Security General Insurance Company Limited

Annual Report 2013

Contents

Security General Insurance Company Ltd.

KARACHI CITY BRANCH

House No. 84-P, Ghazali Road Block No. 2,
P.E.C.H.S Karachi.
Muhammad Mohsinullah
Regional Head Marketing 0300-2401634
Ph: 021-34302951-2
021-34306798-99

CORPORATE BRANCH

9-B, 3rd Floor, LDA Flats, Lawrance Road, Lahore.
Naveed Hayat Tarar
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A.G.M. Marketing, 0321-4628356
Ph: 042-36279192-3, 042-36307735-6

FAISALABAD BRANCH

2nd Floor, Regency Plaza, New Civil Lines,
Faisalabad.
Main Saud
A.G.M. Marketing, 0321-7665555
Ph: 041-2408353-4

NEW MULTAN BRANCH

Business City Plaza, Bosan Road,
Multan.
Syed Muhammad Rafiq Shah
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BAHAWALPUR BRANCH

1st Floor, Shah Din Plaza, Farid Gate,
Bahawalpur.
Syed Muhammad Shafiq Shah
Manager Marketing, 0333-2884090
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SIALKOT BRANCH

Office No. 1 & 2, First Floor, Kashmir Centre,
Kutchery Road, Sialkot.
Sabar Salam
Manager Marketing, 0321-9618788
Ph: 052-4274631-2

ISLAMABAD BRANCH

Office No. 2, 2nd Floor Vip Square, 1-8 Markaz,
Islamabad
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051-4861218

HYDERABAD BRANCH

B/2, Block B-1, Railway Housing Society,
Auto Bahan Road, Unit # 03, Latifabad,
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KARACHI MAIN BRANCH

1st Floor, Karachi Chamber, Hasrat Mohani Road,
Off. I.I., Chundrigar Road,
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021-32461089

GUJRANWALA BRANCH

Apartment No. 10, 1st Floor, Bhutta Centre,
Nigar Phattak, G.T Road,
Gujranwala.
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Ph: 055-4294071-3

Mission Statement

SGI to become a leader

in insurance through innovation,

competitive advantage,

customer satisfaction

and stakeholder confidence.

Quality Policy & Objectives

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

To achieve Market dominance through:

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

To achieve customer satisfaction through:

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

To achieve superior risk underwriting capacity:

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

To achieve stakeholders' confidence & continuously improve performance:

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

Insurer Financial Strength Rating

‘AA-’

JCR-VIS

Company Information

Board of Directors

Mian Hassan Mansha
Chairman

Mahmood Akhtar
Director

Badar ul Hassan
Director

Inayat Ullah Niazi
Director

Jehanzeb Amin
Director

Nabiha Shahnawaz
CEO

Khalid Mahmood Chohan
Company Secretary

Management

Nabiha Shahnawaz
CEO

Farrukh Aleem
CFO

Khalid Mahmood Chohan
Company Secretary

Audit Committee

Mian Hassan Mansha
Chairman

Inayat Ullah Niazi
Member

Jehanzaib Amin
Member

External Auditors

A.F. Ferguson & Company
Chartered Accountants

Internal Auditors

S.M. Masood & Co.
Chartered Accountants

Lawyers

Hamid Law Associates

Head Office

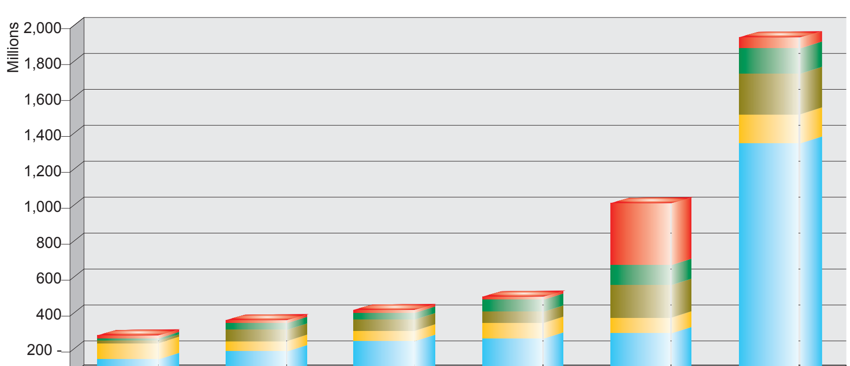
SGI House, 18 C / E1,
Gulberg III, Lahore.
Tel: 92-42-35775024-29
Fax: 92-42-35775030
E-mail: sgi@sgicl.com
Web: www.sgicl.com

Key Financial Data

(Rupees in Million)

Description	2013	2012	2011	2010	2009	2008
Gross premium	**1,872**	1,006	451	402	328	237
Profit after Tax	**760**	527	389	374	314	154
Profit before Tax	**826**	586	457	411	329	200
Investment Income	**739**	633	509	496	446	298
Underwriting Income	**177**	56	48	50	47	41
Net Revenue	**368**	198	155	127	120	69
Net Claims	**97**	70	53	35	31	17
Paid-up Capital	**681**	681	681	681	681	681
Authorized Share Capital	**1,000**	1,000	1,000	1,000	1,000	1,000
Underwriting Reserve	**1,250**	863	347	308	231	125
Investments	**7,261**	7,273	7,211	7,295	7,117	7,225
Tangible Fixed Assets	**110**	107	87	85	86	80
Retaind Profit	**7,225**	6,740	6,451	6,266	6,028	5,850

DEPARTMENT WISE PREMIUM GRAPH



	2008	2009	2010	2011	2012	2013
ENGG	12,674,533	23,094,040	15,881,926	8,963,073	379,809,765	40,426,757
MISC.	13,335,020	47,667,808	62,420,062	76,931,545	126,659,114	139,893,014
MOTOR	57,334,647	47,665,049	62,074,011	99,586,776	162,820,285	242,333,499
MARINE	30,355,539	45,147,149	69,127,640	68,654,090	82,860,599	143,095,390
FIRE	123,604,775	164,734,262	192,558,767	197,297,768	253,949,066	1,306,612,326
	237,304,514	**328,308,308**	**402,062,406**	**451,433,252**	**1,006,098,829**	**1,872,360,986**

Fire & Allied Perils Insurance

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

Coverage Available.

Loss or damage due to:-

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

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

Standard Fire Perils.

1) Fire
2) Lightning

Allied Perils.

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

Burglary/Theft.

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

Electrical Clauses.

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

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

Business Interruption Insurance (BI)

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

Marine Cargo Insurance

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

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

Motor Insurance

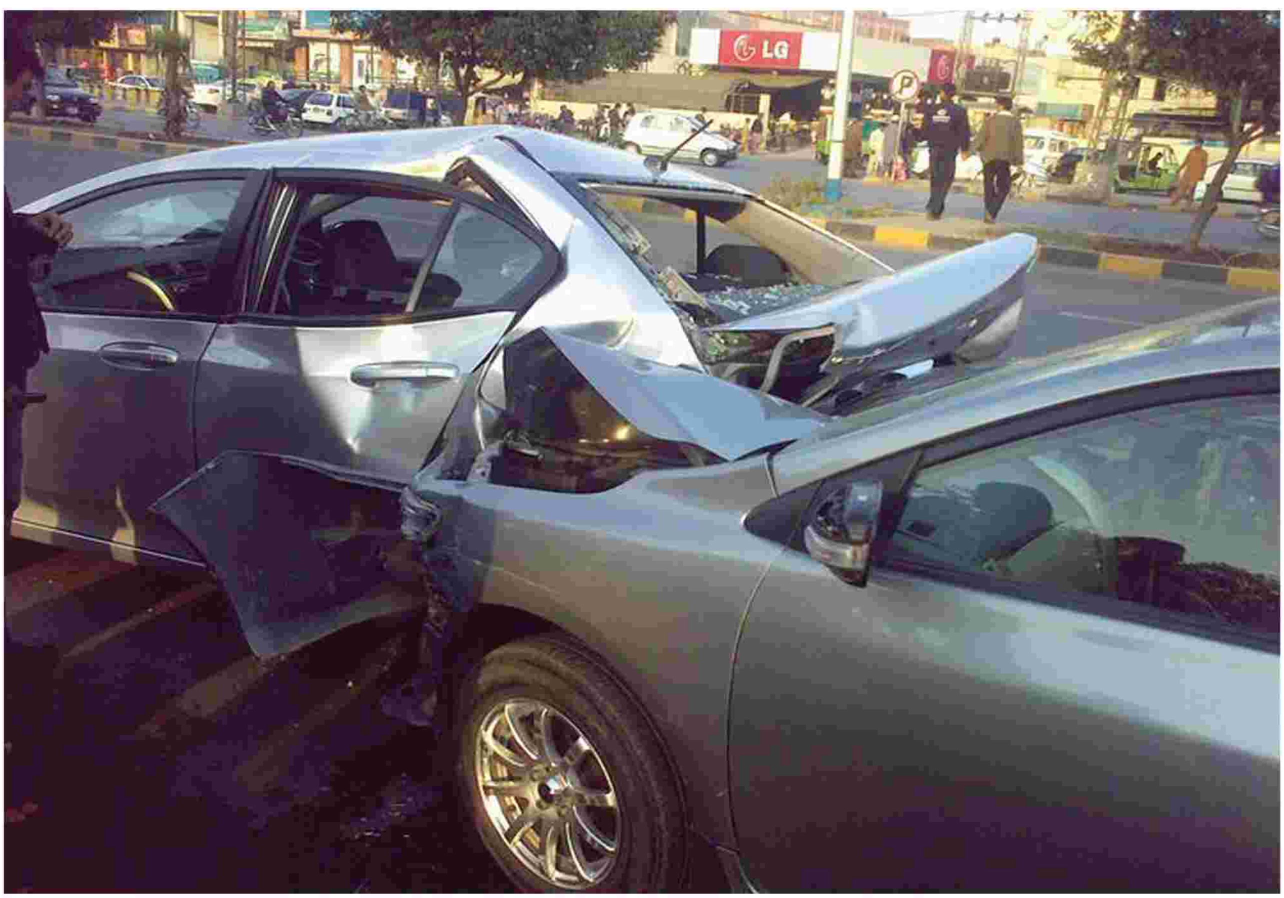
SGI offers insurance protection at minimum cost to customers in respect of the following:

