILITIES		2,497,948,431	2,237,994,763
CONTINGENCIES AND COMMITMENTS	9		

The annexed notes 1 to 32 form an integral part of these financial statements.

Abdul Waheed
President & Chief Executive

Brig M Ibrahim Khan (Retd)
Director

Balance Sheet

As at 31 December 2014

	Note	2014	2013
		Rupees	
Cash and Bank Deposits			
Cash and other equivalents	10	1,061,753	1,045,113
Current and other accounts	11	132,907,149	118,557,371
Total Cash and Bank		133,968,902	119,602,484
Advances to Employees	12	1,586,168	1,111,191
Investments	13	1,014,303,858	864,102,144
Investment Property	14	47,050,833	48,360,833
Deferred Taxation	15	3,941,089	7,189,578
Current Assets - Others			
Premium due but unpaid - unsecured, considered good	16	425,640,272	305,582,662
Amounts due from other insurers / reinsurers - unsecured, considered good	17	149,668,630	67,784,260
Salvage recoveries accrued		9,632,405	15,256,493
Accrued investment income		2,582,632	1,649,869
Reinsurance recoveries against outstanding claims - unsecured, considered good		146,801,825	134,629,829
Taxation - payment less provision		6,799,955	5,043,245
Deferred commission expense		59,330,003	56,685,195
Prepayments	18	421,647,149	509,417,884
Sundry receivables	19	25,673,724	34,456,554
		1,247,776,595	1,130,505,991
Fixed Assets	20		
Furniture and fixtures		7,588,337	7,165,764
Computer and office equipment		6,623,712	7,335,777
Motor vehicles		3,993,430	4,690,394
Tracking devices		15,630,042	26,218,968
Leasehold improvements		2,485,324	3,380,795
Software license		2,460,541	4,140,124
Capital work in progress		10,539,600	14,190,720
		49,320,986	67,122,542
TOTAL ASSETS		2,497,948,431	2,237,994,763

Maj Gen Syed Taqi Naseer Rizvi (Retd)
Director

Lt Gen Khalid Rabbani (Retd)
Chairman

Profit and Loss Account / Statement of Comprehensive Income

For the year ended 31 December 2014

Revenue Account	Note	Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident and Health	Miscellaneous	2014 Aggregate	2013 Aggregate
					Rupees			
Net premium revenue	21	49,996,121	59,612,440	621,372,495	150,659,512	89,809,533	971,450,101	841,924,949
Net claims		(12,793,642)	(23,903,545)	(330,852,079)	(157,034,138)	(36,840,196)	(561,423,600)	(464,837,715)
Expenses	22	(11,079,705)	(13,210,790)	(182,717,710)	(33,387,850)	(19,902,807)	(260,298,862)	(220,939,216)
Net commission		22,714,203	3,572,963	(31,596,852)	39,503,070	25,881,023	60,074,407	50,616,251
Underwriting Results		48,836,977	26,071,068	76,205,854	(259,406)	58,947,553	209,802,046	206,764,269
Other Income and Expenses								
Investment income							125,959,037	65,022,385
Rental income							3,069,158	2,366,264
Other income	23						3,166,613	8,365,792
Profit on bank deposits							7,897,020	8,139,788
Share of profit in associated company							10,440,997	6,080,517
General and administration expenses	24						(158,117,552)	(147,102,873)
							(7,584,727)	(57,128,127)
Profit before tax							202,217,319	149,636,142
Provision for taxation	25						(38,801,950)	(30,570,673)
Profit after tax							163,415,369	119,065,469
Other comprehensive income for the year								
Items that will not be reclassified subsequently to profit and loss account								
Effect of remeasurement of:								
staff retirement benefit plan							(3,515,925)	(5,199,800)
Tax effect on experience adjustments	25						1,160,255	1,712,596
Total other comprehensive income for the year							(2,355,670)	(3,487,204)
Total comprehensive income for the year							161,059,699	115,578,265
Profit and loss appropriation account								
Balance at commencement of the year							155,473,689	104,619,424
Total comprehensive income for the year							161,059,699	115,578,265
Bonus shares issued							-	(64,724,000)
Balance of unappropriated profit at end of the year							316,533,388	155,473,689
Earning per share - basic and diluted	26						4.21	3.07

The annexed notes 1 to 32 form an integral part of these financial statements.

Abdul Waheed
President & Chief Executive

Brig M Ibrahim Khan (Retd)
Director

Maj Gen Syed Taqi Naseer Rizvi (Retd)
Director

Lt Gen Khalid Rabbani (Retd)
Chairman

Statement of Cash Flows
For the year ended 31 December 2014

	2014	2013
Operating Cash Flows	Rupees	
a) Underwriting activities:		
Premium received	1,515,934,414	1,457,725,212
Reinsurance premium paid	(374,764,098)	(1,067,667,874)
Claims paid	(854,646,342)	(732,120,963)
Reinsurance and other recoveries received	148,548,701	410,660,609
Commission paid	(110,726,555)	(104,198,501)
Commission received	101,182,782	250,845,545
Other underwriting payments (management expenses)	(227,037,998)	(203,468,747)
Net cash flow from underwriting activities	198,490,904	11,775,281
b) Other operating activities:		
Income tax paid	(36,149,916)	(32,073,636)
General management expenses paid	(145,091,968)	(127,155,813)
Other operating receipts / (payments)	12,180,652	(22,231,041)
Advances to employees	(474,977)	625,163
Net cash used in other operating activities	(169,536,209)	(180,835,327)
Total cash flow generated from / (used in) all operating activities	28,954,695	(169,060,046)
Investment activities:		
Profit / return received	13,833,270	15,615,334
Dividends received	1,682,715	2,265,753
Payments for investments	(677,309,465)	(690,801,186)
Proceeds from disposal of investments	648,719,551	454,652,833
Redemption of term finance certificates	6,236,500	39,204,580
Fixed capital expenditure	(10,754,181)	(15,700,314)
Proceeds from disposal of fixed assets	3,003,333	183,659
Total cash used in investing activities	(14,588,277)	(194,579,341)
Total cash used in financing activities	-	-
Net cash generated from / (used in) all activities	14,366,418	(363,639,387)
Cash at beginning of the year	119,602,484	483,241,871
Cash at end of the year	133,968,902	119,602,484

The annexed notes 1 to 32 form an integral part of these financial statements.

Abdul Waheed
President & Chief Executive

Brig M Ibrahim Khan (Retd)
Director

Statement of Cash Flows
For the year ended 31 December 2014

Reconciliation to Profit and Loss Account:	2014	2013
	Rupees	
Operating cash flows	28,954,695	(169,060,046)
Depreciation expense	(28,340,223)	(26,236,771)
Gain / (loss) on disposal of fixed assets	1,477,814	(166,077)
Increase in assets other than cash	124,460,413	140,247,251
(Decrease) / increase in liabilities other than running finance	(98,893,969)	107,085,528
Provision against doubtful debts	(5,888,381)	(9,036,933)
Provision against amounts due from other insurers / reinsurers	-	(4,513,136)
Unrealized gain on investments, held for trading	64,543,728	40,711,037
Dividend income	1,682,715	2,265,753
Investment income	27,754,338	9,253,698
Profit on bank deposits	7,897,020	8,139,788
Share of profit in associated company	10,440,997	6,080,517
Income tax provision	(38,801,950)	(30,570,673)
Gain on trading	32,027,077	12,791,897
Investment related expense	(48,821)	-
Tax paid	36,149,916	32,073,636
Profit after taxation	163,415,369	119,065,469

Definition of cash :

Cash comprises of cash in hand, bank balances, stamp in hand and short term placements with banks which are readily convertible to cash in hand and which are used in the cash management function on a day-to-day basis.

Cash for the purpose of the statement of cash flows consist of:	2014	2013
	Rupees	
Cash and other equivalents		
Cash in hand	806,754	662,777
Stamp in hand	254,999	382,336
	1,061,753	1,045,113
Current and other accounts		
On current accounts	17,824,806	11,079,216
On deposit accounts	115,082,343	107,478,155
	132,907,149	118,557,371
Total	133,968,902	119,602,484

The annexed notes 1 to 32 form an integral part of these financial statements

Maj Gen Syed Taqi Naseer Rizvi (Retd)
Director

Lt Gen Khalid Rabbani (Retd)
Chairman

Statement of Premiums
For the year ended 31 December 2014

Business Underwritten inside Pakistan

Class of Business	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	2014 Net premium revenue	2013 Net premium revenue
		Opening	Closing			Opening	Closing			
	Rupees									
Direct and facultative										
Fire and property damage	245,275,069	106,609,536	125,952,375	225,932,230	197,369,550	82,756,393	104,189,834	175,936,109	49,996,121	41,958,819
Marine, aviation and transport	140,526,447	20,845,349	21,311,326	140,060,470	82,878,622	10,081,030	12,511,622	80,448,030	59,612,440	43,476,886
Motor	699,873,010	276,059,879	328,840,418	647,092,471	39,160,152	6,863,340	20,303,516	25,719,976	621,372,495	539,666,590
Accident and health	397,844,137	215,888,889	242,032,504	371,700,522	236,976,131	129,340,719	145,275,840	221,041,010	150,659,512	118,844,406
Miscellaneous	235,938,979	307,024,839	177,289,255	365,674,563	134,879,421	269,221,291	128,235,682	275,865,030	89,809,533	97,978,248
Grand total	1,719,457,642	926,428,492	895,425,878	1,750,460,256	691,263,876	498,262,773	410,516,494	779,010,155	971,450,101	841,924,949

The annexed notes 1 to 32 form an integral part of these financial statements.

Abdul Waheed
President & Chief Executive

Brig M Ibrahim Khan (Retd)
Director

Maj Gen Syed Taqi Naseer Rizvi (Retd)
Director

Lt Gen Khalid Rabbani (Retd)
Chairman

Statement of Claims
For the year ended 31 December 2014

Business Underwritten inside Pakistan	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	2014 Net claims expense	2013 Net claims expense
		Opening	Closing			Opening	Closing			
Class of Business					Rupees					
Direct and facultative										
Fire and property damage	40,515,238	48,888,854	45,192,873	36,819,257	28,316,504	39,115,896	34,825,007	24,025,615	12,793,642	21,623,881
Marine, aviation and transport	74,018,193	26,827,929	39,355,552	86,545,816	49,301,429	18,107,906	31,448,748	62,642,271	23,903,545	23,805,087
Motor	301,404,067	101,633,449	136,610,800	336,381,418	11,072,805	6,377,355	833,889	5,529,339	330,852,079	308,338,439
Accident and health	379,155,872	59,119,056	51,614,135	371,650,951	227,645,687	43,997,355	30,968,481	214,616,813	157,034,138	96,351,111
Miscellaneous	59,552,972	44,429,835	84,542,728	99,665,865	41,131,286	27,031,317	48,725,700	62,825,669	36,840,196	14,719,197
Grand total	854,646,342	280,899,123	357,316,088	931,063,307	357,467,711	134,629,829	146,801,825	369,639,707	561,423,600	464,837,715

The annexed notes 1 to 32 form an integral part of these financial statements.

