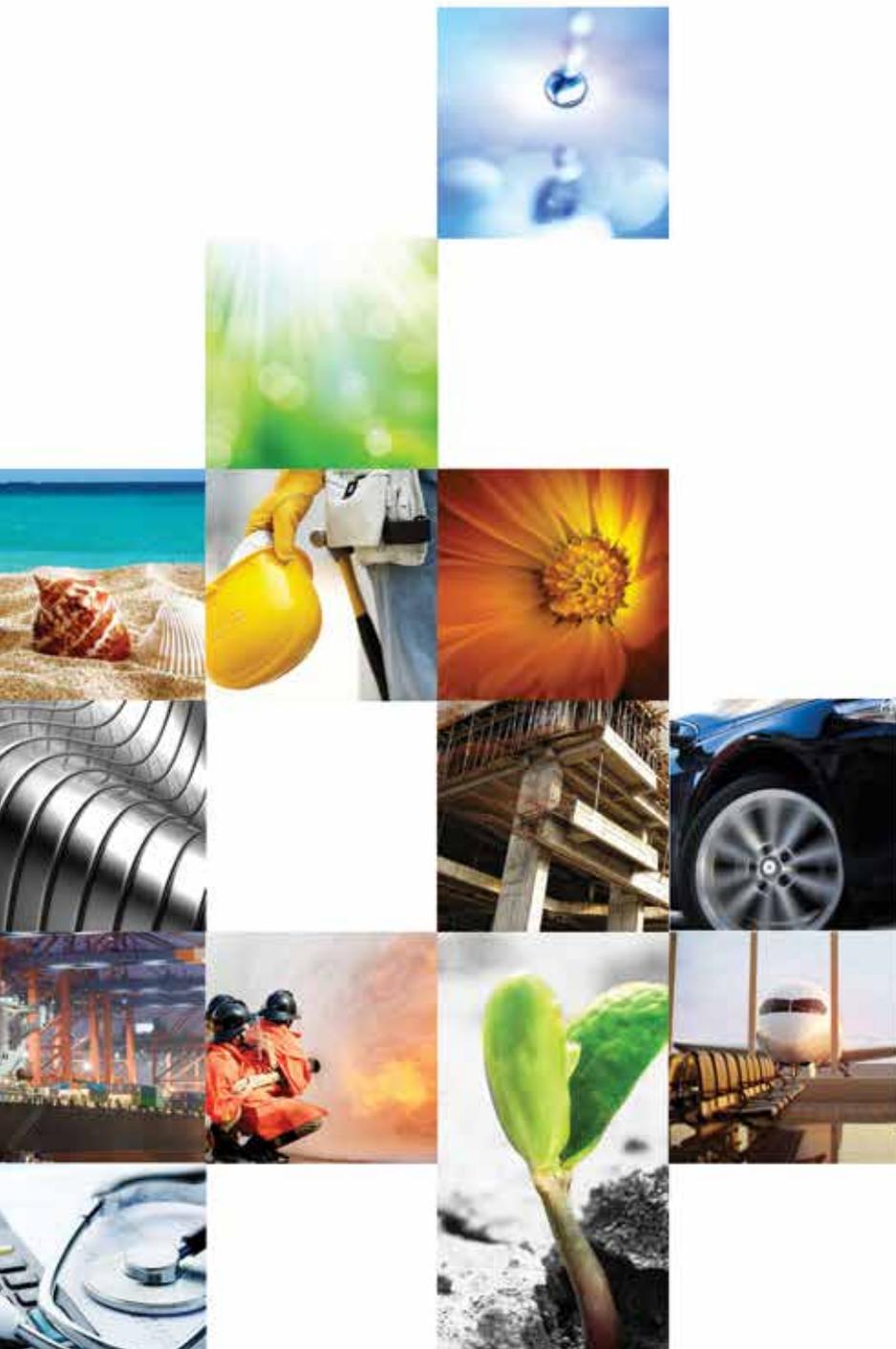




Century Insurance  
A Lakson Group Company



## Your Trust, Our Assurance

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Annual Report 2014

## Century Insurance at a Glance

- Century Insurance is a Lakson Group Company.
- Operating since 1989, dealing in all areas of general insurance business.
- One of the premier general insurance companies of Pakistan.
- Rated “A+” with a stable outlook by JCR – VIS, signifying a ‘high capacity to meet policyholders’ and contractual obligations’.
- Total equity in excess of Rs. 1.1 billion.
- Twice awarded ‘Top 25 Companies Award’ by the Karachi Stock Exchange.
- Very strong reinsurance treaty arrangements with highly rated international reinsurers.
- Broad client base consisting of individuals as well as some of the most prestigious local and multinational companies.



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## Our Vision

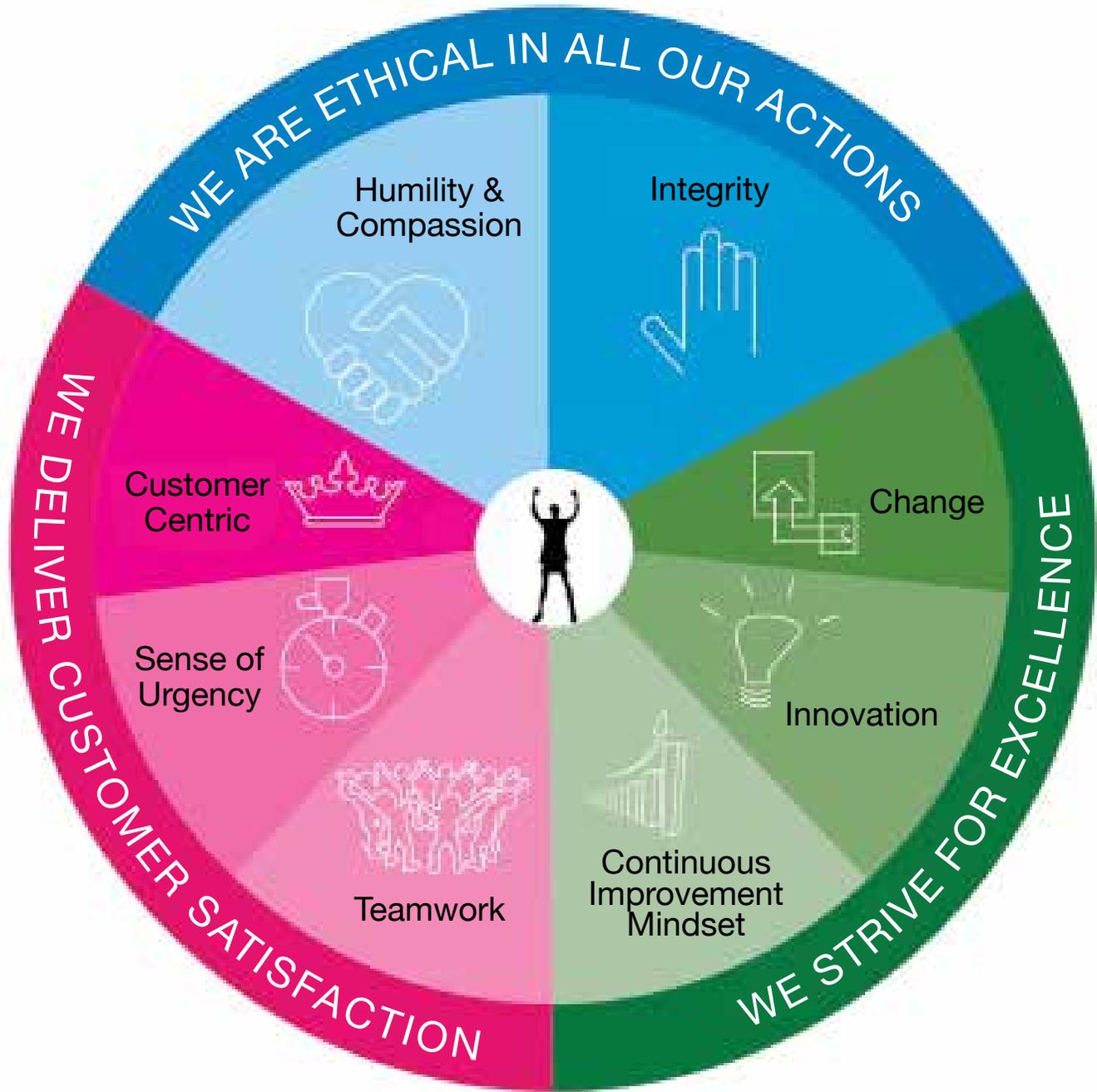
To be an organization known for integrity and ethical behavior and fully dedicated to our Clients, Business Partners, Shareholders and Employees, providing exceptional quality service and committed to achieving excellence in all areas of our operations.

*Our motto: “Customer satisfaction is management’s top priority”*

## Our Mission

- To become a company of choice for our valued Clients, Stockholders and Employees.
- To maximize growth and profitability of the Company and provide excellent financial returns to its valued Shareholders.
- The Company culture to be known for Integrity and Ethical behavior.
- The Company to be known as one of the best insurance companies of the country.

# Core Values



# Corporate Information

## Board of Directors

Mr. Iqbal Ali Lakhani - Chairman  
Mr. Zulfiqar Ali Lakhani  
Mr. Amin Mohammed Lakhani  
Mr. Tasleemuddin Ahmed Batlay  
Mr. A. Aziz H. Ebrahim  
Mr. Mohammad Hussain Hirji - Chief Executive  
Mr. Sadrudin Ismail Mohamed (from January 23, 2015)  
Mr. Khalid Rafi (up to October 27, 2014)  
Mr. Mansoor Ahmed (up to April 30, 2014)

## Advisor

Mr. Sultan Ali Lakhani

## Chief Financial Officer

Mr. Sabza Ali Pirani

## Company Secretary

Mr. Mansoor Ahmed

## Audit Committee

Mr. Sadrudin Ismail Mohamed - Chairman  
Mr. Zulfiqar Ali Lakhani  
Mr. Amin Mohammed Lakhani  
Mr. Tasleemuddin Ahmed Batlay

## Underwriting Committee

Mr. Tasleemuddin Ahmed Batlay - Chairman  
Mr. Mohammad Hussain Hirji  
Mr. Afzal-ur-Rahman

## Claim Settlement Committee

Mr. Amin Mohammed Lakhani - Chairman  
Mr. Mohammad Hussain Hirji  
Mr. Afzal-ur-Rahman

## Reinsurance & Co-Insurance Committee

Mr. Zulfiqar Ali Lakhani - Chairman  
Mr. Mohammad Hussain Hirji  
Mr. Afzal-ur-Rahman  
Ms. Madiha Khalid

## Human Resource & Remuneration Committee

Mr. Amin Mohammed Lakhani - Chairman  
Mr. Tasleemuddin Ahmed Batlay  
Mr. Mohammad Hussain Hirji

## External Auditors

M/s. Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

## Share Registrar

M/s. FAMCO Associates (Pvt) Ltd.  
8-F, Next to Hotel Faran, Nursery,  
Block-6, P.E.C.H.S., Shakra-e-Faisal, Karachi.  
Tel: (021) 34380101-2  
Fax: (021) 34380106  
Email: info.shares@famco.com.pk  
Website: www.famco.com.pk

## Bankers

Allied Bank Limited  
Bank Al-Habib Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
Meezan Bank Limited  
JS Bank Limited  
MCB Bank Limited  
NIB Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
United Bank Limited

## Registered & Corporate Office

Lakson Square, Building No. 2, Sarwar Shaheed  
Road, Karachi-74200.

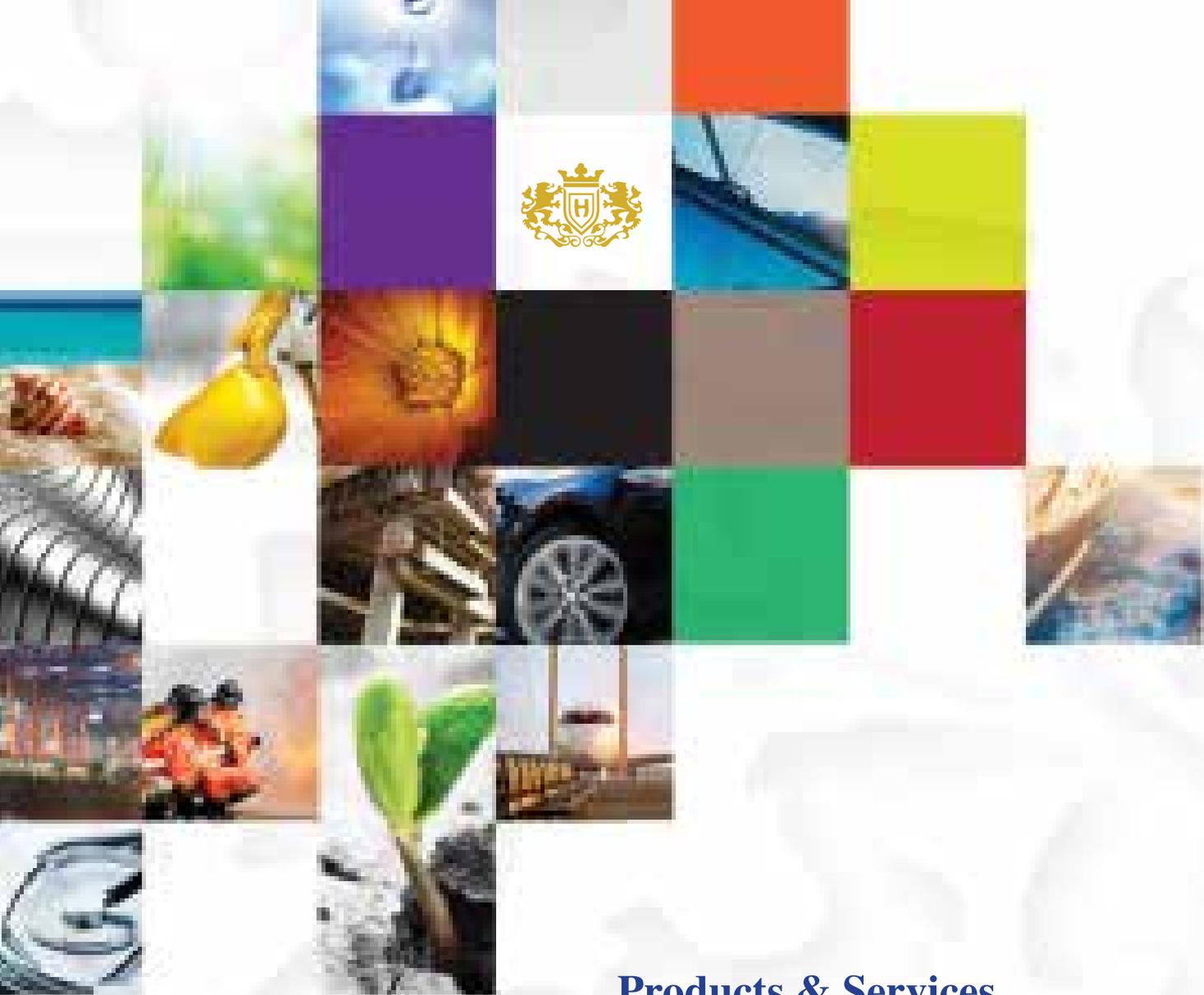
## Head Office

11<sup>th</sup> Floor, Lakson Square, Building No. 3,  
Sarwar Shaheed Road, Karachi-74200.

**Website:** www.cicl.com.pk

**UAN:** 111-111-717

**NTN:** 0710008-6



## **Products & Services**

- Fire Insurance
- Marine Insurance
- Motor Insurance
- Engineering Insurance
- Health Insurance
- Travel Insurance
- Miscellaneous Insurance





## Marine Insurance

We offer our clients tailored solutions for their international and domestic marine exposures. The two standard product lines are:

- Marine Cargo including Inland Transit
- Marine Hull

Marine cargo insurance covers the risks of physical loss or damage to goods and merchandise while in transit by any method of conveyance anywhere in the world. Inland Transit policies cover transit by road and/or rail within the country.

Marine hull provides coverage for all types of vessels and their machinery while navigating anywhere in the world. In addition we can cover ship beaching risks for the ship breaking industry as well as Fire and Allied Perils for the beached vessel.

Losses occurring anywhere in the world are promptly investigated and equitably settled through our international claims settling agents.



## Motor Insurance

### Private Car Insurance

People love their cars, but insuring them can be a chore. At Century Insurance, with fast, fair and convenient services and cover you can depend on, we'll be there for you when it matters. We settle bills with a very wide network of repairers directly – so no waiting for that check in the mail. And because we don't force you to use any particular repairer you are free to take your car to the workshop of your choice. You may opt for comprehensive coverage including own damage, theft and third party legal liability or just third party legal liability coverage to meet the requirements of law.

If you would like to have the added assurance of a good vehicle tracking service, substantial discounts are available on the premium you pay. Or if you would like us to arrange the tracking service for you we can do that too as a complimentary service at economical rates.

### Commercial Vehicle Insurance

Whatever your business, if you have your own commercial vehicles we know how important these vehicles are to your business. No matter how many commercial vehicles you have, we've got a plan to suit you. From fleets of trucks to just one or two pickups, we can tailor the right insurance package for you. If you are insuring many vehicles, our fleet policy can cover them all in a single policy.



## Engineering Insurance

Our qualified engineers can cater to all of your engineering insurance needs. At Century Insurance, we can help by sharing insights, insurance solutions and risk engineering services. From construction related insurances to erection of machinery to electronic equipment, we have the right solution for you. With us, you'll work with specialized underwriting, risk engineering and claims professionals who understand the challenges you face and can deliver quality service when you need it.

Engineering insurance solutions include:

- Contractor's All Risk (CAR) insurance offers comprehensive protection for contract works, construction plant and equipment as well as for Third Party claims.
- Contractor's Plant & Equipment (CP&E).
- Erection All Risk (EAR) for plant and machinery in the course of erection.
- Machinery Breakdown covers sudden and unforeseen loss or damage to machinery.
- Advance Loss of Profits (ALOP) also known as Delayed Startup to cover loss of gross profits arising from a CAR or EAR loss.
- Electronic Equipment Insurance for computers and other electronic equipments.
- Deterioration of stock.
- Boiler and Pressure Vessels.



## Health Insurance

In today's competitive marketplace, employers know that their true competitive advantage frequently lies in their human capital. A good employer will therefore always try to take care of its employees. One of the key variables in an employee's benefit structure is the health insurance provided by the employer.

Century Insurance provides the best possible corporate health insurance packages available in the market. We care for your employees and make every effort to ensure that they receive the best possible care based on the benefits chosen for them by their employer. Whether they need expert advice and guidance related to medical admissions and treatment or whether they just want a better understanding of the benefits available under their policy, we provide service with a smile and a caring attitude. We liaise closely with the hospitals to ensure that your employees receive the care and treatment that they need in the most timely and efficient manner possible.

We also work closely with the Human Resource department of our clients to make sure that they are fully informed of developments involving major hospitalizations of their employees or of the dependents of their employees. We also pay extra attention to ensure that all paperwork, health cards, payments, etc are made correctly and on time. With all of the topmost hospitals on our panel we ensure a smooth, cashless service for your employees so that they are not made to fret and worry about these matters during the difficult time they may be facing on account of either their own hospitalization or that of a loved one.



## Travel Insurance

Whether you are travelling for business or pleasure, unfortunate surprises can occur either before or during your trip. Medical emergencies or accidents can result in costly trip cancellations or medical bills leaving the traveler stranded in an unfamiliar country. Children may be left unattended with perhaps no one to accompany them on their return back home. Loss of baggage or mere flight delay may also result in unexpected and unbudgeted expenses. Our 24 hour, 7days of the week hotline will be available to assist you no matter where you are or what language you are comfortable communicating in.

Century Insurance provides the best available travel insurance plans for you and your family, to suit every budget and need. We also have special plans available for senior citizens no matter where in the world they may be planning to travel to. Claims can be paid directly to hospitals in most instances, anywhere in the world. So the next time you travel, give up your worries and get the best travel insurance solution from Century Insurance.



## Miscellaneous Insurance

This is a broad category and includes any insurance product or service that does not fall into any of the above categories. The most important of these include the following:

- General or Public Liability to protect you and/or your business against liability to third parties for accidental bodily injury or property damage, such as when they come upon your business premises.
- Professional Indemnity to protect you and/or your business against liability that may be incurred in the course of discharging your professional duties, whether you are a doctor, lawyer or architect or in any other profession.
- Product Liability to protect you and/or your business against any liability for injury or damage that may arise from the use of a defective product that your company may have provided.
- Personal Accident provides 24/7 worldwide cover for accidental bodily injury to the insured person resulting in death or permanent disablement.
- Employer's Liability provides protection to you and/or your business against liability to your employees for bodily injury or property damage occurring in the course of their employment.
- Workmen's Compensation provides protection for accidents to workmen in your employ resulting in death or disablement that may occur in the course of their employment.
- Cash on Premises indemnifies you and/or your business for cash belonging to the business that may be stolen from the business premises consequent upon forcible entry or under the threat of force.
- Cash in Transit indemnifies you and/or your business for loss of cash stolen forcibly during transit between specific points during normal business hours.
- Fidelity Guarantee indemnifies you and/or your business for loss sustained on account of fraud or theft conducted by your employees.



## Claims Service

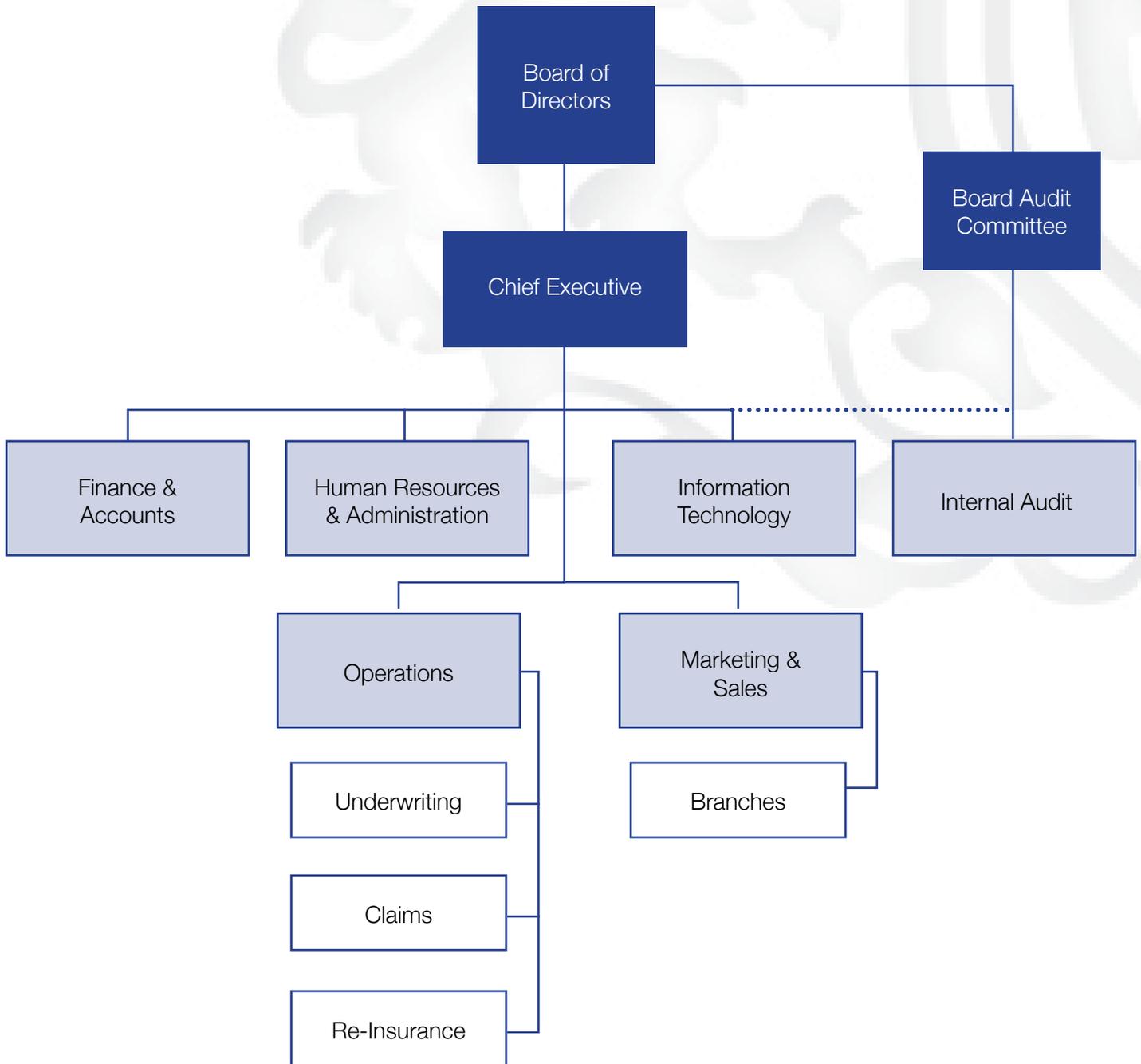
For us, every customer claim is an opportunity to deliver when it matters and to differentiate the Century Insurance customer experience. As soon as you report a claim, our team will come into action, delivering swift and transparent claims assistance wherever you need it. Our team consists of experienced claims professionals dedicated to fairness and transparency in the handling of all claims.

