



Century Insurance

A Lakson Group Company

BIG  
Dream  
BETTER  
Results

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Annual Report 2016

# CENTURY INSURANCE AT A GLANCE

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- 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. 1.7 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

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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.

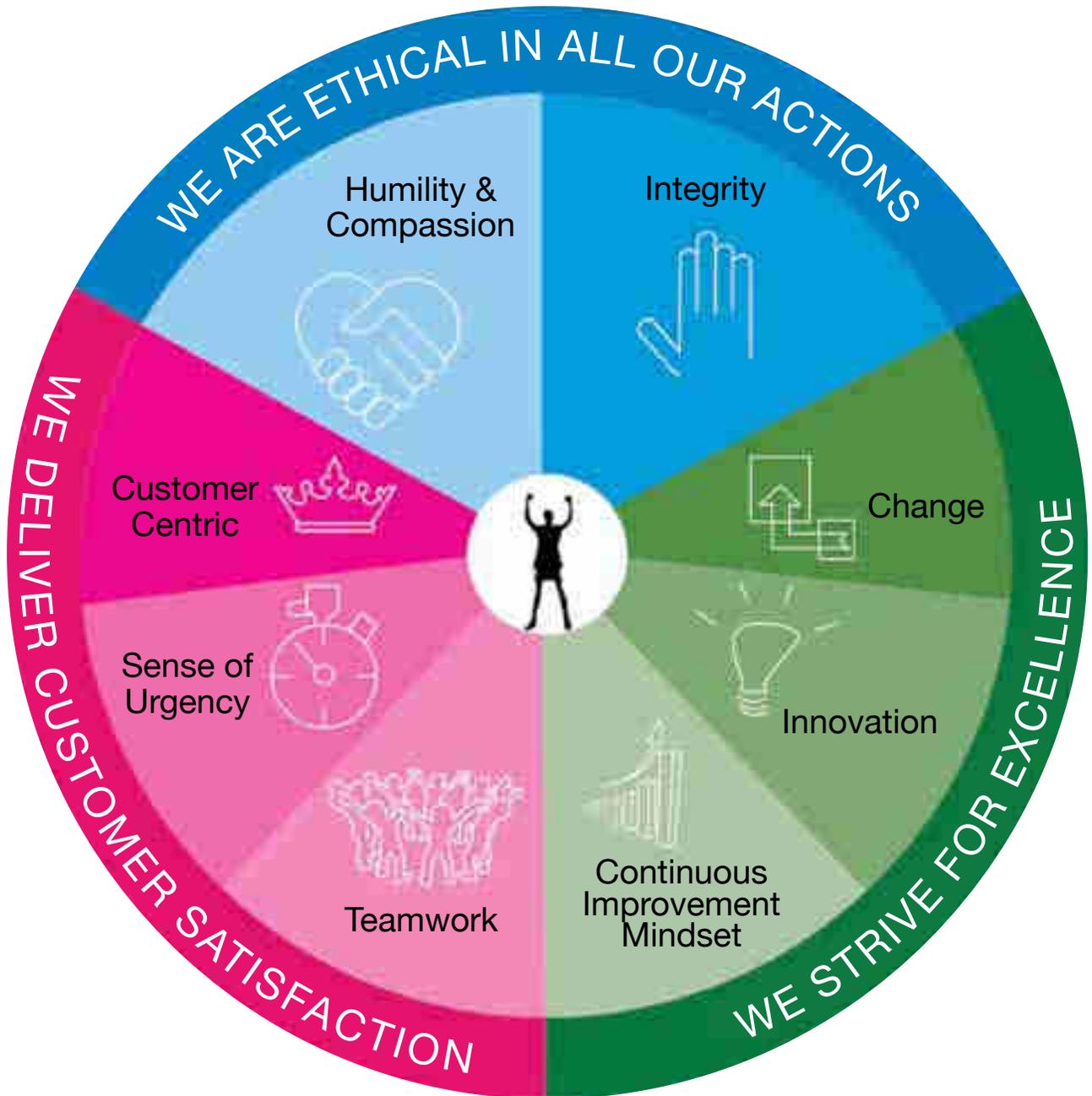
# OUR MISSION

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- To become a company of choice for our valued Clients, Shareholders and Employees.
- To maximize growth of the Company and provide excellent financial returns to our 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 (up to December 6, 2016)  
Mr. Amin Mohammed Lakhani  
Ms. Anushka Zulfiqar Lakhani (from February 27, 2017)  
Mr. Tasleemuddin Ahmed Batlay  
Mr. A. Aziz H. Ebrahim  
Mr. Mohammad Hussain Hirji - Chief Executive  
Mr. Sadrudin Ismail Mohamed