Abdul Waheed
President & Chief Executive

Brig M Ibrahim Khan (Retd)
Director

Maj Gen Syed Taqi Naseer Rizvi (Retd)
Director

Lt Gen Khalid Rabbani (Retd)
Chairman

Statement of Expenses
For the year ended 31 December 2014

Business Underwritten inside Pakistan	Commission Paid or payable	Deferred commission Opening	Deferred commission Closing	Net Commission expense	Other management expense	Underwriting expense	Commission from reinsurers*	2014 Net underwriting expense	2013 Net underwriting expense
Class of Business	Rupees								
Direct and facultative									
Fire and property damage	31,710,786	14,498,357	16,994,566	29,214,577	11,079,705	40,294,282	51,928,780	(11,634,498)	(10,334,950)
Marine, aviation and transport	23,079,972	2,402,777	3,259,326	22,223,423	13,210,790	35,434,213	25,796,386	9,637,827	4,740,120
Motor	46,487,507	12,624,538	25,156,701	33,955,344	182,717,710	216,673,054	2,358,492	214,314,562	181,142,567
Accident and health	13,882,051	9,045,044	7,131,223	15,795,872	33,387,850	49,183,722	55,298,942	(6,115,220)	(513,115)
Miscellaneous	15,696,734	18,114,479	6,788,187	27,023,026	19,902,807	46,925,833	52,904,049	(5,978,216)	(4,711,657)
Grand total	130,857,050	56,685,195	59,330,003	128,212,242	260,298,862	388,511,104	188,286,649	200,224,455	170,322,965

* Commission from reinsurers is arrived at after taking the impact of opening and closing unearned commission.

The annexed notes 1 to 32 form an integral part of these financial statements.

Abdul Waheed
President & Chief Executive

Brig M Ibrahim Khan (Retd)
Director

Maj Gen Syed Taqi Naseer Rizvi (Retd)
Director

Lt Gen Khalid Rabbani (Retd)
Chairman

Statement of Investment Income

For the year ended 31 December 2014

	2014	2013
	Rupees	
Income from trading investments		
Gain on trading	32,027,077	12,791,897
Dividend income	780,840	1,553,028
	32,807,917	14,344,925
Income from non-trading investments		
Return on government securities	4,971,028	3,817,112
Return on other fixed income securities	1,897,978	2,895,503
	6,869,006	6,712,615
Available for sale investments		
Dividend income	901,875	712,725
Gain on sale of investments	20,885,332	2,541,083
	21,787,207	3,253,808
Unrealized profit on re-measurement of investments held for trading	64,543,728	40,711,037
Investment related expense	(48,821)	-
Net investment income	125,959,037	65,022,385

The annexed notes 1 to 32 form an integral part of these financial statements.

Abdul Waheed
President & Chief Executive

Lt Gen Khalid Rabbani (Retd)
Chairman

Brig M Ibrahim Khan (Retd)
Director

Maj Gen Syed Taqi Naseer Rizvi (Retd)
Director

Statement of Changes in Equity
For the year ended 31 December 2014

	Share capital	Reserves			Total reserves	Total equity
	Issued, subscribed and paid up	Capital reserve	Revenue reserve			
		Share premium	General reserve	Retained earning		
	Rupees					
As at 01 January 2013	323,620,030	4,657,681	70,000,000	104,619,424	179,277,105	502,897,135
Total comprehensive income for the year						
Profit for the year	-	-	-	119,065,469	119,065,469	119,065,469
Other comprehensive income for the year	-	-	-	(3,487,204)	(3,487,204)	(3,487,204)
Total comprehensive income for the year	-	-	-	115,578,265	115,578,265	115,578,265
Changes in owners' equity						
Total transactions with owners						
- Issuance of bonus shares	64,724,000	-	-	(64,724,000)	-	-
As at 31 December 2013	388,344,030	4,657,681	70,000,000	155,473,689	294,855,370	618,475,400
As at 01 January 2014	388,344,030	4,657,681	70,000,000	155,473,689	230,131,370	618,475,400
Total comprehensive income for the year						
Profit for the year	-	-	-	163,415,369	163,415,369	163,415,369
Other comprehensive income for the year		-	-	(2,355,670)	(2,355,670)	(2,355,670)
Total comprehensive income for the year	-	-	-	161,059,699	161,059,699	161,059,699
As at 31 December 2014	388,344,030	4,657,681	70,000,000	316,533,388	391,191,069	779,535,099

The annexed notes 1 to 32 form an integral part of these financial statements.

Abdul Waheed
President & Chief Executive

Lt Gen Khalid Rabbani (Retd)
Chairman

Brig M Ibrahim Khan (Retd)
Director

Maj Gen Syed Taqi Naseer Rizvi (Retd)
Director

1 STATUS AND NATURE OF BUSINESS

askari general insurance company limited ("the Company") was incorporated under the Companies Ordinance, 1984 as a public limited company on 12 April 1995. The Company is engaged in non-life insurance business comprising of fire, marine, motor, accident, health and miscellaneous. The Company commenced its commercial operations on 15 October 1995. Shares of the Company are quoted on Karachi, Lahore and Islamabad Stock Exchanges. The registered office and principal place of business of the Company is located at AWT Plaza, Rawalpindi. The Company has 19 branches in Pakistan.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the format prescribed under Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002], vide S.R.O. 938 dated 12 December 2002.

3 STATEMENT OF COMPLIANCE

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

The Securities and Exchange Commission of Pakistan (SECP) has allowed the insurance companies to defer the application of International Accounting Standard – 39 (IAS-39) "Financial Instruments: Recognition and Measurement" in respect of valuation of 'available-for-sale investments'. Accordingly, the requirements of IAS-39, to the extent allowed by SECP as aforesaid, have not been considered in the preparation of these financial statements.

4 BASIS OF MEASUREMENT

These financial statements have been prepared on the historical cost convention except for certain financial instruments which are stated at their fair values and obligation under certain employee retirement benefit funds including staff compensated absences which are measured at their present values as determined under the provisions of IAS-19, "Employee Benefits".

4.1 Use of estimates and judgments

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

Actual results may differ from their estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

In particular, the matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed below:

a) Income tax

In making the estimates for income taxes currently payable by the Company, the management takes into account current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Company's future taxable profits are taken into account.

b) Fixed assets, depreciation and amortisation

In making estimates of the depreciation / amortisation method, the management uses depreciation / amortisation rate which reflects the pattern in which economic benefits are expected to be consumed by the Company. These rates are reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the depreciation / amortisation rates would be changed to reflect the change in pattern. Further, the assets residual values are reviewed and adjusted if appropriate, at each financial year end.

c) Outstanding claims including incurred but not reported (IBNR)

The liability for IBNR is accounted for from subsequent to year end data on an estimated basis by the management and in case of accident and health business on actuary recommendation. Any significant event may affect the management's judgment which could effect the provision made for IBNR. Reinsurance recoveries against outstanding claims and salvage recoveries are recognized as an asset and are measured at the amount expected to be received.

d) Premium deficiency reserves

The Company carries out an analysis of loss / combined ratios for the expired year, such ratio being calculated after taking into account the relevant IBNR provision for the determination of premium deficiency reserve for each class of business.

e) Defined benefits plan

Defined benefit plan is provided to eligible employees of the Company. Calculations in this respect require assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration, the expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

f) Impairment

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Provisions for impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

g) Provision against premiums due but unpaid and amounts due from other insurers / reinsurers

The Company reviews its premium due but unpaid and amounts due from other insurers / reinsurers portfolio to assess their recoverability and provision required there-against. While assessing this requirement, various factors including the delinquency and financial position of the counter party are considered.

h) Classification of investment

In classifying investments as "held-for-trading" the Company has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements.

In classifying investments as "held-to-maturity" the Company has determined financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Company evaluates its intention and ability to hold such investments to maturity.

The investments which are not classified as held for trading or held to maturity are classified as available for sale.

i) Allocation of management expenses

Management expenses which are not specifically related to a class of business are allocated on all classes of business based on their respective net premium share in the total net premiums of the Company.

j) Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past event and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

k) Fair value of investments

The fair value of held for trading and available for sale investments is determined by reference to their quoted closing repurchase price at the reporting date. Any change in the estimate might effect carrying amount of investments held for trading with corresponding effect in profit and loss account. Fair value of held to maturity instruments is determined with reference to general interest rates prevailing in the market. Fair value of available for sales and held to maturity investments is determined for disclosure purpose only.

4.2 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency. Amounts presented in Pakistani Rupees have been rounded off to nearest Rupee.

4.3 New accounting standards and IFRIC interpretations that are 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 and are not likely to have an impact on the Company's financial statements.

- 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 not like to have an impact on the Company's financial statements.

- 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. The amendments are not likely to have an impact on the Company's 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. These amendments are not like to have an impact on the Company's financial statements.

- 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. The amendments are not likely to have an impact on the Company's financial statements.

- 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. The adoption of this standard is not like to have an impact on the Company's financial statements.

- 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. The adoption of this standard is not like to have an impact on the Company's financial statements.

- 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. The Company is in the process of determining the impact of this standard on its financial statements.

- 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. These amendments are not like to have an impact on the Company's financial statements.

- 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 which are not like to have an impact on the Company's financial statements except additional disclosures in certain cases:

  - 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.

  - IAS 24 'Related Party Disclosures'. 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.

- Annual Improvements cycle 2012-2014 (most amendments will apply prospectively for annual period beginning on or after 1 July 2016). The new cycle of improvements contain amendments to the following standards which are not like to have an impact on the Company's financial statements:

- IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

5 SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Insurance contracts

Insurance contracts are those contracts under which the Company as insurer has accepted insurance risk from the insurance contract holder (insured) by agreeing to compensate the insured if a specified uncertain future event (the insured event) adversely affects the insured. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its tenure, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

Insurance contracts are classified into following main categories, depending on the nature and duration of risk and whether or not the terms and conditions are fixed.
- Fire and property damage;
- Marine, aviation and transport;
- Motor;
- Health and accident; and
- Miscellaneous.

These contracts are normally one year insurance contracts except marine and miscellaneous classes. Normally all marine insurance contracts are of three months period. In miscellaneous class, some engineering insurance contracts are of more than one year period, whereas, normally travel insurance contracts and few bond insurance contracts in miscellaneous class expire within one month time.

These contracts are provided to all types of customers based on assessment of insurance risk by the Company. Normally personal insurance contracts e.g. vehicle, travel, personal accident, etc. are provided to individual

customers, whereas, insurance contracts of fire and property, marine, aviation and transport, accident and health and other commercial line products are provided to commercial organizations.
Fire and property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities.

Marine insurance covers the loss or damage of vessels, cargo, terminals, and any transport or property by which cargo is transferred, acquired, or held between the points of origin and final destination.

Motor insurance provides protection against losses incurred as a result of theft, traffic accidents and against third party liability that could be incurred in an accident.

Liability insurance contracts protect the insured against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events.

Other various types of insurance are classified in miscellaneous category which includes mainly engineering, terrorism, personal accident, worker compensation, travel, products of financial institutions, livestock and crop insurance etc.

The Company also accepts insurance risk pertaining to insurance contracts of other insurer as reinsurance inward. The insurance risk involved in these contracts is similar to the contracts undertaken by the Company as insurer.

Reinsurance contracts

Those insurance contracts that are issued by one insurer (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant are reinsurance contracts. The Company enters into reinsurance contracts with both foreign and local reinsurers. 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 year as the related premiums for the direct or accepted reinsurance business being reinsured. Once a contract has been classified as insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the year, unless all rights and liabilities are extinguished or expired.

5.1.1 Premium and receivable under insurance contracts

Premium written under all insurance policies is recognized as income over the period of insurance from the date of issuance of policy to its expiry, after taking into account the unearned portion of premiums. Amount is recorded as premium written at the time the policy is written. Where the pattern of incidence of risk varies over the year of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk. The portion of premium written relating to the unexpired year of coverage is recognized as unearned premium by the Company. The unearned premium is calculated by applying 1/24 method as specified in the SEC (Insurance) Rules, 2002.

Premium income includes administrative surcharge that represents documentation charges recovered by the Company from policy holders in respect of policies issued. Administrative surcharge is recognised as premium income at the time of issuance of policy.

Receivable under insurance contracts are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and that impairment loss is recognised in the profit and loss account.