Combining international experience and local knowledge, we will partner with you to give you the assistance you need while helping you to reduce your overall claim costs over time.

## Risk Management

Working closely with you, our underwriters and risk engineers can identify and control risk in a broad range of environments, both in the manufacturing and service sectors. With Century Insurance's specialized underwriting knowledge, experienced risk assessments and excellent claims handling, we'll be there to support you should a claim occur. Our Risk Engineers identify, assess and guide you to improve risks helping you reduce losses and the overall risk to your business.

# Organisation Chart



# Code of Conduct

## 1. RELATIONSHIP WITH EMPLOYEES

- Century Insurance Company Limited (CICL) takes pride in the strong personal commitment of its people towards the progress and success of the Company. CICL's policy is to treat individuals in all aspects of employment solely on the basis of merit irrespective of race, religion, color, age, gender, and marital status. CICL believes in individuals' respect and their rights.

The Company is committed to the growth of its employees. This is achieved through building a culture of mutual trust, learning and motivation.

- CICL's vision is based on inspiring and developing individuals as their success depends on their ability to make meaningful contributions to the progress of the Company.

## 2. RELATIONSHIP WITH COMPANY

- The employees of the Company strive to adhere to its guidelines and objectives and to give their best efforts to improve its performance. They recognize the trust placed by the Company in them and act with integrity and honesty in all situations - to preserve that trust and confidence. They avoid conflicts of interest and other situations that are potentially harmful to the progress of the Company.
- The employees of the Company use its assets, facilities and services only for lawful, proper and authorized purposes. They intend to make best use of the Company's equipment, systems and technology in order to have fast and reliable communication and a strong MIS system to further the aims and objectives of the Company.

## 3. RELATIONSHIP WITH BUSINESS COMMUNITY

- Each employee is responsible for how he or she is perceived by clients and other business partners; it is essential that they maintain the Company's reputation for honesty and fair dealing with these people and organizations.

- It is CICL's policy to respect the trade secrets and proprietary information of others. This is particularly pertinent if one has knowledge of trade secrets and proprietary information of a former employer.

## 4. RELATIONSHIP WITH CLIENTS

- CICL's reputation has been built upon the trust and quality service it is providing. Our commitment to excellence in quality of service and building strong client relationships is essential to the continued growth and success of the Company. Also, vital for success is to meet the challenges of the highly competitive market with our expertise, innovative and creative marketing.

*CICL's motto: "Customer satisfaction is management's top priority"*

## 5. RELATIONSHIP WITH GOVERNMENT AND THE LAW

- CICL supports free enterprise and a competitive market system. The Company's policy is to comply fully with all applicable laws irrespective to the extent to which they are enforced. The Company cooperates fully with all government and regulatory bodies and is committed to high standards of corporate governance. Penalties for non-compliance can be severe and can involve criminal proceedings.
- CICL's financial policies for conducting business are based on trust, transparency, integrity, and following the principles of accounting and finance as approved by regulations and applicable accounting codes. Any unsupportive or false entry, infringement of accounts for individual or Company gain is contrary to our business codes and ethics.

## 6. RELATIONSHIP WITH SOCIETY

- CICL strives to operate as a responsible corporate citizen within both the local and global communities.
- CICL is an equal opportunity employer for all levels of employees irrespective of color, race, gender, age, ethnicity or religious beliefs.

- CICL provides a safe and healthy workplace, protecting human health and the environment.
- CICL pays its employees a remuneration that enables them to meet at least their basic needs, and provides employees the opportunity to improve their skills and capabilities.
- CICL respects employees' freedom of association.
- CICL works with governments and the communities in which it does business to improve the educational, cultural, economic and social wellbeing of those communities.

## 7. RELATIONSHIP WITH THE ENVIRONMENT

- Protecting the world in which we live is a vital concern and a continuing commitment. CICL is dedicated to contributing to the overall quality of life. We recognize and constantly reaffirm the value of a healthy and clean environment.

## 8. RELATIONSHIP WITH THE SHAREHOLDERS

- CICL strives to serve the best interests of its shareholders to provide consistent growth and a fair rate of return on their investment and to maintain its position and reputation as one of the leading insurance companies, dedicated to protecting

shareholders' investments and providing full and timely information. By conducting our business in accordance with the principles of fairness, decency and integrity set forth here, we help to build shareholders' value.

## 9. RESPONSIBILITY FOR COMPLIANCE

- In accepting employment with the Company, each of us becomes accountable for compliance with these standards of conduct and with all laws and regulations. Managers are responsible for communicating these standards to employees to ensure that they understand and abide by them, and for creating a climate where employees can discuss ethical and legal issues freely.

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 29<sup>th</sup> Annual General Meeting of CENTURY INSURANCE COMPANY LIMITED will be held on Tuesday, April 28, 2015 at 10:30 a.m. at Avari Towers Hotel, Fatima Jinnah Road, Karachi to transact the following business:

## ORDINARY BUSINESS

1. To receive, consider and adopt the audited financial statements of the Company for the year ended December 31, 2014 together with the Directors' and Auditors' reports thereon.
2. To declare final dividend in cash @ 15% i.e. Rs.1.50 per share of Rs.10 each as recommended by the Board of Directors.
3. To appoint Auditors and fix their remuneration.

## SPECIAL BUSINESS

4. To consider, and if thought fit, to pass, with or without modification the following resolutions:

### Special Resolution

- a) RESOLVED THAT, "pursuant to the provisions of section 28 of the Companies Ordinance, 1984, the existing Articles of Association of the Company be and are hereby substituted by the new set of updated Articles of Association laid before the meeting initialed by the Company Secretary for the purpose of identification."

### Ordinary Resolution

- b) RESOLVED THAT, "the transactions carried out in normal course of business with associated companies as disclosed in Note No.29 of the audited financial statements for the year ended December 31, 2014 be and are hereby ratified and approved."
- c) RESOLVED THAT, "the Chief Executive of the Company be and is hereby authorized to approve all the transactions carried out and to be carried out in normal course of business with associated companies during the year ending December 31, 2015 and in this connection the Chief Executive

be and is hereby also authorized to take any and all necessary actions and sign/execute any and all such documents/indentures as may be required in this regard on behalf of the Company."

Draft of new Articles of Association of the Company and statement under section 160 of the Companies Ordinance, 1984 in the above matters pertaining to item Nos. 4(a), 4(b) and 4(c) are annexed.

By Order of the Board



(MANSOOR AHMED)  
Company Secretary

KARACHI: March 16, 2015

## NOTES:

1. The share transfer books of the Company will remain closed from April 22, 2015 to April 28, 2015 (both days inclusive). Transfers received in order by the Share Registrar of the Company, M/s. FAMCO Associates (Private) Limited, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shakra-e-Faisal, Karachi up to the close of business on April 21, 2015 will be treated in time for entitlement of the dividend.
2. A member, who has deposited his/her shares into Central Depository Company of Pakistan Limited, must bring his/her participant's ID number and CDC account/sub-account number along with original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.
3. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend, speak and vote instead of him/her.
4. Forms of proxy, in order to be valid must be properly filled in/executed and received at the registered office of the Company situated at Lakson Square, Building No.2, Sarwar Shaheed Road, Karachi not later than 48 hours before the time of the meeting.

5. Members are requested to notify Share Registrar of the Company promptly of any change in their addresses.
6. Pursuant to the directive of the Securities & Exchange Commission of Pakistan (SECP), CNIC numbers of shareholders are mandatorily required to be mentioned on dividend warrants. Shareholders are therefore requested to submit a copy of their CNIC (if not already provided) to the Share Registrar, M/s. FAMCO Associates (Private) Limited, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahr-e-Faisal, Karachi.
7. In compliance with the SECP's Circular No.8(4) SM/CDC 2008 dated April 05, 2013, the Company wishes to inform its shareholders that in terms of the said Circular shareholders are also entitled to opt to receive their cash dividend directly in their bank accounts instead of receiving it through dividend warrants. Shareholders, wishing to exercise this option, they may submit their application to the Company's Share Registrar, giving particulars relating to their name, folio number, bank account number, title of account and complete mailing address of the bank. CDC account holders should submit their request directly to their broker (participant)/CDC.
8. Pursuant to Notification vide SRO.787 (1)/2014 of September 08, 2014, the Securities and Exchange Commission of Pakistan (SECP) has directed all the listed companies to circulate Audited Financial Statements along with notice of Annual General Meeting (AGM) to its shareholders through e-mail. We are pleased to offer this facility to our members who desire to receive Annual Audited Financial Statements and Notices of AGM of the Company through e-mail in future. In this respect members are hereby requested to convey their consent via e-mail on a standard request form which is available at the Company's website i.e. www.cicl.com.pk. Please ensure that your e-mail account has sufficient space available to receive such e-mail. Further, it is the responsibility of the member to timely update the Share Registrar of any change in the registered e-mail address.
9. Pursuant to SECP directives vide Circular No. 19/2014 dated October 24, 2014, SECP has directed

all companies to inform shareholders about changes made in section 150 of the Income Tax Ordinance, 2001 we hereby advise shareholders as under:

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

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

To enable the Company to make tax deduction on the amount of cash dividend @ 10% instead of 15%, all the shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL for future payment of dividend, if any. For any query/problem/information, the investors may contact our Share Registrar.

The Corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or its Share Registrar i.e. M/s. FAMCO Associates (Private) Limited, Karachi. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

10. Members can also avail video conference facility in (name of cities where facility can be provided keeping in view geographical dispersal of members). In this regard, please fill the following and submit to registered address of the Company 10 days before holding of the annual general meeting.

"I/We, \_\_\_\_\_ of \_\_\_\_\_, being a member of Century Insurance Company Limited, holder of \_\_\_\_\_ ordinary share(s) as per registered Folio No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_."

11. Form of Proxy is enclosed.

**STATEMENT OF MATERIAL FACTS CONCERNING SPECIAL BUSINESS PURSUANT TO SECTION 160(1) (b) OF THE COMPANIES ORDINANCE, 1984**

This statement sets out the material facts concerning the Special Business, given in agenda item No. 4 of the Notice will be considered to be passed by the members. The purpose of the Statement is to set forth the material facts concerning such Special Business.

**1. Agenda item No. 4(a) of the Notice – Adoption of New Set of Articles of Association to be passed as a Special Resolution.**

The existing Articles of Association of the Company are severely out dated and are required to be revised in the light of the changes made in the Companies Ordinance, 1984 (the Ordinance), from time to time so as to bring the same in conformity with the provisions of the Ordinance, the Listing Regulations of the stock exchanges and of the Code of Corporate Governance. The existing Articles of Association of the Company are being substituted with the new set of Articles of Association, which will be laid before the Annual General Meeting of the Company for consideration of its shareholders and for adoption in substitution for the existing Articles of Association of the Company. In accordance with the requirements of section 160(1) (b) of the Ordinance, copies of the proposed new set of Articles of Association are being sent to the members of the Company and also available for inspection at the Registered Office of the Company during the working hours from the date of this notice up to April 27, 2015.

The Directors are interested to the extent of shares held by them and the privileges attached thereto only.

**2. Agenda item No. 4(b) of the Notice – Transactions carried out with associated companies during the year ended December 31, 2014 to be passed as an Ordinary Resolution.**

The transactions carried out in normal course of business with associated companies (Related parties) were being approved by the Board as recommended by the Audit Committee on quarterly basis pursuant to clause 5.19.6 (b) of the Code of Corporate Governance, 2012.

During the Board meeting it was pointed out by the Directors that as the majority of Company Directors were interested in these transactions due to their common directorship and holding of shares in the associated companies, the quorum of directors seemingly could not be formed for approval some of these transactions specifically, therefore, these transactions have to be approved by the shareholders in the General Meeting.

In view of the above, the transactions conducted during the financial year ended December 31, 2014 with associated companies shown in note No.29 of the financial statements are being placed before the shareholders for their consideration and approval/ratification.

The Directors are interested in the resolution to the extent of their common directorships and their shareholding in the associated companies.

**3. Agenda item No. 4(c) of the Notice – Authorization to the Chief Executive for the transactions carried out and to be carried out with associated companies during the ensuing year ending December 31, 2015 to be passed as an Ordinary Resolution.**

The Company would be conducting transactions with associated companies in the normal course of business. The majority of Directors are interested in these transactions due to their common directorship and shareholding in the associated companies. Therefore, such transactions with associated companies have to be approved by the shareholders.

In order to comply with the provisions of clause 5.19.6 (b) of the Code of Corporate Governance, 2012, the shareholders may authorize the Chief Executive to approve transactions carried out and to be carried out in normal course of business with associated companies during the ensuing year ending December 31, 2015.

The Directors are interested in the resolution to the extent of their common directorships and their shareholding in the associated companies.

# Corporate Calendar

Meetings	Date
Audit Committee meeting to consider accounts of the Company for the year ended 31 December 2013	27 February 2014
Board of Directors' meeting to consider accounts of the Company for the year ended 31 December 2013	28 February 2014
Audit Committee meeting to consider accounts of the Company for the quarter ended 31 March 2014	18 April 2014
Board of Directors' meeting to consider accounts of the Company for the quarter ended 31 March 2014	24 April 2014
Annual General meeting of shareholders to consider accounts of the Company for the year ended 31 December 2013	30 April 2014
Audit Committee meeting to consider accounts of the Company for the half year ended 30 June 2014	13 August 2014
Board of Directors' meeting to consider accounts of the Company for the half year ended 30 June 2014	19 August 2014
Audit Committee meeting to consider accounts of the Company for the quarter ended 30 September 2014	24 October 2014
Board of Directors' meeting to consider accounts of the Company for the quarter ended 30 September 2014	27 October 2014

# Access to Reports and Enquiries

## Annual Report

Annual report 2014 may be downloaded from the Company's website: [www.cicl.com.pk](http://www.cicl.com.pk) or printed copies obtained by writing to:

The Company Secretary  
Century Insurance Company Limited  
Registered & Corporate Office  
Lakson Square Building No. 2,  
Sarwar Shaheed Road,  
Karachi 74200, Pakistan.

## Quarterly Reports

The Company publishes interim reports at the end of first, second and third quarters of the financial year. The interim reports for the year 2014 can be accessed at Century Insurance website: [www.cicl.com.pk](http://www.cicl.com.pk) or printed copies can be obtained by writing to the Company Secretary.

## Shareholders' Enquiries

Shareholders' enquiries about their holding, dividends or share certificates should be directed either to Company's registered office or share registrar at the following address:

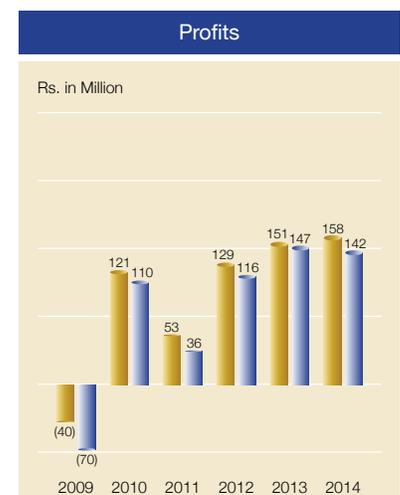
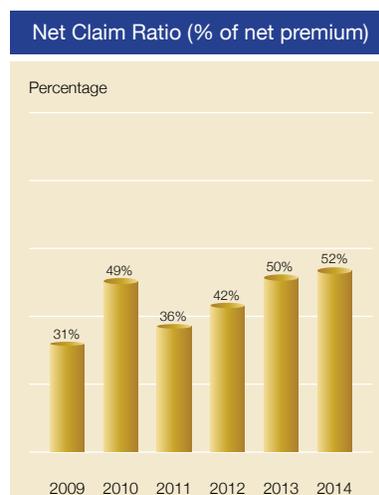
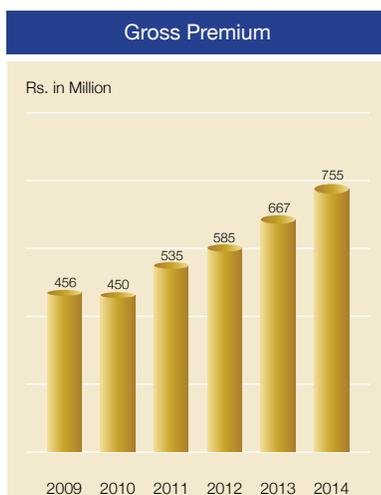
M/s. FAMCO Associates (Pvt) Ltd.  
8-F, Next to Hotel Faran, Nursery,  
Block-6, P.E.C.H.S.,  
Shahra-e-Faisal, Karachi.

## Stock Exchange Listing

Century Insurance Company Limited shares are listed on Karachi and Lahore stock exchanges. The symbol code for dealing in shares of the Company is **CENI**.

# Performance Highlights

(Rupees in million)



■ PBT ■ PAT

# Horizontal Analysis

	2014	2013	2012	2011	2010	2009
<b>BALANCE SHEET</b>						
<b>Assets</b>						
Cash and bank deposits	132.9%	16.3%	-7.2%	12.0%	15.6%	-76.2%
Investments	-1.5%	11.5%	16.1%	2.4%	14.1%	58.5%
Deferred taxation	17.1%	33.5%	19.5%	-28.0%	425.7%	-4.8%
Premiums due but unpaid	13.7%	37.2%	-11.1%	8.3%	24.0%	-8.6%
Amounts due from other insurers / reinsurers	-23.5%	-15.1%	31.7%	-5.0%	-4.4%	-43.9%
Reinsurance recoveries due but unpaid	77.4%	-27.8%	165.4%	35.1%	-14.2%	-90.8%
Salvage recoveries accrued	31.3%	-5.0%	-18.4%	-33.3%	49.5%	6.3%
Accrued investment income	7.0%	10.4%	-3.8%	-31.8%	-5.6%	47.2%
Reinsurance recoveries against outstanding claims	-3.8%	-27.4%	-15.9%	166.0%	427.0%	-74.0%
Taxation - net	-78.1%	-7.5%	-36.1%	21.7%	378.4%	100.0%
Deferred commission expense	11.7%	12.6%	15.2%	24.9%	10.4%	12.8%
Prepayments	7.1%	6.1%	5.1%	31.9%	-10.6%	38.4%
Sundry receivables	-17.0%	15.1%	-28.7%	79.6%	75.2%	-5.5%
Fixed assets (tangible & intangible)	2.7%	7.1%	-9.8%	9.3%	4.6%	1.1%
Total assets	7.9%	7.9%	9.4%	10.7%	15.5%	-11.0%
<b>Shareholders' equity and liabilities</b>						
Paid-up capital	-	-	-	-	-	-
Retained earnings	26.2%	46.0%	57.9%	-7.1%	504.5%	-76.3%
Reserves	-	-	-	-	-	-
Provision for outstanding claims (including IBNR)	-10.0%	-5.8%	-8.9%	59.8%	71.5%	-45.1%
Provision for unearned premium	10.9%	22.3%	4.8%	28.8%	-11.6%	23.3%
Commission income unearned	15.5%	7.7%	23.1%	22.0%	6.0%	1.7%
Premiums received in advance	125.8%	34.3%	-78.8%	-52.8%	-12.2%	389.6%
Amounts due to other insurers / reinsurers	41.9%	-11.7%	54.2%	80.1%	113.0%	-68.5%
Accrued expenses	6.5%	4.0%	12.4%	15.4%	14.9%	-21.8%
Taxation - net	-	-	-	-	-	-100.0%
Other creditors and accruals	-9.8%	28.8%	26.8%	12.5%	39.7%	5.8%
Unclaimed dividend	29.3%	40.5%	25.7%	65.0%	0.0%	0.0%
Total shareholders' equity and liabilities	7.9%	7.9%	9.4%	10.7%	15.5%	-11.0%
<b>PROFIT AND LOSS ACCOUNT</b>						
Net premium revenue	20.8%	19.9%	19.1%	2.8%	6.0%	-14.4%
Net claims	26.8%	42.2%	39.2%	-24.5%	64.8%	-18.4%
Management expenses	10.0%	8.6%	15.3%	12.6%	5.1%	24.4%
Net commission	106.7%	2.6%	-34.2%	-5.2%	9.4%	57.0%
Investment income / (loss)	2.0%	26.9%	370.0%	-78.9%	245.0%	92.0%
Other income - net	11.9%	-36.0%	-19.8%	37.6%	-63.2%	-9.5%
General and administration expenses	10.8%	10.7%	16.3%	14.4%	10.2%	9.7%
Share of profit / (loss) of associates	-67.6%	-7.5%	351.3%	251.4%	-84.7%	797.1%
Reversal / (impairment) in value of investment in associates	68.7%	94.7%	2366.8%	-106.7%	116.1%	575.3%
Taxation - net	370.9%	-74.0%	-22.7%	48.8%	-61.9%	-15.1%
Profit / (loss) after tax	-3.4%	26.7%	219.8%	-66.8%	256.7%	-479.8%