## 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. Amin Mohammed Lakhani  
Mr. Tasleemuddin Ahmed Batlay

## Investment Committee

Mr. A. Aziz H. Ebrahim - Chairman  
Mr. Iqbal Ali Lakhani  
Mr. Mohammad Hussain Hirji  
Mr. Sabza Ali Pirani

## Ethics, Human Resource & Remuneration Committee

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

## External Auditors

M/s. EY Ford Rhodes  
Chartered Accountants

## Share Registrar

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

## Bankers

Bank Alfalah Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
NIB Bank Limited  
NRSP Microfinance 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

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

Website: [www.cicl.com.pk](http://www.cicl.com.pk)

UAN: 111-111-717

NTN: 0710008-6



## PRODUCTS & SERVICES

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Fire Insurance | Marine Insurance | Motor Insurance  
Engineering Insurance | Accident and Health Insurance  
Travel Insurance | Miscellaneous Insurance





## FIRE INSURANCE

Your corporate offices, factories and facilities are the primary sources of your income and revenue. Century Insurance understands the importance and value of your business property and operations. So we will work with you to help you prevent losses, protect what matters and help you stay in business. Property insurance solutions include:

- Fire and Allied Perils
- Consequential Loss
- Property All Risk
- Comprehensive Machinery Insurance
- Terrorism Insurance (Property insurance policies in Pakistan now exclude Terrorism including any Riot & Strikes resulting from a terrorist act. These are now covered under a separate Terrorism policy).



# MARINE INSURANCE

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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.



## ACCIDENT AND HEALTH INSURANCE

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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 and 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.

Personal Accident provides 24/7 worldwide cover for accidental bodily injury to the insured person resulting in death or permanent disablement.



## TRAVEL INSURANCE

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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, 7 days 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.
- 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

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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.

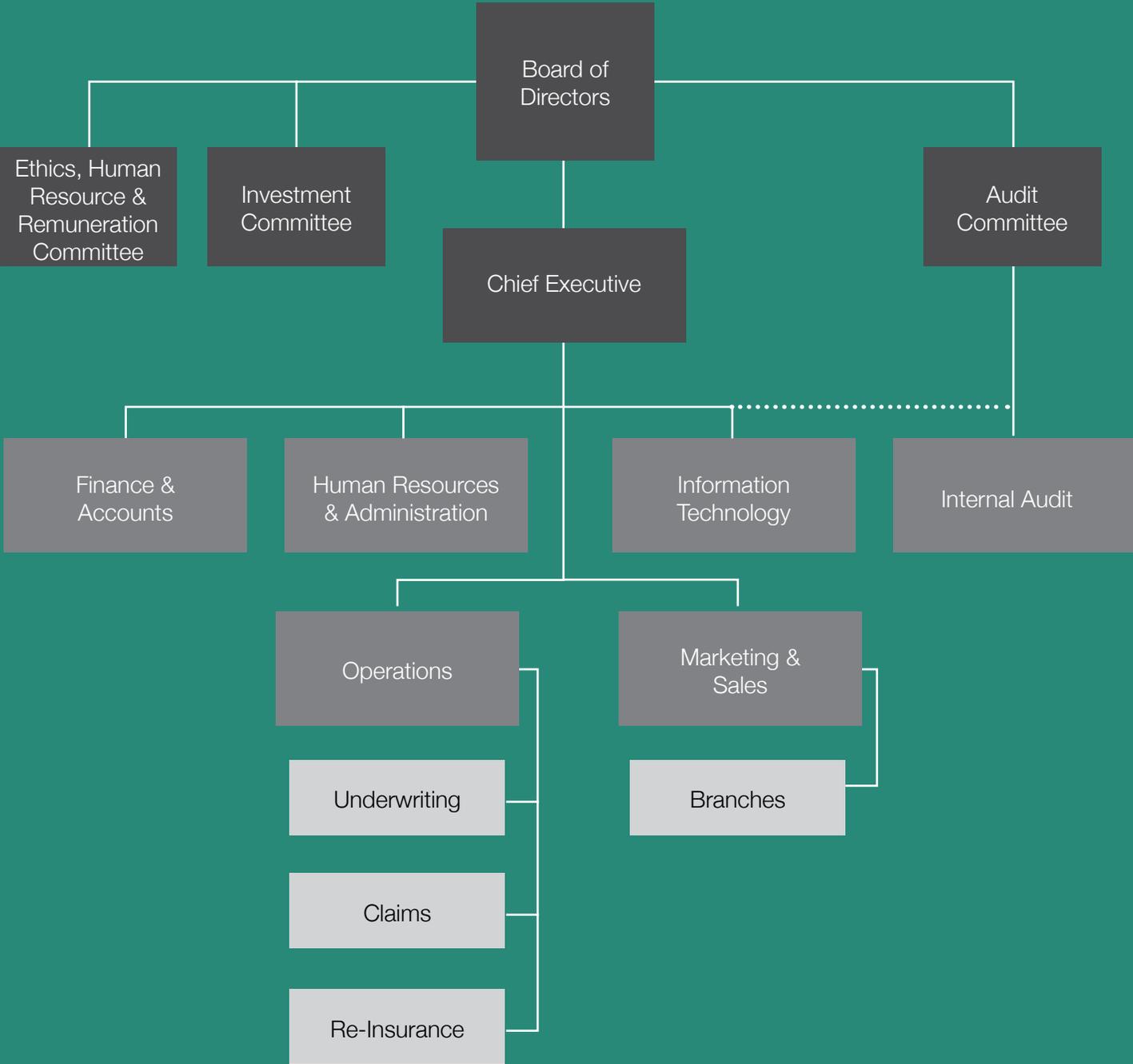
Combining international experience and local knowledge, we will partner with you to give you the assistance you need while helping you to reduce your overall claim costs over time.