1) “ACT ONLY’’ Liability

2) Third Party Liability

3) Private & Commercial vehicle comprehensive insurance

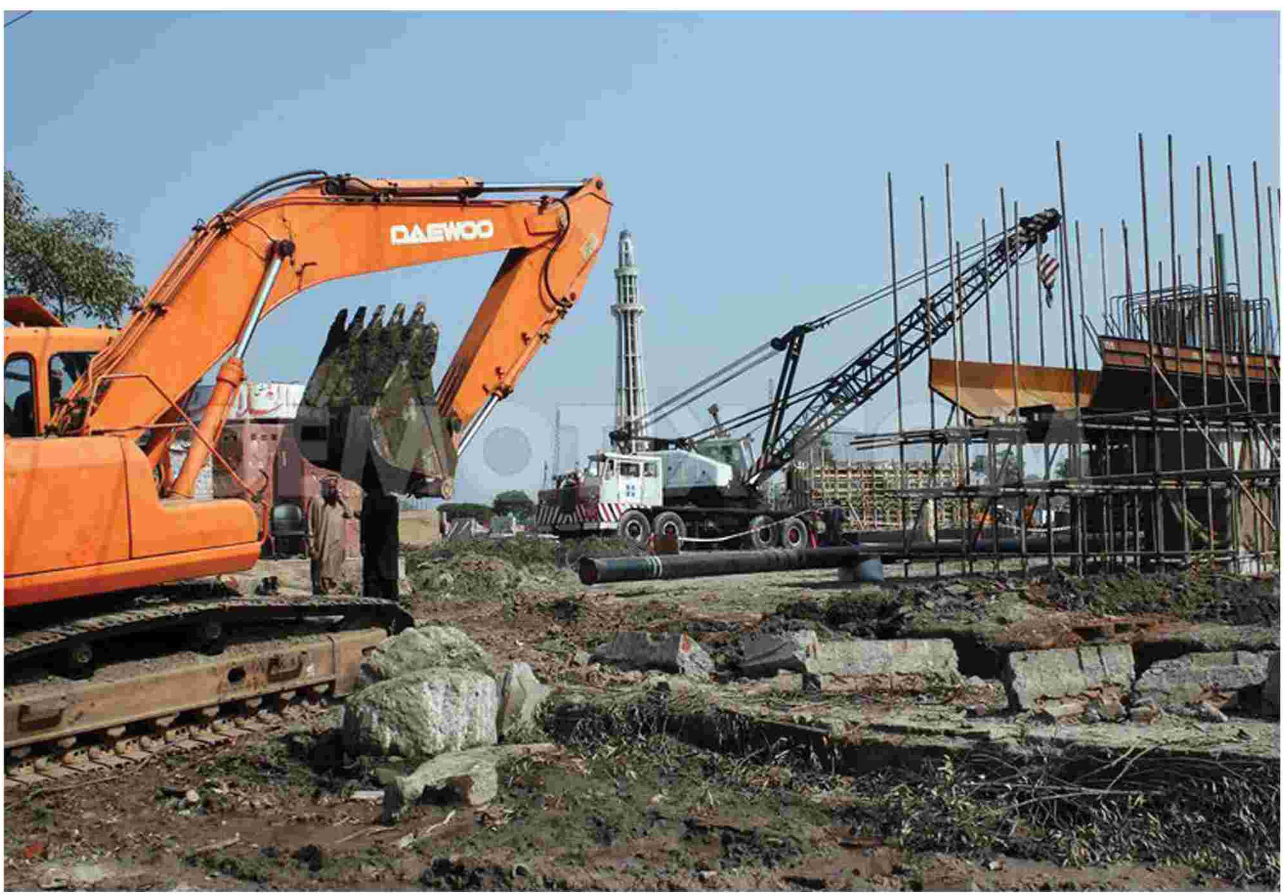
4) Motor Cycle comprehensive insurance



Engineering & Miscellaneous

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

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



Review Report To The Members

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

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

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

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

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended December 31, 2013.

A.F. Ferguson & Company
Chartered Accountants
Name of Engagement Partner : Imran Farooq Mian

Lahore.
Dated: March 31, 2014

Statement of Compliance
with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance for Insurance Companies for the purpose of establishing a framework of good governance, whereby an Insurance company is managed in compliance with the best practices of corporate governance.

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

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

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

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

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

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

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

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

8. The Board has established a system of sound internal control, which is effectively implemented at all levels within the company.

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

10. The Board has approved appointment of CFO, Company Secretary and Internal Auditors, including their remuneration and terms and conditions of employment, as determined by the CEO.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO 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 Code.

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

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

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

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

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

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

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

On behalf of Board of Directors

Nabiha

Nabiha Shahnawaz
CEO

Dated: March 31, 2014

Notice of Annual General Meeting

Notice is hereby given that Annual General Meeting of the Shareholders of Security General Insurance Company Limited ("the Company") will be held on April 30, 2014 (Wednesday) at 11:30 a.m. at SGI House, 18-C/E-1, Gulberg III, Lahore, to transact the following business:

1. To receive, approve and adopt the audited accounts of the Company for the year ended December 31, 2013 together with the Directors' and Auditors' reports thereon.

2. To approve Final Cash Dividend @ 20% (i.e. Rs. 2/- Per Share) for the year 2013, as recommended by the Board in addition to 20% interim dividend already paid.

3. To appoint Statutory Auditors of the Company for the year 2014 and fix their remuneration.

By order of the Board

LAHORE
Dated: March 31, 2014

Khalid Mahmood Chohan
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed for entitlement of 20% Final Cash Dividend (i.e Rs. 2/- per share) from 23-04-2014 to 30-04-2014 (both days inclusive). Transfers received in order at SGI House, 18-C/E-1, Gulberg III, Lahore, upto 1:00 p.m. on 22-04-2014 will be considered in time for entitlement of 20% Final Cash Dividend and attending of Annual General Meeting.

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

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

INFORMATION U/S 218 OF THE COMPANIES ORDINANCE 1984.

In pursuance of Section 218 of the Companies Ordinance, 1984 the members of Security General Insurance Company Limited ("the Company") are hereby informed that the Board of Directors of the Company in their meeting held on March 31, 2014 has revised the remuneration of Ms. Nabiha Shahnawaz Cheema, Chief Executive Officer of the Company from Rs. 400,000/- to Rs. 500,000/- per month with effect from January 2014 by giving an annual increment @ 25% p.a. and three months gross salary as Bonus annually. There is no change in other terms and conditions of her appointment.

LAHORE
Dated March 31, 2014

Khalid Mahmood Chohan
Company Secretary

Directors' Report To The Members

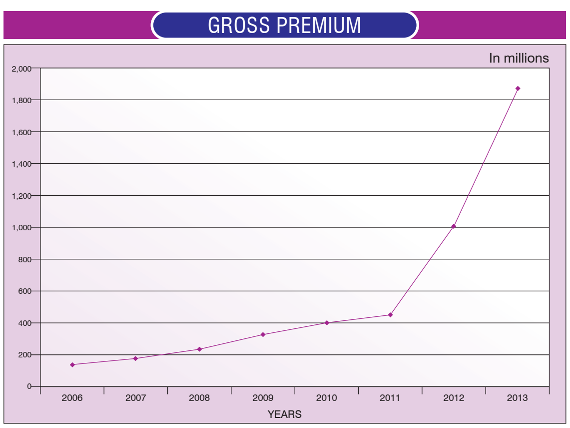
On behalf of the Board of Directors of Security General Insurance Company Limited, I am pleased to present the 18th annual report of your company for the year ended December 31, 2013.

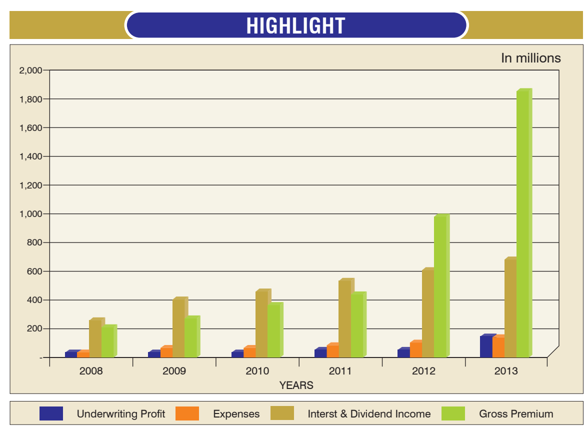
Most encouraging development in 2013 is the upgrade of SGI's credit rating from A+ to AA- by JCR-VIS. We believe this up gradation will further strengthen the trust and confidence of our clients, share holders, bankers, reinsurers, employees and the regulators. Cash and bank deposits increased from Rs. 165 million as at 31-12-2012 to Rs. 712 million as at 31-12-2013. Share holders equity increased from 7.4 billion (as at 31-12-2012) to 7.9 billion (as at 31-12-2013).

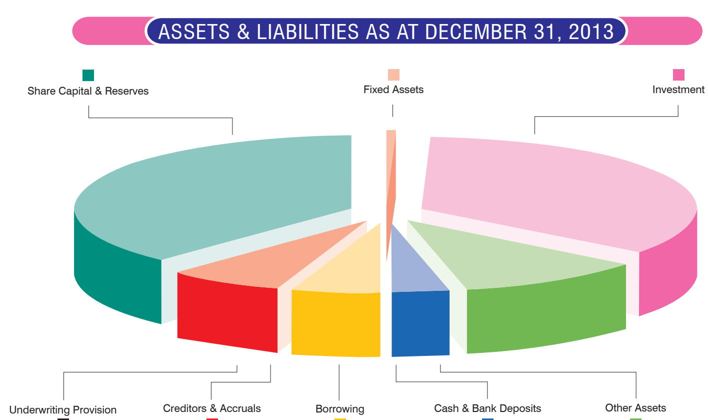
COMPANY'S PERFORMANCE DURING 2013:

SGI underwrote a gross premium of Rs. 1.87 billion during the year 2013. This shows a growth of 86% over last year. Cash flows from underwriting activities have remained positive.

	Dec, 2013	Dec, 2012	Increase/(Decrease)
	(Rupees in million)		%
Gross Premium	1,872	1,006	86
Net Premium	368	198	86
Net Commission	16	10	60
Net Claims	97	70	39
Profit from underwriting business	177	56	216
Other income (not attributable to Investment activities)	12	12	-
Investment income	739	633	17
Financial charges	5	31	(84)
Profit before tax	826	586	41
Profit after tax	760	527	44



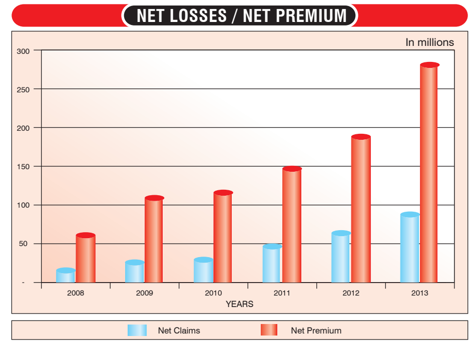




Security General Insurance Company Ltd.

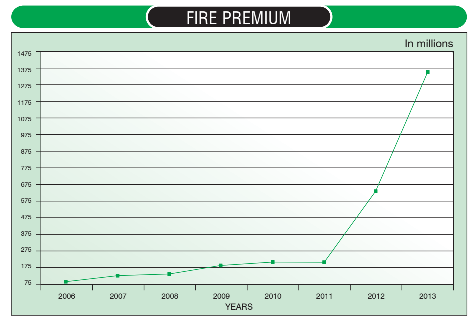
UNDERWRITING ACTIVITY:

SGI underwrote a gross premium of Rs. 1.87 billion during the year 2013. Underwriting profit for the year stands at Rs. 177 million (2012 Rs. 56 million). Underwritting profit bears a percentage of 48% to the net premium revenue.