# Vertical Analysis

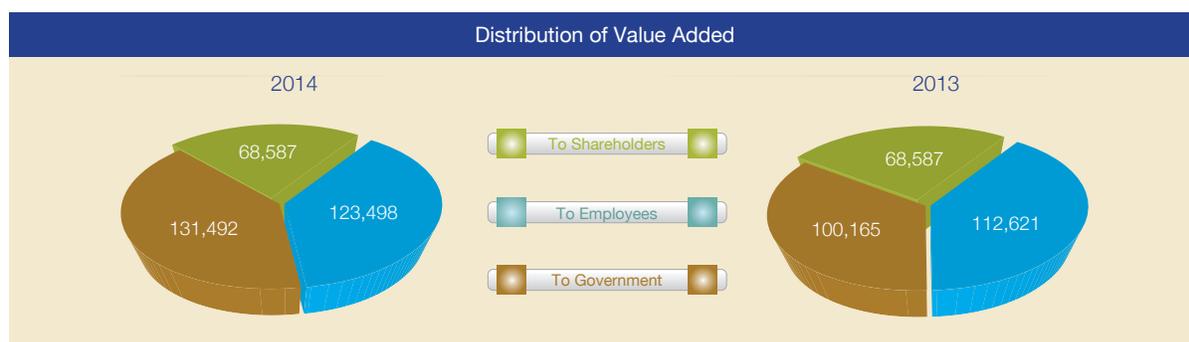
	2014	2013	2012	2011	2010	2009
<b>BALANCE SHEET</b>						
<b>Assets</b>						
Cash and bank deposits	13.1%	6.1%	5.6%	6.6%	6.5%	6.5%
Investments	58.4%	64.0%	61.9%	58.4%	63.1%	63.9%
Deferred taxation	0.2%	0.2%	0.2%	0.1%	0.2%	0.1%
Premiums due but unpaid	7.2%	6.9%	5.4%	6.7%	6.8%	6.3%
Amounts due from other insurers / reinsurers	3.3%	4.7%	6.0%	5.0%	5.8%	7.0%
Reinsurance recoveries due but unpaid	2.5%	1.5%	2.2%	0.9%	0.8%	1.0%
Salvage recoveries accrued	0.3%	0.2%	0.2%	0.3%	0.5%	0.4%
Accrued investment income	0.1%	0.1%	0.1%	0.2%	0.3%	0.3%
Reinsurance recoveries against outstanding claims	3.2%	3.6%	5.4%	7.0%	2.9%	0.6%
Taxation - net	0.2%	1.0%	1.1%	2.0%	1.8%	0.4%
Deferred commission expense	1.3%	1.2%	1.2%	1.1%	1.0%	1.0%
Prepayments	7.2%	7.3%	7.4%	7.7%	6.5%	8.3%
Sundry receivables	0.4%	0.5%	0.5%	0.8%	0.5%	0.3%
Fixed assets (tangible & intangible)	2.6%	2.7%	2.7%	3.3%	3.4%	3.7%
Total assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Shareholders' equity and liabilities</b>						
Paid-up capital	24.4%	26.3%	28.4%	31.0%	34.4%	39.7%
Retained earnings	18.9%	16.2%	12.0%	8.3%	9.9%	1.9%
Reserves	19.9%	21.5%	23.1%	25.3%	28.0%	32.4%
Provision for outstanding claims (including IBNR)	6.6%	7.9%	9.0%	10.9%	7.5%	5.1%
Provision for unearned premium	13.1%	12.8%	11.3%	11.8%	10.1%	13.2%
Commission income unearned	1.9%	1.8%	1.8%	1.6%	1.4%	1.6%
Premiums received in advance	0.1%	0.0%	0.0%	0.1%	0.3%	0.4%
Amounts due to other insurers / reinsurers	10.2%	7.8%	9.5%	6.7%	4.1%	2.2%
Accrued expenses	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Other creditors and accruals	4.6%	5.5%	4.6%	4.0%	3.9%	3.2%
Unclaimed dividend	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%
Total shareholders' equity and liabilities	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>PROFIT AND LOSS ACCOUNT</b>						
Net premium revenue	100.0%	100.0%	100.0%	100.0%	100%	100%
Net claims	-52.0%	-49.5%	-41.8%	-35.7%	-48.7%	-31.3%
Management expenses	-25.0%	-27.4%	-30.3%	-31.3%	-28.6%	-28.8%
Net commission	4.7%	2.7%	3.2%	5.8%	6.3%	6.1%
Investment income / (loss)	35.0%	41.4%	39.1%	9.9%	48.3%	-35.3%
Other income - net	1.5%	1.6%	3.1%	4.6%	3.4%	9.8%
General and administration expenses	-24.8%	-27.0%	-29.3%	-30.0%	-26.9%	-25.9%
Share of profit / (loss) of associates	0.4%	1.5%	2.0%	0.5%	-0.4%	-2.4%
Reversal / (impairment) in value of investment in associates	0.9%	3.5%	2.2%	-0.1%	1.7%	-11.4%
Taxation - net	-4.1%	-1.1%	-4.9%	-7.6%	-5.2%	-14.5%
Profit / (loss) after tax	36.6%	45.8%	43.3%	16.1%	50.0%	-33.9%

# Statement of Value Addition

(Rupees in '000)

	2014	2013
<b>WEALTH GENERATED</b>		
Gross premium (including FED & FIF)	870,721	763,822
Commission income	18,271	8,841
Investment income	141,020	149,390
Other income	5,885	5,261
	<b>1,035,897</b>	<b>927,314</b>
Management & other expenses	(614,080)	(525,934)
	<b>421,817</b>	<b>401,380</b>
<b>WEALTH DISTRIBUTED</b>		
To Employees	123,498	112,621
<b>To Government:</b>		
Company taxation	16,083	3,416
Levies (including FED & FIF)	115,410	96,749
	<b>131,492</b>	<b>100,165</b>
<b>To Shareholders:</b>		
Dividend *	68,587	68,587
	<b>68,587</b>	<b>68,587</b>
<b>Retained in Business:</b>		
Depreciation and amortisation	8,702	7,778
Net earnings	89,538	112,229
	<b>98,240</b>	<b>120,007</b>
	<b>421,817</b>	<b>401,380</b>

\* Cash dividend amounting to Rs. 68.587 million (2013: 68.587 million) proposed by the Board of Directors subsequent to the year end.



# Directors' Report

Dear Fellow Shareholders!

The Directors of Century Insurance Company Limited (the Company) take pleasure in presenting the annual report of your Company, together with the audited financial statements for the year ended December 31, 2014.

## The Year in Review

Key macroeconomic indicators at the end of 2014 looked promising. CPI inflation as well as expected inflation has come down. The trade deficit declined during the last two months of the year. Increased foreign exchange inflows have boosted the country's foreign exchange reserves. The fiscal deficit has also been contained. With these positive developments, 2014 ended on a promising note.

Various factors continued to pull headline CPI inflation down. Average CPI inflation during July – December 2014 was just 6.1 percent as both food and non-food inflation declined. One of the primary reasons for this is the fall in the international oil price. Given the reduction in domestic oil prices and its secondary impact on transport services, etc., inflation is likely to decrease further going forward. Accordingly, the State Bank of Pakistan has revised its forecast range for average CPI inflation down to 4.5 – 5.5 percent for FY15.

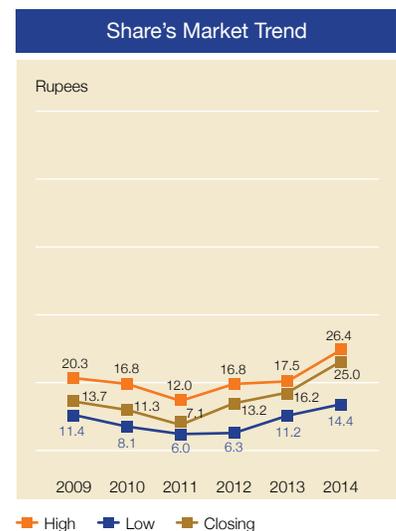
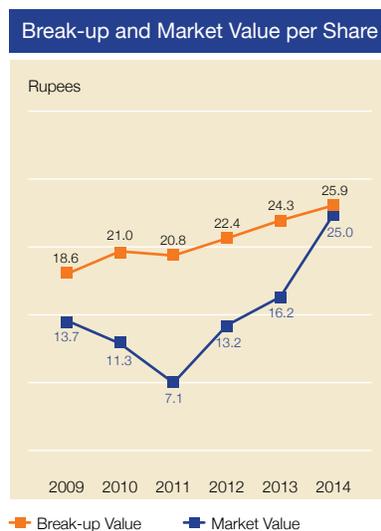
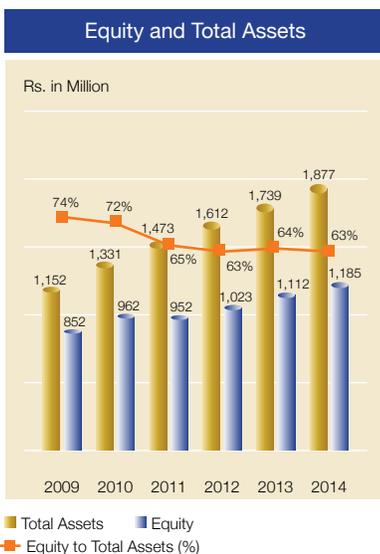
Falling international oil prices has contributed to improving the external sector outlook in recent months. In addition

to this, completion of the fourth and fifth review under the IMF's Extended Fund Facility and the successful issuance of international Sukuks have contributed to an improvement in the country's Balance of Payments position.

The fiscal deficit was contained and as a result, government borrowing from the State Bank of Pakistan remained below target. However, due to a decrease in petroleum prices and a slowdown in large-scale manufacturing, growth in FBR revenue collection slowed. This may make meeting the fiscal deficit target for FY15 more challenging.

There was a deceleration in money supply growth during the year due to the reduction in government budgetary borrowing from the State Bank of Pakistan. Going forward, demand for private sector credit is expected to increase resulting in growth in money supply in FY15 according to the SBP Monetary Policy Statement of January 2015.

With improving macroeconomic conditions, business sentiments in 2015 are likely to be positive. As a result of the recent fall in oil prices real consumer incomes will increase resulting in an increase in overall demand. Thus, the production and sale of consumer durables may increase. Additionally, with limited impact of floods on rice and sugarcane crops, the agriculture sector is also expected to perform well in this fiscal year. In this scenario, real GDP is expected to maintain the growth momentum achieved in the last year.



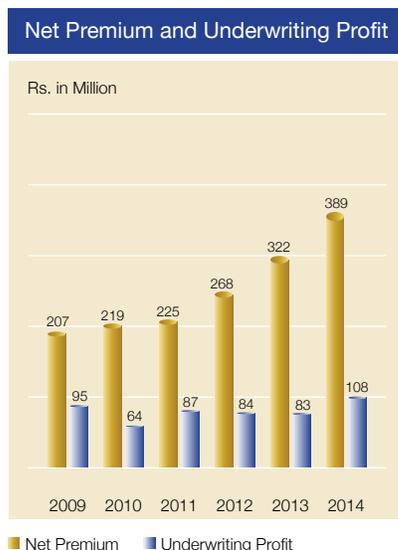
## Performance Highlights

Alhamdulillah, your Company stands in the forefront of the domestic insurance industry and is widely recognized for its professionalism as one of the premier general insurance companies of the country. In order to meet the challenges of continued growth and to increase its market share and profitability, the Company is in the process of further increasing and strengthening its sales force.

The comparative financial highlights for the years 2014 and 2013 are presented as follows:

Rupees in millions (except as otherwise stated)	2014	2013
Gross Premium Written	755	667
Net Premium	389	322
Net Claims	(202)	(159)
Underwriting Profit	108	83
Investment and Other Income	147	155
Profit after tax	142	147
Total Assets	1,877	1,739
Paid-up Capital	457	457
Total Equity	1,185	1,112
Earnings per Share – Rs.	3.11	3.22

During the year under review, gross premium grew to Rs. 755 million from Rs. 667 million in 2013, an increase



of 13%. Net premium also grew to Rs. 389 million from Rs. 322 million in 2013, an increase of Rs. 67 million or 21%. Net claims have increased by Rs. 43 million. Underwriting profit recorded this year is Rs. 108 million as compared to Rs. 83 million in 2013.

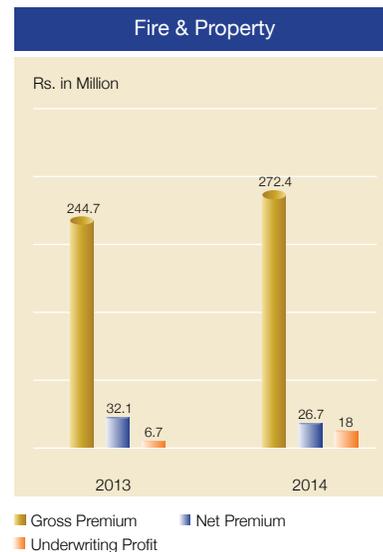
The Company endeavors to maintain a balanced premium portfolio mix, preferring to focus on all underwriting classes instead of increasing its exposure in any particular class.

## Segments at a Glance

Segment-wise performance of each class of business is given below:

### Fire & Property Damage

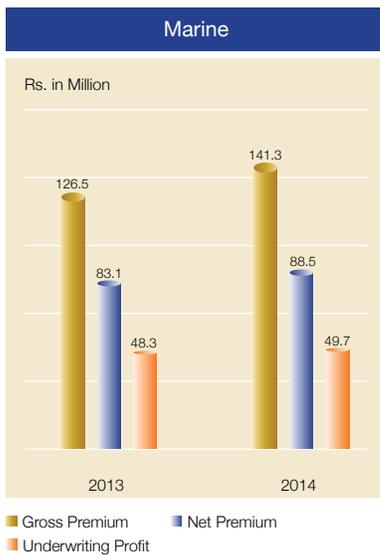
Fire & Property Damage class of business constitutes 36% of the total premium portfolio. Gross premium underwritten during the year was Rs. 272.4 million as compared to Rs. 244.7 million in 2013, an increase of 11%. However, net premium stood at Rs. 26.7 million as against Rs. 32.1 million in 2013. The net claim to net premium ratio for the year under review was 22% resulting in an underwriting profit of Rs. 18 million as against Rs. 6.7 million in 2013.



### Marine, Aviation and Transport

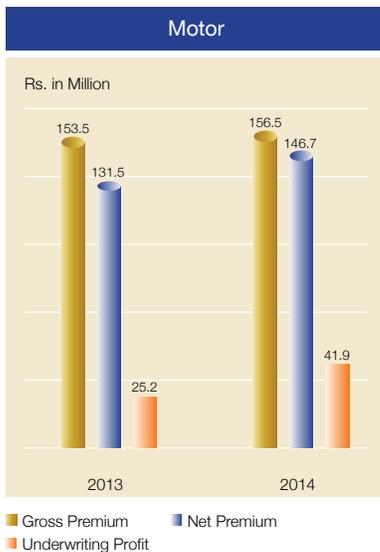
Marine, Aviation & Transport business grew significantly during the year. Gross premium under this class of business constitutes 19% of the total premium portfolio.

Gross premium underwritten grew to Rs. 141.3 million from Rs. 126.5 million in 2013, registering an increase of 12%. Net premium stood at Rs. 88.5 million as against Rs. 83.1 million in 2013, an increase of 6%. The net claim to net premium ratio for the year under review was 21% resulting in an underwriting profit of Rs. 49.7 million as against Rs. 48.3 million in 2013.



## Motor

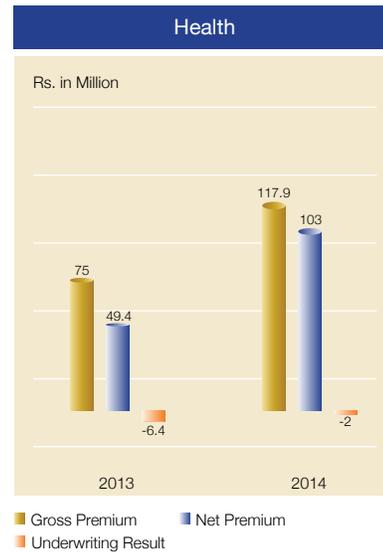
Gross premium under Motor class constitutes 21% of the total premium portfolio. The Company underwrote gross premium of Rs. 156.5 million in 2014 as compared to Rs. 153.5 million in 2013, a small increase of 2%.



Net premium also increased to Rs. 146.7 million from Rs. 131.5 million in 2013, an increase of 12%. The net claim to net premium ratio for the year under review was 50%, resulting in an underwriting profit of Rs. 41.9 million in 2014 as against Rs. 25.2 million in 2013.

## Health

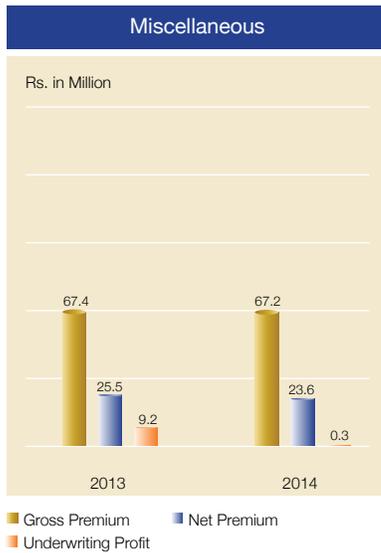
Health class of business grew significantly during the year. Gross premium under this class constitutes 15% of the total premium portfolio. The Company underwrote gross premium of Rs. 117.9 million as compared to Rs. 75 million in 2013, an increase of 57%. Net premium also increased to Rs. 103 million as against Rs. 49.4 million in 2013, an increase of 109%. The net claim to net premium ratio for the year under review was 86% resulting in an underwriting loss of Rs. 2 million in 2014. Loss ratios are expected to improve in 2015.



## Miscellaneous

Gross premium under Miscellaneous class constitutes 9% of the total premium portfolio. The Company underwrote gross premium of Rs. 67.2 million as compared to Rs. 67.4 million in 2013. Net premium stood at Rs. 23.6 million as against Rs. 25.5 million in 2013. The net claim

to net premium ratio for the year under review was 69% resulting in an underwriting profit of Rs. 0.3 million in 2014.



## Investment Activities

During the year under review, Investment and Other Income contributed Rs. 146.9 million to the bottom line of the Company as against Rs. 154.7 million in 2013. The Company has realized a gain in its Shares and Funds portfolio of Rs. 131.4 million during the year under review as against Rs. 104.9 million in 2013.

Investment income includes dividend income of Rs. 3.9 million and returns earned on government securities of Rs. 6.2 million. Other income includes interest on bank deposits of Rs. 5.1 million.

Management’s policy is to make diversified and secure investments while ensuring safety and a sound balance between risks and returns.

## Claim Settlement

Prompt settlement of claims and customer satisfaction is the Company’s highest priority. This is a most important function which builds trust and a good image of your Company in the eyes of its valued clients.

## Reinsurance Treaties

The Company has strong reinsurance arrangements with some of the best rated reinsurers in the international market who have full faith and confidence in its underwriting practices. We are thankful to all our reinsurers for their unwavering support and continued cooperation.



## Insurer Financial Strength Rating (IFSR)

JCR-VIS, an affiliate of Japan Credit Rating Agency Ltd. has assigned your Company an “A+” rating with a ‘stable outlook’ which signifies a “high capacity to meet policyholders’ and contractual obligations.”

## Human Resource Initiatives

The management is of the firm belief that complete alignment of the human resource mission and vision with corporate goals is vital for the success of any organization. In today’s competitive environment, we realize that it is important to place emphasis on retaining and developing existing staff and implementing effective performance reviews. During the year under review, your Company has been successful in hiring quality professionals particularly in the area of business development. Our continued focus on creating a meritocratic work environment with equal opportunity for all goes a long way in maintaining a pool of knowledgeable, experienced and skilled employees who remain our most valuable asset.

## Paid-up Capital

Your Company has a strong financial base with a paid up capital of Rs. 457.2 million which is well above the threshold for general insurance companies as specified by the regulator. Factoring in retained earnings and reserves, the total equity of your Company as at December 31, 2014 was Rs. 1,185.3 million. The larger equity base will enhance the financial strength and underwriting capability of the Company.

## Earnings per Share

Your Company has earned a profit after tax of Rs. 142.4 million which translates into earnings per share of Rs. 3.11 as compared to Rs. 3.22 for the previous year.

## Appropriation of Profit

Profits for the year ended December 31, 2014 has been appropriated as follows:

	(Rupees)
Amount brought forward from previous years	212,751,351
Profit after tax for the year ended December 31, 2014	142,371,499
Un-appropriated amount available for appropriation	<u>355,122,850</u>

### Appropriations:

Proposed final cash dividend @ 15% (2013: 15%)	68,586,549
Un-appropriated amount carried forward	286,536,301
	<u>355,122,850</u>

## Future Outlook

Your Company plans to focus its energies on increasing premium in order to further bring down expense ratios.

The Company has made a significant progress in recruiting quality business producers and in this way hopes to increase its customer base. We firmly believe that rapid progress can only be achieved by continuously striving to better understand what our customers want and ensuring that we obtain competitive advantage by being perceived as the insurer 'of highest value'. Your dedicated and committed management is sanguine about the future and will strive hard to make 2015 a still better year, Inshallah.

## Auditors

M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants retires at the conclusion of the Annual General Meeting. Being eligible they have offered themselves for re-appointment. The Audit Committee has recommended their re-appointment.

The audit firm has confirmed that it has been awarded a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of Accountants' (IFAC) guidelines on code of ethics, as adopted by the ICAP.

## Contribution to National Exchequer

Your Company contributed an amount of Rs. 141 million into the Government Treasury on account of taxes, levies and Federal excise duty.

## Compliance with the Code of Corporate Governance

The Statement of Compliance with the Code of Corporate Governance is annexed with the report.

## Board of Directors

The Board of Directors has always been a source of guidance and inspiration. They have contributed immensely in terms of their experience and practical advice. I would like to place on record my appreciation and gratitude for their valued participation and wisdom.

The shareholders of the Company have elected seven Directors for the term of three year in its Annual General Meeting held on April 30, 2014.

The Board now consists of Mr. Iqbal Ali Lakhani, Mr. Zulfiqar Ali Lakhani, Mr. Amin Mohammed Lakhani, Mr. Tasleemuddin Ahmed Batlay, Mr. A. Aziz H. Ebrahim, Mr. Mohammed Hussain Hirji and Mr. Sadrudin Ismail Mohamed.

Mr. Khalid Rafi resigned from the Board of Century Insurance on October 27, 2014 and Mr. Sadrudin Ismail Mohamed was co-opted in his place with effect from January 23, 2015. The Board appreciates the valuable services rendered by Mr. Khalid Rafi during his tenure on the Board. The Board welcomes Mr. Sadrudin Ismail Mohamed as an independent director of Century Insurance.

The Board also re-appointed Mr. Mohammad Hussain Hirji as Chief Executive of the Company for a term of three year.

Mr. Mohammad Hussain Hirji has authorized to draw remuneration and avail perquisites and allowances as Chief Executive and full time working Director of the Company as recommended by the Human Resource and Remuneration Committee as under for the current term of three years ending on April 30, 2017.

<b>Remuneration:</b>	The gross aggregate annual remuneration not exceeding Rs. 10,000,000/- (Rupees ten million). This will include house rent allowance.
<b>Perquisites and allowances:</b> Conveyance, Provident fund, Bonuses, Medical Leave, Utilities at Residence, Telephone and Retirement Benefits	As per Company's policy, rules and regulations in force from time to time.

## Board of Directors' Meetings

During the year, four board meetings were held. The number of meetings attended by each Director is given hereunder:-

Name of Directors	No. of Meetings Attended
Mr. Iqbal Ali Lakhani - Chairman	1
Mr. Zulfiqar Ali Lakhani	1
Mr. Amin Mohammed Lakhani	3
Mr. Tasleemuddin Ahmed Batlay	4
Mr. A. Aziz H. Ebrahim	4
Mr. Mohammad Hussain Hirji - Chief Executive	4
Mr. Khalid Rafi (up to October 27, 2014)	1
Mr. Mansoor Ahmed (up to April 30, 2014)	2

## Board Committees

During the year, the Board Audit Committee, Underwriting Committee, Claim Settlement Committee and Reinsurance & Co-Insurance Committee held four (04) meetings each. The Human Resource & Remuneration Committee held one (01) meeting during the year. The names of the members of the Board Committees and their terms of reference are given in the annexure to this report.