## RISK MANAGEMENT

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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 individual's 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.

- CICAL'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

- CICAL strives to operate as a responsible corporate citizen within both the local and global communities.
- CICAL is an equal opportunity employer for all levels of employees irrespective of color, race, gender, age, ethnicity or religious beliefs.
- CICAL provides a safe and healthy workplace, protecting human health and the environment.
- CICAL 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.
- CICAL respects employees' freedom of association.
- CICAL works with governments and the communities in which we do 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. CICAL 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

- CICAL 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 31<sup>st</sup> Annual General Meeting of Century Insurance Company Limited will be held on Friday April 28, 2017 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, 2016 together with the Directors' and Auditors' reports thereon.
2. To declare final dividend in cash @ 17.50% i.e. Rs.1.75 per share of Rs.10 each and by way of issue of fully paid bonus shares @ 10% i.e. in the proportion of one share for every ten shares held by the members as recommended by the Board of Directors.
3. To appoint Auditors and fix their remuneration.

All listed Companies in financial sector are required to change their external auditors every five years as per clause xxxvii (a) of the Code of Corporate Governance under Listing Regulations of Pakistan Stock Exchange.

M/s. EY Ford Rhodes, Chartered Accountants, have been auditors of the Company for a period of five years. The Board, on the recommendation of the Audit Committee of the Company has proposed the appointment of M/s. KPMG Taseer Hadi & Company, Chartered Accountants, as auditors for the year ending December 31, 2017. A notice under section 253(1) of the Companies Ordinance, 1984 has also been received from a shareholder of the Company to the same effect.

4. To elect seven Directors as fixed by the Board of Directors for the next term of three years in accordance with the provisions of the Companies Ordinance, 1984. The retiring Directors are M/s. Iqbal Ali Lakhani, Amin Mohammed Lakhani, Anushka Zulfiqar Lakhani, Tasleemuddin Ahmed Batlay, A. Aziz H. Ebrahim, Mohammad Hussain Hirji and Sadrudin Ismail Mohamed. The retiring Directors are eligible for re-election.

## SPECIAL BUSINESS

5. To consider, subject to declaration of the final dividend as above, to capitalize a sum of Rs.45,724,370 by way of issue of 4,572,437 fully paid bonus shares of Rs.10 each and if thought fit to pass an ordinary resolution in the matter.
6. To consider, and if thought fit, to pass with or without modification the following resolutions:

a) **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 year ended December 31, 2016 be and are hereby ratified and approved."

b) **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 ensuing year ending December 31, 2017 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."