5.1.2 Reinsurance ceded

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums are accounted for in the same year as the related premiums for the direct or accepted reinsurance business being reinsured. Reinsurance premium is recognised as expense after taking into account the proportion of deferred premium expense which is calculated using pattern similar to calculation of premium income for the same policy. The deferred portion of premium expense is recognised as prepayment.
Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in the manner consistent with the related reinsurance contract. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurance 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 contracts.

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

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

Pakistan Reinsurance Company Limited (PRCL) retrocession business is booked on the basis of PRCL statements pertaining to the previous years.

5.1.3 Claim expense including provision for outstanding claims including Incurred But Not Reported

The Company recognizes liability in respect of all claims incurred up to the balance sheet 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 claims except as otherwise expressly indicated in an insurance contract. The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. Provision for IBNR is based on the management's best estimates and the claims actually reported subsequent to the balance sheet date however in case of health business, provision is determined using actuary recommendations.

5.1.4 Reinsurance recoveries against claims

Claims recoveries receivables from the reinsurers 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 in accordance with respective reinsurance arrangements.

5.1.5 Commission

Commission expense incurred on issuance of policies is deferred and recognized as asset and is recognized in the profit and loss account as an expense in accordance with pattern of recognition of premium revenue. Commission and other forms of revenue (apart from recoveries) from reinsurers are deferred and recognized as liability and recognized in the profit and loss account as revenue in accordance with the pattern of recognition of the reinsurance premium. Profit / commission, if any, under the terms of reinsurance arrangements, is recognized when the Company's right to receive the same is established.

5.1.6 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 balance sheet date. The movement in the premium deficiency reserve is recorded as an expense in profit and loss account for the year. Income is recognised to the extent of reversal of deficit previously recognised, if any.

For this purpose, loss ratios for each class are estimated based on historical claim development for all classes except Accident and health which is determined on the basis of actuarial recommendations. 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:

- Fire and property damage;	0.40
- Marine, aviation and transport;	0.40
- Motor;	0.55
- Accident and health; and	0.85
- Miscellaneous.	0.30

Based on an analysis of combined operating ratio for the expired year 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 balance sheet date. Hence, no reserve for the same has been made in these financial statements.

5.2 Provision for unearned premium and prepaid reinsurance premium ceded

In accordance with the requirements of Insurance Rules 2002, provision for unearned premium is calculated by applying 1/24th method. Unearned portion of premium is recognized as liability.

The deferred portion of reinsurance premium is recognised as reinsurance premium ceded using 1/24th method.

5.3 Fixed assets

Owned - tangible

These are stated at cost less accumulated depreciation and impairment losses, if any, except for capital work in progress which is stated at cost less impairment losses, if any. Depreciation is charged on depreciable amount over the estimated useful life of the assets by applying reducing balance method, except for tracking devices for which straight line method is applied, at rates specified in note 20 to the financial statements. Depreciation is charged on monthly basis where full month depreciation is charged in the month of addition and no depreciation is charged in the month of disposal.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the profit and loss account in the year in which they are incurred. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Owned - intangible

Software development cost are only capitalized to the extent that future economic benefits are expected to flow to the entity. Intangible assets with finite useful lives are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged on the amortizable amount over the useful life of the asset by applying straight line method. Intangible assets with indefinite useful lives are stated at cost less impairment losses, if any.

5.4 Financial instruments

5.4.1 Non-derivative financial assets

These are initially recognised on the date that they are originated i.e. on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. Investments are recognised on settlement date.

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company classifies non-derivative financial assets into the following categories: held to maturity, financial assets at fair value through profit or loss, available for sale investments and loans and receivables.

a) Held to maturity

Investments with fixed maturity, where the management has both the intent and ability to hold to maturity, are classified as held to maturity. Subsequent to initial recognition, these investments are measured at amorti zed cost, less provision for impairment in value, if any. Amortized cost is calculated taking into account effective interest rate method. Profit on held to maturity instruments is recognized on a time proportion basis taking into account the effective yield on investments.

b) Investments at fair value through profit and loss - Held for trading

These financial assets are acquired principally for the purpose of generating profit from short-term fluctuation in prices or are part of a portfolio for which there is a recent actual pattern of short-term profit taking. Subsequent to initial recognition these are measured at fair value by reference to quoted market prices with the resulting gain or loss is included in net profit or loss for the year in which it arises.

c) Available for sale

Available for sale investments are those non-derivative investments that are designated as available for sale or are not classified in any other category. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity are classified as available for sale. Subsequent to initial recognition at cost, quoted investments are stated at lower of cost or market value (market value being taken as lower if the fall is other than temporary) in accordance with the requirements of S.R.O 938 issued by the Securities and Exchange Commission of Pakistan on 12 December 2002. Had the Company adopted IAS 39 "Financial Instruments: Recognition and Measurement " the investments available for sale as of 31 December 2014 would have been higher by Rs. 2.08 million (2013: higher by Rs. 4.99 million) with the corresponding increase in equity by the same amount. The Company's available for sale investments represent investment in mutual funds and shares of listed companies. Investment in the units of these funds is valued at their respective redemption/ repurchase price and investment in listed shares are valued at the prices quoted on stock exchange.

d) Loans and receivables

Loans and receivables comprise cash and bank deposits, advances to employees, premium due but unpaid, amounts due from other insurers / reinsurers, reinsurance recoveries against outstanding claims and sundry receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, stamps in hand and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

All other loans and receivables

These are stated initially at the fair value, subsequent to initial recognition these are stated at their fair value as reduced by appropriate provision for impairment. Known impaired receivables are written off, while receivables considered doubtful of recovery are fully provided for.

The allowance for doubtful accounts is based on the Company's assessment of the collectability of counterparty accounts. The Company regularly reviews its debts and receivables that remain outstanding past their applicable payment terms and establishes allowance and potential write-offs by considering factors such as historical experience, credit quality, age of the accounts receivable balances, and current economic conditions that may affect a customer's ability to pay.

5.4.2 Non-derivative financial liabilities

The Company initially recognises non derivative financial liabilities on the date that they are originated or the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

These financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Non derivative financial liabilities comprise amounts due from other insurers / reinsurers, unclaimed dividend, other payables and other creditors and accruals.

5.4.3 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

5.5 Investment in associates

Associates are those entities in which the Company has significant influence but not control over the financial and operating policies. Investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is initially recognized at cost and the carrying value is increased or decreased to recognize the Company's share of the profit and loss of the associate after the date of its acquisition and the Company's share in the associates' equity that has not been recognized in the associate's profit and loss account. The Company's share of profit and loss of associates is included in the profit and loss account for the year. This method is applied from the date when significant influence commences until the date when the significant influence ceases. When the associates' share of losses exceed the carrying amount of investment in associates, the carrying amount is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has incurred obligation in respect of the associate.

5.6 Investment property

Investment Property is accounted for under cost model in accordance with approved International Accounting Standard (IAS) 40, "Investment Property" and S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan.

Depreciation is charged on depreciable amount on straight line basis over its estimated useful life at the rate of 2.5% per annum.

Subsequent capital expenditures on existing properties and gains or losses on disposals are accounted for in the same manner as tangible fixed assets.

5.7 Taxation

Current

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

Deferred taxation

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax bases and carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences unused tax losses and tax credits can be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the profit and loss account, except in the case of items credited or charged to other comprehensive income or equity in which case it is included in other comprehensive income or equity.

5.8 Employees' retirement benefits

a) Defined benefit plan

The Company operates a funded gratuity scheme covering all eligible employees completing the minimum qualifying year of service as specified by the scheme. The assets of the funded plan are held independently in a separate fund. Provision for gratuity is made to cover obligations under the scheme in accordance with the actuarial recommendations. The latest actuarial valuation was carried out as at 31 December 2014.

Actuarial valuation was carried out using the Projected Unit Credit Method based on the following significant assumptions:

Discount rate	10.5% per annum
Expected return on plan assets	10.5% per annum
Expected rate of increase in salary	10.5% per annum
Average expected remaining working life time of the employee	8 years
Mortality rate	SLIC 2001 - 2005

The Company recognizes the actuarial gains or losses in other comprehensive income in the year in which they arise.

b) Defined contribution plan

The Company operates a recognized staff provident fund as a defined contribution plan for all eligible employees. Equal monthly contributions are made both by the Company and the employees to the fund at the rate of 8.33% of basic salary. The Company's contribution is charged to income during the year.

c) Compensated absences

Provisions for compensated absences is recognized annually to cover the obligation for compensated absences and charged to profit and loss account. The provision is determined using the projected unit credit method.

The latest actuarial valuation was carried out as at 31 December 2014 based on the following significant assumptions:

Discount rate	10.5% per annum
Expected rate of increase in salary	10.5% per annum
Average number of leaves accumulated per annum	9 days
Mortality rate	SLIC 2001 - 2005

5.9 Management expenses

Management expenses have been allocated to various classes of business on equitable basis. Expenses not allocable to underwriting business are charged under general and administrative business.

5.10 Earnings Per Share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary share. 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 EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of dilutive potential ordinary shares.

5.11 Segment reporting

A business segment is a distinguishable component of the Company that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Company accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules. 2002. The reported operating segments are also consistent with the internal reporting provided to Strategy Committee and Board of Directors which are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment. The Company has following business segments:

Fire insurance segment provides insurance cover against damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and impact.

Marine insurance segment provides coverage against cargo risk, war risk and damages occurring in inland transit.

Motor insurance provides comprehensive vehicle coverage and indemnity against third party loss.
Accident and health provides inpatient and outpatient medical coverage.

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

Investment and income taxes are managed on an overall basis and are therefore, not allocated to any segment. Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amount of certain assets pertaining to 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.

5.12 Foreign currency transactions

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All exchange differences are routed through profit and loss account.

5.13 Finance income

Finance income comprises interest income on funds invested, dividend income, exchange gain and changes in the fair value of financial assets at fair value through profit or loss - held for trading. Income on bank deposits is accrued on a time proportion basis using effective rate of interest. Income on investments is recognized on time proportion basis taking into account the effective yield of such securities. Dividend

income on equity investments is recognized when the right to receive the payment is established. Foreign currency gains and losses are reported on a net basis.

5.14 Impairment

a) Non-derivative financial assets

All financial assets are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers and economic conditions that correlate with defaults or the disappearance of an active market for a security.
The Company considers evidence of impairment for financial assets measured at amortised cost at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

asset's original effective interest rate. Losses are recognised in profit or loss and reflected in as allowance against financial asset measured at amortized cost. Interest on the impaired asset is recognized only to the extent it is considered recoverable. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

b) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

5.15 Distribution and appropriations

Cash dividends declared, bonus shares issued and other reserves' appropriations are recognized in the year in which these announcements or appropriations are made.

6 PAID UP SHARE CAPITAL

2014	2013		2014	2013
Number of shares			Rupees	
		Ordinary shares of Rs. 10 each issued as:		
12,708,378	12,708,378	- fully paid cash shares	**127,083,780**	127,083,780
26,126,025	26,126,025	- fully paid bonus shares	**261,260,250**	261,260,250
38,834,403	38,834,403		**388,344,030**	388,344,030

6.1 Army Welfare Trust (AWT), Askari Bank Limited and Askari Securities Limited held 12,426,277 (2013: 12,426,277), 10,554,450 (2013: 10,550,577) and 117 (2013: 117) ordinary shares of the Company respectively at the year end.