## Code of Conduct

The Board has adopted a code of conduct and all employees have been informed of this code. All employees understand that they are required to observe these rules of conduct in relation to business and regulations.

## Corporate and Financial Reporting Framework

The Directors are pleased to state that the Company is compliant with the provisions of the Code of Corporate Governance as required by the Securities & Exchange Commission of Pakistan (SECP).

Following are the statements on Corporate and Financial Reporting Framework:

- The financial statements together with the notes thereon have been drawn up by the management in conformity with the Insurance Ordinance, 2000 and Companies Ordinance, 1984. These Statements present fairly the Company's state of affairs, the 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 the 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 the preparation of these financial statements.
- The system of internal control is sound in design. The system is being continuously monitored by an internal audit function and through other such monitoring procedures. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring in improvements in the system.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- The key operating and financial data for the last six years is annexed.
- Information about taxes and levies is given in the notes to and forming part of financial statements.
- As per the requirement of the Code of Corporate Governance, Mr. Mohammad Hussain Hirji, Director and Chief Executive has completed Directors' training programme.
- The value of investments in respect of retirement benefit funds based on their respective accounts as on December 31, 2014 are as follows:

Provident Fund	Rs. 35.15 million
Gratuity Fund	Rs. 15.54 million

## Pattern of Shareholding

A statement showing pattern of shareholding of the Company and additional information as at December 31, 2014 is annexed with the report.

The Board has determined threshold under clause xvi (l) of CCG-2012 in respect of trading of Company's shares by executives and employees who are drawing annual basic salary of Rs. 1 million or above.

There has been no transaction carried out by Directors, Chief Executive, CFO, Company Secretary and their spouses and minor children in the shares of the Company during the year.

## Acknowledgments

On behalf of all the Directors, I would like to thank our shareholders who continue to place their trust and confidence in the Company and assure them of our best efforts to ensure optimum utilization of their investment in the Company. I also wish to place on record our appreciation of the devotion, loyalty and hard work of the management and members of the staff that have contributed towards the growth of the Company and success of its operations.



Iqbal Ali Lakhani  
Chairman

Karachi: February 27, 2015

# Board Committees

## Audit Committee:

### Terms of reference:

1. Determination of appropriate measures to safeguard the company's assets.
2. Review of preliminary announcements of results prior to publication.
3. Review of quarterly, half-yearly and annual financial statements of the company, prior to their approval by the Board of Directors, focusing on:
  - a. Major judgmental areas;
  - b. Significant adjustments resulting from the audit;
  - c. The going-concern assumption;
  - d. Any changes in accounting policies and practices;
  - e. Compliance with applicable accounting standards;
  - f. Compliance with listing regulations and other statutory and regulatory requirements; and
  - g. Significant related party transactions.
4. Facilitating the external audit and discussion with external auditors on major observations arising from interim and final audit and any matter that the auditors may wish to highlight (in the absence of management, where necessary).
5. Review of management letter issued by external auditor and management's response thereto.
6. Ensuring coordination between the internal and external auditor of the company.
7. Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the company.
8. Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto.
9. Ascertaining that the internal control systems including financial and operational controls, accounting systems and the reporting structure are adequate and effective.

10. Review of the company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports.
11. Instituting special projects, value for money studies or other investigations in any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body.
12. Determination of compliance with relevant statutory requirements.
13. Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
14. Consideration of any other issue or matter as may be assigned by the Board of Directors.

The Committee comprises of four members, including the Chairman of this committee, all of them are non-executive directors. During the year 2014 four meetings of this committee were held and the attendance of meeting is as follows:

Name of Members	Meetings Attended
Mr. Sadrudin Ismail Mohamed (from January 23, 2015) – Chairman	0
Mr. Khalid Rafi (up to October 27, 2014)	1
Mr. Zulfiqar Ali Lakhani	2
Mr. Amin Mohammad Lakhani	4
Mr. Tasleemuddin Ahmed Batlay	4

## Underwriting Committee

The committee shall review matters relating to assessing, monitoring and management of underwriting operations. It also assesses the overall effectiveness of the underwriting strategy and changes required in its business portfolio and the market development. In addition the committee shall examine any other matter referred to it.

The Committee comprises of three members, including the Chairman of this committee who is a non-executive director. During the year 2014 four meetings of this

committee were held and the attendance of meeting is as follows:

Name of Members	Meetings Attended
Mr. Tasleemuddin Ahmed Batlay – Chairman	4
Mr. Mohammad Hussain Hirji	4
Mr. Afzal-ur-Rahman	4

### Claim Settlement Committee

The committee shall review matters relating to management of claims. It oversees the claims position of the company and ensures that adequate claims reserves are made. The committee shall review significant claims cases reported during the period. The committee shall determine the circumstances under which the claims disputes shall be brought to its attention. In addition the committee shall examine any other matter referred to it.

The Committee comprises of three members, including the Chairman of this committee who is non-executive director. During the year 2014 four meetings of this committee were held and the attendance of meeting is as follows:

Name of Members	Meetings Attended
Mr. Amin Mohammad Lakhani – Chairman	4
Mr. Mohammad Hussain Hirji	4
Mr. Afzal-ur-Rahman	4

### Reinsurance & Co-insurance Committee

The committee shall review matters relating to assessing, monitoring and management of reinsurance & co-insurance operations. The committee shall also assess the effectiveness of the reinsurance arrangements for future reference in light of market developments. In addition the committee shall examine any other matter referred to it.

The Committee comprises of four members, including the Chairman of this committee who is non-executive director. During the year 2014 four meetings of this committee were held and the attendance of meeting is as follows:

Name of Members	Meetings Attended
Mr. Zulfiqar Ali Lakhani – Chairman	4
Mr. Mohammad Hussain Hirji	4
Mr. Afzal-ur-Rahman	4
Ms. Madiha Khalid	4

### Human Resource and Remuneration Committee

#### Terms of reference:

The committee shall be responsible for:

1. Recommending human resource management policies to the Board.
2. Recommending to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of CEO.
3. Recommending to the board the selection, evaluation, compensation (including retirement benefits) of Chief Financial Officer, Company Secretary and Head of Internal Audit.
4. Consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO.

The Committee comprises of three members, including the Chairman of the committee. Two members including the Chairman are non-executive directors. During the year 2014 one meeting of this committee was held and the attendance of meeting is as follows:

Name of Members	Meetings Attended
Mr. Amin Mohammad Lakhani – Chairman	1
Mr. Tasleemuddin Ahmed Batlay	1
Mr. Mohammad Hussain Hirji	1

# Pattern of Shareholding

As at December 31, 2014

Incorporation No.K-192/8927 1985-86

CUIN Registration No.0013587

No. of Shareholders	From	Shareholding	To	Total Shares Held
346	1		100	6,191
224	101		500	74,475
166	501		1,000	140,346
314	1,001		5,000	853,149
122	5,001		10,000	936,785
40	10,001		15,000	500,326
23	15,001		20,000	410,488
21	20,001		25,000	485,987
10	25,001		30,000	287,284
8	30,001		35,000	258,140
5	35,001		40,000	196,099
5	40,001		45,000	217,946
5	45,001		50,000	242,462
3	50,001		55,000	155,336
1	55,001		60,000	55,599
2	60,001		65,000	125,500
1	65,001		70,000	65,800
3	70,001		75,000	218,967
3	75,001		80,000	238,153
3	80,001		85,000	249,188
1	85,001		90,000	90,000
1	90,001		95,000	91,000
2	95,001		100,000	199,377
1	125,001		130,000	126,500
1	130,001		135,000	134,549
1	140,001		145,000	141,000
1	145,001		150,000	147,031
2	155,001		160,000	318,692
1	165,001		170,000	167,040
1	195,001		200,000	200,000
1	200,001		205,000	200,299
1	255,001		260,000	257,000
1	350,001		355,000	355,000
1	395,001		400,000	400,000
1	460,001		465,000	463,312
1	505,001		510,000	506,500
1	1,145,001		1,150,000	1,147,500
1	4,535,001		4,540,000	4,539,185
1	6,505,001		6,510,000	6,506,692
1	10,770,001		10,775,000	10,774,674
1	13,240,001		13,245,000	13,240,794
<b>1,328</b>		<b>Total</b>		<b>45,724,366</b>

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive, their spouse and minor children	38,135	0.08
Associated Companies, undertakings and related parties	35,066,623	76.69
NIT and ICP	Nil	-
Banks, Development Financial Institutions, Non Banking Financial Institutions	1,147,761	2.51
Insurance Companies	24,550	0.05
Modaraba & Mutual Funds	863,312	1.89
Shareholders holding 10% or more	30,522,160	66.75
General Public	7,299,935	15.96
Others	1,284,050	2.81

NOTE: Some of the shareholders are reflected in more than one category.

# Details of Pattern of Shareholding

As per requirement of code of corporate governance

As at December 31, 2014

Categories of Shareholders	No. of Shares Held	
<b>i) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</b>		
1. M/s. SIZA (Pvt.) Limited	6,506,692	
2. M/s. SIZA Services (Pvt.) Limited	10,774,674	
3. M/s. SIZA Commodities (Pvt.) Limited	4,539,185	
4. M/s. Premier Fashions (Pvt.) Limited	13,240,794	
5. Mr. Sultan Ali Lakhani	540	
6. Mrs. Shaista Sultan Ali Lakhani	360	
7. Mr. Babar Ali Lakhani	1,560	
8. Mr. Bilal Ali Lakhani	329	
9. Mr. Danish Ali Lakhani	1,321	
10. Ms. Anushka Zulfiqar Lakhani	566	
11. Ms. Anika Amin Lakhani	602	
<b>ii) MUTUAL FUNDS</b>		
1. Golden Arrow Selected Stocks Fund Limited	463,312	
2. CDC – Trustee Atlas Stock Market Fund	400,000	
<b>iii) DIRECTORS, CHIEF EXECUTIVE, THEIR SPOUSE AND MINOR CHILDREN</b>		
1. Mr. Iqbal Ali Lakhani	Chairman/Director	1,670
2. Mr. Zulfiqar Ali Lakhani	Director	900
3. Mr. Amin Mohammed Lakhani	Director	1,605
4. Mr. Tasleemuddin Ahmed Batlay	Director	29,632
5. Mr. A. Aziz H. Ebrahim	Director	3,014
6. Mr. Mohammad Hussain Hirji	Director/Chief Executive	500
7. Mrs. Ronak Iqbal Lakhani W/o. Mr. Iqbal Ali Lakhani		360
8. Mrs. Fatima Lakhani W/o. Mr. Zulfiqar Ali Lakhani		180
9. Mrs. Saira Amin Lakhani W/o. Mr. Amin Mohammed Lakhani		274
<b>iv) EXECUTIVE</b>		500
<b>v) PUBLIC SECTOR COMPANIES AND CORPORATIONS</b>		Nil
<b>vi) BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, TAKAFUL, MODARABAS AND PENSION FUNDS</b>		1,172,311
<b>vii) SHAREHOLDERS HOLDING 5% OR MORE (Other than those reported at (i) (1, 2, 3 &amp; 4)</b>		Nil
<b>viii) INDIVIDUAL AND OTHER THAN THOSE MENTIONED ABOVE</b>		8,583,485
		<b>45,724,366</b>

# Key Operating and Financial Data

Rupees in million

	2014	2013	2012	2011	2010	2009
<b>FINANCIAL DATA</b>						
Paid-up Capital	457.2	457.2	457.2	457.2	457.2	457.2
Reserves & Retained Earnings	728.1	654.4	565.7	495.0	504.4	394.8
Equity	1,185.3	1,111.6	1,022.9	952.3	961.6	852.0
Underwriting Premium Reserves	405.2	389.9	355.7	356.2	253.5	228.4
Investments	1095.9	1,112.7	998.1	859.9	840.0	736.0
Fixed Assets (Tangible & Intangible)	48.4	47.1	44.0	48.7	44.6	42.6
Cash & Bank Deposits	245.2	105.3	90.5	97.5	87.1	75.3
Total Assets	1,876.7	1,738.9	1,612.1	1,473.2	1,330.5	1,151.8

<b>OPERATING DATA</b>						
Gross Premium	755.3	667.1	585.1	534.8	449.7	456.2
Net Premium	388.5	321.7	268.2	225.2	219.1	206.6
Net Claims	201.9	159.3	112.0	80.5	106.6	64.7
Underwriting Profit	107.8	83.0	83.6	87.3	63.6	95.0
Investment & Other Income / (Loss)	146.9	154.7	124.3	33.5	116.4	(81.5)
Profit / (Loss) Before Tax	158.5	150.8	129.4	53.4	121.1	(39.9)
Taxation - Net	16.1	3.4	13.2	17.0	11.4	30.0
Profit / (Loss) After Tax	142.4	147.3	116.2	36.3	109.6	(70.0)

<b>CASH FLOW SUMMARY</b>						
Operating Activities	46.4	45.1	50.8	57.4	8.9	117.2
Investing Activities	161.7	26.4	(12.3)	(1.5)	2.9	(358.3)
Financing Activities	(68.2)	(56.8)	(45.5)	(45.4)	-	-
Cash & Cash Equivalents at the year end	244.5	104.6	89.8	96.8	87.1	75.3

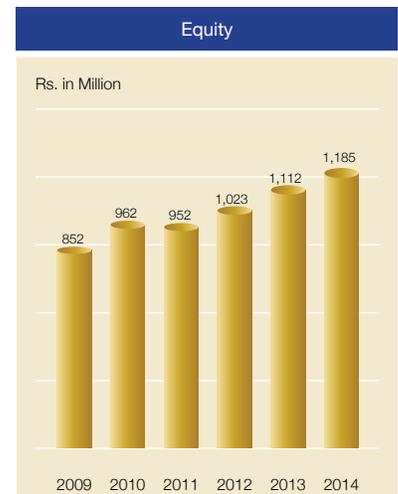
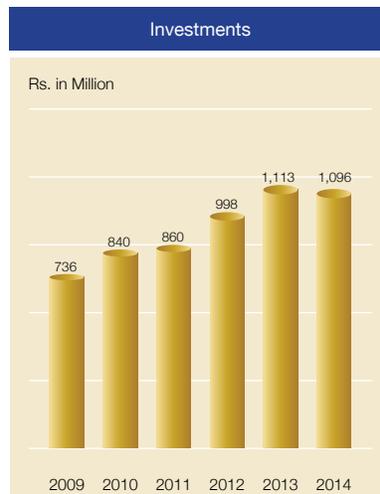
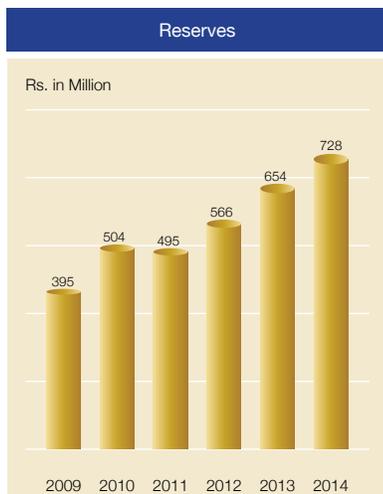
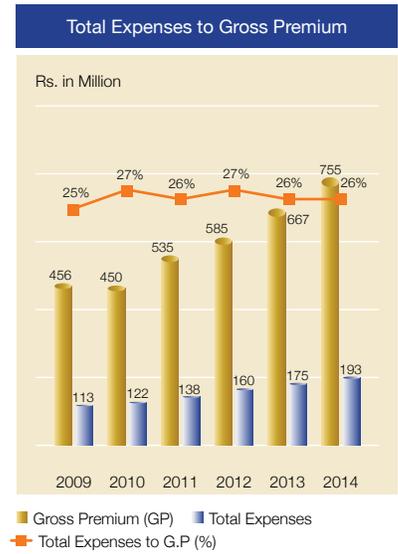
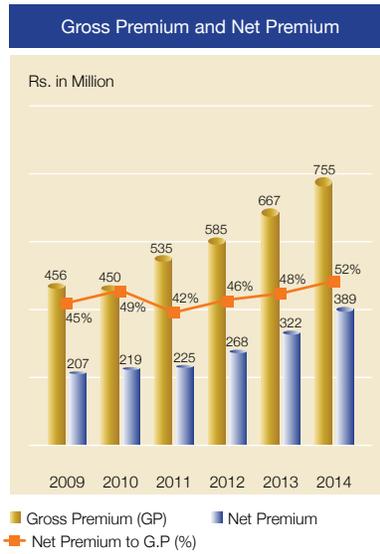
<b>FINANCIAL RATIOS</b>						
<b>Profitability</b>						
Profit / (Loss) Before Tax / Net Premium (%)	40.8	46.9	48.2	23.7	55.3	(19.3)
Profit / (Loss) After Tax / Net Premium (%)	36.7	45.8	43.3	16.1	50.0	(33.9)
Underwriting Results / Net Premium (%)	27.7	25.8	31.2	38.8	29.1	46.0
Total Expenses / Gross Premium (%)	25.6	26.2	27.3	25.8	27.0	24.8
Total Expenses / Net Premium (%)	49.8	54.4	59.5	61.2	55.5	54.7
Net Claims / Net Premium (%)	52.0	49.5	41.8	35.7	48.7	31.3
Combined Ratio (%)	97.0	101.2	98.1	91.2	97.9	79.9

<b>Return to Shareholders</b>						
Return on Equity (%)	12.0	13.3	11.4	3.8	11.4	(8.2)
Return on Assets (%)	7.6	8.5	7.2	2.5	8.2	(6.1)
Return on Investment (%)	13.3	14.7	13.4	4.0	14.8	(13.6)
Earnings / (Loss) per Share (Rs.)	3.11	3.22	2.54	0.79	2.40	(1.53)
Dividend * (%)	15.0	15.0	12.5	10.0	10.0	-
Dividend Yield (%)	6.0	9.3	9.5	14.1	8.9	-
Dividend Payout (%)	48.2	46.6	49.2	126.6	41.7	-
Price Earning Ratio (Times)	8.0	5.0	5.2	9.0	4.7	(9.0)
Market Price per Share (Rs.)	25.0	16.2	13.2	7.1	11.3	13.7

<b>Liquidity / Leverage</b>						
Break-up Value per Share (Rs.)	25.9	24.3	22.4	20.8	21.0	18.6
Current Ratio (Times)	4.0	4.2	3.7	4.0	5.5	7.2
Total Assets Turnover Ratio (Times)	0.4	0.4	0.4	0.4	0.3	0.4
Total Liabilities / Equity (Times)	0.6	0.6	0.6	0.5	0.4	0.4
Paid-up Capital / Total Assets (%)	24.4	26.3	28.4	31.0	34.4	39.7
Equity / Total Assets (%)	63.2	63.9	63.5	64.6	72.3	74.0

\* Includes cash dividend amounting to Rs. 68.587 million proposed by the Board of Directors subsequent to the year end.

# Graphical Presentation



# Statement of Compliance with the Code of Corporate Governance

For the year ended December 31, 2014

This statement is being presented to comply with the Code of Corporate Governance (CCG) as contained in the Listing Regulation No. 35 of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed insurance company is managed in compliance with the best practices of corporate governance.

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

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

Category	Names
Independent Director	Mr. Sadrudin Ismail Mohamed *
Non-Executive Directors	Mr. Iqbal Ali Lakhani Mr. Zulfiqar Ali Lakhani Mr. Amin Mohammed Lakhani Mr. Tasleemuddin Ahmed Batlay Mr. A. Aziz H. Ebrahim
Executive Director	Mr. Mohammad Hussain Hirji

\* Mr. Sadrudin Ismail Mohamed was appointed in place of Mr. Khalid Rafi with effect from January 23, 2015.

2. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies, including this Company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.

4. The election of the Directors was held during the year in which seven directors were elected for a term of three years. A casual vacancy occurred on the board on October 27, 2014 which was filled up by the directors within the stipulated time.
5. The Company has adopted a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures. The Company has placed the above document on its website as required by clause v (a) of CCG.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions including appointment, determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven (7) days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In accordance with the criteria specified on clause (xi) of CCG, majority of Directors of the Company are exempted from the requirement of director's training program and one of the Director of the Company has completed his Director's Training Program. The remaining Director to be trained within the stipulated time.

10. The Board has approved appointments of CFO and Head of Internal Audit, including their remuneration and terms and conditions of employment as determined by the CEO. Mr. Mansoor Ahmed was assigned the responsibilities of the Company Secretary of Century Insurance Company Limited in addition to his responsibilities in other Group Companies.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. During the year as a result of constitution of the Audit Committee following the election of the Board, the Audit Committee comprises of four members, all of whom are non-executive directors and the Chairman of the Committee is an independent director.
16. The meetings of the Audit Committee, as required by the CCG, were held at least once every quarter prior to approval of interim and final results of the Company. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of two non-executive Directors and one executive Director. The Chairman of the Committee is a non-executive Director.
18. The Board has formed Underwriting / Claim Settlement / Re-insurance and Co-insurance Committee(s).
19. The Board has set up an effective internal audit function which is headed by suitable qualified and experienced person for the purpose and conversant with the policies and procedure of the Company.
20. 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 the Institute of Chartered Accountants of Pakistan.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The 'closed period' prior to the announcement of interim/final results and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and stock exchange(s).
23. Material and price sensitive information has been disseminated among all market participants at once through stock exchange(s).
24. We confirm that all other material principles enshrined in the Code have been complied with.



Iqbal Ali Lakhani  
Chairman

Karachi: February 27, 2015



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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Century Insurance Company Limited (the Company) for the year ended 31 December 2014 to comply with the requirements of Listing Regulation No(s) 35 of the Karachi and Lahore Stock Exchange(s) where the Company is listed.

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

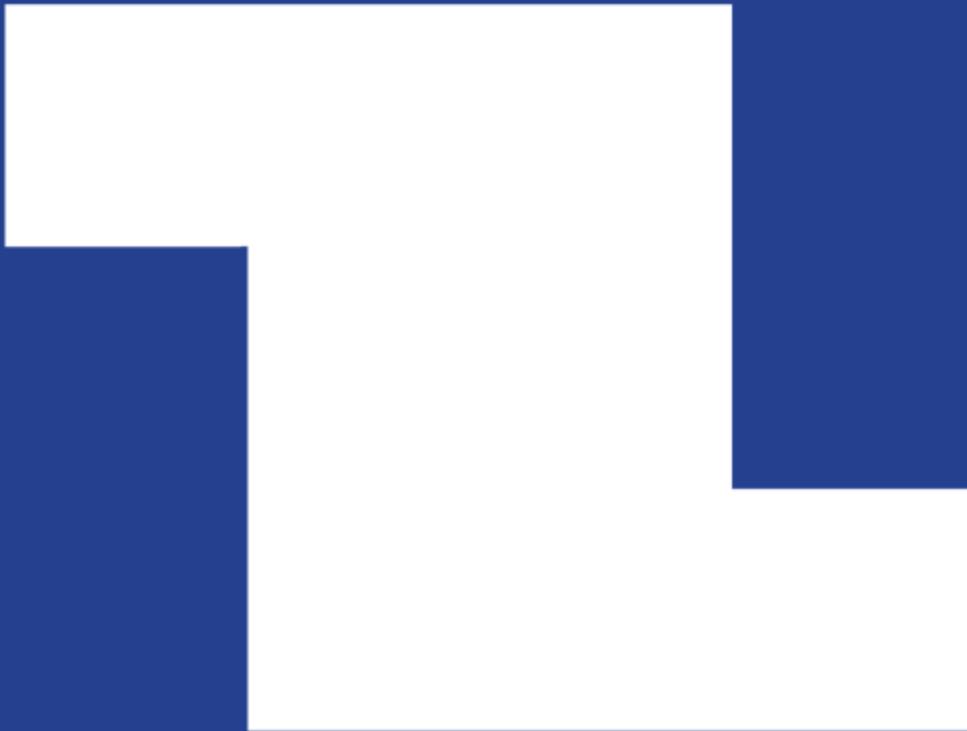
As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

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

Chartered Accountants  
Date: February 27, 2015

Karachi



Financial Statements

## 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) statement of cash flows;
- (vi) statement of premiums;
- (vii) statement of claims;
- (viii) statement of expenses; and
- (ix) statement of investment income

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

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

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

In our opinion:

- (a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for the changes as stated in note 4.1 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 31 December 2014 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- (d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of the Ordinance.