Statement under Section 160 of the Companies Ordinance, 1984 in the above matters pertaining to item Nos.5 & 6 is annexed.

By Order of the Board



(MANSOOR AHMED)  
Company Secretary

Karachi: March 27, 2017

#### NOTES:

1. The share transfer books of the Company will remain closed from April 22, 2017 to April 28, 2017 (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 upto the close of business on April 21, 2017 will be treated in time for entitlement of the dividend and bonus shares.
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 promptly notify Share Registrar of the Company 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. Henceforth, issuance of dividend warrant(s) will be subject to submission of copy of CNIC by individual shareholders.
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 under the law they are also entitled to receive their cash dividend directly in their bank accounts instead of receiving it through dividend warrants. Shareholders, wishing to exercise this option, 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, SECP has directed to facilitate the members of the Company receiving Annual Financial Statements and Notices through electronic mail system (e-mail). We are pleased to offer this facility to our members who desire to receive Annual Financial Statements and Notices 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 website i.e. [www.cicl.com.pk](http://www.cicl.com.pk). Please ensure that your e-mail has sufficient rights and space available to receive such e-mail which may be larger than 1 MB file in size. Further, it is the responsibility of the member to timely update the Share Registrar of any change in the registered e-mail address.

9. i. Pursuant to the provisions of the Finance Act 2016 effective July 1, 2016, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance, 2001 have been revised as follows:
1. For filers of income tax return 12.5%
  2. For non-filers of income tax return 20%

To enable the Company to make tax deduction on the amount of cash dividend @ 12.5% instead of 20%, 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 in ATL before the first day of book closure, otherwise tax on their cash dividend will be deducted @ 20% instead of 12.5%.

- ii. Withholding Tax exemption from the dividend income, shall only be allowed if copy of valid tax exemption certificate or stay order from a competent court of law is made available to FAMCO Associates (Private) Limited, by the first day of Book Closure.
- iii. Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as Joint-holder(s) based on their shareholding proportions, in case of joint accounts.

In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them (only if not already provided) to our Share Registrar, in writing as follows:

Company Name	Folio/CDS Account #	Total Shares	Principal Shareholder		Joint Shareholder(s)	
			Name and CNIC #	Shareholding Proportion (No. of Shares)	Name and CNIC #	Shareholding Proportion (No. of Shares)

The required information must reach our Share Registrar within 10 days of this notice, otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint holder(s).

- iv. For any query/problem/information, the investors may contact the Company Secretary at phone: 35698082 and email address: [mansoor@lakson.com.pk](mailto:mansoor@lakson.com.pk) and/or FAMCO Associates (Private) Ltd. at phone: 34380101-5 and email address: [info.shares@famco.com.pk](mailto:info.shares@famco.com.pk).
- v. 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 FAMCO Associates (Private) Limited. Shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers. Without the NTN the Company would not be in a position to check filer status on the ATL and hence higher tax of 20% may be applied in such cases.
- vi. Members can also avail video conference facility, in this regard, please fill the following and submit to registered address of the Company 10 days before holding of the Annual General Meeting. If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of the meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.

"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 \_\_\_\_\_."

10. 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 Nos.5 and 6 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.5 of the Notice – Issue of Bonus Shares to be passed as an Ordinary Resolution**

The Board of Directors has recommended to the members of the Company to declare a dividend @ 10% by way of issue of 4,572,437 fully paid bonus shares of Rs.10/- each and thereby Capitalized a sum of Rs.45,724,370 out of the profit for the year ended December 31, 2016. Subject to approval of the Board of Directors' recommendation as above, the resolution as under will be considered to be passed by the members as an ordinary resolution:

#### **“RESOLVED THAT:**

- i) a sum of Rs.45,724,370/- out of the profit for the year ended December 31, 2016 be capitalized and applied in making payment in full of 4,572,437 ordinary shares of Rs.10/- each and that the said shares be allotted as fully paid up bonus shares to those members of the Company whose names appear in the register of members on April 28, 2017 @ 10% i.e. in the proportion of ONE share for every TEN existing shares held by the members and that such new shares shall rank pari passu in all respects with the existing ordinary shares of the Company. However, they will not qualify for the final cash dividend for the year ended December 31, 2016;
- ii) in the event of any member holding less than TEN shares or a number of shares which is not an exact multiple of TEN, the fractional entitlements of shares of such members shall be consolidated into whole new shares and the Directors of the Company be and are hereby authorized to arrange sale of the shares constituted thereby in such manner as they may think fit and to pay the proceeds of the sale to such of the members according to their entitlement;
- iii) for the purpose of giving effect to the above, the Directors be and are hereby authorized to take all necessary steps in the matter and to settle any question or difficulties that may arise in regard to the distribution of the said new shares as they think fit.”