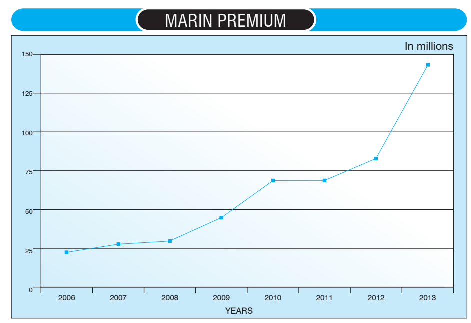
FIRE & PROPERTY DAMAGE:

Premium written in Fire business has increased as compared to same period during last year by 113%. The underwriting profit from fire business for period ended December 31st 2013 is 45%. Fire and property portfolio represents 57% of the total underwriting portfolio of SGI.



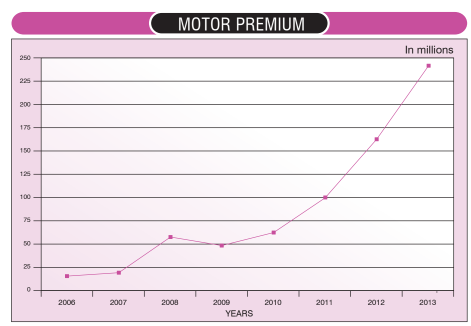
MARINE AVIATION AND TRANSPORT BUSINESS:

Premium from marine business has increased as compared to same period during last year by 73%. The underwriting profit from marine business for period ended December 31st 2013 is 59%. Marine business represents 12% of the total underwriting portfolio of SGI.



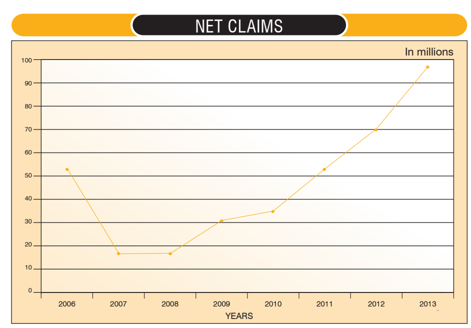
MOTOR:

The gross premium from motor business has increased from Rs. 163 million during the period ended December 31st 2012 to Rs. 242 million during the period ended December 31st 2013. The profitability from the motor business for the period ended December 31st 2013 is 44% of net premium from this business. Motor business represents 25% of the total underwriting portfolio of the company.



CLAIMS:

The overall claims expense has increased from Rs. 70 million during the period ended December 31st 2012 to Rs. 97 million during the period ended December 31st 2013. Net claims are 26% of premium (2012 : 35%).



INVESTMENTS:

The market value of our investment portfolio increased from 10 billion to Rs. 15 billion on the December 31st 2013 the Company earned dividend of Rs. 726 million from its investment portfolio (2012: 625 million).

CASH FLOW:

As of December 31st 2013 Company's cash flow from underwriting activities is positive. Cash flow from financing activities is negative because of payment of dividend and financial charges. Overall business cash flow is positive.

EARNING PER SHARE:

Earnings per share has increased from 7.74 during the period ended December 31st 2012 to Rs. 11.17 during the period ended December 31st 2013.

APPROPIRATIONS:

Directors, in their meeting held on March 31, 2014, have recommended a 20% cash dividend. This is in addition to 20% cash dividend paid on the basis of half yearly results for 2013.

CREDIT RATING:

JCR-VIS Credit Rating Company Ltd., has improved the Insurer Financial Strength (IFS) Rating of SGI at 'A+' to AA- (AA minus).

BOARD AUDIT COMMITTEE

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

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

STATUTORY AUDIT:

The auditors have expressed an unqualified opinion on the financial statement of the Company for the year 2013.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

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

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

- There has been no material departure from the best practices of corporate governance.
- Key operating and financial data is available in the annual report.
- All applicable statutory payments on account of taxes, duties etc were regularly and timely deposited in the Government treasury.
- Value of investment of Provident Fund as at 31st December 2013 stands at Rs. 13,926,647.
- The number of board meetings held during the year were 4 and were attended by the directors as follows:

Mian Hassan Mansha (Chairman)	3
Jehanzaib Amin	1
Mahmood Akhtar	4
Inayat Ullah Niazi	4
Badar ul Hassan	4
Nabiha Shahnawaz (CEO)	4

- The aggregate shares held by the Associated Companies are:

1.	Nishat Mills Limited	10,226,244
2.	Samin Textiles Limited	10,214,914

- The pattern of share holding is given on page 60 of this report.

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

ACKNOWLEDGEMENTS:

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

COMPLIANCE WITH THE CODE OF CORPORATE GOVERANCE:

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

On behalf of Board of Directors

Nabiha

Nabiha Shahnawaz
CEO

Dated: March 31, 2014

Auditors' Report To The Members

We have audited the annexed financial statements comprising of:

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

of Security General Insurance Company Limited as at December 31, 2013, together with the notes forming part thereof, for the year ended December 31, 2013.

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

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

In our opinion:

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

(b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for the change in accounting policy referred to in note 4.15.2.1, with which we concur;

(c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2013 and of the profit, its comprehensive income, its cash flows and changes in equity for the year ended December 31, 2013, in accordance with approved Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

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

Lahore,
Dated: March 31, 2014

A.F. Ferguson & Company
Chartered Accountants
Name of Engagement Partner : Imran Farooq Mian

Financial Statements 2013

Balance Sheet

	Note	2013 Rupees	2012 Rupees (restated)	2011 Rupees (restated)
Share capital and reserves				
Authorised capital				
100,000,000 (2012: 100,000,000) ordinary shares of Rs. 10 each		**1,000,000,000**	1,000,000,000	1,000,000,000
Issued, subscribed and paid up capital				
68,062,500 (2012: 68,062,500) ordinary shares of Rs. 10 each	5	**680,625,000**	680,625,000	680,625,000
General reserves		**2,000,000**	2,000,000	2,000,000
Retained earnings		**7,224,911,213**	6,738,623,953	6,451,312,985
		7,907,536,213	7,421,248,953	7,133,937,985
Underwriting provisions				
Provision for outstanding claims [including IBNR]	6	**344,877,529**	212,775,523	156,670,252
Provision for unearned premium		**905,367,770**	650,220,492	190,097,932
Commission income unearned		**66,008,362**	54,808,209	27,326,287
Total underwriting provisions		**1,316,253,661**	917,804,224	374,094,471
Creditors and accruals				
Premium received in advance		**815,294**	4,936,134	1,416,398
Amounts due to other insurers/reinsurers		**835,962,246**	133,298,527	82,208,033
Creditors and accrued expenses	7	**253,608,679**	253,213,758	111,342,198
		1,090,386,219	391,448,419	194,966,629
Borrowings				
Finances under mark-up arrangements - secured	8	**-**	-	218,056,815
Total Liabilities		**2,406,639,880**	1,309,252,643	787,117,915
Contingencies and commitments	9	**-**	-	-
Total Equity and Liabilities		**10,314,176,093**	8,730,501,596	7,921,055,900

The annexed notes 1 to 31 form an integral part of these financial statements.

Hasan Mansha
Chairman

Director

as at December 31, 2013

	Note	2013 Rupees	2012 Rupees (restated)	2011 Rupees (restated)
Cash and bank deposits				
Cash and other equivalents	10	**57,376**	988	12,839
Current and other accounts	11	**708,367,478**	162,766,066	54,877,453
Deposits maturing within 12 months	12	**3,350,000**	1,350,000	1,350,000
Deposits maturing after 12 months		**-**	500,000	500,000
		711,774,854	164,617,054	56,740,292
Investments	13	**7,261,136,497**	7,272,989,781	7,211,211,426
Other assets				
Premiums due but unpaid - unsecured considered good	14	**747,070,115**	116,138,326	107,069,504
Amounts due from other insurers/reinsurers	15	**415,706,841**	238,363,467	155,369,798
Accrued investment income		**2,868,054**	2,949,885	2,820,896
Reinsurance recoveries against outstanding claims		**266,386,063**	165,602,338	110,459,253
Commission expense deferred		**101,903,835**	59,365,372	42,317,708
Prepayments	16	**645,481,095**	560,919,396	113,564,614
Taxation-payments less provision		**18,037,973**	14,386,936	11,468,264
Sundry receivables	17	**6,209,074**	6,086,196	3,862,227
		2,203,663,050	1,163,811,916	546,932,264
Fixed assets				
Tangible assets	18			
Freehold land		**22,671,528**	22,671,528	10,446,900
Leasehold improvements		**1,739,520**	991,982	1,030,673
Building		**30,469,441**	33,854,935	37,616,595
Computer equipment		**2,534,767**	2,423,118	1,927,624
Furniture and fixtures		**4,277,379**	3,455,601	3,684,835
Motor vehicles		**35,534,108**	29,770,134	19,992,332
Office equipment		**5,711,918**	5,774,315	6,357,814
Trackers		**7,176,238**	8,209,364	6,282,383
		110,114,899	107,150,977	87,339,156
Deferred Tax	19	**27,486,793**	21,931,868	18,832,762
Total assets		**10,314,176,093**	8,730,501,596	7,921,055,900

Director

Principal & Chief Executive Officer

Profit and Loss Account

for the year ended December 31, 2013

	Note	Fire and property Damage Rupees	Marine, aviation and transport Rupees	Motor Rupees	Miscellaneous Rupees	Treaty Rupees	2013 Rupees	2012 Rupees (restated)
Revenue account								
Net premium revenue		210,848,136	44,651,209	91,053,217	21,335,118	(15)	367,887,665	197,582,771
Net claims		(44,824,255)	(10,358,131)	(36,608,715)	(4,898,042)	105	(96,689,038)	(70,020,425)
Expenses	20	(54,505,517)	(6,737,929)	(9,446,843)	(7,153,650)	-	(77,843,939)	(61,190,580)
Net commission		(16,630,127)	(1,370,252)	(5,300,297)	6,888,431	4	(16,412,241)	(10,260,155)
Underwriting result		94,888,237	26,184,897	39,697,362	16,171,857	94	176,942,447	56,111,611
Investment income							739,387,516	633,014,761
Income on current and other deposits							11,969,205	11,863,874
Financial charges	21						(5,263,454)	(30,962,961)
Gain / (loss) on sale of fixed assets							82,254	509,771
Workers welfare fund							(16,528,924)	(29,658,192)
General and administration expenses	22						(80,142,840)	(55,137,059)
							649,503,757	529,630,194
Profit before taxation							826,446,204	585,741,805
Provision for taxation	23						(66,041,923)	(58,692,625)
Profit after taxation							760,404,281	527,049,180
Profit and loss appropriation account								
Balance at commencement of the year							6,738,623,953	6,451,312,985
Final dividend for the year ended December 31, 2012 Rs 2 per share (2011: Rs. 1.5 per share)							(136,125,000)	(102,093,750)
Profit after taxation for the year							760,404,281	527,049,180
Interim dividend Rs. 2 per share (2012: Rs. 2 per share)							(136,125,000)	(136,125,000)
other comprehensive income: remeasurement of defined benefit obligation							(1,867,021)	(1,519,462)
Balance unappropriated profit at the end of the year							7,224,911,213	6,738,623,953

The annexed notes 1 to 31 form an integral part of these financial statements.