*Ernst & Young* 

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: February 27, 2015

Karachi

# Balance Sheet

As at December 31, 2014

	Note	2014	2013
		----- (Rupees) -----	
<b>Share capital and reserves</b>			
Authorised share capital [50,000,000 (December 31, 2013: 50,000,000) Ordinary shares of Rs.10 each]		500,000,000	500,000,000
Paid-up share capital	5	457,243,660	457,243,660
Retained earnings		355,042,959	281,338,081
Reserves		373,024,260	373,024,260
		1,185,310,879	1,111,606,001
<b>Underwriting provisions</b>			
Provision for outstanding claims (including IBNR)		123,619,908	137,310,372
Provision for unearned premium		246,257,537	221,969,685
Commission income unearned		35,324,607	30,577,853
Total underwriting provisions		405,202,052	389,857,910
<b>Creditors and accruals</b>			
Premiums received in advance		1,256,977	556,745
Amounts due to other insurers / reinsurers	6	191,926,887	135,283,314
Accrued expenses	7	5,270,472	4,949,864
Other creditors and accruals	8	85,981,352	95,303,875
		284,435,688	236,093,798
<b>Other liabilities</b>			
Unclaimed dividend		1,773,806	1,371,364
<b>TOTAL LIABILITIES</b>		<b>691,411,546</b>	<b>627,323,072</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,876,722,425</b>	<b>1,738,929,073</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	9		

The annexed notes from 1 to 36 form an integral part of these financial statements.

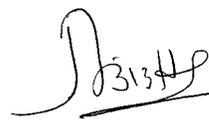
	Note	2014	2013
		----- (Rupees) -----	
<b>Cash and bank deposits</b>	10		
Cash and other equivalents		648,699	770,881
Current and other accounts		244,556,217	104,506,846
		245,204,916	105,277,727
<b>Investments</b>	11	1,095,863,861	1,112,661,320
<b>Deferred tax asset</b>	12	4,122,216	3,519,347
<b>Current assets - others</b>			
Premiums due but unpaid	13	135,850,416	119,497,864
Amounts due from other insurers / reinsurers	14	62,568,278	81,790,907
Reinsurance recoveries due but unpaid		46,135,307	26,000,087
Salvage recoveries accrued		4,700,000	3,580,000
Accrued investment income	15	2,675,206	2,500,343
Reinsurance recoveries against outstanding claims	16	60,855,662	63,273,974
Taxation - net	17	3,711,517	16,975,981
Deferred commission expense		23,781,744	21,299,627
Prepayments	18	135,266,602	126,287,945
Sundry receivables	19	7,607,368	9,168,596
		483,152,100	470,375,324
<b>Fixed assets</b>	20		
<b>Tangible and intangible</b>			
Office improvement		5,288,771	4,789,286
Furniture and fixtures		5,358,797	4,078,998
Office equipment		3,164,080	3,871,049
Computer and related accessories		918,392	1,053,902
Motor vehicles		32,899,276	31,446,199
Capital work-in-progress		750,000	1,855,905
Computer software		16	16
		48,379,332	47,095,355
<b>TOTAL ASSETS</b>		<b>1,876,722,425</b>	<b>1,738,929,073</b>



Iqbal Ali Lakhani  
Chairman



Tasleemuddin Ahmed Batlay  
Director



A. Aziz H. Ebrahim  
Director



Mohammad Hussain Hirji  
Director & Chief Executive

# Profit and Loss Account

For the year ended December 31, 2014

	Note	Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	2014 Aggregate	2013 Aggregate
----- (Rupees) -----								
<b>Revenue account</b>								
Net premium revenue	21	26,693,802	88,514,890	146,734,139	102,990,560	23,568,975	<b>388,502,366</b>	321,672,875
Net claims		(5,950,580)	(18,808,996)	(72,727,904)	(88,093,854)	(16,364,680)	<b>(201,946,014)</b>	(159,305,980)
Management expenses	22	(34,983,227)	(18,143,296)	(20,103,706)	(15,139,864)	(8,629,182)	<b>(96,999,275)</b>	(88,209,761)
Net commission		32,254,613	(1,900,237)	(12,035,058)	(1,756,967)	1,708,371	<b>18,270,722</b>	8,840,965
<b>Underwriting result</b>		<b>18,014,608</b>	<b>49,662,361</b>	<b>41,867,471</b>	<b>(2,000,125)</b>	<b>283,484</b>	<b>107,827,799</b>	82,998,099
Net investment income							<b>135,887,757</b>	133,172,582
Other income - net	24						<b>5,884,601</b>	5,260,737
General and administration expenses	25						<b>(96,278,668)</b>	(86,898,809)
Share of profit of associates - net	11.1.2						<b>1,581,678</b>	4,882,099
Reversal in impairment provision against investment in associates - net	11.1.2						<b>3,550,885</b>	11,335,671
<b>Profit before tax</b>							<b>158,454,052</b>	150,750,379
Taxation - net	26						<b>(16,082,553)</b>	(3,415,543)
<b>Profit after tax</b>							<b>142,371,499</b>	147,334,836
<b>Profit and loss appropriation account:</b>								
<b>Balance at commencement of the year</b>							<b>281,338,081</b>	192,682,416
Profit after tax for the year							<b>142,371,499</b>	147,334,836
Other comprehensive income								
- Share in associates' reserves							<b>(39,281)</b>	(124,978)
- Remeasurement of post retirement benefits obligation							<b>(40,610)</b>	(1,398,735)
Final cash dividend of Rs.1.5 (15%) for the year ended December 31, 2013 [December 31, 2013: Rs.1.25 (12.5%) for the year 2012]							<b>(68,586,730)</b>	(57,155,458)
<b>Balance of unappropriated profit at end of the year</b>							<b>355,042,959</b>	281,338,081
<b>Earnings per share of Rs.10 each - basic and diluted</b>					(note 27)		<b>3.11</b>	3.22

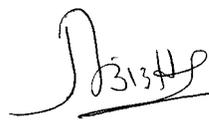
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Iqbal Ali Lakhani  
Chairman



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Director



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Director



Mohammad Hussain Hirji  
Director & Chief Executive

# Statement of Comprehensive Income

For the year ended December 31, 2014

	2014	2013
	----- (Rupees) -----	
Net profit for the year	142,371,499	147,334,836
Other comprehensive income for the year		
Not to be reclassified to profit and loss account in subsequent periods		
- Share in associates' reserves - net of tax	(39,281)	(124,978)
- Remeasurement of post retirement benefits obligation	(40,610)	(1,398,735)
<b>Total comprehensive income for the year</b>	<b>142,291,608</b>	<b>145,811,123</b>

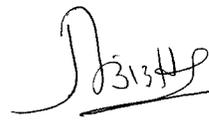
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# Statement of Changes in Equity

For the year ended December 31, 2014

	Share capital		Reserves		Total reserves	Total
	Issued, subscribed and paid-up	Capital reserves	Revenue reserves			
		Share premium	General reserve	Retained earnings		
	----- (Rupees) -----					
Balance as at January 01, 2013	457,243,660	254,024,260	119,000,000	192,682,416	565,706,676	1,022,950,336

## Changes in equity for the year ended December 31, 2013

Profit for the year	-	-	-	147,334,836	147,334,836	147,334,836
Other comprehensive income						
- share in associates' reserve	-	-	-	(124,978)	(124,978)	(124,978)
- gratuity	-	-	-	(1,398,735)	(1,398,735)	(1,398,735)
Total comprehensive income for the year	-	-	-	145,811,123	145,811,123	145,811,123
Final cash dividend of Rs.1.25 (12.5%) for the year ended December 31, 2012	-	-	-	(57,155,458)	(57,155,458)	(57,155,458)
<b>Balance as at December 31, 2013</b>	<b>457,243,660</b>	<b>254,024,260</b>	<b>119,000,000</b>	<b>281,338,081</b>	<b>654,362,341</b>	<b>1,111,606,001</b>

## Changes in equity for the year ended December 31, 2014

Profit for the year	-	-	-	142,371,499	142,371,499	142,371,499
Other comprehensive income						
- share in associates' reserve	-	-	-	(39,281)	(39,281)	(39,281)
- gratuity	-	-	-	(40,610)	(40,610)	(40,610)
Total comprehensive income for the year	-	-	-	142,291,608	142,291,608	142,291,608
Final cash dividend of Rs.1.5 (15%) for the year ended December 31, 2013	-	-	-	(68,586,730)	(68,586,730)	(68,586,730)
<b>Balance as at December 31, 2014</b>	<b>457,243,660</b>	<b>254,024,260</b>	<b>119,000,000</b>	<b>355,042,959</b>	<b>728,067,219</b>	<b>1,185,310,879</b>

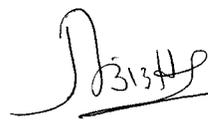
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Director & Chief Executive

# Statement of Cash Flows

For the year ended December 31, 2014

	2014	2013
	----- (Rupees) -----	
<b>Operating cash flows</b>		
<b>(a) Underwriting activities</b>		
Premiums received	771,904,465	651,222,290
Reinsurance premiums paid	(280,798,910)	(338,322,745)
Claims paid	(305,474,324)	(216,181,351)
Reinsurance and other recoveries received	68,601,717	88,820,406
Commissions paid	(93,467,350)	(58,819,439)
Commissions received	71,529,113	84,994,885
Net cash inflow from underwriting activities	<u>232,294,711</u>	<u>211,714,046</u>
<b>(b) Other operating activities</b>		
Income tax paid	(6,813,003)	(2,914,364)
General management expenses paid	(185,598,606)	(167,555,946)
Other operating receipts	6,548,611	3,850,225
Net cash outflow from other operating activities	<u>(185,862,998)</u>	<u>(166,620,085)</u>
<b>Total cash inflow from all operating activities</b>	<u>46,431,713</u>	<u>45,093,961</u>
<b>Investment activities</b>		
Profit / return received	10,835,244	12,825,006
Dividends received	4,904,590	10,776,414
Purchase of investments	(961,138,877)	(845,538,880)
Proceeds from disposal of investments	1,116,378,131	859,294,785
Fixed capital expenditure	(14,385,762)	(12,514,808)
Proceeds from disposal of fixed assets	5,086,438	1,590,912
<b>Total cash inflow from investing activities</b>	<u>161,679,764</u>	<u>26,433,429</u>
<b>Financing activities</b>		
Dividends paid	(68,184,288)	(56,760,445)
<b>Net cash inflow from all activities</b>	<u>139,927,189</u>	<u>14,766,945</u>
<b>Cash at beginning of the year</b>	<u>104,577,727</u>	<u>89,810,782</u>
<b>Cash at end of the year</b>	<u>244,504,916</u>	<u>104,577,727</u>

# Statement of Cash Flows

For the year ended December 31, 2014

	2014	2013
	----- (Rupees) -----	
<b>Reconciliation to profit and loss account</b>		
Operating cash flows	46,431,713	45,093,961
Depreciation / amortisation expense	(8,701,688)	(7,778,484)
Gain / (loss) on disposal of fixed assets	686,339	(6,807)
Profit on disposal of investments	131,448,054	104,864,428
Dividend income	3,881,462	10,263,742
Investment and other income	16,607,644	45,538,476
Increase / (decrease) in assets other than cash	13,379,645	(9,871,584)
Increase in liabilities other than running finance	(61,361,670)	(40,768,896)
Profit after taxation	<u>142,371,499</u>	<u>147,334,836</u>

## Definition of cash

Cash comprises of cash in hand, policy stamps, bond papers, cheques in hand, bank balances and other deposits which are readily convertible to cash in hand and which are used in the cash management function on a day-to-day basis.

## Cash for the purposes of the Statement of Cash Flows consists of:

<b>Cash and other equivalents</b>		
Cash	190,164	117,975
Policy stamps and bond papers in hand	458,535	652,906
	<u>648,699</u>	<u>770,881</u>
<b>Current and other accounts</b>		
Current accounts *	1,743,557	36,178,821
PLS savings accounts	242,112,660	67,628,025
	<u>243,856,217</u>	<u>103,806,846</u>
<b>Cash and bank deposits as per balance sheet</b>	<u>244,504,916</u>	<u>104,577,727</u>

\* This does not include local currency account with a lien amounting to Rs.0.7 million (December 31, 2013: Rs.0.7 million), with a commercial bank for letters of credit arranged through the bank for securing claims arising outside Pakistan.

The annexed notes from 1 to 36 form an integral part of these financial statements.



Iqbal Ali Lakhani  
Chairman



Tasleemuddin Ahmed Batlay  
Director



A. Aziz H. Ebrahim  
Director



Mohammad Hussain Hirji  
Director & Chief Executive

# Statement of Premiums

For the year ended December 31, 2014

## Business underwritten inside Pakistan

Class	Premiums written (note 21)	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium		Reinsurance expenses	2014	2013
		Opening	Closing			Opening	Closing		Net premium revenue	Net premium revenue
----- (Rupees) -----										
<b>Direct and facultative</b>										
1. Fire and property damage	272,406,372	96,158,457	106,041,546	262,523,283	245,701,730	93,973,352	103,845,601	235,829,481	<b>26,693,802</b>	32,099,232
2. Marine, aviation and transport	141,277,684	8,609,854	11,175,839	138,711,699	51,250,114	5,266,928	6,320,233	50,196,809	<b>88,514,890</b>	83,092,233
3. Motor	156,542,948	58,066,030	56,289,450	158,319,528	11,247,586	5,554,913	5,217,110	11,585,389	<b>146,734,139</b>	131,535,621
4. Health	117,890,649	36,917,060	51,817,149	102,990,560	-	-	-	-	<b>102,990,560</b>	49,411,174
5. Miscellaneous	67,193,466	22,218,284	20,933,553	68,478,197	42,855,954	18,970,044	16,916,776	44,909,222	<b>23,568,975</b>	25,534,615
<b>Total</b>	<b>755,311,119</b>	<b>221,969,685</b>	<b>246,257,537</b>	<b>731,023,267</b>	<b>351,055,384</b>	<b>123,765,237</b>	<b>132,299,720</b>	<b>342,520,901</b>	<b>388,502,366</b>	<b>321,672,875</b>

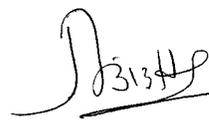
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Director



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# Statement of Claims

For the year ended December 31, 2014

## Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	2014 Net claims expense	2013 Net claims expense
		Opening	Closing			Opening	Closing			
----- (Rupees) -----										
<b>Direct and facultative</b>										
1. Fire and property damage	34,122,272	23,326,872	16,195,137	26,990,537	23,878,630	16,184,346	13,345,673	21,039,957	<b>5,950,580</b>	13,502,876
2. Marine, aviation and transport	40,206,150	15,435,113	22,020,162	46,791,199	21,545,149	6,644,177	13,081,231	27,982,203	<b>18,808,996</b>	15,303,815
3. Motor	108,325,597	42,246,940	29,245,972	95,324,629	26,584,950	4,348,450	360,225	22,596,725	<b>72,727,904</b>	75,291,253
4. Health	94,925,363	13,381,999	7,799,231	89,342,595	4,763,271	3,514,530	-	1,248,741	<b>88,093,854</b>	45,920,964
5. Miscellaneous	27,894,942	42,919,448	48,359,406	33,334,900	15,484,158	32,582,471	34,068,533	16,970,220	<b>16,364,680</b>	9,287,072
Total	<u>305,474,324</u>	<u>137,310,372</u>	<u>123,619,908</u>	<u>291,783,860</u>	<u>92,256,158</u>	<u>63,273,974</u>	<u>60,855,662</u>	<u>89,837,846</u>	<b><u>201,946,014</u></b>	<u>159,305,980</u>

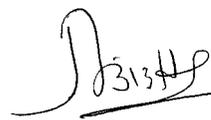
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# Statement of Expenses

For the year ended December 31, 2014

## Business underwritten inside Pakistan

Class	Commission paid or payable	Deferred commission		Net commission expenses	Other management expenses (note 22)	Underwriting expenses	Commission from reinsurers (note 23)	2014 Net underwriting expense	2013 Net underwriting expense
		Opening	Closing						
----- (Rupees) -----									
<b>Direct and facultative</b>									
1. Fire and property damage	38,143,546	12,886,461	13,860,109	37,169,898	34,983,227	72,153,125	69,424,511	<b>2,728,614</b>	11,856,661
2. Marine, aviation and transport	20,602,828	1,277,394	1,671,353	20,208,869	18,143,296	38,352,165	18,308,632	<b>20,043,533</b>	19,455,571
3. Motor	12,909,809	4,028,682	4,733,478	12,205,013	20,103,706	32,308,719	169,955	<b>32,138,764</b>	31,054,724
4. Health	2,168,672	533,663	945,368	1,756,967	15,139,864	16,896,831	-	<b>16,896,831</b>	9,925,477
5. Miscellaneous	8,734,497	2,573,427	2,571,436	8,736,488	8,629,182	17,365,670	10,444,859	<b>6,920,811</b>	7,076,363
Total	<u>82,559,352</u>	<u>21,299,627</u>	<u>23,781,744</u>	<u>80,077,235</u>	<u>96,999,275</u>	<u>177,076,510</u>	<u>98,347,957</u>	<b><u>78,728,553</u></b>	<u>79,368,796</u>

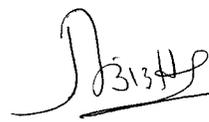
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# Statement of Investment Income

For the year ended December 31, 2014

	2014	2013
	----- (Rupees) -----	
<b>Income from trading investments</b>		
Gain on sale of trading investments	12,208,308	24,009,614
Dividend income	-	6,575,975
Unrealised gain on remeasurement of securities to fair value - net	-	15,270,805
	<b>12,208,308</b>	<b>45,856,394</b>
<b>Income from non-trading investments</b>		
<b>Held to maturity</b>		
Return on government securities	6,234,984	8,264,239
Return on other fixed income securities and term finance certificates	-	510,376
<b>Available-for-sale</b>		
Dividend income	3,881,462	3,687,767
	<b>10,116,446</b>	<b>12,462,382</b>
Gain on sale of non-trading investments	119,239,746	80,854,814
Reversal for impairment in investment classified as held to maturity	41,835	7,742
Investment related expenses	(5,718,578)	(6,008,750)
<b>Net investments income</b>	<b>135,887,757</b>	<b>133,172,582</b>

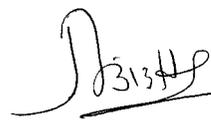
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Director



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# Notes to the Financial Statements

For the year ended December 31, 2014

## 1. STATUS AND NATURE OF BUSINESS

Century Insurance Company Limited (the Company) is a public limited company incorporated in Pakistan on October 10, 1985 under the Companies Ordinance, 1984. The Company is listed on the Karachi and Lahore stock exchanges and is engaged in general insurance business. The registered office of the Company is situated at Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi.

## 2. BASIS OF PREPARATION

These financial statements have been prepared on the format of financial statements issued by the Securities and Exchange Commission of Pakistan (SECP) through Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002], vide S.R.O. 938 dated December 12, 2002.

### 2.1 Statement of compliance

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

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

### 2.2 Basis of measurement

These financial statements have been prepared under historical cost convention except for certain investments which are stated at their fair values.

### 2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is also the Company’s functional and presentation currency.

### 2.4 Use of estimates and judgements

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

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

# Notes to the Financial Statements

For the year ended December 31, 2014

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- (a) classification of insurance contracts (note 4.2);
- (b) provision for premium due but unpaid (note 4.2.1);
- (c) provision for outstanding claims (including IBNR) (note 4.2.3);
- (d) premium deficiency reserve (note 4.2.6);
- (e) provision for obligations (note 4.3);
- (f) recognition of taxation and deferred tax (note 4.5);
- (g) accounting for employee benefit plans (note 4.7);
- (h) classification of investments (note 4.8);
- (i) determining the residual values and useful lives of fixed assets (note 4.9);
- (j) allocation of management expenses (note 4.11);
- (k) segment reporting (note 4.13); and
- (l) impairment (note 4.16).

### 3. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

Standard or interpretation	Effective date (annual periods beginning on or after)
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015
IAS 1 – Presentation of Financial Statements – (Amendment) - Disclosure Initiative	January 01, 2016
IAS 16 & 38 – Property, Plant and Equipment & Intangible Assets - (Amendment) - Clarification of Acceptable Method of Depreciation and Amortization	January 01, 2016
IAS 16 & 41 – Property, Plant and Equipment & Agriculture - (Amendment) – Agriculture: Bearer Plants	January 01, 2016
IAS 19 – Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions	July 01, 2014

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application, except for "IFRS 12 - Disclosures of interest in other entities" under which few additional disclosures will be required in respect of the Company's investment in its joint venture.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after July 01, 2014 and January 01, 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

# Notes to the Financial Statements

For the year ended December 31, 2014

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2017

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year.

### 4.1 New Standards, Interpretations and Amendments

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IAS 32 – Financial Instruments : Presentation – (Amendment)  
– Offsetting Financial Assets and Financial Liabilities

IAS 36 – Impairment of Assets – (Amendment)  
– Recoverable Amount Disclosures for Non-Financial Assets

IAS 39 – Financial Instruments: Recognition and Measurement – (Amendment)  
– Novation of Derivatives and Continuation of Hedge Accounting

IFRIC 21 – Levies

The adoption of the above did not have any effect on the financial statements for the current year.

### 4.2 Insurance contracts

Insurance contracts represent contracts with policy holders and reinsurers.

Those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policy holders) by agreeing to compensate the policy holders if a specified uncertain future event (the insured event) adversely affects the policy holders are insurance policy contracts. The Company enters into fire and property damage, marine, motor, health, burglary, loss of cash in transit, travel, personal accident, money, engineering losses and other insurance contracts with group companies, corporate clients and individuals residing or located in Pakistan.

Those insurance contracts that are issued by one insurer (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant are reinsurance contracts. The Company enters in to reinsurance contracts with both foreign and local reinsurers. The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured.

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

# Notes to the Financial Statements

For the year ended December 31, 2014

## 4.2.1 Premiums

Premiums under a policy are recognized as revenue at the time of issuance of insurance policy. Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk. The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the Company. The unearned premium is calculated by applying 1/24 method as specified in the SEC (Insurance) Rules, 2002.