	Note	2014	2013
		Rupees	
7 STAFF COMPENSATED ABSENCES	7.1	**15,131,659**	11,080,700
7.1 Movement in liability			
Balance at beginning of the year		**11,080,700**	9,916,198
Charge for the year	7.1.1	**5,867,334**	2,065,632
Benefits paid		**(1,816,375)**	(901,130)
Balance at end of the year		**15,131,659**	11,080,700

7.1.1	Charge for the year	Note	2014	2013
			Rupees	
	Current service cost		1,907,081	1,263,162
	Interest cost		1,271,564	1,090,782
	Actuarial loss / (gain) on experience adjustment		2,688,689	(288,312)
			5,867,334	2,065,632

			2014	2013
			Rupees	
8	OTHER CREDITORS AND ACCRUALS			
	Agents' commission payable		62,505,650	51,651,995
	Security deposit against bond insurance		41,437,342	44,174,974
	Payable to staff gratuity fund	8.1	7,729,028	6,677,388
	Tax deducted at source		2,019,144	2,353,131
	Federal excise duty and federal insurance fee		23,022,097	24,012,011
	Workers' Welfare Fund		2,753,318	2,753,318
	Due to associated company - unsecured		-	6,686,907
	Payable against tracker devices and monitoring expenses		4,598,059	4,605,757
			144,064,638	142,915,481

8.1 Payable to Staff gratuity fund

8.1.1	Amount recognized in the balance sheet			
	Present value of defined benefit obligation	8.1.3	53,343,518	41,751,277
	Benefits due but not paid during the year		3,630,767	4,339,699
			56,974,285	46,090,976
	Fair value of plan assets	8.1.4	(49,245,257)	(39,413,588)
	Net liability at end of the year		7,729,028	6,677,388
8.1.2	Movement in liability recognized in balance sheet			
	Balance at beginning of the year		6,677,388	3,209,171
	Expense for the year	8.1.5	5,127,291	4,494,913
	Actuarial loss recognized in other comprehensive income		3,515,925	5,488,112
			15,320,604	13,192,196
	Contributions to the fund during the year		(7,591,575)	(6,514,808)
	Balance at end of the year		7,729,029	6,677,388
8.1.3	Reconciliation of the present value of defined benefits obligations			
	Present value of obligations as at beginning of the year		41,751,276	32,793,178
	Current service cost		5,327,984	4,513,974
	Interest cost		5,043,505	3,607,250
	Benefits paid		(2,511,591)	(2,593,290)
	Benefits due but not paid		(294,876)	(1,090,760)
	Actuarial loss		4,027,220	4,520,925
	Present value of obligations as at end of the year		53,343,518	41,751,277

		2014	2013
		Rupees	
8.1.4	**Movement in the fair value of plan assets**		
	Fair value of plan assets as at beginning of the year	39,413,588	32,966,464
	Interest income on plan assets	5,244,198	3,626,311
	Contribution to the fund	7,591,575	6,514,808
	Benefits paid	(3,515,399)	(2,726,808)
	Actuarial gain / (loss)	511,295	(967,187)
	Fair value of plan assets as at end of the year	49,245,257	39,413,588
8.1.5	**Expense for the year**		
	Current service cost	5,327,984	4,513,974
	Interest Cost	5,043,505	3,607,250
	Interest income on plan assets	(5,244,198)	(3,626,311)
	Expense for the year	5,127,291	4,494,913

8.1.6 The estimated charge to profit and loss account for the defined benefit plan for the year ending 31 December 2015 is Rs. 6.62 million.

8.1.7 Composition of fair value of plan assets

	2014		2013	
	Fair value Rupees	Percentage %	Fair value Rupees	Percentage %
Debt instruments	15,793,973	32%	-	-
Cash and bank balances	38,263	0%	29,167,244	74%
Mutual funds	33,413,021	68%	10,246,344	26%
Fair value of plan assets	49,245,257	100%	39,413,588	100%

8.1.8 **Comparison of present value of defined obligation, fair value of plan assets and surplus/(deficit) of gratuity fund for the last four years:**

	2014	2013	2012	2011	2010
	Rupees				
Present value of defined benefit obligation	53,343,518	41,751,277	32,793,178	28,964,659	25,115,502
Fair value of plan assets	(49,245,257)	(39,413,588)	(32,966,464)	(23,961,870)	(18,465,704)
Deficit / (surplus)	4,098,261	2,337,689	(173,286)	5,002,789	6,649,798
Effect of remeasurment:					
- Actuarial loss / (gain) on experience adjustment on obligation	4,027,220	4,520,925	1,560,595	(1,367,355)	570,356
- Actuarial (loss) / gain on interest income on plan assets	511,295	(967,187)	1,009,360	(1,904,376)	872,074

8.1.9 Sensitivity Analysis

The calculation of the defined benefit obligation is sensitive to the assumption used. The following table summarizes the impact on the defined benefit obligation at the end of the reporting period as a result of a change in the respective assumptions by one percent.

	(Increase) / decrease in Defined Benefit Obligation	
	1% increase	1% decrease
	Rupees	
Discount rate	4,209,498	(4,832,242)
Future salary growth	(4,900,286)	4,349,305

8.1.10 Expected maturity analysis of staff gratuity fund is as follows:

	Rupees
Within one year	4,215,843
Between one to 2 years	5,556,784
Between two to five years	18,893,962
Over 5 years	464,589,416

9 CONTINGENCIES AND COMMITMENTS

Contingencies

Tax assessments for Assessment Years 1996-1997 to 1999-2000 were finalized by the tax authorities mainly by curtailing management expenses and thereby raising demands aggregating to Rs. 6.6 million. On appeals filed by the Company, these assessments were set aside by the Income Tax Appellate Tribunal (ITAT). The Company has filed reference applications to the High Court on question of admissibility of management expenses for the Assessment Years 1996-1997 to 1999-2000. The management firmly believes that the matter will be resolved in favor of the Company.

Commitments

At the balances sheet date, the Company does not have any capital commitment (2013: Nil).

10 CASH AND OTHER EQUIVALENTS	Note	2014	2013
		Rupees	
Cash in hand		806,754	662,777
Stamps in hand		254,999	382,336
		1,061,753	1,045,113

11 CURRENT AND OTHER ACCOUNTS	Note	2014	2013
Cash at bank:			
Current accounts		17,824,806	11,079,216
Deposit accounts			
- local currency	11.1	110,509,583	88,480,101
- foreign currency	11.2	4,572,760	18,998,054
		115,082,343	107,478,155
	11.3	132,907,149	118,557,371

11.1 These carry effective markup rate ranging from 6.5% to 9% per annum (2013 : 7% to 8.75% per annum).

11.2 This carry effective markup rate of 0.25% per annum (2013: 0.25%).

11.3 These include balance amounting to Rs. 77.37 million (2013: Rs. 70.3 million) held with associated company

12 ADVANCES TO EMPLOYEES

These represents short term interest free advances given in accordance with terms of employment. These are secured and considered good. The maximum amount due from executives at the end of any month during the year was Rs. 0.51 million (2013: Rs. 0.22 million).

	Note	2014	2013
		Rupees	
13 INVESTMENTS			
Held to maturity	13.1	40,254,588	46,632,893
Loans and receivables - Certificates of investment (COIs)	13.2	18,308,624	14,808,716
Fair value through profit and loss - held for trading	13.3	749,223,047	688,374,065
Available for sale	13.4	125,629,938	17,325,050
Investment in associated company	13.5	80,887,661	96,961,421
		1,014,303,858	864,102,145

13.1 Held to maturity

	Note	2014	2013
Government securities	13.1.1	40,254,588	40,396,393
Term finance certificates - quoted		-	6,236,500
		40,254,588	46,632,893

13.1.1 Government securities - Pakistan Investment Bonds (PIBs)

PIBs are placed as statutory deposit with State Bank of Pakistan in accordance with the requirements of clause (a) of sub section 2 of section 29 of Insurance Ordinance, 2000. These carry interest at effective rate ranging from 8% to 12.5% per annum (2013: 8% to 13% per annum) and will mature by 18 July 2018 (2013: 18 July 2016). Market value of PIBs carried at amortised cost amounts to Rs. 44.15 million (2013: Rs.39.97 million).

13.2 Loans and receivables - Certificates of investment (COIs)

	2014	2013
	Rupees	
Certificates of investment	34,527,066	31,027,158
Provision for impairment	(16,218,442)	(16,218,442)
	18,308,624	14,808,716

These carry interest rate ranging from 8.5% to 9% (2013: 8.75% to 12%) per annum having maturity for a period of one year (2013: three month to one year). The Company has created a provision against certain COIs. All other COIs are placed with a financial institution having long term and short term credit rating of AA+ and A1+ respectively .

13.3 Fair value through profit and loss - held for trading: Investment in shares / units - quoted

Number of shares / units 2014	2013	Face value per share / unit Rupees	Investee Name	Carrying value/ market value 2014	2013
				Rupees	
			Open-Ended Mutual Funds		
3,539,122	3,360,485	10	ABL Government Securities Fund	38,570,410	33,624,342
-	2,138,625	10	ABL Income Fund	-	21,402,939
52,378	31,548	500	Atlas Income Fund	28,186,530	16,191,187
-	107,170	500	Atlas Money Market Fund	-	53,880,039
1,100,397	610,260	50	Alfalah GHP Income Multiplier Fund	56,782,798	30,299,870
200,657	-	100	Alfalah GHP Sovereign Fund	21,881,000	-
460,500	-	50	AKD Cash Fund	24,088,309	-
108,622	102,667	100	Faysal Financial Sector Opportunity Fund	11,429,187	10,379,660
-	473,738	100	Faysal Money Market Fund	-	48,188,716
34,488	32,509	100	Faysal Savings Growth Fund	3,736,444	3,334,215
-	318,349	100	First Habib Cash Fund	-	31,867,979
-	565,971	100	HBL Money Market Fund	-	57,214,180
788,664	-	100	HBL Income Fund	85,062,622	-
202,964	-	50	JS Income Fund	18,668,653	-
386,553	-	50	MetroBank Pakistan Sovereign Fund	21,067,147	-
-	481,207	100	MCB Cash Management Optimizer Fund	-	48,145,432
581,095	214,567	100	MCB Dynamic Cash Fund	62,921,125	21,687,242
7,965,071	5,368,085	10	NAFA Income Opportunity Fund	88,929,223	56,959,682
2,464,214	-	10	NIT Government Bond Fund	26,820,749	-
-	4,733,327	10	NIT Income Fund	-	50,031,270
769,631	737,537	50	Pakistan Cash Management Fund	40,144,573	36,895,365
-	34,496	10	Pakistan Premier Fund	-	441,212
-	369,972	100	PICIC Cash Fund	-	37,242,793
689,862	96,391	100	PICIC Income Fund	73,792,652	9,686,160
-	633,964	100	Primus Daily Reserve Fund	-	63,466,863
661,663	-	100	PIML Income Fund	71,618,403	-
645,120	-	100	UBL Government Securities Fund	70,295,618	-
-	308,143	100	UBL Islamic Income Fund	-	31,245,726
			Automobile and Parts		
-	14,000	10	Pak Suzuki Motors Company Limited	-	2,154,460
			Banks		
78,594	78,594	10	Faysal Bank Limited	1,430,411	895,185
-	10,000	10	JS Bank Limited	-	45,000
-	12,245	10	MCB Bank Limited	-	3,442,926
-	51,073	10	National Bank of Pakistan	-	2,965,298
-	28,241	10	NIB Bank Limited	-	66,083
-	31,839	10	Soneri Bank Limited	-	348,000
-	40,250	10	The Bank of Punjab	-	443,555
			Chemicals		
24,834	24,834	10	Arif Habib Corporation Limited	682,935	552,556