Hasan Mansha
Chairman

Director

Director

Principal & Chief Executive Officer

Statement of Comprehensive Income

for the year ended December 31, 2013

	Year ended December 31	
	2013 Rupees	2012 Rupees (restated)
Profit for the year	**760,404,281**	527,049,180
Remeasurement of retirement benefit plans - net of tax	**(1,867,021)**	(1,519,462)
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**758,537,260**	525,529,718

The annexed notes 1 to 31 form an integral part of these financial statements.

Hasan Mansha

Chairman	Director	Director	Principal & Chief Executive Officer

Statement of Changes in Equity

for the year ended December 31, 2013

	Share capital Rupees	General reserve Rupees	Retained earnings Rupees	Total Rupees
Balance as at December 31, 2011	680,625,000	2,000,000	6,451,084,988	7,133,709,988
Effect of change in accounting policy (note 4.15.2.1)	-	-	227,997	227,997
Balance as at December 31, 2011 - restated	680,625,000	2,000,000	6,451,312,985	7,133,937,985
Final dividend for the year ended December 31, 2011 at Rs. 1.5 per share	-	-	(102,093,750)	(102,093,750)
Total comprehensive income for the period - restated	-	-	525,529,718	525,529,718
Interim dividend for the year 2012 at Rs. 2 per share	-	-	(136,125,000)	(136,125,000)
Balance as at December 31, 2012	680,625,000	2,000,000	6,738,623,953	7,421,248,953
Total comprehensive income for the period	-	-	758,537,260	758,537,260
Final dividend for the year ended December 31, 2012 at Rs. 2 per share	-	-	(136,125,000)	(136,125,000)
Interim dividend for the year 2013 at Rs. 2 per share	-	-	(136,125,000)	(136,125,000)
Balance as at December 31, 2013	**680,625,000**	**2,000,000**	**7,224,911,213**	**7,907,536,213**

The annexed notes 1 to 31 form an integral part of these financial statements.

Hasan Mansha

Chairman

Director

Director

Principal & Chief Executive Officer

Cash Flow Statement

for the year ended December 31, 2013

	Note	2013 Rupees	2012 Rupees (Restated)
Operating cash flows			
Underwriting activities			
Premiums received		1,354,363,309	997,251,018
Reinsurance premiums paid		(959,486,595)	(774,581,533)
Claims paid		(272,007,373)	(211,089,566)
Reinsurance and other recoveries received		168,419,086	133,737,449
Commissions paid		(172,008,565)	(111,217,246)
Commissions received		161,457,263	120,091,149
Other underwriting payments		(18,968,935)	(4,446,615)
Other underwriting receipts		14,470,015	51,168,163
Net cash generated from underwriting activities		276,238,205	200,912,819
Other operating activities			
Income tax paid		(74,286,088)	(63,892,231)
General management expenses paid		(124,072,573)	(91,141,037)
Net cash used in other operating activities		(198,358,661)	(155,033,268)
Total cash generated from all operating activities		77,879,544	45,879,551
Investing activities			
Profit / return received		21,904,498	18,699,044
Dividends received		726,230,435	624,847,113
Proceeds/ (payments) for term deposits with banks		500,000	-
Payments for purchase of investments		-	(63,351,525)
Proceeds from disposal of investments		17,874,301	2,000,000
Fixed capital expenditure		(18,777,286)	(33,395,129)
Proceeds from disposal of fixed assets		1,598,547	1,542,626
Total cash generated from investing activities		749,330,495	550,342,129
Financing activities			
Dividends paid		(272,250,000)	(238,218,750)
Financial charges paid		(7,302,239)	(32,069,353)
Total cash used in financing activities		(279,552,239)	(270,288,103)
Net cash generated from all activities		547,657,800	325,933,577
Cash at the beginning of the year		164,117,054	(161,816,523)
Cash at the end of the year	24.1	711,774,854	164,117,054

Reconciliation of operating cash flows to profit and loss account is given as note 24 to these financial statements.

The annexed notes 1 to 31 form an integral part of these financial statements.

Hasan Mansha			Nabiha
Chairman	Director	Director	Principal & Chief Executive Officer

Statement of Premium

for the year ended December 31, 2013

Business underwritten inside Pakistan

Direct and facultative

Class	Premiums written Rupees	Unearned premium reserve Opening Rupees	Unearned premium reserve Closing Rupees	Premiums earned Rupees	Reinsurance ceded Rupees	Prepaid reinsurance premium Opening Rupees	Prepaid reinsurance premium Closing Rupees	Reinsurance expense Rupees	Other income Rupees	Net premium revenue December 31, 2013 Rupees	Net premium revenue December 31, 2012 Rupees
Fire and property damage	1,347,039,083	513,170,130	718,393,039	1,141,816,174	984,081,582	470,079,242	516,747,656	937,413,168	6,445,130	**210,848,136**	64,005,086
Marine, aviation and transport	143,095,390	7,652,119	15,369,918	135,377,591	98,011,856	5,351,267	8,877,194	94,485,929	3,759,547	**44,651,209**	32,077,485
Motor	242,333,499	69,720,057	106,748,082	205,305,474	145,430,521	33,911,176	61,858,323	117,483,374	3,231,117	**91,053,217**	84,681,470
Miscellaneous	139,893,014	59,678,186	64,856,731	134,714,469	120,623,168	50,724,520	56,934,116	114,413,572	1,034,221	**21,335,118**	16,815,113
Total	1,872,360,986	650,220,492	905,367,770	1,617,213,708	1,348,147,127	560,066,205	644,417,289	1,263,796,043	14,470,015	**367,887,680**	197,579,154
Treaty	(15)	-	-	(15)	-	-	-	-	-	**(15)**	3,617
Grand total	1,872,360,971	650,220,492	905,367,770	1,617,213,693	1,348,147,127	560,066,205	644,417,289	1,263,796,043	14,470,015	**367,887,665**	197,582,771

Note: Net premium revenue includes administration surcharge of Rs 14,470,015 (2012: Rs 12,742,119) earned on insurance policies issued by the company.

The annexed notes 1 to 31 form an integral part of these financial statements.

Hasan Mansha

Chairman

Director

Director

Nabiha

Principal & Chief Executive Officer

Statement of Claims
for the year ended December 31, 2013

Business underwritten inside Pakistan

Direct and facultative

Class	Claims paid Rupees	Outstanding claims Opening Rupees	Outstanding claims Closing Rupees	Claims expense Rupees	Reinsurance and other recoveries received Rupees	Reinsurance and other recoveries in respect of outstanding claims Opening Rupees	Reinsurance and other recoveries in respect of outstanding claims Closing Rupees	Reinsurance and other recoveries revenue Rupees	Net claims expenses December 31, 2013 Rupees	Net claims expenses December 31, 2012 Rupees
Fire and property damage	122,422,573	71,928,492	159,465,450	209,959,531	104,365,216	65,755,040	126,525,100	165,135,276	**44,824,255**	10,518,792
Marine, aviation and transport	60,846,133	22,594,705	38,068,816	76,320,244	53,291,674	16,316,098	28,986,537	65,962,113	**10,358,131**	7,914,688
Motor	78,496,530	44,575,978	52,288,841	86,209,393	41,981,993	15,057,695	22,676,380	49,600,678	**36,608,715**	46,197,729
Miscellaneous	10,242,242	73,676,348	95,054,422	31,620,316	6,997,733	68,473,505	88,198,046	26,722,274	**4,898,042**	5,386,174
Total	272,007,478	212,775,523	344,877,529	404,109,484	206,636,616	165,602,338	266,386,063	307,420,341	**96,689,143**	70,017,383
Treaty	(105)	-	-	(105)	-	-	-	-	**(105)**	3,042
Grand total	272,007,373	212,775,523	344,877,529	404,109,379	206,636,616	165,602,338	266,386,063	307,420,341	**96,689,038**	70,020,425

The annexed notes 1 to 31 form an integral part of these financial statements.

Hasan Mansha			Nabiha
Chairman	Director	Director	Principal & Chief Executive Officer

Statement of Expenses

for the year ended December 31, 2013

Business underwritten inside Pakistan

Direct and facultative		Deferred commission						Net underwriting expenses	
Class	Commissions paid or payable Rupees	Opening Rupees	Closing Rupees	Net commission expenses Rupees	Other management expenses Rupees	Under writing expenses Rupees	Commissions from reinsurers Rupees	**December 31, 2013 Rupees**	December 31, 2012 Rupees
Fire and property damage	139,984,660	39,828,079	77,620,419	102,192,320	54,505,517	156,697,837	85,562,193	**71,135,644**	31,543,442
Marine, aviation and transport	33,547,954	1,511,820	3,303,527	31,756,247	6,737,929	38,494,176	30,385,995	**8,108,181**	10,885,426
Motor	28,540,709	9,980,298	12,929,329	25,591,678	9,446,843	35,038,521	20,291,381	**14,747,140**	22,297,670
Miscellaneous	15,745,203	8,045,175	8,050,560	15,739,818	7,153,650	22,893,468	22,628,249	**265,219**	6,723,945
Total	217,818,526	59,365,372	101,903,835	175,280,063	77,843,939	253,124,002	158,867,818	**94,256,184**	71,450,483
Treaty	(4)	-	-	(4)	-	(4)	-	**(4)**	252
Grand total	217,818,522	59,365,372	101,903,835	175,280,059	77,843,939	253,123,998	158,867,818	**94,256,180**	71,450,735

The annexed notes 1 to 31 form an integral part of these financial statements.

Hasan Mansha
Chairman

Director

Director

Principal & Chief Executive Officer

Statement of Investment Income

for the year ended December 31, 2013

	December 31, 2013 Rupees	December 31, 2012 Rupees
Income from non-trading investments		
Held-to-maturity		
Return on Government securities	**9,092,092**	9,090,984
Available-for-sale		
- Dividend income		
Dividend income from related parties	**40,560,320**	33,282,388
Dividend income from others	**685,625,115**	591,609,726
	726,185,435	624,892,114
- Gain on sale of shares	**5,572,093**	-
	731,757,528	624,892,114
	740,849,620	633,983,098
Less: Investment related expenses	**(1,462,104)**	(968,337)
Net investment income	**739,387,516**	633,014,761

The annexed notes 1 to 31 form an integral part of these financial statements.