Administrative surcharge represents documentation and other charges recovered by the Company from policy holders in respect of policies issued, at the rate of 5% of the premium written restricted to a maximum of Rs.2,000 per policy and are recognised as revenue at the time of issuance of insurance policy.

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

## 4.2.2 Reinsurance ceded

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

Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contract are not offset against expenses or income from related insurance assets as required by Insurance Ordinance, 2000.

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

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

## 4.2.3 Claims expense

Insurance claims include all claims occurring during the year, whether reported or not. Internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

The Company recognizes liability in respect of all claims incurred upto the balance sheet date which is based on the best estimate of the claims intimated or assessed on or before the end of the financial year and measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract.

The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. Provision for IBNR is based on the management's best estimate which takes into account the past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date.

## 4.2.4 Reinsurance recoveries against outstanding claims

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

# Notes to the Financial Statements

For the year ended December 31, 2014

## 4.2.5 Commission

Commission expense incurred in obtaining and recording policies is deferred and recognised as an expense in accordance with pattern of recognition of premium revenue by applying the 1/24th method.

Commission income from reinsurers is recognized at the time of issuance of the underlying insurance policy by the Company. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission, if any, under the terms of reinsurance arrangements, is recognized when the Company's right to receive the same is established.

## 4.2.6 Premium deficiency reserve

The Company is required as per SEC (Insurance) Rules, 2002 to maintain a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after the balance sheet date in respect of policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve is recorded as an expense and the same shall be recognised as a liability.

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

Fire and property damage	29.41%
Marine, aviation and transport	19.61%
Motor	54.35%
Health	82.90%
Miscellaneous	47.14%

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

## 4.3 Creditors, accruals and provisions

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the 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.

## 4.4 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost.

# Notes to the Financial Statements

For the year ended December 31, 2014

## 4.5 Taxation

### 4.5.1 Current

Provision for current taxation is based on taxable income at the rates enacted or substantively enacted at the balance sheet date after taking into account available tax credits and rebates, if any. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalised during the current year for such years.

### 4.5.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax bases and carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

## 4.6 Transaction with related parties

All transactions involving related parties arising in the normal course of business are conducted at agreed / commercial terms and conditions.

## 4.7 Staff retirement benefits

### 4.7.1 Defined benefit plan

The Company operates an approved defined gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. Contributions to the fund are made based on actuarial recommendations. The most recent actuarial valuation was carried out for the year ended December 31, 2014 using the Projected Unit Credit Method.

### 4.7.2 Defined contribution plan

The Company contributes to a provident fund scheme which covers all permanent employees. Equal contributions are made both by the Company and the employees to the fund at the rate of 10 percent of basic salary plus cost of living allowance.

### 4.7.3 Employees' compensated absences

The Company accounts for the liability in respect of eligible employees' compensated absences in the period in which they are earned.

## 4.8 Investments

### 4.8.1 Recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs, except for held for trading in which case transaction costs are charged to the profit and loss account. These are recognised and classified as follows:

Investment at fair value through profit or loss  
Held to maturity  
Available-for-sale

# Notes to the Financial Statements

For the year ended December 31, 2014

## 4.8.2 Measurement

### 4.8.2.1 Investment at fair value through profit or loss

Investments which are acquired principally for the purposes of generating profit from short-term fluctuation in market price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held-for-trading.

Investments which are designated at fair value through profit or loss upon initial recognition.

Subsequent to initial recognition, these investments are remeasured at fair market value. Gains or losses on investments on remeasurement of these investments are recognised in profit and loss account.

### 4.8.2.2 Held to maturity

Investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held to maturity.

Subsequently, these are measured at amortised cost less provision for impairment, if any. Any premium paid or discount availed on acquisition of held to maturity investment is deferred and amortised over the term of investment using the effective yield.

### 4.8.2.3 Available-for-sale

These are investments that do not fall under investment at fair value through profit or loss or held to maturity categories.

#### Quoted

Subsequent to initial recognition at cost, quoted investments are stated at the lower of cost or market value (market value on an individual investment basis being taken as lower if the fall is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002 vide S.R.O. 938 dated December 2002. The Company uses stock exchange quotations at the balance sheet date to determine the market value.

Had the Company adopted International Accounting Standard (IAS) 39 "Financial Instruments Recognition and Measurement" the investments of the Company would have been higher by Rs.563.199 million (December 31, 2013: Rs.298.702 million) and net equity would have been higher by the same amount (refer note 11.2 and 11.5).

#### Unquoted

Unquoted investments are recorded at cost less accumulated impairment losses, if any.

Provision for diminution in the value of securities is made after considering impairment losses, if any.

### 4.8.2.4 Investment in associates - equity method

Investments in associates, where the Company has significant influence but not control, are accounted for by using the equity method of accounting. These investments are initially recognised at cost, thereafter the Company's share of the changes in the net assets of the associates are accounted for at the end of each reporting period less impairment loss, if any. Share of profit and loss of associate is accounted for in the Company's profit and loss account, whereas changes in the associate's equity which has not been recognised in the associates profit and loss account, are recognised directly in equity of the Company. The goodwill relating to an associate arising on the acquisition of the investment is included in the carrying value of the investments.

# Notes to the Financial Statements

For the year ended December 31, 2014

After the application of equity method including recognizing the associates losses, the Company determines whether it is necessary to recognize any additional impairment loss with respect to its net investment in associate by comparing the entire carrying amount including goodwill with its recoverable amount i.e. the higher of value in use or fair market price less cost to sell.

## 4.8.2.5 Date of recognition

Regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

## 4.9 Fixed assets

### 4.9.1 Tangibles

These are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 20.1 to the financial statements, after taking into account residual value.

Depreciation on additions is charged from the month in which the asset is put to use whereas no depreciation is charged from the month the asset is disposed off.

Subsequent costs are included in the assets' carrying amount or recognized as a separate asset, as appropriate, only when it is possible that the future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to profit and loss account currently.

An item of tangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss in the year the asset is derecognized.

### 4.9.2 Capital work-in-progress

Capital work-in-progress including advances made for capital expenditure is stated at cost less impairment, if any.

### 4.9.3 Intangibles

These are stated at cost less accumulated amortisation and impairment loss, if any. Amortisation is charged over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 20.4 to the financial statements. Amortisation on additions is charged from the month in which the asset is acquired or capitalised whereas no amortisation is charged from the month the asset is disposed off.

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

The carrying amounts are reviewed at each reporting date to assess whether these are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amounts.

## 4.10 Investment income

Income from held to maturity investments is recognised on a time proportion basis taking into account the effective yield on the investments. The difference between the redemption value and the purchase price of the held to maturity investments is amortised and taken to the profit and loss account over the term of the investment.

# Notes to the Financial Statements

For the year ended December 31, 2014

Dividend income from investments, other than those which are accounted for under the equity method is recognised when the Company's right to receive the payment is established.

Gain or loss on sale of investment is included in income currently.

Return on bank deposits is recognised on a time proportionate basis taking into account the effective yield.

## 4.11 Management expenses

These are allocated to various classes of business in proportion to the respective gross premium written for the year. Expenses not allocable to the underwriting business are charged as administrative and investments related expenses.

## 4.12 Dividend declaration and reserve appropriation

Dividend declaration and reserve appropriations are recognized when approved.

## 4.13 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company presents segments reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The reported operating segments are also consistent with the internal reporting provided to Board of Directors which are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

The Company has five primary business segments for reporting purposes namely fire, marine, motor, health and miscellaneous.

The perils covered under fire insurance include damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and terrorism.

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

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

Health insurance provides cover to compensate hospitalisation and outpatient medical coverage to the insured.

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

Financing, 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. Depreciation and amortisation are allocated to a particular segment on the basis of premium written.

# Notes to the Financial Statements

For the year ended December 31, 2014

## 4.14 Foreign currency translation

Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gains and losses on translation are taken to income currently. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

## 4.15 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amount and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

## 4.16 Impairment

The carrying amount of assets (other than deferred tax asset) are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

## 5. PAID-UP SHARE CAPITAL

2014	2013		2014	2013
----- Number of shares -----			----- (Rupees) -----	
<b>13,981,213</b>	13,981,213	Ordinary shares of Rs.10 each issued as fully paid in cash	<b>139,812,130</b>	139,812,130
<b>31,743,153</b>	31,743,153	Ordinary shares of Rs.10 each issued as fully paid bonus shares	<b>317,431,530</b>	317,431,530
<b>45,724,366</b>	45,724,366		<b>457,243,660</b>	457,243,660

### 5.1 Ordinary shares of the Company held by associated companies / persons are as follows:

	2014	2013
	----- Number of shares -----	
Siza (Private) Limited	<b>6,506,692</b>	6,506,692
Siza Services (Private) Limited	<b>10,774,674</b>	10,774,674
Siza Commodities (Private) Limited	<b>4,539,185</b>	4,539,185
Premier Fashions (Private) Limited	<b>13,240,794</b>	13,240,794
Directors and their spouses	<b>38,135</b>	38,635
Related parties - individuals	<b>5,278</b>	5,278
	<b>35,104,758</b>	35,105,258

# Notes to the Financial Statements

For the year ended December 31, 2014

	Note	2014 ----- (Rupees) -----	2013 -----
<b>6. AMOUNT DUE TO OTHER INSURERS / REINSURERS</b>			
Foreign reinsurers		51,280,044	18,911,946
Local reinsurers		116,450,787	94,269,407
Co-insurers		24,196,056	22,101,961
		<u>191,926,887</u>	<u>135,283,314</u>
<b>7. ACCRUED EXPENSES</b>			
Auditors' remuneration		530,000	530,000
Professional services fee		299,769	219,875
Provision for compensated absences		3,630,117	3,008,189
Utilities and others	7.1	810,586	891,685
Investment advisory fee - due to related party		-	300,115
		<u>5,270,472</u>	<u>4,949,864</u>
7.1	This includes a sum of Rs.0.343 million (December 31, 2013: Rs.0.089 million) due to related parties.		
<b>8. OTHER CREDITORS AND ACCRUALS</b>			
Creditors		2,128,564	1,852,169
Federal excise duty		5,190,039	5,287,161
Federal insurance fees		424,726	386,218
Retention money		51,277	106,572
Commission payable	8.1	57,179,105	67,676,593
Workers' welfare fund		9,012,501	9,175,156
Margin deposits	8.2	2,639,920	2,405,708
Withholding tax payable		319,884	145,674
Staff retirement benefits	8.3	2,484,248	4,061,306
Deposits from employees against car scheme	8.4	4,035,975	4,198,510
Others	8.5	2,515,113	8,808
		<u>85,981,352</u>	<u>95,303,875</u>

8.1 This includes a sum of Rs.39.41 million (December 31, 2013: Rs.47.37 million) due to related parties.

8.2 This represents margin deposits on account of performance bond policies issued by the Company.

### 8.3 Staff retirement benefits

#### Defined benefit plan - gratuity scheme

The actuarial valuations are carried out annually and contributions are made accordingly. Following were the significant assumptions used for valuation of the scheme:

Discount rate 12.5% (December 31, 2013: 12.5%) per annum.

Expected rate of increase in the salaries of the employees 12% (December 31, 2013: 12%) per annum.

Expected interest rate on plan assets of the scheme 12.5% (December 31, 2013: 11.5%) per annum.

Expected remaining service length of the employees 7.8 years (December 31, 2013: 6 years).

# Notes to the Financial Statements

For the year ended December 31, 2014

	2014	2013		
	----- (Rupees) -----			
<b>8.3.1 Liability in balance sheet</b>				
Present value of defined benefit obligations	18,261,587	15,000,469		
Fair value of plan assets	(15,777,339)	(10,939,163)		
	<u>2,484,248</u>	<u>4,061,306</u>		
<b>8.3.2 Movement in liability during the year</b>				
Opening balance	4,061,306	609,525		
Charge to profit and loss account	2,443,638	2,053,046		
Charged to other comprehensive income	40,610	1,398,735		
Contributions to the fund during the year	(4,061,306)	-		
Closing balance	<u>2,484,248</u>	<u>4,061,306</u>		
<b>8.3.3 Reconciliation of the present value of defined benefit obligations</b>				
Present value of obligations as at January 01	15,000,469	12,268,220		
Current service cost	2,189,806	1,869,193		
Interest cost	1,842,652	1,421,967		
Benefits paid	(518,509)	(1,784,972)		
Actuarial (gain) / loss	(252,831)	1,226,061		
Present value of obligations as at December 31	<u>18,261,587</u>	<u>15,000,469</u>		
<b>8.3.4 Reconciliation of the fair value of plan assets</b>				
Fair value of plan assets as at January 01	10,939,163	11,658,695		
Expected return on plan assets	1,588,820	1,238,114		
Contribution to the fund	4,061,306	-		
Benefits paid	(518,509)	(1,784,972)		
Actuarial loss	(293,441)	(172,674)		
Fair value of plan assets as at December 31	<u>15,777,339</u>	<u>10,939,163</u>		
<b>8.3.5 Charge for the defined benefit plan</b>				
Current service cost	2,189,806	1,869,193		
Interest cost	1,842,652	1,421,967		
Expected return on plan assets	(1,588,820)	(1,238,114)		
	<u>2,443,638</u>	<u>2,053,046</u>		
<b>8.3.6 Actual return on plan assets</b>				
Expected return on assets	1,588,820	1,238,114		
Actuarial loss on assets	(293,441)	(172,674)		
	<u>1,295,379</u>	<u>1,065,440</u>		
<b>8.3.7 Composition of fair value of plan assets</b>				
	2014		2013	
	Fair value (Rupees)	Percentage	Fair value (Rupees)	Percentage
Treasury bills	13,782,568	87%	10,386,365	95%
Pakistan investment bonds	1,039,264	7%	-	0%
Cash and bank balances	955,507	6%	552,798	5%
Fair value of plan assets	<u>15,777,339</u>	<u>100%</u>	<u>10,939,163</u>	<u>100%</u>

# Notes to the Financial Statements

For the year ended December 31, 2014

## 8.3.8 Historical data of the fund

	2014	2013	2012	2011	2010
	----- (Rupees) -----				
Present value of defined benefit obligations	18,261,587	15,000,469	12,268,220	10,810,421	8,455,615
Fair value of plan assets	(15,777,339)	(10,939,163)	(11,658,695)	(10,224,979)	(7,522,097)
Deficit	2,484,248	4,061,306	609,525	585,442	933,518
Experience adjustments					
Actuarial (gain) / loss on obligation	(252,831)	1,226,061	(808,774)	(233,910)	(430,570)
Actuarial (loss) / gain on assets	(293,441)	(172,674)	(207,830)	104,393	88,482

8.3.9 The estimated contribution to the fund for the year ended December 31, 2015 is Rs.2.435 million.

## 8.3.10 Sensitivity analysis

	Change in assumption	Impact on Defined Benefit Obligation	
		Increase in assumption	Decrease in assumption
Discount rate	1%	(2,349,929)	2,818,396
Salary increase rate	1%	2,804,742	(2,378,903)
	Change in assumption	Impact in percentage on Defined Benefit Obligation	
		Increase in assumption	Decrease in assumption
Discount rate	1%	(12.87%)	15.43%
Salary increase rate	1%	15.36%	(13.03%)
Duration	16.1 years (on all active employees of 2014)		

8.4 This represents amount withheld from employees' salary against motor vehicle installments.

8.5 This includes an amount of Rs.2.5 million claim received from a life insurance company against death of an employee.

## 9. CONTINGENCIES AND COMMITMENTS

### Contingencies

There are no contingencies as at December 31, 2014.

### Commitments

## 9.1 Capital work-in-progress

	Note	2014	2013
		----- (Rupees) -----	
Software development	9.1.1	750,000	750,000
Office renovation		-	2,580,445
		750,000	3,330,445

9.1.1 This represents the remaining balance of software development charges payable to a software house as per the agreement.

# Notes to the Financial Statements

For the year ended December 31, 2014

	2014	2013
Note	----- (Rupees) -----	
<b>10. CASH AND BANK DEPOSITS</b>		
Cash and other equivalents		
Cash	190,164	117,975
Policy stamps and bond papers in hand	458,535	652,906
	<u>648,699</u>	<u>770,881</u>
Current and other accounts		
Current accounts	10.1 2,443,557	36,878,821
PLS saving accounts	10.2 242,112,660	67,628,025
	<u>244,556,217</u>	<u>104,506,846</u>
	<u>245,204,916</u>	<u>105,277,727</u>

**10.1** This includes lien on a local currency account, amounting to Rs.0.7 million (December 31, 2013: Rs.0.7 million) in respect of letters of credit arranged through a bank for securing claims arising outside Pakistan.

**10.2** The rate of return on PLS saving accounts maintained at various banks range from 6.5% to 8.5% per annum (2013: 6% to 8% per annum).

	2014	2013
Note	----- (Rupees) -----	
<b>11. INVESTMENTS</b>		
In related parties		
Investment in associates under equity accounting	11.1 47,145,152	43,254,226
Available-for-sale - quoted mutual funds	11.2 640,205,461	598,596,198
	<u>687,350,613</u>	<u>641,850,424</u>
Others		
Investments at fair value through profit or loss - held-for-trading		
Quoted shares	-	124,102,509
Held to maturity		
Government securities	11.3 48,155,811	47,920,825
Term finance certificates - quoted	11.4 -	-
	<u>48,155,811</u>	<u>47,920,825</u>
Available-for-sale		
Quoted equity securities / mutual funds	11.5 360,357,437	298,787,562
	<u>1,095,863,861</u>	<u>1,112,661,320</u>

# Notes to the Financial Statements

For the year ended December 31, 2014

## 11.1 Investment in associates - equity accounting

### 11.1.1 Particulars of investment in associates - listed

Number of shares		Face value per share (Rupees)	Name of associates	2014	2013
2014	2013			----- (Rupees) -----	
629,495	629,495	10	Century Paper & Board Mills Limited	29,731,877	29,249,701
66,528	66,528	10	Clover (Pakistan) Limited	9,540,115	6,548,208
17,639	17,639	10	Colgate Palmolive (Pakistan) Limited	7,873,160	7,456,317
				<b>47,145,152</b>	<b>43,254,226</b>

Beginning of the year	Additions	Share of profit	Dividend received	Share in equity	Reversal of impairment	2014	2013
----- (Rupees) -----							

### 11.1.2 Movement of investment in associates - listed

Century Paper & Board Mills Limited	29,249,701	-	553,493	-	(71,317)	-	29,731,877	29,249,701
Clover (Pakistan) Limited	6,548,208	-	316,811	(898,128)	22,339	3,550,885	9,540,115	6,548,208
Colgate Palmolive (Pakistan) Limited	7,456,317	-	711,374	(299,863)	5,332	-	7,873,160	7,456,317
	<b>43,254,226</b>	-	<b>1,581,678</b>	<b>(1,197,991)</b>	<b>(43,646)</b>	<b>3,550,885</b>	<b>47,145,152</b>	<b>43,254,226</b>

### 11.1.3 Summarised latest available interim financial information of the associates of the Company along with its respective share are as follows:

Name of associates	Country of incorporation / listing	Date of financial statements	Total assets	Total liabilities	Net assets	Revenues	Profit / (loss) after tax	Interest held %
----- (Rupees in 000) -----								
<b>2014</b>								
Century Paper & Board Mills Limited	Pakistan	September	14,248,660	8,437,053	5,811,607	3,489,657	66,917	0.52
Clover (Pakistan) Limited	Pakistan	September	859,849	6,534	853,315	10,162	(4,330)	0.71
Colgate Palmolive (Pakistan) Limited	Pakistan	September	10,391,923	2,852,935	7,538,988	6,152,133	612,624	0.04
			<b>25,500,432</b>	<b>11,296,522</b>	<b>14,203,910</b>	<b>9,651,952</b>	<b>675,211</b>	
<b>2013</b>								
Century Paper & Board Mills Limited	Pakistan	September	13,703,284	9,589,912	4,113,372	4,198,226	397,108	0.52
Clover (Pakistan) Limited	Pakistan	September	883,680	19,054	864,626	11,123	(4,539)	0.71
Colgate Palmolive (Pakistan) Limited	Pakistan	September	9,532,289	3,126,566	6,405,723	5,473,264	371,874	0.04
			<b>24,119,253</b>	<b>12,735,532</b>	<b>11,383,721</b>	<b>9,682,613</b>	<b>764,443</b>	

# Notes to the Financial Statements

For the year ended December 31, 2014

11.1.4 Market value of investment in associates is Rs.78.943 million (December 31, 2013: Rs.69.351 million).

## 11.2 Available-for-sale - quoted mutual funds

### 11.2.1 Related parties

Number of units		Face value per unit (Rupees)	Name of entity	2014	2013
2014	2013			----- (Rupees) -----	
Open-end mutual funds					
612,768	2,354,959	100	Lakson Income Fund	53,684,046	202,786,094
595,090	2,841,121	100	Lakson Money Market Fund	53,397,799	250,132,681
11,875	518,535	100	Lakson Asset Allocation Emerging Market Fund	1,201,778	53,677,415
511,002	931,586	100	Lakson Asset Allocation Developed Market Fund	50,247,370	92,000,008
4,659,530	-	100	Lakson Equity Fund	481,674,468	-
				<b>640,205,461</b>	<b>598,596,198</b>

11.2.2 Market value of investment in related parties classified as available-for-sale is Rs.779.616 million (December 31, 2013: Rs.680.57 million).

## 11.3 Held to maturity - amortised cost

### 11.3.1 Government securities

Number of certificates		Face value per certificate (Rupees)	Particulars	Coupon rate	Profit payment	Maturity date	2014	2013
2014	2013						----- (Rupees) -----	
1	1	25,000,000	Pakistan Investment Bond * (10 years)	12.00%	Semi annually	August 30, 2018	24,238,606	24,084,842
1	1	25,000,000	Pakistan Investment Bond * (10 years)	12.00%	Semi annually	July 19, 2022	23,917,205	23,835,983
							<b>48,155,811</b>	<b>47,920,825</b>

\* These securities are placed with State Bank of Pakistan as statutory deposit in accordance with the requirement of clause (a) of sub section 2 of section 29 of the Insurance Ordinance, 2000.

11.3.2 Market value of Pakistan Investment Bonds is Rs.53.715 million (December 31, 2013: Rs.48.953 million).

## 11.4 Term finance certificates - quoted - held to maturity

Number of certificates		Face value per certificate (Rupees)	Name of investee	Profit rate (note 11.4.1)	Maturity date	2014	2013
2014	2013					----- (Rupees) -----	
200	200	5,000	Telecard Limited	Base rate plus 3.75% per annum *	May 27, 2011	317,515	359,350
				Less: Provision for impairment		<b>(317,515)</b>	<b>(359,350)</b>
						<b>-</b>	<b>-</b>

\* Base rate is defined as six months KIBOR

11.4.1 Profit on these term finance certificates is received on semi-annual basis.

11.4.2 Market value of quoted term finance certificates is not available (December 31, 2013: Rs.Nil) as the same is classified in non performing category by Mutual Funds Association of Pakistan as at December 31, 2014.