Number of shares / units 2014	Number of shares / units 2013	Face value per share / unit Rupees	Investee Name	Carrying value/ market value 2014 Rupees	Carrying value/ market value 2013 Rupees
			Construction and Materials		
-	22,641	10	Attock Cement Pakistan Limited	-	3,229,296
-	30,400	10	D. G. Khan Cement Company Limited	-	2,606,192
-	40,000	10	Fauji Cement Company Limited	-	638,000
-	65,000	10	Lafarge Pakistan Cement Limited	-	543,400
-	59,000	10	Maple leaf Cement Factory Limited	-	1,618,370
			Financial Services		
-	19,032	10	Jahangir Siddiqui & Co Limited	-	174,904
-	3,219	10	JS Global Capital Limited	-	106,387
-	17,000	10	JS Investment Limited	-	185,640
			Fixed Line Telecommunication		
48,322	48,322	10	Pakistan Telecommunication Company Limited	1,112,856	1,374,277
16,718	16,718	10	Worldcall Telecom Limited	28,420	41,460
			Fuel and Energy		
-	58,000	10	BYCO Petroleum Pakistan Limited	-	516,780
-	4,000	10	Pakistan Petroleum Limited	-	855,840
			General Industries		
-	1,400	10	Packages Limited	-	381,682
			Household Goods		
-	7,400	10	Tariq Glass Industries Limited	-	179,080
			Industrial Engineering		
-	4,437	10	KSB Pumps Company Limited	-	400,882
			Industrial Metals and Mining		
-	2,257	10	Aysha Steel Mill Limited (Preference Shares)	-	18,033
-	10,000	10	International Industries Limited	-	463,700
			Non Life Insurance		
24,550	24,550	10	Century Insurance Company Limited	613,750	397,955
44,800	44,800	10	Pak Reinsurance Company Limited	1,359,232	1,274,112
			Personal Goods		
-	21,150	10	Azgard Nine Limited	-	151,011
-	22,998	10	Chenab Limited	-	119,129
				749,223,047	688,374,065

13.4 Available for sale

Investments in units/shares-quoted

Number of shares / units 2014	Number of shares / units 2013	Face value per share / unit Rupees	Investee Name	Carrying value/ market value 2014 Rupees	Carrying value/ market value 2013 Rupees
			Open-Ended Mutual Funds		
21,608	21,608	100	Dawood Income Fund	1,491,925	1,491,925
414,398	106,181	100	JS Large Capital Fund	40,171,712	5,000,000
8,209	-	50	Pakistan Stock Market Fund	500,645	-
1,981,076	-	10	ABL Stock Fund	24,638,643	-
383,270	-	50	AKD Opportunity Fund	25,000,000	-
			Closed-End Mutual Funds		
116,150	116,150	10	First Dawood Mutual Fund	220,000	220,000
			Automobile and Parts		
1,200	-	10	Indus Motor Company Limited	1,074,000	-
			Banks		
18,000	17,500	10	United Bank Limited	3,303,848	2,357,573
20,000	-	10	Bank Alfalah Limited	611,181	-
20,000	-	10	National Bank of Pakistan	1,226,618	-
			Chemicals		
18,500	9,000	10	Engro Corporations Limited	4,025,243	1,457,533
			Construction and Materials		
-	13,000	10	Kohat Cement Co Limited	-	1,197,373
			Pharmaceutical		
2,500	-	10	Feroz Sons Laboratories	1,579,725	-
			Textile		
42,000	17,000	10	Nishat Chunian Limited	2,230,325	983,054
40,000	-	10	Nishat Mills Limited	4,669,135	-
			Food Producers		
-	10,000	10	Engro Foods Limited	-	1,096,817
			Fertilizers		
12,500	-	10	Engro Fertilizers Limited	831,523	-
			Oil and Gas		
12,000	-	10	Attock Refinery Limited	2,438,046	-
12,000	3,000	10	National Refinery Limited	2,746,809	774,760
-	5,500	10	Pakistan State Oil Company Limited	-	1,875,169
1,500	-	10	Pakistan Oil Fields Limited	791,061	-
17,500	-	10	Pakistan Petroleum Limited	3,952,888	-
2,000	-	10	Hascol Petroleum Limited	152,812	-

Number of shares / units 2014	Number of shares / units 2013	Face value per share / unit Rupees	Investee Name	Carrying value / market value 2014 Rupees	Carrying value / market value 2013 Rupees
			Non Life Insurance		
30,000	-	10	Adamjee Insurance Company Limited	1,416,801	-
			General Industries		
4,000	-	10	Packages Limited	2,556,998	-
			Electricity		
-	12,500	10	Hub Power Company Limited	-	870,846
			Carrying value	125,629,938	17,325,050
			Market value	127,648,873	22,321,591

13.5 Investment in associated company

Number of units 2014	Number of units 2013	Face value per unit Rupees	Investee Name	2014 Rupees	2013 Rupees
757,738	257,966	100	Askari High Yield Scheme	80,887,661	26,672,049
-	593,343	100	Askari Sovereign Cash Fund	-	59,808,629
-	104,452	100	Askari Sovereign Yield Enhancer Fund	-	10,480,743
			Carrying value	80,887,661	96,961,421
			Market value	80,887,661	96,961,421

13.5.1 The summarized financial information of associated companies on the basis of unaudited financial information for the half year ended 31 December 2014 and 2013 is as follows:

	Askari High Yield Scheme		Askari Sovereign Yield Enhancer Fund		Askari sovereign Cash Fund	
	2014	2013	2014	2013	2014	2013
	Rupees in '000'					
Total assets	3,940,986	2,244,241	-	1,015,965	-	5,993,255
Total liabilities	236,241	17,043	-	7,725	-	62,263
Net assets	3,704,745	2,227,198	-	1,008,240	-	5,930,991
Total income for the period	336,132	134,490	-	74,773	-	271,566
Net income for the period	253,276	98,329	-	57,494	-	227,597

14 INVESTMENT PROPERTY

This represents the carrying amount of two offices in Islamabad Stock Exchange building, classified as investment property based on the management's intention to hold the property for earning rentals and / or capital appreciation.

	2014	2013
	Rupees	
Cost	52,400,000	52,400,000
Depreciation		
Balance at beginning of the year	4,039,167	2,729,167
Charge for the year	1,310,000	1,310,000
Balance at end of the year	5,349,167	4,039,167
Carrying value	47,050,833	48,360,833

14.1 The market value of the investment property is Rs. 81.22 million (2013: Rs. 78.60 million) as on 31 December 2014 as per valuation carried out by an independent valuer. Useful life of the investment property is estimated to be 40 years. The amount of depreciation has been allocated to general and administration expenses.

	Note	2014	2013
		Rupees	
15 DEFERRED TAXATION			
Deferred tax asset in respect of:			
Provision for impairment in loans and receivables investments		2,658,512	2,582,555
Provision against premium due but unpaid		3,162,927	3,072,557
Provision against amounts due from other insurers / reinsurers		3,640,531	1,534,466
Deferred tax liability in respect of unrealised gain on investments		(5,520,881)	-
		3,941,089	7,189,578
16 PREMIUMS DUE BUT UNPAID - UNSECURED			
Considered good	16.1	425,640,272	305,582,662
Considered doubtful		9,036,933	9,036,933
		434,677,205	314,619,595
Provision for doubtful balances		(9,036,933)	(9,036,933)
		425,640,272	305,582,662

16.1 This includes premium amounting to Rs. 47.94 million (2013: Rs. 44.74 million) receivable from the associated undertakings, the movement of which is as follows:

	Note	2014	2013
		Rupees	
Balance at beginning of the year		44,738,721	32,898,275
Insurance premium written (including government levies administrative surcharge and policies stamps)		308,824,677	258,885,757
Premium received during the year		(305,619,702)	(247,045,311)
Balance at end of the year		47,943,696	44,738,721

16.2 Age analysis of amounts receivable from related parties:

	Note	2014	2013
Up to 1 year		44,914,560	41,743,999
1 to 2 years		3,029,136	2,994,722
		47,943,696	44,738,721

17 AMOUNT DUE FROM OTHER INSURERS / REINSURERS

	Note	2014	2013
Considered good		149,668,630	67,784,260
Considered doubtful		10,401,517	4,513,136
		160,070,147	72,297,396
Provision for doubtful balances	17.1	(10,401,517)	(4,513,136)
		149,668,630	67,784,260

17.1 Provision for doubtful balances

	Note	2014	2013
Balance at beginning of the year		4,513,136	-
Provision made during the year		5,888,381	4,513,136
Balance at end of the year		10,401,517	4,513,136

18 PREPAYMENTS

	Note	2014	2013
Prepaid reinsurance premium ceded		410,516,494	498,262,773
Others		11,130,655	11,155,111
		421,647,149	509,417,884

19 SUNDRY RECEIVABLES

	Note	2014	2013
Security deposits		7,088,621	6,585,621
Advances to suppliers - unsecured, considered good		870,703	770,870
Receivable from staff provident fund - secured		-	112,769
Other receivables - unsecured, considered good	19.1	17,714,400	26,987,294
		25,673,724	34,456,554

19.1 This includes Rs. 4.24 million (2013: 3.54 million) receivable from a related party on account of sale of securities as broker of the Company. The balance is current, unsecured and receivable on demand.

20. FIXED ASSETS OWNED

	Tangible					Intangible	Capital work	Total
	Furniture and fixtures	Computers and office equipment	Motor vehicles	Tracking devices	Leasehold improvements	Software licenses	in progress	
	Rupees							
COST								
As at 01 January 2013	17,580,723	44,723,863	11,153,915	44,468,761	19,846,466	10,121,573	12,287,023	160,182,324
Additions during the year	1,124,768	1,958,868	1,308,144	-	-	-	11,308,534	15,700,314
Disposals	(704,105)	(348,448)	-	-	-	-	-	(1,052,553)
Transfers / adjustments	-	-	-	9,404,837	-	-	(9,404,837)	-
As at 31 December 2013	18,001,386	46,334,283	12,462,059	53,873,598	19,846,466	10,121,573	14,190,720	174,830,085
Additions during the year	1,293,260	2,395,317	1,646,963	-	238,827	253,761	4,926,053	10,754,181
Disposals	(301,321)	(3,969,062)	(4,551,987)		-	-	-	(8,822,370)
Transfers / adjustments	-	-	-	8,577,173	-	-	(8,577,173)	-
As at 31 December 2014	18,993,325	44,760,538	9,557,035	62,450,771	20,085,293	10,375,334	10,539,600	176,761,896
Depreciation and amortization								
As at 01 January 2013	10,478,639	35,671,144	6,813,071	11,703,093	14,800,508	4,017,134	-	83,483,589
Charge for the year	760,764	3,626,398	958,594	15,951,537	1,665,163	1,964,315	-	24,926,771
Depreciation on disposals	(403,781)	(299,036)	-	-	-	-	-	(702,817)
As at 31 December 2013	10,835,622	38,998,506	7,771,665	27,654,630	16,465,671	5,981,449	-	107,707,543
Charge for the year	799,486	2,972,094	1,024,897	19,166,099	1,134,298	1,933,344	-	27,030,218
Depreciation on disposals	(230,120)	(3,833,774)	(3,232,957)	-	-	-	-	(7,296,851)
As at 31 December 2014	11,404,988	38,136,826	5,563,605	46,820,729	17,599,969	7,914,793	-	127,440,910
Carrying value as at:								
- 31 December 2013	7,165,764	7,335,777	4,690,394	26,218,968	3,380,795	4,140,124	14,190,720	67,122,542
- 31 December 2014	7,588,337	6,623,712	3,993,430	15,630,042	2,485,324	2,460,541	10,539,600	49,320,986
Depreciation rate %	10	35	20	33	33	20		

		Note	2014	2013
			Rupees	
20.1	Depreciation and amortization is allocated as follows:			
	Management expenses	22	22,014,013	18,997,615
	General and administration expenses	24	5,016,205	5,929,156
			27,030,218	24,926,771

20.2 Detail of disposals of fixed assets during the year

Particulars of assets / buyers	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss) on sale
	Rupees				
2014					
Vehicles *					
Jamshed Jadoon **	845,180	673,842	171,338	188,500	17,162
Babar Kamran	892,790	695,433	197,357	217,093	19,736
Abbas Zaidi **	611,080	280,282	330,798	422,672	91,874
Akhtar Azeem	576,000	393,548	182,452	222,497	40,045
Nasrullah Khan Niazi	176,644	74,780	101,864	125,000	23,136
Arsalan Pasha	1,374,500	1,115,072	259,428	1,420,000	1,160,572
Aggregate value of other items with individual book value not exceeding Rs. 50,000	4,346,176	4,063,894	282,282	407,571	125,289
2014 - Total	8,822,370	7,296,851	1,525,519	3,003,333	1,477,814
2013 - Total	1,052,553	702,817	349,736	183,659	(166,077)

* Vehicles were sold to employees of the Company as per the Company policy except for Mr. Arsalan Pasha, an ex-employee, which was sold through auction.