Hasan Mansha
Chairman

Director

Director

Nabiha
Principal & Chief Executive Officer

Security General Insurance Company Ltd.

Notes to the Financial Statements
for the year ended December 31, 2013

1. Legal status and nature of business

Security General Insurance Company Limited is a general non-life insurance company which was incorporated as an unquoted public limited company in Pakistan on May 13, 1996 under the Companies Ordinance, 1984. The company has 10 branches in Pakistan (2012: 11). The registered office and the principal place of business is situated at SGI House, 18-C, E1, Gulberg III, Lahore.

2. Basis of preparation

2.1 Basis of presentation and statement of compliance

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

2.2 Standards, interpretations and amendments to published approved accounting standards

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

2.2.1 Standards, amendments to published standards and interpretations effective in current year

- Annual improvements to IFRSs 2011 are applicable on accounting periods beginning on or after January 1, 2013. This set of amendments includes changes to five standards: IFRS 1, 'First time adoption', IAS 1, 'Financial statement presentation', IAS 16, 'Property plant and equipment', IAS 32, 'Financial instruments; Presentation' and IAS 34, 'Interim financial reporting'. The application of these amendments have no material impact on the Company's financial statements.

- IAS 19 (Amendments), 'Employee benefits' is applicable on accounting periods beginning on or after January 01, 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. IAS 19 (revised) amends the accounting for employment benefits. The Company has applied the standard retrospectively in accordance with the transition provisions of the standard. The impact on the Company has been explained in note 4.15.2.1.

2.2.2 Standards, amendments and interpretations that are not yet effective

	Effective date (accounting periods beginning on or after)
- IAS 32- Financial Instruments: Presentation	January 1, 2014
- IFRS 9- Financial Instruments	January 1, 2015

2.2.3 Standards, amendments and interpretations to existing standards not yet effective and not applicable/relevant to the company

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2014.

	Effective date (accounting periods beginning on or after)
IFRS 2 - Share Based Payments	January 01, 2014
IFRS 3 - Business Combinations	July 01, 2014
IFRS 8- Operating Segments	July 01, 2014
IFRS 10- Consolidated Financial Statements	January 01, 2014
IFRS 12- Disclosure for interest in other entities	January 01, 2014
IFRS 14- Fair Value Measurements	July 01, 2014
IAS 27- Separate Financial Statements	January 01, 2014

3. Basis of measurement

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

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

		Notes
a)	Premium deficiency reserve	4.2.2
b)	Provision for outstanding claims including, incurred but not reported claims (IBNR)	4.3
c)	Provision for taxation	4.11 & 23
d)	Provision for doubtful receivables	4.6 & 14
e)	Useful lives and residual values of fixed assets	4.14 & 18
f)	Defined benefit plan	4.15

4. Summary of significant accounting policies

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

4.1 Insurance contracts

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

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

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

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

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

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

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

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

4.2 Unexpired insurance risk

4.2.1 Provision for unearned premium

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

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

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

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

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

4.2.2 Premium deficiency reserve

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

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

	Loss ratios based on current estimates of known claims	
	2013	2012
Fire and property damage	**17%**	15%
Marine, aviation and transport	**24%**	27%
Motor	**53%**	46%
Miscellaneous	**24%**	18%

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

4.3 Provision for outstanding claims (including IBNR)

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

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

Claims development shown in note 28.1.4 shows that in any of the previous four years, provision for outstanding claims at respective reporting dates did not prove inadequate at the time of actual settlement of respective claims. For reinsurance recoveries against outstanding claims, refer to note 4.12.

4.4 Reinsurance contracts

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

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

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

The movement in reinsurance assets and their credit rating for the year ended December 31, 2013 is referred to in note 16 and note 28.2 to the financial statements, respectively.

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

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

4.6 Provision for doubtful receivables

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

4.7 Creditors and accruals

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

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

4.8 Borrowings

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

4.9 Cash and cash equivalents

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

4.10 Investments

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

Held-to-maturity

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

Available-for-sale

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

This policy of stating available-for-sale investments at lower of cost and market value is not in compliance with IAS 39, which states that investments available-for-sale, at subsequent reporting dates should be measured at fair value. The market value of available-for-sale investments as at December 31, 2013 is Rs15,007,561,184 (2012: 10,351,697,439). Had the company complied with IAS 39, the carrying value of investments as at December 31, 2013 would have been greater by Rs 7,815,548,984.

4.11 Taxation

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

Deferred

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

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity. Deferred tax asset has not been recognized with respect to unused tax losses amounting to Rs. 220,999,955 as this is not expected to reverse.

4.12 Reinsurance recoveries against outstanding claims

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

4.13 Prepaid reinsurance expense

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

4.14 Fixed capital expenditure and depreciation

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

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted, if impact on depreciation is significant. The management has reviewed assets' residual value and their useful life as at December 31, 2013 and is of the view that there exists no condition to indicate any impairment losses as at that date.

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

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

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

4.15 Employee retirement benefits

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

4.15.1 Defined contribution plan

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

4.15.2 Defined benefit plan

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

The latest actuarial evaluation was carried out as at December 31, 2013 using the "Projected Unit Credit Method" based on the following assumptions;

- Discount rate	13.0%
- Expected rate of increase in salary	12.0%
- Average expected remaining working life of employees	12 years

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

4.15.2.1 Change in accounting policy

During the current year, the Company has changed its accounting policy in respect of post retirement defined benefits plans. The new policy is in accordance with the requirements of IAS 19 revised, 'Employee Benefits'. According to new policy, on remeasurments, actuarial gains and losses result from increases or decreases in the present value of the defined benefit obligation because of changes in actuarial assumptions and experience adjustments, the return on plan assets excluding amounts included in net interest on the net defined benefit liability (asset), are recognised in the balance sheet immediately, with a charge or credit to other comprehensive income (OCI) in the periods in which they occur.

The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated. The effect of the change in accounting policy on the prior period financial statements have been summarised below:

Impact on balance sheet

	December 31, 2013 Rupees	December 31, 2012 Rupees	December 31, 2011 Rupees
(Increase) / decrease in employees' retirement and other benefits	**2,769,945**	(1,585,216)	350,765
Increase / (decrease) in Taxation less provision	**(941,781)**	554,826	(122,768)
(Decrease)/ Increase in retained earnings	**1,828,164**	(1,030,390)	227,997

Impact on profit and loss

	December 31, 2012 Rupees	December 31, 2011 Rupees
Increase / (decrease) in administration expenses	(401,653)	-
Increase / (decrease) in profit before tax	401,653	-

4.16 Financial instruments

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

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

4.17 Revenue recognition

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

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

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

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

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

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

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

4.18 Commission expense

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

4.19 Management expenses

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

4.20 Borrowing costs

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

4.21 Foreign currencies

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

All exchange differences are included in profit currently.

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

4.22 Commission on reinsurance premium

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

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

4.23 Premiums due but unpaid / premiums received in advance

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

4.24 Administrative surcharge

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

4.25 Offsetting of financial assets and financial liabilities

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

4.26 Impairment

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

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

4.27 Segment reporting

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

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

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

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

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

4.28 Dividend and appropriations to reserves

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

5. Issued, subscribed and paid up capital

2013 (Number of shares)	2012 (Number of shares)		**2013 Rupees**	2012 Rupees
7,446,030	7,446,030	Ordinary shares of Rs 10 each fully paid in cash	**74,460,300**	74,460,300
60,616,470	60,616,470	Ordinary shares of Rs 10 each issued as fully paid bonus shares	**606,164,700**	606,164,700
68,062,500	68,062,500		**680,625,000**	680,625,000

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

Name of associated undertaking	Note	**2013** (Number of shares)	2012 (Number of shares)
	5.1		
Nishat Mills Limited		**10,226,244**	10,226,244
Samin Textiles Limited		**10,214,914**	10,214,914
		20,441,158	20,441,158

5.1 These undertakings are associated by virtue of common directorship.

6. Provision for outstanding claims includes Rs. 14,263,564 (2012: Rs. 5,474,224) due to associated undertakings.

7. Creditors and accrued expenses

	Note	2013 Rupees	2012 Rupees (restated)
Accrued expenses		3,457,232	2,576,603
Cash margin		59,344,227	71,047,602
Commission payable		110,709,924	65,121,926
Mark-up accrued on borrowings from banks		159,280	2,198,065
Gratuity payable	7.1	6,298,417	2,899,943
Federal insurance fee payable	7.2	493,009	3,769,876
Federal excise duty payable	7.2	7,344,880	60,319,617
Workers' Welfare Fund	7.3	46,187,116	29,658,192
Provident fund	7.4	171,487	564,511
Accrued liabilities		15,311,888	9,752,245
Others		4,131,219	5,305,178
		253,608,679	253,213,758

7.1 Gratuity payable

7.1.1 The amounts recognized in balance sheet are as follows:

	2013	2012
Present value of defined benefit obligations	12,690,814	8,198,453
Fair value of plan assets	(6,392,397)	(5,519,310)
Payable	-	220,800
Net payable to defined benefit plan	6,298,417	2,899,943
Opening balance of payable	2,899,943	4,876,132
Expense recognised	1,884,381	1,909,049
Contributions	(1,314,727)	(6,222,872)
Recognition in Other Comprehensive Income	2,828,820	2,337,634
Closing balance of payable	6,298,417	2,899,943

7.1.2 Movement in the present value of defined benefit obligation is as follows:

	2013	2012
Present value of obligation as at January 01,	8,198,453	4,876,132
Current service cost	1,589,675	1,299,532
Interest cost	901,830	609,517
Benefits paid	(653,099)	(423,000)
Benefits payable	-	(220,800)
Actuarial (gains) / losses	2,653,955	2,057,072
Present value of obligation as at December 31,	12,690,814	8,198,453

7.1.3 Movement in the fair value of plan asset is as follows:

	2013	2012
Net assets as at January 01,	5,519,310	-
Contribution made during the year	1,314,727	6,222,872
Interest income on plan assets	607,124	-
Benefits paid	(873,899)	(423,000)
Return on plan assets, excluding interest income	(174,865)	(280,562)
Net assets as at December 31,	6,392,397	5,519,310

7.1.4 Composition of plan assets

	2013	2012
Pakistan Investment Bonds	4,830,320	5,105,622
Cash at bank	1,562,077	413,688
Fair value of plan assets as at December 31	6,392,397	5,519,310

7.1.5 Charge for defined benefit plans and other benefits

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

	2013 Rupees	2012 Rupees (restated)
Current service cost	1,589,675	1,299,532
Interest cost	901,830	609,517
Expected return on plan assets	(607,124)	-
	1,884,381	1,909,049

The following amounts have been recognized on other comprehensive income:

	2013 Rupees	2012 Rupees (restated)
Recognition in Other Comprehensive Income		
Recognized actuarial (gain) / losses	2,828,820	2,337,634
	2,828,820	2,337,634

7.2 Government duties outstanding at the reporting date on account of Federal insurance fee and Federal excise duty were paid after December 31, 2013 within the stipulated time period allowed by the relevant laws.