# Notes to the Financial Statements

For the year ended December 31, 2014

	Note	2014	2013
		----- (Rupees) -----	
<b>11.5 Available-for-sale - quoted investments</b>			
Cost	11.5.1	403,416,902	341,847,027
Provision for impairment - net of reversals	11.5.2	(43,059,465)	(43,059,465)
		<u>360,357,437</u>	<u>298,787,562</u>
<b>11.5.1</b>	Market value of quoted available-for-sale investments is Rs.784.146 million (December 31, 2013: Rs.515.515 million).		
<b>11.5.2 Provision for impairment - net of reversals</b>			
Opening provision		43,059,465	53,142,586
Realised on disposal		-	(10,083,121)
Closing provision		<u>43,059,465</u>	<u>43,059,465</u>
<b>12. DEFERRED TAX ASSET</b>			
Deferred tax debits / (credits) arising in respect of:			
Accelerated depreciation on operating fixed assets		(1,189,103)	(1,879,390)
Provision for claims incurred but not reported (IBNR)		1,569,578	2,114,633
Provision for compensated absences		1,197,939	1,022,784
Share of profit from associates		(279,529)	(245,525)
Provision against receivables		2,823,331	2,506,845
		<u>4,122,216</u>	<u>3,519,347</u>
<b>13. PREMIUMS DUE BUT UNPAID</b>			
Unsecured			
Considered good	13.1	135,850,416	119,497,864
Considered doubtful		7,739,445	6,556,972
		<u>143,589,861</u>	<u>126,054,836</u>
Provision for doubtful balances	13.2	(7,739,445)	(6,556,972)
		<u>135,850,416</u>	<u>119,497,864</u>
<b>13.1</b>	This includes a sum of Rs.53.968 million (December 31, 2013: Rs.64.114 million) due from related parties.		
<b>13.2 Provision for doubtful balances</b>			
Opening balance		6,556,972	6,080,344
Provision made during the year		1,380,213	519,298
Recoveries during the year		(197,740)	(42,670)
		<u>1,182,473</u>	<u>476,628</u>
		<u>7,739,445</u>	<u>6,556,972</u>

# Notes to the Financial Statements

For the year ended December 31, 2014

	2014	2013
	----- (Rupees) -----	
<b>14. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS - Unsecured</b>		
Considered good		
- Foreign reinsurers	5,536,525	-
- Local reinsurers	2,875,313	4,558,326
- Co-insurers	54,972,542	78,048,683
	<u>63,384,380</u>	<u>82,607,009</u>
Provision for doubtful balances	(816,102)	(816,102)
	<u>62,568,278</u>	<u>81,790,907</u>
<b>15. ACCRUED INVESTMENT INCOME</b>		
Return on government securities	2,375,343	2,375,343
Dividend income on equity securities	299,863	125,000
	<u>2,675,206</u>	<u>2,500,343</u>
<b>16. REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS</b>		
These are unsecured and considered good.		
<b>17. TAXATION - NET</b>		
Advance tax including tax deducted at source	20,392,574	21,274,402
Provision for taxation	(16,681,057)	(4,298,421)
	<u>3,711,517</u>	<u>16,975,981</u>
<b>17.1</b>	The Company has filed returns upto tax year 2013. The returns filed for tax years upto 2014 are deemed to be assessed under the provisions of section 120 of the Income Tax Ordinance, 2001 unless any amendments have been made by the tax authorities.	
<b>18. PREPAYMENTS</b>		
Prepaid reinsurance premium ceded	132,299,720	123,765,237
Others	2,966,882	2,522,708
	<u>135,266,602</u>	<u>126,287,945</u>
<b>19. SUNDRY RECEIVABLES</b>		
Profit on bank deposits - savings accounts	742,708	464,492
Security deposits	4,478,569	3,686,889
Advance to employees	2,104,404	2,013,371
Advance against expenses	74,000	102,978
Advance against right shares	-	2,826,000
Others	207,687	74,866
	<u>7,607,368</u>	<u>9,168,596</u>

# Notes to the Financial Statements

For the year ended December 31, 2014

## 20. FIXED ASSETS

### 20.1 Tangible assets

	December 31, 2014									
	Cost			Depreciation				Written down value as at December 31, 2014	Depreciation rate %	
	As at January 01 2014	Additions	(Disposals)	As at December 31, 2014	As at January 01 2014	For the year	(Disposals)			As at December 31, 2014
	(Rupees)									
Office improvement	16,458,000	1,574,800	222,200	17,810,600	11,668,714	1,010,518	157,403	12,521,829	5,288,771	10
Furniture and fixtures	9,864,165	2,179,840	217,707	11,826,298	5,785,167	849,211	166,877	6,467,501	5,358,797	10
Office equipment	9,291,038	807,794	510,895	9,587,937	5,419,989	1,434,468	430,600	6,423,857	3,164,080	10 - 33
Computer and related accessories	7,498,166	547,733	347,195	7,698,704	6,444,264	682,706	346,658	6,780,312	918,392	33
Motor vehicles	49,048,174	10,381,500	7,814,030	51,615,644	17,601,975	4,724,785	3,610,392	18,716,368	32,899,276	20
	<b>92,159,543</b>	<b>15,491,667</b>	<b>9,112,027</b>	<b>98,539,183</b>	<b>46,920,109</b>	<b>8,701,688</b>	<b>4,711,930</b>	<b>50,909,867</b>	<b>47,629,316</b>	

	December 31, 2013									
	Cost			Depreciation				Written down value as at December 31, 2013	Depreciation rate %	
	As at January 01 2013	Additions	(Disposals)	As at December 31, 2013	As at January 01 2013	For the year	(Disposals)			As at December 31, 2013
	(Rupees)									
Office improvement	16,566,326	697,905	806,231	16,458,000	11,044,757	986,762	362,805	11,668,714	4,789,286	10
Furniture and fixtures	9,678,876	192,289	7,000	9,864,165	5,064,735	723,583	3,151	5,785,167	4,078,998	10
Office equipment	8,213,004	1,121,134	43,100	9,291,038	4,438,108	1,024,979	43,098	5,419,989	3,871,049	10 - 33
Computer and related accessories	7,218,016	727,650	447,500	7,498,166	6,163,789	727,965	447,490	6,444,264	1,053,902	33
Motor vehicles	42,068,449	9,022,725	2,043,000	49,048,174	14,287,675	4,206,868	892,568	17,601,975	31,446,199	20
	<b>83,744,671</b>	<b>11,761,703</b>	<b>3,346,831</b>	<b>92,159,543</b>	<b>40,999,064</b>	<b>7,670,157</b>	<b>1,749,112</b>	<b>46,920,109</b>	<b>45,239,434</b>	

### 20.2 Depreciation charge for the year has been allocated as follows:

	Note	2014 ----- (Rupees) -----	2013 -----
Management expenses	22	4,611,895	4,065,183
General and administrative expenses	25	4,089,793	3,604,974
		<b>8,701,688</b>	<b>7,670,157</b>
Advance against software development		750,000	750,000
Advance against renovation of branch		-	1,105,905
		<b>750,000</b>	<b>1,855,905</b>

### 20.3 Capital work-in-progress

# Notes to the Financial Statements

For the year ended December 31, 2014

## 20.4 Intangible assets

	Cost			Amortisation			Written down value as at December 31, 2014	Amortisation rate %
	As at January 01 2014	Additions / (disposals)	As at December 31, 2014	As at January 01 2014	For the year	As at December 31, 2014		
	----- (Rupees) -----							
Computer software	<b>5,124,839</b>	-	<b>5,124,839</b>	<b>5,124,823</b>	-	<b>5,124,823</b>	<b>16</b>	<b>33</b>
2013	5,124,839	-	5,124,839	5,016,496	108,327	5,124,823	16	33

## 20.5 Amortisation charge for the year has been allocated as follows:

	Note	2014	2013
		----- (Rupees) -----	
Management expenses	22	-	57,413
General and administrative expenses	25	-	50,914
		<b>-</b>	<b>108,327</b>

## 20.6 Disposal of tangible assets

	Cost	Accumulated depreciation	Book value	Sale proceeds	Net gain / (loss) (note 24)	Mode of disposal	Sold to
	----- (Rupees) -----						
Office improvement	222,200	157,403	64,797	15,500	(49,297)	Negotiation	M/s. Sarhad Wood & Steel Works
Furniture and fixtures	217,707	166,877	50,830	60,000	9,170	Negotiation	M/s. Sarhad Wood & Steel Works
Office equipment	355,525	296,720	58,805	66,000	7,195	Negotiation	M/s. Ahmed Engineering
Office equipment	10,000	9,999	1	2,500	2,499	Negotiation	M/s. Al-Rehman Traders
Office equipment	18,000	3,500	14,500	14,000	(500)	Insurance claim	M/s. Premier Insurance Limited, Karachi
Office equipment	92,370	88,881	3,489	14,000	10,511	Negotiation	M/s. Sarhad Wood & Steel Works
Office equipment	35,000	31,499	3,501	10,000	6,499	Negotiation	M/s. Al-Rehman Traders
Computer and related accessories	4,700	4,699	1	1,400	1,399	Negotiation	M/s. PC Mart, Karachi
Computer and related accessories	2,600	2,599	1	700	699	Negotiation	M/s. Computer International
Computer and related accessories	54,600	54,596	4	6,000	5,996	Negotiation	M/s. PC Mart, Karachi
Computer and related accessories	15,050	15,050	-	2,800	2,800	Negotiation	M/s. PC Mart, Karachi
Computer and related accessories	88,000	87,999	1	8,000	7,999	Insurance claim	M/s. Premier Insurance Limited, Karachi
Computer and related accessories	126,945	126,944	1	8,000	7,999	Insurance claim	M/s. Premier Insurance Limited, Karachi
Computer and related accessories	5,000	4,999	1	500	499	Negotiation	M/s. Sarhad Wood & Steel Works
Computer and related accessories	7,800	7,799	1	1,000	999	Negotiation	M/s. Asmat Traders
Computer and related accessories	22,700	22,699	1	700	699	Negotiation	M/s. Technovative, Karachi
Computer and related accessories	13,500	13,499	1	1,200	1,199	Negotiation	M/s. Technovative, Karachi
Computer and related accessories	6,300	5,775	525	2,000	1,475	Negotiation	M/s. Star Com
Motor vehicle	560,000	273,280	286,720	380,000	93,280	Negotiation	Mr. Mehar Nigar Naqvi
Motor vehicle	969,000	294,000	675,000	825,000	150,000	Negotiation	Mr. Hafeez Ahmed
Motor vehicle	590,000	165,000	425,000	525,000	100,000	Insurance claim	M/s. Premier Insurance Limited, Karachi
Motor vehicle	575,730	345,438	230,292	600,000	369,708	Insurance claim	M/s. Premier Insurance Limited, Karachi
Motor vehicle	1,725,000	1,159,752	565,248	565,248	-	As per company policy	Mr. Afzal-ur-Rahman - Employee (Executive)
Motor vehicle	1,295,000	623,969	671,031	671,031	-	As per company policy	Mr. Sabza Ali Pirani - Employee (Executive)
Motor vehicle	1,638,000	446,141	1,191,859	1,191,859	-	As per company policy	Mr. Safdar Abbas - Ex-employee (Executive)
Motor vehicle	54,800	44,800	10,000	8,000	(2,000)	Negotiation	Mr. Fazal Ali
Motor vehicle	54,800	44,800	10,000	14,000	4,000	Negotiation	Mr. Fazal Ali
Motor vehicle	54,800	46,800	8,000	8,000	-	Negotiation	Mr. Amir Hussain
Motor vehicle	65,000	50,000	15,000	17,000	2,000	Negotiation	Mr. Ali Naeem Nagra
Motor vehicle	68,400	45,261	23,139	9,000	(14,139)	Negotiation	Mr. Amir Hussain
Motor vehicle	68,400	46,907	21,493	9,000	(12,493)	Negotiation	Mr. Amir Hussain
Motor vehicle	46,500	19,764	26,736	9,000	(17,736)	Negotiation	Mr. Muhammad Ahmed
Motor vehicle	48,600	4,480	44,120	40,000	(4,120)	Insurance claim	M/s. Premier Insurance Limited, Karachi
	<b>9,112,027</b>	<b>4,711,929</b>	<b>4,400,098</b>	<b>5,086,438</b>	<b>686,339</b>		

# Notes to the Financial Statements

For the year ended December 31, 2014

## 21. NET PREMIUM REVENUE - ADMINISTRATIVE SURCHARGE

Premium written and net premium revenue include administrative surcharge, class wise details of which are given below:

	Note	2014 ----- (Rupees) -----	2013 -----
Fire and property damage		1,226,654	1,171,122
Marine, aviation and transport		3,727,436	3,760,432
Motor		2,985,310	2,942,527
Health		98,220	74,693
Miscellaneous		990,727	1,133,343
		<u>9,028,347</u>	<u>9,082,117</u>

## 22. MANAGEMENT EXPENSES

Salaries, wages and benefits	22.1	65,453,755	59,689,150
Rent, taxes and electricity		10,004,426	8,080,860
Communications		2,897,203	2,628,775
Printing and stationery		1,900,017	2,141,888
Travelling and entertainment		2,625,165	2,527,412
Repairs and maintenance		1,816,491	1,339,855
Advertisement and sales promotion		1,174,592	1,680,119
Depreciation	20.2	4,611,895	4,065,183
Amortisation	20.5	-	57,413
Legal and professional charges		318,881	240,600
Workers' welfare fund		1,713,891	1,630,565
Provision against premium due but unpaid - net		1,182,473	476,628
Service charges	22.2	3,300,486	3,632,240
Other expenses		-	19,073
		<u>96,999,275</u>	<u>88,209,761</u>

**22.1** These include Rs.2.005 million (December 31, 2013: Rs.1.729 million) in respect of employees' provident fund and Rs.1.295 million (December 31, 2013: Rs.1.088 million) in respect of defined benefit plan. For details of the provident fund, refer note 25.2.

**22.2** This represents service charges charged @ 2.5% in respect of co-insurance recoveries.

## 23. COMMISSION FROM REINSURERS

	Commissions received or receivable	Opening commission unearned	Closing commission unearned	Commissions from reinsurers
	----- (Rupees) -----			
Fire and property damage	73,492,825	24,183,602	28,251,916	69,424,511
Marine, aviation and transport	19,008,887	1,666,187	2,366,442	18,308,632
Motor	312,234	55,440	197,719	169,955
Health	-	-	-	-
Miscellaneous	10,280,765	4,672,624	4,508,530	10,444,859
	<u>103,094,711</u>	<u>30,577,853</u>	<u>35,324,607</u>	<u>98,347,957</u>

# Notes to the Financial Statements

For the year ended December 31, 2014

	Note	2014 ----- (Rupees) -----	2013 -----
<b>24. OTHER INCOME - NET</b>			
<b>Income from financial assets</b>			
Profit on bank deposits - Savings accounts		5,113,462	5,108,491
Exchange (loss) / gain		(5,200)	8,203
		<u>5,108,262</u>	<u>5,116,694</u>
<b>Income from non-financial assets</b>			
Gain / (loss) on sale of fixed assets - net	20.6	686,339	(6,807)
Others	24.1	90,000	150,850
		<u>776,339</u>	<u>144,043</u>
		<u>5,884,601</u>	<u>5,260,737</u>

**24.1** Included herein is a sum of Rs.0.09 million (December 31, 2013: Rs.0.150 million) representing service charges from a related party for keeping promotional materials in the Company's branches located outside Karachi.

## 25. GENERAL AND ADMINISTRATION EXPENSES

Salaries, wages and benefits	25.1	58,043,896	52,931,888
Rent, taxes and utilities		8,904,109	7,239,790
Fees and subscription		2,576,968	2,821,006
Communications		2,187,309	2,010,433
Printing and stationery		1,900,017	2,141,887
Travelling and entertainment		2,972,019	2,748,302
Depreciation	20.2	4,089,793	3,604,974
Amortisation	20.5	-	50,914
Repairs and maintenance		1,610,850	1,188,173
Legal and professional		1,494,129	1,507,594
Auditors' remuneration	25.5	841,343	791,965
Advertisement and sales promotion		3,776,334	3,043,996
Insurance		3,359,939	2,854,988
Bank charges		276,148	295,995
Workers' welfare fund		1,519,865	1,445,973
Other expenses		2,725,949	2,220,931
		<u>96,278,668</u>	<u>86,898,809</u>

**25.1** These include Rs.1.778 million (December 31, 2013: Rs.1.533 million) in respect of employees' provident fund and Rs.1.149 million (December 31, 2013: Rs.0.965 million) in respect of defined benefit plan.

### 25.2 Provident Fund (the Fund) Disclosures

The following information is based on the latest un-audited financial statements of the Fund:

	Unaudited 2014 ----- (Rupees) -----	Audited 2013 -----
Size of the Fund - total assets	36,763,993	29,086,143
Cost of investment made	33,239,749	27,023,867
Fair value of investments	34,853,831	27,704,062
Percentage of investment made	90%	93%

# Notes to the Financial Statements

For the year ended December 31, 2014

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

	Unaudited 2014		Audited 2013	
	--- (Rupees) ---	Percent	--- (Rupees) ---	Percent
Bank balances	1,910,162	5.20%	1,382,081	4.75%
Government securities	30,372,926	82.62%	23,404,363	80.47%
Mutual funds	4,480,905	12.19%	4,299,699	14.78%
	<b>36,763,993</b>	<b>100.00%</b>	<b>29,086,143</b>	<b>100.00%</b>

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

25.5 Auditors' remuneration

	2014	2013
	----- (Rupees) -----	
Audit fee	280,000	280,000
Interim review	179,242	150,000
Special reports and other certifications	313,650	275,800
Out of pocket expenses	68,451	86,165
	<b>841,343</b>	<b>791,965</b>

26. TAXATION - NET

Current	12,702,994	4,298,421
Prior	3,978,063	-
Deferred	(598,504)	(882,878)
	<b>16,082,553</b>	<b>3,415,543</b>

26.1 Relationship between tax expense and accounting profit

Profit for the year before taxation	<b>158,454,052</b>	<b>150,750,379</b>
Tax at the applicable rate of 33% (December 31, 2013: 34%)	<b>52,289,837</b>	51,255,129
Tax effect of expenses that are not allowable in determining taxable income	2,502,094	1,870,698
Tax effect of capital gains exempt from tax/ tax net	(39,262,158)	(35,653,906)
Tax effect of income subject to lower rates	(892,736)	(2,463,298)
Others	(2,532,547)	(11,593,080)
Prior year charge	3,978,063	-
	<b>16,082,553</b>	<b>3,415,543</b>

# Notes to the Financial Statements

For the year ended December 31, 2014

## 27. EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares as at the year end as follows:

	2014	2013
	----- (Rupees) -----	
Profit after tax for the year	<u>142,371,499</u>	<u>147,334,836</u>
	----- (Number of shares) -----	
Weighted average number of shares of Rs.10 each	<u>45,724,366</u>	<u>45,724,366</u>
	----- (Rupees) -----	
Basic earnings per share of Rs.10 each	<u>3.11</u>	<u>3.22</u>

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

## 28. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount including all benefits, to the Chief Executive and Executives of the Company are as follows:

	Chief Executive		Executives		Total	
	2014	2013	2014	2013	2014	2013
	----- (Rupees) -----					
Managerial remuneration	<u>5,800,452</u>	5,103,720	<u>25,962,037</u>	22,730,218	<u>31,762,489</u>	27,833,938
Bonus	<u>1,392,527</u>	1,221,564	<u>6,109,582</u>	5,421,655	<u>7,502,109</u>	6,643,219
Retirement benefits	<u>580,620</u>	510,943	<u>1,563,223</u>	1,363,941	<u>2,143,843</u>	1,874,884
House rent	<u>2,610,204</u>	2,296,620	<u>11,684,748</u>	10,229,254	<u>14,294,952</u>	12,525,874
Others	<u>589,344</u>	524,660	<u>3,657,692</u>	3,433,215	<u>4,247,036</u>	3,957,875
	<u>10,973,147</u>	<u>9,657,507</u>	<u>48,977,282</u>	<u>43,178,283</u>	<u>59,950,429</u>	<u>52,835,790</u>
Number of persons	<u>1</u>	<u>1</u>	<u>25</u>	<u>24</u>	<u>26</u>	<u>25</u>

28.1 In addition, some of the executives are provided with free use of Company maintained cars.

# Notes to the Financial Statements

For the year ended December 31, 2014

## 29. RELATED PARTY TRANSACTIONS

Related parties comprise of group companies; directors and their close family members; staff retirement funds; key management personnel and major shareholders of the Company. The associated companies are associated either based on holding in equity or they are due to the same management and / or common directors. All transactions involving related parties arising in the normal course of business are conducted at agreed terms and conditions. Transactions with the key management personnel are made under their terms of employment / entitlements. Contributions to the employee retirement benefits are made in accordance with the terms of employee retirement benefit schemes.