** Executive employee

		Note	2014	2013
			Rupees	
21	**NET PREMIUM REVENUE**			
	Premium revenue (net of reinsurance)		931,638,471	806,447,950
	Administrative surcharge	21.1	39,811,630	35,476,999
			971,450,101	841,924,949

21.1 Net premium revenue includes administrative surcharge as under:

	Note	2014	2013
		Rupees	
Fire and property damage		5,023,053	3,886,389
Marine, aviation and transport		4,176,834	3,632,852
Motor		25,388,010	22,056,419
Accident and health		735,000	2,789,928
Miscellaneous		4,488,733	3,111,411
		39,811,630	35,476,999

22 MANAGEMENT EXPENSES

	Note	2014	2013
Salaries and other benefits	22.1	163,913,519	133,473,305
Rent expense		22,435,664	20,942,627
Communication		8,695,976	8,172,074
Tracker devices		14,961,051	10,914,407
Monitoring of trackers		8,986,612	9,519,871
Printing and stationery		1,290,994	1,446,999
Traveling and entertainment		2,603,415	2,752,387
Depreciation and amortization	20.1	22,014,018	18,997,615
Repair and maintenance		3,721,659	4,478,317
Utilities		7,925,820	6,864,751
Advertisement		596,467	190,720
Inspection expenses		1,127,946	1,199,225
Bank charges		332,984	259,820
Miscellaneous		1,692,742	1,725,098
		260,298,862	220,937,216

22.1 This includes charges for defined benefit plans, staff compensated absences and defined contribution plans amounting to Rs. 3.07 million (2013: Rs. 2.56 million), Rs. 3.52 million (2013: Rs. 1.42 million) and Rs. 3.51 million (2013: Rs. 3.12 million) respectively.

23 OTHER INCOME - net

	Note	2014	2013
		Rupees	
From non-financial assets			
Gain / (loss) on disposal of fixed assets	20.2	1,477,814	(166,077)
Miscellaneous		1,688,799	1,923,445
From financial assets			
Old liabilities written back		-	3,153,778
Recoveries against premium written off		-	3,454,646
		3,166,613	8,365,792

24 GENERAL AND ADMINISTRATION EXPENSES

	Note	2014 Rupees	2013 Rupees
Salaries and other benefits	24.1	100,522,518	89,663,069
Rent expenses		10,121,760	9,152,852
Communication		3,818,728	4,010,048
Printing and stationery		4,176,446	4,106,247
Traveling and entertainment		2,303,001	2,552,446
Depreciation and amortization	14.1 & 20.1	6,326,205	7,239,156
Repair and maintenance		3,166,785	3,487,648
Legal and professional		4,672,871	3,136,610
Subscription		4,487,649	3,309,089
Utilities		2,915,882	3,060,829
Advertisement		7,211,762	1,361,779
Auditor's remuneration	24.2	966,250	842,500
Bank charges		314,440	243,791
Provision against premium due but unpaid	16.2	-	9,036,933
Provision against amounts due from other insurers / reinsurers	17.1	5,888,381	4,513,136
Miscellaneous expenses		1,224,874	1,386,740
		158,117,552	147,102,873

24.1 This includes charges for defined benefit plans, staff compensated absences and defined contribution plans amounting to Rs. 2.05 million (2013: Rs. 1.93 million), Rs. 2.34 million (2013: Rs. 0. 89 million) and Rs. 2.96 million (2013: Rs. 2.34 million) respectively.

24.2 Auditor's remuneration

	2014	2013
Audit fee	373,750	373,750
Half yearly review	144,000	143,750
Other certifications	112,500	100,000
Tax advisory services	336,000	225,000
	966,250	842,500

		Note	2014	2013
			Rupees	
25	**PROVISION FOR TAXATION**			
25.1	Taxation charged to profit and loss account			
	Current		35,553,461	35,101,739
	Deferred tax		3,248,489	(4,531,066)
		25.2	38,801,950	30,570,673

25.2 Relationship between tax expense and accounting profit

	2014	2013	2014	2013
	Effective tax rate (%)		Rupees	
Profit for the year before taxation			202,217,319	149,636,142
Tax at the applicable rate	33	34	66,731,715	50,876,288
Effect of items that are not considered in determining taxable income - net	0.08	(11.28)	165,242	(16,875,773)
Effect of amounts chargeable to tax at reduced rate	(13.76)	(2.34)	(27,824,665)	(3,505,799)
Effect of change in tax rate	(0.13)	0.05	(270,342)	75,957
	19.19	20.43	38,801,950	30,570,673

25.3 Taxation charged to other comprehensive income

	2014	2013
	Rupees	
Current tax income	1,160,255	3,649,387
Deferred tax charge	-	(1,936,791)
	1,160,255	1,712,596

25.4 Tax returns for the Tax Years 2009 to Tax Year 2014 were assessed in terms of section 120 of the income Tax Ordinance 2001, however the tax authorities are empowered to amend the assessment within five (05) years from the end of the financial year in which the Commissioner has issued or treated to have issued the assessment order.

			2014	2013
26	**EARNING PER SHARE - BASIC AND DILUTED**		Rupees	
	Profit after taxation		163,415,369	119,065,469
	Weighted average number of ordinary shares	Numbers	38,834,403	38,834,403
	Earnings per share	Rupees	4.21	3.07

26.1 No figure for diluted earnings per share has been presented as the Company has not issued any instrument which would have an impact on earnings per share when exercised.

27 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of directors, major shareholders, key management personnel, entities under common control, entities with common directors and employees retirement benefit funds. Army Welfare Trust (AWT) holds directly and indirectly significant portion of the Company's equity, therefore all subsidiaries and associated undertakings of AWT are related parties of the Company.

The amounts due to and due from associated undertakings are disclosed in note 8, 11, 13, 16 and 19 to the financial statements. Remuneration to chief executive, directors and executives under the terms of their employment are disclosed in note 28 to the financial statements. Transactions with related parties during the year are as follows:

	2014	2013
	Rupees	
Insurance premium written (including government levies administrative surcharge and policies stamps)	308,824,677	258,885,757
Premium received during the year	305,619,702	247,045,311
Profit on deposit accounts	3,211,355	2,937,719
Bank charges	642,976	420,574
Insurance claims paid	75,019,383	51,676,717
Purchase of listed securities through broker, ASL including brokerage fee	146,728,107	40,642,376
Sale of listed securities through broker, ASL including brokerage fee	152,082,323	44,195,199
Rent paid	9,776,571	9,418,872
Issuance of bonus shares	-	38,294,760
Contribution to staff retirement benefit funds	20,541,831	17,462,436

28 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2014		
	Chief Executive	Directors	Executives
	Rupees		
Remuneration and bonus	9,512,395	-	30,147,266
Housing and utilities	3,846,113	-	6,567,045
Provident fund	569,065	-	987,889
Meeting fee	-	558,800	-
	13,927,573	558,800	37,702,200
No of person(s)	1	8	16

	2013		
	Chief Executive	Directors	Executives
	Rupees		
Remuneration and bonus	8,555,851	-	26,015,668
Housing and utilities	2,984,815	-	5,590,976
Provident fund	438,455	-	1,695,294
Meeting fee	-	330,000	-
	11,979,121	330,000	33,301,938
No of person(s)	1	8	14

28.2 The Chief Executive and Executives are also provided with the Company's maintained car. They are also entitled to gratuity and leave encashment for which the provision is determined by the actuary.

29 MANAGEMENT OF FINANCIAL AND INSURANCE RISK

29.1 Financial risk

The Company's activities exposes it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest / mark-up rate risk and price risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. The Company consistently manages its exposure to financial risk without any material change from previous year 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.

i) Credit risk

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counterparties in various industries 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 effect their ability to meet contractual obligations in similar manner. The management monitors and limits the Company's exposure to credit risk through monitoring of client's exposure and maintaining conservative estimates of provisions for doubtful assets, if required. The management believes 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	
Bank deposits	132,907,149	118,557,371
Investments	58,563,212	61,441,609
Advances to employees	1,586,168	1,111,191
Premium due but unpaid	425,640,272	305,582,662
Amounts due from other insurers / reinsurers	149,668,630	67,784,260
Accrued investment income	2,582,632	1,649,869
Reinsurance recoveries against outstanding claims	146,801,825	134,629,829
Sundry receivables	25,673,724	34,456,554
	943,423,612	725,213,345

The Company does not hold any collateral against the above balances. Provision against receivable is written off when the Company expects that it cannot recover the balance due. Except as already provided for in these financial statements, past due balances were not impaired as they relate to a number of policy holders and other insurers / reinsurers for whom there is no recent history of default. The age analysis of gross receivables is as follows:

	Premium due but unpaid	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Sundry receivables	2014 Aggregate	2013 Aggregate
			Rupees			
Upto 1 year	356,473,965	135,394,311	89,100,925	25,673,724	606,642,925	376,767,858
1-2 years	68,197,904	15,139,932	13,374,599	-	96,712,435	38,114,373
2-3 years	10,005,336	3,181,579	3,217,349	-	16,404,264	11,095,803
Over 3 years	-	6,354,325	41,108,952	-	47,463,277	438,756
	434,677,205	160,070,147	146,801,825	25,673,724	767,222,901	426,416,790

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

Financial institution	Rating		Rating agency	2014	2013
	Short term	Long term		Rupees	
Askari Bank Limited	A-1+	AA	JCR-VIS	77,373,808	70,286,520
Standard Chartered Bank Limited	A1+	AAA	PACRA	-	555
Summit Bank Limited	A-1	A	JCR-VIS	42,404,188	44,203,417
Habib Bank Limited	A-1+	AAA	JCR-VIS	654,636	1,046,425
Faysal Bank Limited	A1+	AA	PACRA	1,360,050	3,010,393
Soneri Bank Limited	A1+	AA-	PACRA	1,580	1,685
Silk Bank Limited	A-2	A-	JCR-VIS	58,900	8,376
Bank Alfalah Limited	A1+	AA	PACRA	1,004,287	-
Bank Islami Pakistan Limited	A1+	A	PACRA	10,049,700	-
				132,907,149	118,557,371

b) Sector wise analysis of gross premiums due but unpaid is as follows:

	2014	2013
	Rupees	
Financial services	25,179,513	16,606,441
Textile and composites	25,791,390	21,374,975
Pharmaceuticals	2,374,538	301,570
Engineering	2,910,358	6,647,513
Other manufacturing	8,185,452	30,039,291
Construction companies	4,299,401	99,692
Education	37,762,323	27,683,901
Development	44,970,513	45,297,259
Telecommunication	8,348,531	2,254,209
Logistics	4,124,363	4,129,353
Agriculture	2,309,852	624,363
Other services	84,482,867	85,159,979
Poultry Industry	2,793,801	2,605,860
Miscellaneous	181,144,303	71,795,188
	434,677,205	314,619,594

c) The credit quality of amounts due from other insurers / reinsurers and reinsurance recoveries against outstanding claims can be assessed with reference to external credit rating as follows:

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	2014 Aggregate	2013 Aggregate
	Rupees			
Rating				
A or above	147,938,527	146,801,825	284,338,835	187,059,648
Others	12,131,620	-	12,131,620	15,354,441
	160,070,147	146,801,825	296,470,455	202,414,089

d) The Company has diversified portfolio of investment to mitigate the risk. The major credit risk exposure relates to held to maturity investment which are placed with Government of Pakistan and a financial instituion as mentioned in note 13.2 to the financial statements. The Company has also maintained a provision against certain certificates of investments as disclosed in note 13.2 to the financial statements.

ii) **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. Liquidity requirements are monitored by management to ensure that adequate funds are available to meet any obligations as they arise. To guard against risk, the Company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities.