7.3 The charge on account of Worker's Welfare Fund for years 2010, 2011 and 2012 aggregating to Rs. 29,658,192 had been provided for in the year 2012 as Sindh High Court, through a recent judgement endorsed the vires of amendments introduced in Workers Welfare Fund Ordinance, 1971 (WWF Ordinance). Such charge had earlier not been provided in respective years as Lahore High Court had struck down the subject amendments in WWF Ordinance.

7.4 The details of investment made by the provident fund:

	2013 Rupees	2012 Rupees
Size of the fund - Total assets	17,771,737	13,131,495
Cost of investments	13,500,000	4,000,000
Fair value of investments	13,926,647	4,000,000

7.4.1 Investments have been made in PIBs having cost of Rs. 13,500,000 (2012: Rs. 4,000,000)

7.4.2 The above investments have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

8. Short term running finance and short term finance facilities are available from commercial banks under mark-up arrangements amounting to Rs 800,000,000 (2012: Rs 1,100,000,000). These are secured against a pledge of shares as referred to in note 13.3 to the financial statements. Mark-up is payable on a quarterly basis at rates ranging from 9.08% per annum to 9.43% per annum (2012: 11.04% per annum to 13.99% per annum), in case of former and between 9.83% per annum to 9.91% per annum (2012: 10.61% per annum and 13.10% per annum), in case of latter. These facilities will expire between March 31, 2014 and May 31, 2014.

9. Contingencies and commitments

9.1 Contingencies

The company is contingently liable for Rs. 5,752,723 (2012: Rs. 1,902,723) on account of claims lodged against the company but not acknowledged as debts.

Guarantees issued by a commercial bank on behalf of the company amount to Rs. 866,800 (2012: Rs. 760,450).

9.2 Commitments

Nil (2012: Nil)

10. Cash and other equivalents

	2013 Rupees	2012 Rupees
Cash in hand	57,376	988

11. Current and other accounts

	Note	2013 Rupees	2012 Rupees
Current accounts		19,330,212	9,324,084
Saving accounts	11.1	689,037,266	153,441,982
		708,367,478	162,766,066

11.1 These accounts bear mark-up ranging from 7% per annum to 8.70% per annum (2012: 5% per annum to 13% per annum).

12. Deposits maturing within 12 months

	Note	2013 Rupees	2012 Rupees
Cash deposit with the State Bank of Pakistan		2,350,000	350,000
Term Deposit Receipts with banks	12.1	1,000,000	1,000,000
		3,350,000	1,350,000

12.1 This deposit carries mark-up at 9% per annum (2012: 9% per annum).

13. Investments

	Note	2013 Rupees	2012 Rupees
Held-to-maturity - Government securities			
12% Pakistan Investment Bonds of the Government of Pakistan 2 bonds of face value of Rs. 2,000,000 each, 1 bond of face value of Rs. 62,000,000 and 1 bond of Rs. 5,000,000 (2012: 3 bonds of face value of Rs. 2,000,000 each, 1 bond of face value of Rs. 62,000,000 and 1 bond of Rs. 5,000,000) market value as at December 31, 2013 Rs. 70,453,783 (2012: Rs. 72,453,783).	13.1	69,124,296	70,675,372
Available-for-sale - Quoted equities			
Associated			
Pak Gen Power Limited (Formerly AES Pak Gen)			
6,407,796 (2012: 6,407,796) ordinary shares of Rs. 10 each	13.2	88,899,557	88,899,557
Lalpir Power Limited (Formerly AES Lalpir)			
6,837,097 (2012: 6,906,159) ordinary shares of Rs. 10 each	13.2	92,720,174	103,022,382
Others			
Adamjee Insurance Company Limited			
14,424,087 (2012: 5,098,072) Ordinary shares of Rs. 10 each.	13.3	351,109,370	351,109,370
MCB Bank Limited			
50,461,979 (2012: 45,874,527) Ordinary shares of Rs. 10 each	13.4	6,658,245,500	6,658,245,500
Kohinoor Energy Limited			
30,000 (2012: 30,000) Ordinary shares of Rs. 10 each.		577,600	577,600
JS Large Capital Fund			
42,471 (2012: 33,348) ordinary shares of Rs. 10 each		460,000	460,000
		7,261,136,497	7,272,989,781

13.1 Maturity dates of Pakistan Investment Bonds fall between August 2018 and August 2021.

13.2 The investment includes 500 shares held in the name of nominee director of the company.

13.3 14,000,000 shares (2012: 3,500,000 shares) of Adamjee Insurance Company Limited are pledged with banks as referred to in note 8 to the financial statements.

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

14. Premium due but unpaid - unsecured

	Note	2013 Rupees	2012 Rupees
Premium due but unpaid - unsecured			
Considered good		**747,070,115**	116,138,326
Considered doubtful		**6,900,032**	-
		753,970,147	116,138,326
Less: Provision for doubtful debts		**(6,900,032)**	-
		747,070,115	116,138,326

15. Amounts due from other insurers / reinsurers

	Note	2013 Rupees	2012 Rupees
Amounts due from other insurers / reinsurers - unsecured			
Considered good		**415,706,841**	238,363,467
Considered doubtful		**9,759,796**	3,423,444
		425,466,637	241,786,911
Less: Provision for doubtful debts	15.1	**(9,759,796)**	(3,423,444)
		415,706,841	238,363,467

15.1 Provision for doubtful receivables

		2013 Rupees	2012 Rupees
Balance as at January 1		**3,423,444**	1,723,762
Provision made during the year		**6,336,352**	1,699,682
Balance as at December 31		**9,759,796**	3,423,444

16. Prepayments

	Note	2013 Rupees	2012 Rupees
Prepaid reinsurance premium	16.1	**644,417,289**	560,066,205
Others		**1,063,806**	853,191
		645,481,095	560,919,396

16.1 Movement in prepaid reinsurance premium

		2013 Rupees	2012 Rupees
As at January 1		**560,066,205**	112,730,356
Reinsurance premium ceded during the year		**1,348,147,127**	808,475,083
Reinsurance expense for the year		**(1,263,796,043)**	(361,139,234)
As at December 31		**644,417,289**	560,066,205

17. Sundry receivables

		2013 Rupees	2012 Rupees
Advances to employees - considered good		**591,779**	286,559
Accrued return on deposits and other accounts		**729,556**	1,984,850
Other receivables - considered good		**2,221,067**	1,612,465
Security deposits - considered good		**2,666,672**	2,202,322
		6,209,074	6,086,196

Non-current assets

18. Tangible assets

	Freehold land Rupees	Leasehold improvement Rupees	Building Rupees	Computer equipment Rupees	Furniture and fixtures Rupees	Motor vehicles Rupees	Tracker Rupees	office equipment Rupees	Total Rupees
Year ended December 31, 2013									
Opening net book value	22,671,528	991,982	33,854,935	2,423,118	3,455,601	29,770,134	8,209,364	5,774,315	107,150,977
Additions (at cost)	-	913,283	-	899,260	1,240,193	14,119,320	743,010	862,220	18,777,286
Disposals (at NBV)	-	-	-	(359,794)	-	(1,156,499)	-	-	(1,516,293)
Depreciation charge for the year	-	(165,745)	(3,385,494)	(427,817)	(418,415)	(7,198,847)	(1,776,136)	(924,617)	(14,297,071)
Net book value as at December 31, 2013	**22,671,528**	**1,739,520**	**30,469,441**	**2,534,767**	**4,277,379**	**35,534,108**	**7,176,238**	**5,711,918**	**110,114,899**
At December 31, 2013									
Cost	22,671,528	2,360,143	60,376,167	3,900,197	7,002,147	57,386,670	12,246,301	13,089,823	179,032,976
Accumulated depreciation	-	(620,623)	(29,906,726)	(1,365,430)	(2,724,768)	(21,852,562)	(5,070,063)	(7,377,905)	(68,918,077)
Net book value as at December 31, 2013	22,671,528	1,739,520	30,469,441	2,534,767	4,277,379	35,534,108	7,176,238	5,711,918	110,114,899
Year ended December 31, 2012									
Opening net book value	10,446,900	1,030,673	37,616,595	1,927,624	3,684,835	19,992,332	6,282,383	6,357,814	87,339,156
Additions (at cost)	12,224,628	67,358	-	851,230	147,436	16,206,753	3,494,516	403,208	33,395,129
Disposals (at NBV)	-	-	-	-	-	(1,006,323)	(17,196)	(9,336)	(1,032,855)
Depreciation charge for the year	-	(106,049)	(3,761,660)	(355,736)	(376,670)	(5,422,628)	(1,550,339)	(977,371)	(12,550,453)
Net book value as at December 31, 2012	**22,671,528**	**991,982**	**33,854,935**	**2,423,118**	**3,455,601**	**29,770,134**	**8,209,364**	**5,774,315**	**107,150,977**
At December 31, 2012									
Cost	22,671,528	1,446,860	60,376,167	5,233,660	5,761,954	46,749,398	11,503,291	12,227,603	165,970,461
Accumulated depreciation	-	(454,878)	(26,521,232)	(2,810,542)	(2,306,353)	(16,979,264)	(3,293,927)	(6,453,288)	(58,819,484)
Net book value as at December 31, 2012	**22,671,528**	**991,982**	**33,854,935**	**2,423,118**	**3,455,601**	**29,770,134**	**8,209,364**	**5,774,315**	**107,150,977**
Depreciation rates (%)	-	10	10	15	10	20	20	15	-

18.1 The assets disposed off during the year comprise motor vehicles and computers of which the original cost was Rs. 3,482,047 and Rs. 2,232,723 and accumulated depreciation was Rs. 2,325,548 and Rs. 1,872,929 and hence, the book value was Rs.1,156,499 and Rs. 359,794 respectively.

19. Deferred taxation

	2013 Rupees	2012 Rupees
Opening balance as on January 1	**21,931,868**	18,832,762
Credited to profit and loss account	**5,554,925**	3,099,106
Closing balance as on December 31	**27,486,793**	21,931,868
Debit / (credit) balance arising from:		
Accelerated tax depreciation	**(7,271,727)**	(8,199,221)
Provision for doubtful debts	**5,830,940**	1,198,205
Unabsorbed tax depreciation	**28,927,580**	28,932,884
Deferred tax asset	**27,486,793**	21,931,868

20. Management expenses

	Note	2013 Rupees	2012 Rupees
Salaries, wages and benefits	20.1	**39,835,290**	29,346,443
Rent, rates, taxes and electricity		**5,132,763**	3,907,943
Communication		**2,089,551**	1,798,803
Printing and stationery		**797,442**	552,615
Travelling and entertainment		**1,809,582**	1,527,253
Car maintenance		**7,751,960**	5,407,167
Depreciation		**7,448,301**	6,370,007
Repair and maintenance		**861,673**	599,274
Service charges charged by co-insurers		**7,265,560**	4,446,615
Tracker monitoring		**3,352,419**	6,224,886
Other expenses		**1,499,398**	1,009,574
		77,843,939	61,190,580

20.1 Included in salaries, wages and benefits are Rs. 1,317,826 (2012: Rs. 991,533) in respect of provident fund contribution by the company and Rs. 555,997 (2012: Rs. 433,988) in respect of gratuity fund.