Balances, including investments in associates, are disclosed in relevant notes to these financial statements. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Name of related party	Premiums written	Commission paid and due	Claims paid	Investment in associates	Dividend income	Bonus shares received	Dividend paid	Expenses	Retirement Fund
----- (Rupees) -----									
<b>Associated companies / undertaking</b>									
Accuray Surgical Limited	972,502	120,200	105,245	-	-	-	-	-	-
Anchor Commodities (Private) Limited	1,417,057	132,918	54,752	-	-	-	-	-	-
Baluchistan Polyproducts (Private) Limited	461,140	61,042	-	-	-	-	-	-	-
Century Paper & Board Mills Limited	94,860,570	9,868,566	9,240,438	-	-	-	-	2,065,927	-
Clover Pakistan Limited	417,417	59,345	41,132	-	898,128	-	-	-	-
Colgate-Palmolive (Pakistan) Limited	128,071,977	18,243,020	13,467,612	-	299,863	-	-	-	-
Cyber Internet Services (Private) Limited	15,777,835	653,482	10,212,382	-	-	-	-	811,345	-
ICE Animations (Private) Limited	2,296,726	166,934	322,476	-	-	-	-	-	-
I & R Trust	3,340	334	-	-	-	-	-	-	-
GAM Corporation (Private) Limited	15,514,616	1,342,852	2,638,909	-	-	-	-	-	-
Hasanali and Gulbanoo Lakhani Foundation	1,161,315	137,980	-	-	-	-	-	731,199	-
Lakson Business Solution Limited	24,274	2,427	-	-	-	-	-	1,079,446	-
Lakson Investments Limited	977,064	6,428	555,380	-	-	-	-	5,718,578	-
Merit Packaging Limited	6,159,339	891,852	395,491	-	-	-	-	-	-
Premier Fashions (Private) Limited	22,500	3,375	-	-	-	-	19,861,191	-	-
Princeton Travels (Private) Limited	764,729	89,894	-	-	-	-	-	1,067,491	-
Siza (Private) Limited	474,192	18,864	-	-	-	-	9,760,038	2,298,120	-
Reliance Chemicals (Private) Limited	100,525	15,079	-	-	-	-	-	-	-
Siza Commodities (Private) Limited	19,713	75	-	-	-	-	6,808,778	-	-
Siza Foods (Private) Limited	14,992,038	1,158,961	5,260,823	-	-	-	-	40,000	-
Sybrid (Private) Limited	7,830,774	119,688	1,827,381	-	-	-	-	-	-
Siza Services (Private) Limited	2,508,280	258,541	103,603	-	-	-	16,162,011	6,410,707	-
Tetley Clover (Private) Limited	1,069,591	89,282	49,285	-	-	-	-	64,860	-
Tritex Cotton Mills Limited (up to January 20, 2014)	12,250	1,225	-	-	-	-	-	-	-
<b>Others</b>									
Alan (Pvt) Limited	442,638	44,264	-	-	-	-	-	-	-
Express Publication (Private) Limited	6,354,646	713,370	198,728	-	-	-	-	-	-
Matrix Press (Private) Limited	5,150,283	163,604	1,164,598	-	-	-	-	-	-
Misha Fashion (Pvt) Limited	75,318	4,622	158,172	-	-	-	-	-	-
Printek (Private) Limited	4,387,786	54,665	839,377	-	-	-	-	-	-
Television Media Network (Private) Limited	16,189,114	1,328,246	2,670,548	-	-	-	-	-	-
The Aga Khan Hospital and Medical College Foundation	370,199	-	-	-	-	-	-	-	-
<b>Key management personnel</b>	159,071	14,464	72,900	-	-	-	59,010	-	-
<b>Retirement benefit plans</b>									
Contribution to staff provident fund	-	-	-	-	-	-	-	-	3,782,516
Contribution to staff gratuity fund	-	-	-	-	-	-	-	-	2,443,637
<b>December 31, 2014</b>	<b>329,038,819</b>	<b>35,765,599</b>	<b>49,379,232</b>	<b>-</b>	<b>1,197,991</b>	<b>-</b>	<b>52,651,028</b>	<b>20,287,673</b>	<b>6,226,153</b>
December 31, 2013	279,585,494	32,465,188	37,768,567	2,189,540	623,672	83,711	43,876,557	18,816,701	5,314,935

# Notes to the Financial Statements

For the year ended December 31, 2014

## 30. SEGMENT INFORMATION

Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirement of Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The following table presents information regarding segment assets, liabilities as at December 31, 2014 and December 31, 2013, allocated and unallocated capital expenditures and non-cash expenses during the year:

	Fire		Marine		Motor		Health		Miscellaneous		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
(Rupees)												
Segment assets												
Segment assets	<u>131,051,383</u>	<u>123,044,159</u>	<u>21,072,817</u>	<u>13,188,499</u>	<u>10,310,813</u>	<u>13,932,045</u>	<u>945,368</u>	<u>4,048,193</u>	<u>53,556,745</u>	<u>54,125,942</u>	<u>216,937,126</u>	<u>208,338,838</u>
Unallocated corporate assets											<u>1,659,785,299</u>	<u>1,530,590,235</u>
Total assets											<u>1,876,722,425</u>	<u>1,738,929,073</u>
Segment liabilities												
Segment liabilities	<u>150,488,599</u>	<u>143,668,931</u>	<u>35,562,443</u>	<u>25,711,154</u>	<u>85,733,141</u>	<u>100,368,410</u>	<u>59,616,380</u>	<u>50,299,059</u>	<u>73,801,489</u>	<u>69,810,355</u>	<u>405,202,052</u>	<u>389,857,909</u>
Unallocated corporate liabilities											<u>286,209,494</u>	<u>237,465,163</u>
Total liabilities											<u>691,411,546</u>	<u>627,323,072</u>
Capital expenditure												
Capital expenditure	<u>709,800</u>	<u>28,300</u>	<u>96,400</u>	<u>1,158,300</u>	<u>883,100</u>	<u>223,800</u>	<u>513,813</u>	<u>958,900</u>	<u>-</u>	<u>-</u>	<u>2,203,113</u>	<u>2,369,300</u>
Unallocated capital expenditure											<u>13,288,554</u>	<u>9,392,403</u>
Total capital expenditure											<u>15,491,667</u>	<u>11,761,703</u>
Depreciation / amortisation	<u>1,663,301</u>	<u>1,512,007</u>	<u>862,635</u>	<u>781,492</u>	<u>955,844</u>	<u>948,957</u>	<u>719,835</u>	<u>463,642</u>	<u>410,280</u>	<u>416,498</u>	<u>4,611,895</u>	<u>4,122,596</u>
Non-cash expenses other than depreciation / amortisation	<u>426,464</u>	<u>174,809</u>	<u>221,176</u>	<u>90,351</u>	<u>245,075</u>	<u>109,712</u>	<u>184,563</u>	<u>53,603</u>	<u>105,194</u>	<u>48,153</u>	<u>1,182,472</u>	<u>476,628</u>

## 31. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The Company issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Company manages them.

### 31.1 Insurance risk management

#### Insurance risk

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

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

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

# Notes to the Financial Statements

For the year ended December 31, 2014

## (a) Frequency and severity of claims

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

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

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

- The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. The Company has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation). The claims payments are limited to the extent of sum insured on occurrence of the insured event.
- The Company has entered into reinsurance cover / arrangements, with local and foreign reinsurers having good credit rating by reputable rating agencies, to reduce its exposure to risks and resulting claims. Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional facultative reinsurance arrangements are in place to protect the net account in case of a major catastrophe. The effect of such reinsurance arrangements is that the Company recovers the share of claims from reinsurers thereby reducing its exposure to risk. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional reinsurance arrangements, any loss over and above the said limit would be recovered under non-proportional treaty which is very much in line with the risk management philosophy of the Company.

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

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

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

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

# Notes to the Financial Statements

For the year ended December 31, 2014

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

Liability in respect of outstanding claims is based on the best estimate of the claims intimated or assessed. In calculating the estimated costs of unpaid claims (both reported and non reported), the Company estimation technique is based upon actual claims experience using predetermined basis where greater weight is given to actual claims experience as time passes.

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

## (c) Process used to decide on assumptions

The risks associated with insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. This exposure is geographically concentrated in the Pakistan only.

The Company uses assumptions based on a mixture of internal and market data to measure its related claims liabilities. Internal data is derived mostly from the Company's monthly claims reports, surveyor's report for particular claim and screening of the actual insurance contracts carried out to derive data for the contracts held. The Company has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop related provision for outstanding claims (both reported and non-reported). Generally, claims are reported to the Company within three months from the date of insured event occurred.

The choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. Through this analysis, the Company determines the need for an IBNR or an unexpired risk liability to be held at each reporting date.

## (d) Changes in assumptions

The Company did not change its assumptions for the insurance contracts as disclosed in above (b) and (c).

## (e) Sensitivity analysis

The analysis of exposure described in paragraph (c) above is also used to test the sensitivity of the selected assumptions to changes in the key underlying factors. Assumptions of different levels have been used to assess the relative severity of subsidence claims given past experience. The key material factor in the Company's exposure to subsidence claims is the risk of more permanent changes in geographical location in which Company is exposed.

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

# Notes to the Financial Statements

For the year ended December 31, 2014

As the Company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, results of sensitivity testing assuming 10% change in the claim incidence net of recoveries showing effect on underwriting results and shareholders' equity is set out below.

	Underwriting results		Shareholders' equity	
	2014	2013	2014	2013
	----- (Rupees) -----			
<b>10% increase in loss / decrease</b>				
Fire and property damage	(595,058)	(1,350,288)	(386,788)	(877,687)
Marine, aviation and transport	(1,880,900)	(1,530,382)	(1,222,585)	(994,748)
Motor	(7,272,790)	(7,529,125)	(4,727,314)	(4,893,931)
Health	(8,809,385)	(4,592,096)	(5,726,100)	(2,984,862)
Miscellaneous	(1,636,468)	(928,707)	(1,063,704)	(603,660)
	<b>(20,194,601)</b>	<b>(15,930,598)</b>	<b>(13,126,491)</b>	<b>(10,354,888)</b>
<b>10% decrease in loss / increase</b>				
Fire and property damage	595,058	1,350,288	386,788	877,687
Marine, aviation and transport	1,880,900	1,530,382	1,222,585	994,748
Motor	7,272,790	7,529,125	4,727,314	4,893,931
Health	8,809,385	4,592,096	5,726,100	2,984,862
Miscellaneous	1,636,468	928,707	1,063,704	603,660
	<b>20,194,601</b>	<b>15,930,598</b>	<b>13,126,491</b>	<b>10,354,888</b>

The insurance claim liabilities are sensitive to the incidence of insured events and severity / size of claims. The impact of variation in incidence of insured events on gross claim liabilities, net claim liabilities, profit before tax and equity is as follows:

Average claim cost	Change in assumption	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax	Impact on equity
		----- (Rupees in '000) -----			
<b>2014</b>	<b>+ 10%</b>	<b>29,222</b>	<b>20,333</b>	<b>19,934</b>	<b>13,356</b>
2013	+ 10%	20,831	14,140	13,863	9,011

## Concentration of insurance risk

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

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

The concentration of risk by type of contracts in aggregate is summarised below by reference to liabilities.

# Notes to the Financial Statements

For the year ended December 31, 2014

	Gross sum insured		Reinsurance		Net	
	2014	2013	2014	2013	2014	2013
	(Rupees in millions)					
Fire and property damage	162,457	175,154	149,957	158,088	12,500	17,066
Marine, aviation and transport	91,596	63,154	24,031	14,969	67,565	48,185
Motor	5,902	6,406	140	6,373	5,762	33
Health	295	120	-	-	295	120
Miscellaneous	11,548	22,293	9,498	11,415	2,050	10,878
	<b>271,798</b>	<b>267,127</b>	<b>183,626</b>	<b>190,845</b>	<b>88,172</b>	<b>76,282</b>

## Claims development tables

The following table shows the development of claims over a period of time on gross basis. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For each class of business the uncertainty about the amount and timings of claims payment is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at December 31, 2014.

## Analysis on gross basis

Accident year	2012	2013	2014	Total
	(Rupees)			
Estimate of ultimate claims cost:				
At end of accident year	18,024,833	104,158,991	260,411,054	-
One year later	36,793,162	130,243,745	-	-
Two years later	38,939,433	-	-	-
Estimate of cumulative claims	38,939,433	130,243,745	260,411,054	429,594,232
Cumulative payments to date	(20,802,864)	(87,868,426)	(196,803,034)	(305,474,324)
Liability recognised in the balance sheet	18,136,569	42,375,319	63,608,020	124,119,908

## 32. FINANCIAL RISK MANAGEMENT

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

Credit risk  
Liquidity risk  
Market risk

### Risk management framework

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

# Notes to the Financial Statements

For the year ended December 31, 2014

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by in-house Internal Audit function. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

## 32.1 Credit risk

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

### 32.1.1 Exposure to credit risk

Credit risk of the Company arises principally from the bank balances, investments (except for investment in associates and government securities), premium due but unpaid, amount due from other insurers / reinsurers, reinsurance recoveries. To reduce the credit risk the Company has developed a formal approval process whereby credit limits are applied to its policyholders and other insurers / reinsurers. The management continuously monitors the credit exposure towards the policyholders and other insurers / reinsurers and makes provision against those balances considered doubtful of recovery.

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

	Note	2014 ----- (Rupees) -----	2013 -----
Bank balances	10	245,014,752	105,159,752
Investments	11	1,000,562,898	1,021,486,269
Premiums due but unpaid	13	135,850,416	119,497,864
Amounts due from other insurers / reinsurers	14	62,568,278	81,790,907
Accrued investment income	15	299,863	125,000
Reinsurance recoveries against outstanding claims	16	60,855,662	63,273,974
Sundry receivables	19	5,428,964	7,052,247
		<u>1,510,580,833</u>	<u>1,398,386,013</u>

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

	Rating		Rating agency
	Short-term	Long-term	
Habib Metropolitan Bank Limited	A1+	AA+	PACRA
Meezan Bank Limited	A-1+	AA	JCR-VIS
NIB Bank Limited	A1+	AA-	PACRA
Allied Bank Limited	A1+	AA+	PACRA
Bank Al Habib Limited	A1+	AA+	PACRA
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA
Habib Bank Limited	A-1+	AAA	JCR-VIS
United Bank Limited	A-1+	AA+	JCR-VIS
JS Bank Limited	A1	A+	PACRA
MCB Bank Limited	A1+	AAA	PACRA

# Notes to the Financial Statements

For the year ended December 31, 2014

## Investments

The Company is exposed to credit risk in respect of investments made in term finance certificates, quoted equity securities and mutual funds. The Company invests in term finance certificates of banks having sound credit rating by recognised credit rating agencies whereas investment in quoted securities and open end mutual funds are made which can be liquidate by selling through stock exchanges and encashment of units at the counter of mutual funds.

## Premium due but unpaid

Premium due but unpaid is mostly recoverable from group companies and are considered good.

## Concentration of credit risk

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. Sector-wise analysis of premium due but unpaid at the reporting date was:

	2014		2013	
	(Rupees)	%	(Rupees)	%
Miscellaneous	69,888,027	51.4%	57,658,258	48.3%
Technology and communication	28,888,744	21.3%	19,435,602	16.3%
Paper and board	16,879,123	12.4%	29,026,824	24.3%
Textiles	7,701,095	5.7%	1,358,479	1.1%
Pharmaceutical	7,314,159	5.4%	-	0.0%
Food and allied industries	5,179,268	3.8%	11,875,184	9.9%
Tobacco	-	0.0%	143,517	0.1%
	<b>135,850,416</b>	<b>100%</b>	<b>119,497,864</b>	<b>100%</b>

Age analysis of premium due but unpaid at the reporting date was:

	2014		2013	
	Gross	Impairment	Gross	Impairment
----- (Rupees) -----				
Upto 1 year	130,867,360	-	115,488,769	-
1-2 years	3,572,880	-	1,639,292	-
2-3 years	1,410,176	-	2,369,803	-
Over 3 years	7,739,445	7,739,445	6,556,972	6,556,972
Total	<b>143,589,861</b>	<b>7,739,445</b>	<b>126,054,836</b>	<b>6,556,972</b>

## Amount due from other insurers / reinsurers / reinsurance recoveries against outstanding claims

The Company enters into re-insurance / co-insurance arrangements with re-insurers / other insurers having sound credit ratings accorded by reputed credit rating agencies. The Company is required to comply with the requirements of circular no. 32 / 2009 dated October 27, 2009 issued by SECP which requires an insurance company to place at least 80% of their outward treaty cessions with reinsurers rated 'A' or above by Standard & Poors with the balance being placed with entities rated at least 'BBB' by reputable ratings agency. An analysis of all reinsurance assets relating to outward treaty cessions recognised by the rating of the entity from which it is due is as follows:

# Notes to the Financial Statements

For the year ended December 31, 2014

	Amount due from reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded (Rupees)	2014	2013
A or above (including PRCL)	5,536,525	47,876,552	65,745,330	119,158,407	168,927,416
BBB	-	230,150	-	230,150	230,150
Total	5,536,525	48,106,702	65,745,330	119,388,557	169,157,566

Age analysis of amount due from other insurers / reinsurers at the reporting date was:

	2014		2013	
	Gross	Impairment	Gross	Impairment
Upto 1 year	44,901,964	-	48,990,756	-
1-2 years	7,747,296	-	20,597,921	-
2-3 years	4,170,811	-	8,850,481	-
Over 3 years	6,564,309	816,102	4,167,851	816,102
Total	63,384,380	816,102	82,607,009	816,102

Age analysis of reinsurance recoveries against outstanding claims at the reporting date was:

Upto 1 year	20,020,641	-	23,318,614	-
1-2 years	7,506,186	-	19,102,117	-
2-3 years	8,597,581	-	5,566,543	-
Over 3 years	24,731,254	-	15,286,700	-
Total	60,855,662	-	63,273,974	-

In respect of the aforementioned premium due but unpaid, reinsurance assets and receivables, the Company takes into account its past history / track record of recoveries and financial position of the counterparties while creating provision for impairment. The management monitors exposure to credit risk in premium receivable from customers through regular review of credit exposure and makes prudent estimates of provision for doubtful receivables whenever required. As at December 31, 2014, an amount of Rs.53.968 million (December 31, 2013: Rs.64.114 million) is receivable from related parties out of which Rs.13.60 million (December 31, 2013: Rs.25.82 million) has been received subsequently and remaining is expected to be received in unexpired period of insurance contracts. Further, reinsurance recoveries are made when corresponding liabilities are settled. The credit quality of premium receivable from co-insurer, and for commission and claim recoveries from reinsurer can be assessed from external ratings as disclosed above.

## 32.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected operational requirements. The Company also manages this risk by investing in deposit accounts that can be readily encashed.

# Notes to the Financial Statements

For the year ended December 31, 2014

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	2014		2013	
	Carrying amount	Contractual cash flows upto one year	Carrying amount	Contractual cash flows upto one year
----- (Rupees) -----				
<b>Financial liabilities</b>				
Provision for outstanding claims	123,619,908	(123,619,908)	137,310,372	(137,310,372)
Amount due to other insurers / reinsurers	191,926,887	(191,926,887)	135,283,314	(135,283,314)
Accrued expenses	5,270,472	(5,270,472)	4,949,864	(4,949,864)
Other creditor and accruals	71,034,202	(71,034,202)	80,309,666	(80,309,666)
Unclaimed dividend	1,773,806	(1,773,806)	1,371,364	(1,371,364)
	<b>393,625,275</b>	<b>(393,625,275)</b>	<b>359,224,580</b>	<b>(359,224,580)</b>

## 32.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, equity and units prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. All transactions are carried in Pak Rupees therefore, the Company is not exposed to currency risk. However, the Company is exposed to interest rate risk and equity / units price risk.

### 32.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from balances held in investments and saving accounts with reputable banks. At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments is:

	2014	2013	2014	2013
	Effective interest rate (in %)		----- (Rupees) -----	
<b>Fixed rate instruments</b>				
Government securities	12% to 15%	12% to 15%	48,155,811	47,920,825
<b>Variable rate instruments</b>				
PLS savings accounts	6.5% to 8.5%	6% to 8%	242,112,660	67,628,025

#### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for fixed rate financial assets at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account and equity of the Company.

# Notes to the Financial Statements

For the year ended December 31, 2014

## Cash flow sensitivity analysis for variable rate instruments

The Company is exposed to cash flow interest rate risk in respect of savings accounts and term finance certificates classified as held to maturity. In case 100 basis points (bp) increase / decrease in interest rates at year end, the net income and equity would have higher / lower by Rs.1.006 million (December 31, 2013: Rs.0.501 million).

### 32.3.2 Price risk

Price risk is the risk of changes in the fair value of equity and debt securities as the result of changes in the levels of KSE-100 Index and the value of individual shares and changes in unit prices due to changes in interest rates scenario. The price risk exposure arises from the Company's investments in equity securities and units of mutual funds. This arises from investments held by the Company for which prices in the future are uncertain. The Company policy is to manage price risk through diversification and selection of securities and investment in different categories of mutual funds within specified limits set by internal risk management guidelines. A summary analysis of investments is disclosed in note 11 to these financial statements.

The management monitors the fluctuations of prices on regular basis. The Company also has necessary skills for monitoring and managing the equity portfolio in line with fluctuations of the market and also monitor fluctuation in unit prices through a related party as disclosed in note 7.1.

Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Furthermore, amount realized in the sale of a particular security / units may be affected by the relative quantity of the security / units being sold. The Company has no significant concentration of price risk.

#### Sensitivity analysis

The analysis summarizes Company's price risk as of December 31, 2014 and 2013 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and interest rates scenario where mutual funds invest in debt securities in Company's investment portfolio.

Sensitivity analysis of investments as at the reporting date is as follows:

For held-for-trading investments, in case of 10% increase / decrease in prices at the reporting date, the profit and loss account and equity would have been higher / lower by Rs.Nil (December 31, 2013: Rs.12.410 million).

### 32.4 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, difference may arise between the carrying values and the fair values estimates.

The fair value of all the financial instruments are estimated to be not significantly different from their carrying values except for investments in associate, held to maturity and available-for-sale securities having fair value of Rs.1,642.704 million (December 31, 2013: Rs.1,309.770 million).

## 33. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safe guard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

# Notes to the Financial Statements

For the year ended December 31, 2014

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

The Company currently meets the paid-up capital requirement as required by Securities and Exchange Commission of Pakistan.

## 34. SUBSEQUENT EVENT

The Board of Directors in its meeting held on February 27, 2015 has recommended cash dividend of 15% i.e. Rs.1.5 per share in respect of the year ended December 31, 2014 [December 31, 2013: 15% (Rs.1.5 per share)]. These financial statements for the year ended December 31, 2014 do not include the effect of this appropriation which will be accounted for when approved.

## 35. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue in accordance with a resolution of the Board of Directors on February 27, 2015.

## 36 GENERAL

### 36.1 Comparatives

Comparative information has been reclassified, rearranged or additionally incorporated in these financial statements for the purposes of better presentation. Details are mentioned as follow:

Description	Reclassified From	Reclassified To	Amount
Staff retirement benefits	Deferred liabilities	Other creditors and accruals	4,061,306

36.2 All figures have been rounded off to the nearest of rupees, except otherwise stated.

Iqbal Ali Lakhani  
Chairman

Tasleemuddin Ahmed Batlay  
Director

A. Aziz H. Ebrahim  
Director

Mohammad Hussain Hirji  
Director & Chief Executive

# Form of Proxy

I/We \_\_\_\_\_  
of \_\_\_\_\_  
a member of CENTURY INSURANCE COMPANY LIMITED hereby  
appoint \_\_\_\_\_  
of \_\_\_\_\_  
or failing him \_\_\_\_\_  
of \_\_\_\_\_

who is/are also member/s of Century Insurance Company Limited to act as my/our proxy and to vote for me/us and on my/our behalf at the Annual General Meeting of the shareholders of the Company to be held on the 28<sup>th</sup> day of April 2015 or at any adjournment thereof.

Signed this \_\_\_\_\_ day of April 2015.

Folio No.	CDC Participant ID No.	CDC Account/ Sub-Account No.	No. of shares held

Signature over  
Revenue Stamp

**Witness 1**

Signature \_\_\_\_\_

Name \_\_\_\_\_

CNIC No. \_\_\_\_\_

Address \_\_\_\_\_  
\_\_\_\_\_

**Witness 2**

Signature \_\_\_\_\_

Name \_\_\_\_\_

CNIC No. \_\_\_\_\_

Address \_\_\_\_\_  
\_\_\_\_\_

**Notes:**

1. The proxy must be a member of the Company.
2. The signature must tally with the specimen signature/s registered with the Company.
3. If a proxy is granted by a member who has deposited his/her shares in Central Depository Company of Pakistan Limited, the proxy must be accompanied with participant's ID number and CDC account/sub-account number alongwith attested photocopies of Computerized National Identity Card (CNIC) or the Passport of the beneficial owner. Representatives of corporate members should bring the usual documents required for such purpose.
4. The instrument of Proxy properly completed should be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.



# Network

## Registered and Corporate Office

Lakson Square, Building # 2, Sarwar Shaheed Road,  
Karachi-74200.

Tel: (021) 35698000

## Head Office

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Sarwar Shaheed Road, Karachi-74200.

UAN: (021) 111-111-717 Fax: (021) 35671665

Email: info@cicl.com.pk

## Karachi Lakson Square Office

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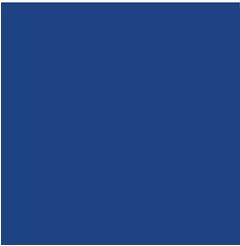
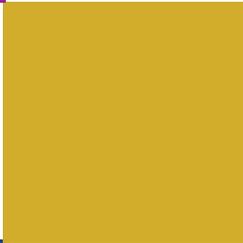
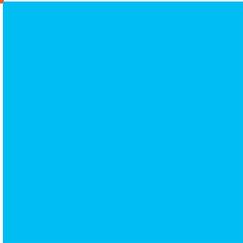
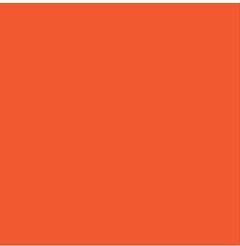
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Century Insurance



UAN: 111-111-717  
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