The table below summarises the maturity profile of the Company's financial liabilities. The contractual maturities of these liabilities at the year end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. Financial liabilities not having a contractual maturity are assumed to mature on the expected date on which these liabilities will be settled.

	2014			
	Carrying amount	Contractual cash flows	Up to one year	More than one year
Financial liabilities	Rupees			
Provision for outstanding claims (including IBNR)	357,316,088	357,316,088	357,316,088	-
Amounts due to other insurers / reinsurers	164,533,889	164,533,889	164,533,889	-
Accrued expenses	18,984,895	18,984,895	18,984,895	-
Other creditors and accruals	119,023,397	119,023,397	119,023,397	-
Unclaimed dividend	830,102	830,102	830,102	-
Other liabilities	13,939,232	13,939,232	13,939,232	-
	674,627,603	674,627,603	674,627,603	-

	2013			
	Carrying amount	Contractual cash flows	Up to one year	More than one year
Financial liabilities	Rupees			
Provision for outstanding claims (including IBNR)	280,899,123	280,899,123	280,899,123	-
Amounts due to other insurers / reinsurers	119,400,979	119,400,979	119,400,979	-
Accrued expenses	1,964,044	1,964,044	1,964,044	-
Other creditors and accruals	116,550,339	116,550,339	116,550,339	-
Unclaimed dividend	830,102	830,102	830,102	-
Other liabilities	18,190,530	18,190,530	18,190,530	-
	537,835,117	537,835,117	537,835,117	-

iii) Market risk

a) Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of change in market variable such as interest / mark up rate, foreign exchange rate and equity 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 and price risk.

Interest / mark up rate risk

Interest / mark-up rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market interest / mark up rates. The Company invests in securities and has deposits that are subject to interest / mark up rates risk. The Company limits interest / mark up rate risk by monitoring changes in interest / mark up rates in the currencies in which its cash and investments are denominated. The Company's financial liabilities are not exposed to interest / mark up rate risk, at the balance sheet date exposure to interest hearing financial assets is as follows

	2014	2013	2014	2013
	Effective interest rate (%)		Carrying amounts	
			Rupees	
Fixed rate financial assets				
Deposit accounts	0.25% to 9%	0.25% to 8.75%	115,082,343	108,528,155
Investments	8% to 12.5%	8% to 13%	58,563,212	55,205,109
			173,645,555	163,733,264
Variable rate financial assets				
Investments	-	Six months KIBOR + 1.4% to 1.9%	-	6,236,500
			-	6,236,500

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 effect the fair value of any financial instrument.

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 Nil (2013: Rs. 0.06 million).

It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. The analysis assumes that all other variables remain constant actual results might differ from those reflected above.

b) Foreign currency risk

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

c) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. The Company is exposed to price risk since it has investments in quoted securities amounting to Rs. 874.85 million (2013: Rs. 705.70 million) at the balance sheet date out of which Rs. 749.22 million (2013: Rs. 688.37 million) are carried at fair value. The Company manages price risk by monitoring exposure in quoted securities and implementing the strict discipline in internal risk management and investment policies.

The carrying value of investments are based on quoted market prices as of the balance sheet date except for investments held to maturity securities which are measured at their amortized cost, investment in associates which are carried under equity method and available for sale equity instruments which are stated at lower of cost or market value (market value being taken as lower if fall is other than temporary) in accordance with the requirements of the S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan (SECP).

Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

Sensitivity analysis

A 10% increase / (decrease) in market prices of held for trading investments at the year end, would have increased / (decreased) profit before tax by Rs. 74.92 million (2013: Rs. 68.82 million).

iv) Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of all financial assets and financial liabilities approximate their fair values except for available for sale and held to maturity investments whose fair values have been disclosed in their respective notes to these financial statements.

The basis for determining the fair values is as follows:

Fair value hierarchy

The table below analysis financial instruments carried at fair value, by valuation method. The different levels are defined as below:

Level 1:	quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
Level 3:	inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at the balance sheet date, the Company's investments in fair value through profit or loss of Rs. 749.22 million (2013: Rs. 688.37 million) are carried in the financial statements at their fair values. The fair values for these investments have been determined using the valuation method as described in fair value hierarchy level 1. Fair value of available for sale investments, determined for disclosure purpose only are also determined using the valuation method as described in fair value hierarchy level 1. Fair value of government securities determined for disclosure purpose only are determined using the valuation method as described in fair value hierarchy level 2.

Determination of fair values

Fair values have been determined for measurement / or disclosure purpose based on the following methods:

Investment in fair value through profit and loss account - held for trading

The fair value of held for trading investment is determined by reference to their closing repurchase price / price quoted on the stock exchange at the reporting date.

Available for sale investment

The fair value of available for sale investment is determined by reference to their closing repurchase price / price quoted on the stock exchange at the reporting date. The fair value is determined for disclosure purposes.

Held to maturity investment

Fair value for held to maturity investment except for Term Finance Certificates (TFC) is estimated as the present values of future cash flows, discounted at the market rate of interest at the reporting date. Fair values for TFC is estimated as per rates quoted by Mutual Funds Association of Pakistan for 31 December 2014. The fair values are determined for disclosure purposes.

Non-derivatives financial assets and liabilities

The fair value is estimated based on the present values of future cash flows, discounted at the market rate of interest at the reporting date. However, since these assets and liabilities are due to be settled within one year, their fair values approximate their carrying values.

v) Capital management

The Company's objectives when managing capital are 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 other stakeholders, and to maintain a strong capital base to support the sustained development of its business. The management closely monitors the return on capital along with the level of distributions to ordinary shareholders. The Company is compliant with the minimum capital requirement under the Insurance Ordinance 2000.

The Company has adopted a policy of profit capitalization to meet the regulatory requirements for minimum paid up capital and where required call further capital. There was no change in the Company's approach towards capital management during the year.

29.2 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The principal risk that the Company faces under its insurance contracts is that the actual claims exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random, and the actual number and amount of claims will vary from year to year from the level established.

Based on past experience, management is of the view that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome is. In addition, a more diversified portfolio is less likely to be affected 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.

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

a) Frequency and severity of claims

Political, environmental, economical and climatic changes give rise to more frequent and severe extreme events (for example, fire, theft, steal, riot and strike, explosion, earthquake, atmospheric damage, hurricanes, typhoons, river flooding, electric fluctuation, terrorism, war risk, damages occurring in inland transit, burglary, loss of cash in safe and cash in transit, travel and personal accident, money losses , engineering losses and other events) and their consequences (for example subsidence claims). For certain contracts, the Company has also limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year.

Insurance contracts which are divided into direct and facultative arrangements are further subdivided into five segments: fire, marine, motor, accident and health and miscellaneous The insurance risk arising from these contracts is concentrated in the territories in which the Company operates, and there is a balance between commercial and personal properties / assets in the overall portfolio of insured properties / assets. The Company underwrites insurance contract in Pakistan.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. The Company has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation). The claims payments are limited to the extent of sum insured on occurrence of the insured event.

The Company has entered into reinsurance cover / arrangements with local and foreign reinsurers having good credit rating by reputable rating agencies, to reduce its exposure to risks and resulting claims. Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional facultative reinsurance arrangements are in place to protect the net account in case of a major catastrophe. The effect of such reinsurance arrangements is that the Company recovers the share of claims from reinsurers thereby reducing its exposure to risk. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional reinsurance arrangements, any loss over and above the said limit would be recovered under non-proportional treaty which is very much in line with the risk management philosophy of the Company.

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

The Company has claims department dealing with the mitigation of risks surrounding claims incurred whether reported or not. This department investigates and settles all claims based on surveyor's report / assessment. The unsettled claims are reviewed individually own a periodic basis and adjusted to reflect the latest information on the underlying facts, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

(b) Sources of uncertainty in the estimation of future claim payments

Claims reported and otherwise are analyzed separately. The development of large losses / catastrophes is analyzed separately. The shorter settlement year for claims allows the Company to achieve a higher degree of certainty about the estimated cost of claims including IBNR. However, the longer time needed to assess the emergence of a subsidence claim makes the estimation process more uncertain for these claims.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value, reinsurance and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome may be different from the original liability established. The liability comprises amount in relations to unpaid reported claims, claims incurred but not reported (IBNR), expected claims settlement costs and a provision for unexpired risks at the end of the reporting year.

Liability in respect of outstanding claims is based on the best estimate of the claims intimated or assessed. In calculating the estimated cost of unpaid claims (both reported and not), the Company estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in prior financial years in relation to such claims) and an estimate based upon actual claims experience using predetermined basis where greater weight is given to actual claims experience as time passes.

In estimating the liability for the cost of reported claims not yet paid, the Company considers any information available from surveyor's assessment and information on the cost of settling claims with similar characteristics in previous years. Claims are assessed on a case to case basis separately.

Statement of age-wise breakup of unclaimed insurance benefit

	Total amount	Age-wise Breakup				
		1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months
	Rupees in '000'					
Particulars						
Claims not encashed	18,825	14,218	1,490	2,072	1,044	-

(c) Sensitivity analysis

The risks associated with the insurance contracts are complex and subject to 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 will 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 before tax net of reinsurance.

	Profit before tax		Shareholders' equity	
	2014	2013	2014	2013
	Rupees			
10% Increase in loss				
Fire and property damage	(1,036,787)	(977,296)	(694,647)	(645,015)
Marine aviation and transport	(790,680)	(872,002)	(529,756)	(575,522)
Motor	(13,577,691)	(9,525,609)	(9,097,053)	(6,286,902)
Health	(2,064,565)	(1,512,170)	(1,383,259)	(998,032)
Miscellaneous	(3,581,703)	(1,739,852)	(2,399,741)	(1,148,302)
	(21,051,426)	(14,626,929)	(14,104,456)	(9,653,773)

A 10% decrease would have had equal but opposite effect on the profit and loss account and shareholders' equity.

(d) Concentration of insurance risk

A concentration of risk may also arise from a single insurance contract issued to a particular type of policyholder, within a geographical location or to types of commercial business. The Company minimizes its exposure to significant losses by obtaining reinsurance from a number of reinsurers, who are dispersed over several geographical regions.

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

	Gross sum insured	Reinsurance	Net
2014	Rupees in '000'		
Fire and property	**181,866,479**	**149,039,580**	**32,826,900**
Marine, aviation and transport	**139,078,804**	**84,281,755**	**54,797,049**
Motor	**31,154,544**	**1,750,885**	**29,403,659**
Miscellaneous	**56,301,271**	**42,101,826**	**14,199,445**
	408,401,099	**277,174,046**	**131,227,053**
2013			
Fire and property	171,898,721	138,086,243	33,812,478
Marine, aviation and transport	102,803,452	62,967,114	39,836,338
Motor	27,668,751	608,713	27,060,038
Miscellaneous	50,329,505	34,831,522	15,497,983
	352,700,429	236,493,591	116,206,838

(e) Claims development tables

The following table shows the development of fire 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 i.e. claims payments. For other classes of business, the uncertainty about the amount and timings of claims payment is usually resolved within a year. In accordance with the guidelines issued by the Securities and Exchange Commission of Pakistan vide Circular No. 4/2010 dated 23 January 2010, the claims where uncertainty about the amount and timings of claims payment is usually resolved within a year are not disclosed in the below table.