21. Financial charges

	Note	2013 Rupees	2012 Rupees
Mark-up on borrowings from banks		**4,520,793**	30,151,263
Bank charges		**742,661**	811,698
		5,263,454	30,962,961

22. General and administration expenses

	Note	2013 Rupees	2012 Rupees (restated)
Salaries, wages and benefits (including Chief Executive Officer's remuneration Rs. 4,800,000 (2012: Rs. 3,600,000))	22.1	**37,624,478**	31,028,250
Repair and maintenance		**1,248,785**	1,021,531
Legal and professional charges		**4,476,721**	3,889,703
Audit fee	22.2	**851,000**	772,589
Travelling and entertainment		**1,487,306**	786,917
Depreciation		**6,848,770**	6,180,446
Rent, rates, taxes and Utilities		**3,018,808**	2,728,032
Communication		**1,203,878**	971,750
Printing and stationery		**2,239,236**	1,686,327
Insurance		**1,466,444**	1,149,940
Car maintenance		**3,214,935**	2,524,403
Provision for doubtful debts		**13,236,384**	1,699,682
Other expenses		**3,226,095**	697,489
		80,142,840	55,137,059

22.1 Included in salaries, wages and benefits are Rs. 1,554,230 (2012: Rs. 1,332,552) in respect of provident fund contribution by the company and Rs. 1,328,384 (2012: Rs 1,876,714) in respect of the gratuity expense. Provident fund contribution, gratuity contribution and bonus in respect of Chief Executive Officer amount to Rs. 320,000 (2012: Rs. 240,000), Rs. 225,929 (2012: Rs. 335,505) and Rs 400,000 (2012: Rs. 300,000) respectively.

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

22.2 Audit fee

	2013 Rupees	2012 Rupees
Annual audit	**484,000**	440,000
Half yearly review	**242,000**	220,000
Out of pocket expenses	**125,000**	112,589
	851,000	772,589

22.3 Number of employees

Number of employees as at December 31	124	109
Average number of employees during the year	117	101

23. Provision for taxation

	Note	2013 Rupees	2012 Rupees (restated)
For the year			
- Current		**71,596,848**	61,791,731
- Deferred	19	**(5,554,925)**	(3,099,106)
		66,041,923	58,692,625
Prior year			
- Current		**-**	-
		66,041,923	58,692,625

23.1 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate	2013 %	2012 %
Applicable tax rate	**34.00**	35.00
Effect of:		
- income chargeable to tax at a reduced rate	**(21.21)**	(26.90)
- income exempt from tax	**(0.23)**	-
- Others	**(4.57)**	1.90
Effective tax rate	**7.99**	10.00

24. Reconciliation to profit and loss account

	2013 Rupees	2012 Rupees (restated)
Operating cash flows	**77,879,544**	45,879,551
Depreciation	**(14,297,071)**	(12,550,453)
Financial charges	**(5,263,454)**	(30,962,961)
Profit on disposal of fixed assets	**82,254**	509,771
Increase in assets other than cash	**1,004,204,721**	600,640,592
Increase in liabilities other than borrowings	**(831,211,570)**	(251,757,474)
Others		
- Increase in provision for unearned premium	**(255,147,278)**	(460,122,560)
- Increase in commission income unearned	**(11,200,153)**	(27,481,922)
- Income on investments, current and other deposits	**751,356,721**	644,878,635
- Investment related expenses	**1,462,104**	968,337
- Decrease in provision for commission expense deferred	**42,538,463**	17,047,664
	760,404,281	527,049,180

24.1 Cash at the end of the year

	2013 Rupees	2012 Rupees
For the purposes of cash flow statement cash includes:		
Cash and other equivalents	**57,376**	988
Current and other accounts	**708,367,478**	162,766,066
Deposits maturing within 12 months	**3,350,000**	1,350,000
	711,774,854	164,117,054

25. Transactions with related parties

The related parties comprise associated undertakings by virtue of common directorship, directors of the company, Chief Executive and post employment benefit plans. The company in the normal course of business carries out transactions with various related parties. Amounts due to related parties are disclosed in note 6 to the financial statements. Expense charged in respect of staff retirement benefits is disclosed in note 20.1 and 22.1 and remuneration of Chief Executive is disclosed in note 22. Year end balances and other significant transactions with related parties are as follows:

		2013 Rupees	2012 Rupees
Premium written		**530,427,216**	103,649,059
Claims paid		**31,748,258**	22,446,386
Dividend received		**40,560,320**	33,282,388
Dividend paid		**81,764,632**	35,791,854
Payment in respect of services		**362,722**	261,872
Premium receivable	25.1	**473,503,388**	3,195,676

25.1 Past due balances of premium receivable from related parties:

	2013	2012
Past due balances	**887,259**	1,194,305

26. Segment Reporting

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

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

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

	Fire		Marine		Motor		Miscellaneous		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012 (restated)
	Rupees		Rupees		Rupees		Rupees		Rupees	
Other information										
Segment assets	**1,372,671,196**	269,448,716	**86,616,393**	48,477,100	**161,010,064**	98,657,682	**183,696,071**	134,595,126	**1,803,993,724**	551,178,624
Unallocated corporate assets									**8,510,182,369**	8,179,322,972
Consolidated total assets									**10,314,176,093**	8,730,501,596
Segment liabilities	**919,315,952**	619,084,995	**56,312,344**	31,951,992	**168,911,661**	120,876,725	**231,873,225**	143,207,845	**1,376,413,182**	915,121,557
Unallocated corporate liabilities									**1,030,226,698**	394,131,086
Consolidated total liabilities									**2,406,639,880**	1,309,252,643

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

27. Financial assets and liabilities

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

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

27. Financial assets and liabilities (cont'd)

	Interest / mark up bearing			Non Interest / mark up bearing			Total
	Maturity upto one year Rupees	Maturity after one year Rupees	Sub total Rupees	Maturity upto one year Rupees	Maturity after one year Rupees	Sub total Rupees	2012 Rupees
	restated						
Financial assets							
On balance sheet							
Cash and other equivalents	-	-	-	988	-	988	988
Current and other accounts	153,441,982	-	153,441,982	9,324,084	-	9,324,084	162,766,066
Deposit maturing within 12 months	1,000,000	-	1,000,000	350,000	-	350,000	1,350,000
Deposit maturing after 12 months	-	500,000	500,000	-	-	-	500,000
Investments	2,022,906	68,652,466	70,675,372	7,202,314,409	-	7,202,314,409	7,272,989,781
Premiums due but unpaid	-	-	-	116,138,326	-	116,138,326	116,138,326
Amounts due from other insurers / reinsurers	-	-	-	238,363,467	-	238,363,467	238,363,467
Accrued investment income	-	-	-	2,949,885	-	2,949,885	2,949,885
Reinsurance recoveries against outstanding claims	-	-	-	165,602,338	-	165,602,338	165,602,338
Sundry receivables	-	-	-	6,086,196	-	6,086,196	6,086,196
	156,464,888	69,152,466	225,617,354	7,741,129,693	-	7,741,129,693	7,966,747,047
Off balance sheet	-	-	-	-	-	-	-
Total	156,464,888	69,152,466	225,617,354	7,741,129,693	-	7,741,129,693	7,966,747,047
Financial liabilities							
On balance sheet							
Provision for outstanding claims [including IBNR]	-	-	-	212,775,523	-	212,775,523	212,775,523
Amounts due to other insurers / reinsurers	-	-	-	133,298,527	-	133,298,527	133,298,527
Creditors and accrued expenses	-	-	-	253,213,758	-	253,213,758	253,213,758
Finances under mark-up arrangements	-	-	-	-	-	-	-
	-	-	-	599,287,808	-	599,287,808	599,287,808
Off balance sheet							
Guarantees	-	-	-	760,450	-	760,450	760,450
Contingencies	-	-	-	1,902,723	-	1,902,723	1,902,723
	-	-	-	2,663,173	-	2,663,173	2,663,173
Total	-	-	-	601,950,981	-	601,950,981	601,950,981
On balance sheet gap	156,464,888	69,152,466	225,617,354	7,141,841,885	-	7,141,841,885	7,367,459,239
Off balance sheet gap	-	-	-	(2,663,173)	-	(2,663,173)	(2,663,173)

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

28. Risk management

28.1 Insurance risk

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

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

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

28.1.1 Concentration of insurance risk

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

	Gross aggregate exposure		Maximum Reinsurance Cover		Net	
	2013	2012	2013	2012	2013	2012
	Rupees					
Fire	378,819,519,340	180,142,999,011	318,211,916,032	150,410,626,866	60,607,603,308	29,732,372,145
Marine	79,571,511,328	30,152,220,836	53,754,435,871	22,343,782,484	25,817,075,457	7,808,438,352
Motor	7,885,158,116	7,122,491,692	5,526,678,476	4,419,504,314	2,358,479,640	2,702,987,378
Miscellaneous	11,762,935,878	6,340,315,220	10,579,543,577	5,726,083,551	1,183,392,301	614,231,669
	478,039,124,662	223,758,026,759	388,072,573,956	182,899,997,215	89,966,550,706	40,858,029,544

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

	Gross claims paid		Reinsurance recoveries		Net	
	2013	2012	2013	2012	2013	2012
	Rupees					
Fire	122,422,573	90,493,797	104,365,216	79,680,668	18,057,357	10,813,129
Marine	60,846,133	24,353,109	53,291,674	16,269,585	7,554,459	8,083,524
Motor	78,496,530	83,446,967	41,981,993	35,970,158	36,514,537	47,476,809
Miscellaneous	10,242,242	12,792,651	6,997,733	10,110,916	3,244,509	2,681,735
	272,007,478	211,086,524	206,636,616	142,031,327	65,370,862	69,055,197

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

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

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

28.1.2 Reinsurance risk

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

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

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

28.1.3 Sensitivity analysis

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

Particulars	Profit before taxation		Share holders' equity	
	2013	2012	**2013**	2012
	Rupees			
Effect of 10% increase / (decrease) in amount and number of claims:				
Fire	**4,482,426**	1,051,879	**2,913,577**	683,721
Marine	**1,035,813**	791,469	**673,278**	514,455
Motor	**3,660,872**	4,619,773	**2,379,567**	3,002,852
Miscellaneous	**489,804**	538,617	**318,373**	350,101
	9,668,915	7,001,738	**6,284,795**	4,551,129

28.1.4 Claims development

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

Reporting year	2009	2010	2011	2012	2013	Total
	Rupees					
Estimate of ultimate claims costs:						
- At the end of reporting year	95,116,399	150,526,588	158,232,779	231,793,491	406,858,760	1,042,528,017
- One year later	97,392,909	151,832,022	160,703,607	240,973,373	-	650,901,911
- Two years later	90,405,414	192,304,268	162,170,046	-	-	444,879,728
- Three years later	94,715,200	191,690,528	-	-	-	286,405,728
- Four years later	95,374,571	-	-	-	-	95,374,571
Current estimate of cumulative claims	95,374,571	191,690,528	162,170,046	240,973,373	406,858,760	1,097,067,278
Cumulative payments to date	81,765,970	167,978,086	133,035,968	181,593,433	211,398,525	775,771,982
Liability recognized in balance sheet	13,608,601	23,712,442	29,134,078	59,379,940	195,460,235	321,295,296
Liability reserve prior to 2009						23,582,233
Total liability in balance sheet						344,877,529

28.2 Financial risks

The company's activities expose it to a variety of financial risks, including the effects of changes in market interest rates such as KIBOR, credit and liquidity risk associated with various financial assets and liabilities, respectively, as referred to in note 27 and cash flow risk associated with accrued interests in respect of borrowings as referred to in note 8 to the financial statements.