Analysis on gross basis

Accident Years	2008	2009	2010	2011	2012	2013	2014	Total
	Rupees							
Estimate of Ultimate Claim Cost								
At the end of accident year	123,448,238	72,270,018	59,097,670	74,828,740	77,425,146	80,794,797	41,225,907	529,090,516
One year later	115,949,641	76,355,592	49,985,336	82,598,556	65,390,686	75,292,419	-	465,572,230
Two years later	116,567,575	73,494,350	49,325,021	81,855,023	66,609,424	-	-	387,851,393
Three years later	115,874,808	73,716,726	49,118,474	81,855,023	-	-	-	320,565,031
Four years later	116,509,551	73,785,120	49,018,472	-	-	-	-	239,313,143
Five years later	116,429,065	73,762,114	-	-	-	-	-	190,191,179
Six years later	116,429,065	-	-	-	-	-	-	116,429,065
Estimate of cumulative claim	116,429,065	73,762,114	49,018,472	81,855,023	66,609,424	75,292,419	41,225,907	504,192,424
Cumulative payments to date	101,024,065	73,735,114	48,853,052	81,567,513	65,957,991	71,977,013	15,884,803	458,999,551
Liability recognized at the reporting date	15,405,000	27,000	165,420	287,510	651,433	3,315,406	25,341,104	45,192,873

30 SEGMENT REPORTING

(Amounts in Rupees)

The following table presents revenue and profit information regarding segments for the years ended 31 December 2014 and 2013 and estimated information regarding certain assets and liabilities of the segments as at 31 December 2014 and 2013.

	Fire and property damage		Marine, aviation and transport		Motor		Accident and Health		Miscellaneous		TOTAL	
REVENUE	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Net premium revenue	49,996,121	41,958,819	59,612,440	43,476,886	621,372,495	539,666,590	150,659,512	118,844,406	89,809,533	97,978,248	971,450,101	841,924,949
Segment result	48,836,977	30,669,888	26,071,068	14,931,679	76,205,854	50,185,584	(259,406)	23,006,410	58,947,553	87,970,708	209,802,046	206,764,269
Investment income											125,959,037	65,022,385
Rental income											3,069,158	2,366,264
Other income											3,166,613	8,365,792
Profit on bank deposits											7,897,020	8,139,788
Share of profit in associated company											10,440,997	6,080,517
Unallocated general and administration expenses											(158,117,552)	(147,102,873)
											(7,584,727)	(57,128,127)
Profit before tax											202,217,319	149,636,142
Provision for taxation											(38,801,950)	(30,570,673)
Profit after tax											163,415,369	119,065,469
OTHER INFORMATION												
Segment assets	186,809,436	156,560,668	83,943,842	51,512,209	464,891,662	341,211,756	276,189,090	239,569,456	239,076,585	361,512,909	1,250,910,615	1,150,366,998
Unallocated corporate assets											1,247,037,816	1,087,627,765
Consolidated total assets											2,497,948,431	2,237,994,763
Segment liabilities	211,514,637	186,508,673	80,565,420	61,109,319	643,292,210	518,970,397	372,142,915	337,828,350	349,510,772	465,066,503	1,657,025,954	1,569,483,242
Unallocated corporate liabilities											61,387,378	50,036,121
Consolidated total liabilities											1,718,413,332	1,619,519,363
Capital expenditure	299,947	218,872	357,640	226,791	8,653,922	14,123,627	903,868	619,935	538,804	511,089	10,754,181	15,700,314
Depreciation and amortization	146,569	151,807	174,761	157,299	20,987,721	17,904,046	441,675	429,978	263,287	354,485	22,014,013	18,997,615
Non-cash expenses other than depreciation / amortization	303,048	675,292	361,337	699,724	3,766,409	8,685,477	913,213	1,912,700	544,374	1,576,876	5,888,381	13,550,069
Unallocated depreciation and amortization											6,326,210	7,239,156

31 PROVIDENT FUND

	2014	2013
	Rupees	
Size of the fund - total assets	45,146,579	38,626,881
Percentage of investment made (based on fair value)	94%	85%
Fair value of investments	42,281,752	32,665,109

31.1 The cost of above investments amounted to Rs. 42.28 million (2013: Rs. 32.72 million).

31.2 The break-up of fair value of investments is:

	2014	2013	2014	2013
	Percentage		Rupees	
Bank deposits	-	65%	-	21,286,956
Money Market Funds	17%	35%	7,250,000	11,378,153
Pakistan Investment Bond	83%	0%	35,031,752	-
	100%	100%	42,281,752	32,665,109

31.3 The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and rules formulated for this purpose.

32 GENERAL

32.1 Number of employees

Total number of employees at the end of the year were 386 (2013: 398). Average number of employees during the year were 392 (2013: 398).

32.2 Date of approval

These financial statements have been authorized for issue by the Board of Directors of the Company on 24th March, 2015.

Abdul Waheed
President & Chief Executive

Lt Gen Khalid Rabbani (Retd)
Chairman

Brig M Ibrahim Khan (Retd)
Director

Maj Gen Syed Taqi Naseer Rizvi (Retd)
Director

Pattern of Shareholding
As at 31 December 2014

NO. OF SHAREHOLDERS	From	To	SHARES HELD
291	1	100	9917
695	101	500	199408
228	501	1000	177885
311	1001	5000	823079
88	5001	10000	679851
22	10001	15000	277495
19	15001	20000	343821
11	20001	25000	252209
7	25001	30000	189739
9	30001	35000	291328
13	35001	40000	502852
4	40001	45000	167907
4	45001	50000	196502
2	50001	55000	106126
3	55001	60000	171922
2	60001	65000	127018
2	70001	75000	142412
3	75001	80000	233000
2	80001	85000	166559
3	85001	90000	263000
3	95001	100000	295287
2	105001	110000	217044
2	125001	130000	255884
1	130001	135000	132170
1	140001	145000	144930
1	145001	150000	150000
3	150001	155000	456500
1	195001	200000	200000
1	215001	220000	216571
1	240001	245000	245000
1	260001	265000	263000
1	275001	280000	275528
1	280001	285000	281500
1	310001	315000	313800
1	320001	325000	324894
1	335001	340000	337500
1	345001	350000	348819
1	405001	410000	409000
1	640001	645000	644500
1	2095001	21000000	2098200
1	2925001	2930000	2926146
1	10550001	10555000	10550579
1	12425001	12430000	12425521
1748		**Company Total**	**38834403**

Pattern of Shareholding
As at 31 December 2014

Categories of Shareholders

Particulars	No. of Shareholders	Shares Held	Percentage
Individuals	1,712	7,627,862	19.64%
Insurance Companies	-	-	0.00%
Financial Institutions	6	11,135,625	28.67%
Charitable Trust	2	12,426,277	32.00%
Others	28	7,644,639	19.69%
Total	1,748	38,834,403	100.00%

Note 1: Individuals include 8 Directors Holding 11,783 shares in their capacity as nominee of Army Welfare Trust and Askari Bank Limited. The ultimate ownership remains with respective Company / Trust.

Held By

Particulars	No. of Shareholders	Shares Held	Percentage
Associated companies, undertakings & related parties			
Army Welfare Trust	2	12,426,277	32.00%
Askari Bank Limited	2	10,554,450	27.18%
Askari Securities Limited	1	117	0.00%
NIT/ICP	-	-	
Directors, CEO, their spouse & minor children			
Lt Gen Tahir Mahmood (Retd)	1	1,904	0.00%
Maj Gen Mukhtar Ahmed (Retd)	1	1,904	0.00%
Brig Irfan Azam (Retd)	1	1,904	0.00%
Brig M. Ibrahim Khan (Retd)	1	1,904	0.00%
Mr. Farrukh Iqbal Khan	1	692	0.00%
Mr. M. A. Ghazali Marghoob	1	500	0.00%
Mr. Abdul Hai Mahmood Bhaimia	1	2,475	0.01%
Mr. Shahid Hussain Syed	1	500	0.00%
Executives	-	-	-
Public Sector Companies and Corporations (other than specified above)	-	-	-
Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas & pension funds (other than specified above)			

Pattern of Shareholding

As at 31 December 2014

Particulars	No. of Shareholders	Shares Held	Percentage
Escorts Investment Bank Limited	1	36,558	0.09%
Mutual Funds			
Golden Arrow Selected Stocks Fund Limited	1	263,000	0.68%
CDC - Trustee AKD Opportunity Fund	1	281,500	0.72%
Shareholders holding five percent or more voting rights in the Company			
Trustees of FFC Employees Provident Fund	1	2,098,200	5.40%
Muhammad Iqbal	1	2,926,146	7.53%
Individuals - local	1,656	4,401,604	11.33%
- foreign	25	288,329	0.74%
Others	49	5,546,439	14.28%
Total	**1,748**	**38,834,403**	**100.00%**

Branch Network

1) **Head Office**
Askari general insurance co ltd
3rd Floor, AWT Plaza
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6) **Faisalabad-III**
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11) **Karachi-I**
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14) **Lahore-I**
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askari general insurance co. ltd.

To:

All Members of the Company

Abstract Under Section 218 of the Companies Ordinance, 1984

Mr. Abdul Waheed, has been appointed as President & Chief Executive from year 2010. Pursuant to the term of his appointment as approved by the Board of Directors, the President & Chief Executive has been paid emoluments as already disclosed to the shareholders in these financial statements (Refer Note 28 at page 77).

Yours Sincerely,

for Askari General Insurance Company Limited

Suleman Khalid
Company Secretary

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P.O. Box 843, Ph: 9272425-7, Fax: (92-51) 9272424
E-mail: agicoho@agico.com.pk

Notes

Notes

Form of Proxy

I/We ______________________________ of ______________________________ being Member(s) of askari general insurance co. ltd, holding ______________ ordinary shares, hereby appoint Mr./Mrs./Miss ______________________________ of ______________________________ or failing him/her ______________________________ of ______________________________ who is also a member of the Company, as my/our proxy to vote for me/us, and on my/our behalf at the 20th Annual General Meeting of the Company to be held on Wednesday 29th April 2015 at 10 am and at any adjournment thereof.

Folio No.	CDC Account No.	
	Participant ID	Account No.

Signature on Rs. 5.00 Revenue Stamp
(Signature should agree with the specimen signature registered with the Company)

As we witness my/our hand this ______________ day of ______________________________ 2015

____

Witness: 1 2

	1	2
Signature	______________	______________
Name	______________	______________
Address	______________	______________
CNIC No./ Passport No.	______________	______________

Notes:

1. A Member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote for him/her. No person shall act as proxy, who is not a member of the Company except Government of Pakistan/Corporate entity may appoint a person who is not a member of the Company. If the member is corporate entity (other than Government of Pakistan) its common seal should be affixed on the instrument.

2. The instrument appointing a proxy duly completed, together with Power of Attorney, if any, under which it is signed or a notarially certificate copy thereof, should be deposited with the Company Secretary , askarigeneral insurance company limited 3rd Floor AWT Plaza, The Mall Rawalpindi, not later than 48 hours before the time of holding the meeting.

3. CDC account holders will further have to comply with the guidelines as laid down by the Circular No.1 dated January 26, 2000, issued by Securities and Exchange Commission of Pakistan.

4. If a member appoints more than one proxy, and more than one instruments of proxy, are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

AFFIX
CORRECT
POSTAGE

The Company Secretary
askari general insurance co. ltd.
P.O. Box No. 843, 3rd Floor, AWT Plaza,
The Mall, Rawalpindi - Pakistan

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