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

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

Financial risk factors

(a) Credit risk and concentration of credit risk

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

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

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

	2013 Rupees	2012 Rupees
Bank deposits	**711,717,478**	164,616,066
Investments	**7,261,136,497**	7,272,989,781
Premiums due but unpaid	**747,070,115**	116,138,326
Amount due from other insurers / reinsurers	**415,706,841**	238,363,467
Accrued investment income	**2,868,054**	2,949,885
Reinsurance recoveries against outstanding claims	**266,386,063**	165,602,338
Sundry receivables	**6,209,074**	6,086,196
	9,411,094,122	7,966,746,059

The company's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits company's exposure to credit risk through monitoring of clients' credit exposure review and conservative estimates of provisions for doubtful receivables, if any. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in organization of sound financial standing covering various industrial sectors and segment.

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

	2013 Rupees	2012 Rupees
- Upto one year	**1,013,587,875**	247,564,648
- Past one but less than three years	**120,586,083**	83,779,996
- Over three but less than five years	**21,031,958**	21,742,842
- More than five years	**7,571,040**	1,414,307
	1,162,776,956	354,501,793

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

Rating	Amount due from reinsurers	Reinsurance recoveries against outstanding claims	Other reinsurance assets	**2013**	2012
	..................Rupees..................				
A and above (including PRCL)	179,701,069	162,155,457	104,448,366	**446,304,892**	283,939,064
A-	1,314,597	54,731,402	442,916,054	**498,962,053**	442,169,369
BBB	10,982	6,235,854	45,476,005	**51,722,841**	13,472,044
Others	15,239,692	43,263,350	51,576,864	**110,079,906**	23,778,030
	196,266,340	266,386,063	644,417,289	**1,107,069,692**	763,358,507

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

Current and other accounts	Rating Short Term	Rating Long term	Rating Agency	2013 Rupees	2012 Rupees
Albaraka Islamic Bank Limited	A1	A	PACRA	21,161	21,161
Allied Bank Limited	A1+	AA+	PACRA	34,281	862,999
Summit Bank Limited	A-3	A-	JCR-VIS	(1,285,386)	1,065,852
Bank Alfalah Limited	A1+	AA	PACRA	2,728,687	740,760
Faysal Bank Limited	A1+, A-1+	AA, AA	PACRA, JCR-VIS	445,080	11,883
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	13,305,763	4,620,076
Habib Bank Limited	A-1+	AAA	JCR-VIS	928,328	252,332
HSBC Middle East Bank Limited	P-1, F1+	A2, AA-	Moody's, Fitch	81,274	81,275
Soneri Bank Limited	A1+	AA-	PACRA	60,019,479	-
MCB Bank Limited	A1+	AAA	PACRA	629,529,645	148,181,809
Silk Bank Limited	A-2	A-	JCR-VIS	223,820	223,820
United Bank Limited	A-1+	AA+	JCR-VIS	2,365,537	2,518,369
JS Bank Limited	A1	A+	PACRA	(29,754)	-
Askari Bank Limited	A1+	AA	PACRA	(437)	4,185,730
				708,367,478	162,766,066
Deposits maturing within 12 months					
Soneri Bank Limited	A1+	AA-	PACRA	1,000,000	1,000,000
State Bank of Pakistan	Not Available			2,350,000	350,000
Escorts Investment Bank Limited	A3	BBB	PACRA	-	500,000
				3,350,000	1,850,000

(b) Liquidity risk

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

The company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At December 31, 2013, the company had Rs. 800,000,000 (2012: Rs. 1,100,000,000) of available borrowing limits from financial institutions and Rs. 708,424,854 (2012: Rs. 164,617,054) of cash and bank balances.

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

	Carrying amount	Less than one year	One to five years	More than five years
	.... Rupees	....		
Provision for outstanding claims	344,877,529	344,877,529	-	-
Amount due to other insurers / reinsurers	835,962,246	835,962,246	-	-
Creditors and accrued expenses	253,608,679	253,608,679	-	-
	1,434,448,454	1,434,448,454	-	-

The following are the undiscounted cash flows of contractual maturities of financial liabilities as at December 31, 2012:

	Carrying amount	Less than one year	One to five years	More than five years
	....................Rupees.................... (restated)			
Provision for outstanding claims	**212,775,523**	212,775,523	-	-
Amount due to other insurers / reinsurers	**133,298,527**	133,298,527	-	-
Creditors and accrued expenses	**253,213,758**	253,213,758	-	-
	599,287,808	599,287,808	-	-

(c) Market risk

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

(i) Interest rate risk

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

	2013	2012	**2013**	2012
	Effective interest rate		**Rupees**	Rupees
Financial assets				
Floating rate instruments				
Bank balances - saving accounts	**10%**	10%	**689,037,266**	153,441,982
Deposits maturing within 12 months	**9.00%**	9.00%	**1,000,000**	1,000,000
Investments - government securities	**11.86%**	11.86%	**71,000,000**	73,000,000
Total exposure			**761,037,266**	227,441,982
Financial liabilities				
Total exposure			**-**	-

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates on finances under mark-up arrangements, at the balance sheet date, fluctuate by 1% higher / lower with all the other variables held constant, profit before taxation for the year would have been higher / lower by Rs. Nil (2012: Rs. Nil) and shareholders equity would have been higher / lower by Rs. Nil, mainly as a result of higher / lower interest expense on floating rate borrowings.

(ii) **Price risk**

Available-for-sale investments are stated at lower of cost and market value (market value being taken as lower if the fall is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002. The carrying and market value of these investments have been disclosed in note 13 and note 4.10 respectively, to the financial statements. Fair value is determined on the basis of objective evidence at each reporting date.

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

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

(iii) **Currency risk**

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

(d) **Capital risk management**

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

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

28.3 Fair value of financial assets and liabilities

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

29. Date of authorization for issue

These financial statements were authorized for issue on March 31, 2014 by the Board of Directors of the company.

30. Event after the balance sheet date

The Board of Directors have proposed a final dividend for the year ended December 31, 2013 of Rs. 2 per share (2012: Rs. 2 per share), amounting to Rs. 136,125,000 (2012: Rs. 136,125,000) at their meeting held on March 31, 2014 for approval of the members at the Annual General Meeting to be held on April 30, 2014.

31. Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant rearrangements have been made.

Hasan Mansha			
Chairman	Director	Director	Principal & Chief Executive Officer

Disclosure of Categories of Shareholding

as at December 31, 2013

Description	# of Shareholders	Shares Held	Percentage
Directors, CEO & thier spouse & minor children			
Mian Hassan Mansha (Director)	1	8,871,525	13.03
Mr. Jehanzeb Amin (Director)	1	500	-
Mr. Inayat Ullah Niazi (Director)	1	500	-
Mr. Badar ul Hassan (Director)	1	500	-
Mr. Mehmood Akhtar (Director)	1	500	-
Associated companies, Undertakings & Related parties"			
Nishat Mills Ltd.	1	10,226,244	15.02
Samin Textiles Limited	1	10,214,914	15.01
NIT and ICP	-	-	-
Public Sector Companies & Corporations	-	-	-
Executives	-	-	-
"Banks, Development Financial Institutions, Non-Banking Financial Institution.	1	12,401,871	18.22
Insurance Companies	1	457,038	0.67
Modarabas and Mutual Funds"	-	-	-
General Public			
a. Local	-	-	-
b. Foreign	-	-	-
Others			
a - Joint stock companies	1	643,667	0.95
b - All others	6	25,245,241	37.09
Total	**16**	**68,062,500**	**100.00**

Shareholders Holding ten percent or more Voting Interest:-

	# of Shareholders	Shares Held	Percentage
Allied Bank Limited	1	12,401,871	18.22
Nishat Mills Limited	1	10,226,244	15.02
Samin Textiles Limited	1	10,214,914	15.01
Mian Hassan Mansha	1	8,871,525	13.03
Mian Umer Mansha	1	8,871,525	13.03
Mian Raza Mansha	1	7,955,619	11.69
ASSOCIATED COMPANY:			
Nishat Mills Limited	1	10,226,244	15.02
Samin Textiles Limited	1	10,214,914	15.01

Pattern of Share Holding
as at December 31, 2013

No. of Shareholders	Shareholding From	To	Total Shares held
5	1	500	2,500
1	455001	460000	457,038
1	640001	645000	643,667
1	915001	920000	915,903
1	2395001	2400000	2,399,454
1	5100001	5105000	5,102,240
1	7955001	7960000	7,955,619
2	8870001	8875000	17,743,050
1	10210001	10215000	10,214,914
1	10225001	10230000	10,226,244
1	12400001	12405000	12,401,871
16			68,062,500

Classification of Shares by Categories
as at December 31, 2013

Categories of Members	Number	Shares held	Percentage
Individuals	11	34,118,766	50.13
Investment Companies	0	0	0.00
Insurance Companies	1	457,038	0.67
Joint Stock Companies	3	21,084,825	30.98
Financial Institutions	1	12,401,871	18.22
Modaraba Companies	0	0	0.00
Foreign Investors	0	0	0.00
Others	0	0	0.00
Total	16	68,062,500	100.00

FORM OF PROXY

Security General Insurance Company Limited

I ____

of ____

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

____

of ____

also a Shareholder of the said company, to be my proxy and to vote for me at the annual general meeting of the Company to be held on the 30th day of April, 2014 and at any time adjournment thereof in the same manner as I myself would vote if personally present at such meeting.

As witness my hand in this day of ______________________________ 2014.

Signature ______________________________

Address ______________________________

____

Holder of Share No. ______________ to. ______________

____

witness:

Name ______________________________

Address ______________________________