### **2. Agenda Item No.6(a) of the Notice – Transactions carried out with associated companies during the year ended December 31, 2016 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, 2016 with associated companies shown in note No. 29 of the financial statements are being placed before the shareholders for their consideration and approval/ratification.

3. **Agenda Item No. 6(b) 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, 2017 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, 2017.

The Directors are interested in the resolutions to the extent of their common directorships and shareholding in the associated companies and the privileges attached thereto only.

# CORPORATE CALENDAR

Meetings	Date
Board of Directors' meeting to consider amendment in Memorandum of Association	13 January 2016
Audit Committee meeting to consider accounts of the Company for the year ended 31 December 2015	23 February 2016
Board of Directors' meeting to consider accounts of the Company for the year ended 31 December 2015	26 February 2016
Audit Committee meeting to consider accounts of the Company for the quarter ended 31 March 2016	25 April 2016
Annual General meeting of shareholders to consider accounts of the Company for the year ended 31 December 2015	28 April 2016
Board of Directors' meeting to consider accounts of the Company for the quarter ended 31 March 2016	28 April 2016
Audit Committee meeting to consider accounts of the Company for the half year ended 30 June 2016	23 August 2016
Board of Directors' meeting to consider accounts of the Company for the half year ended 30 June 2016	25 August 2016
Audit Committee meeting to consider accounts of the Company for the quarter ended 30 September 2016	25 October 2016
Board of Directors' meeting to consider accounts of the Company for the quarter ended 30 September 2016	26 October 2016

# ACCESS TO REPORTS AND ENQUIRIES

## Annual Report

Annual report 2016 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 2016 can be accessed from 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:

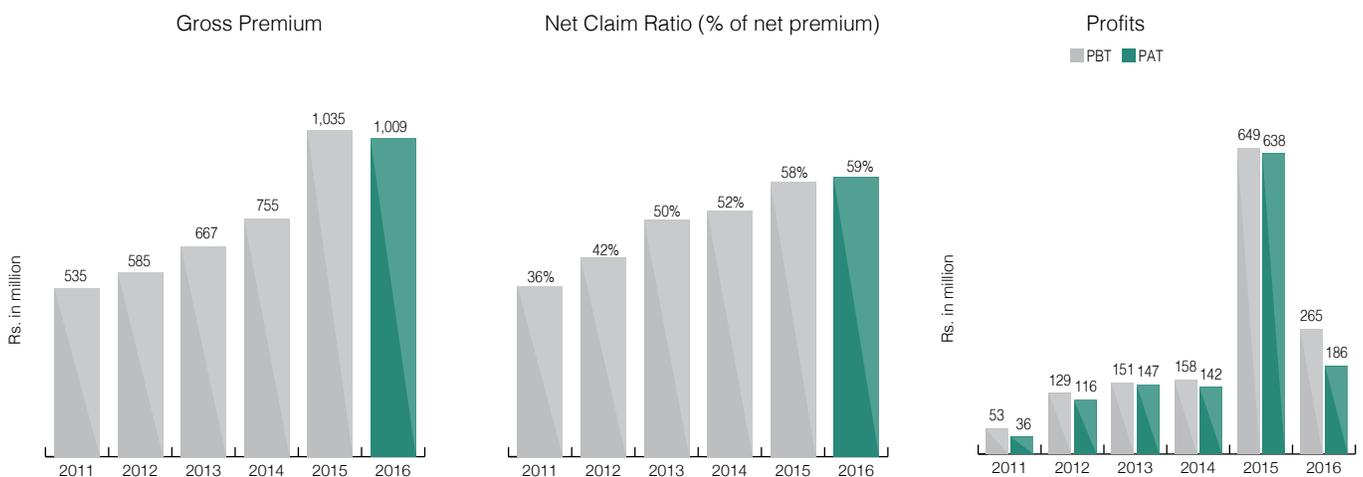
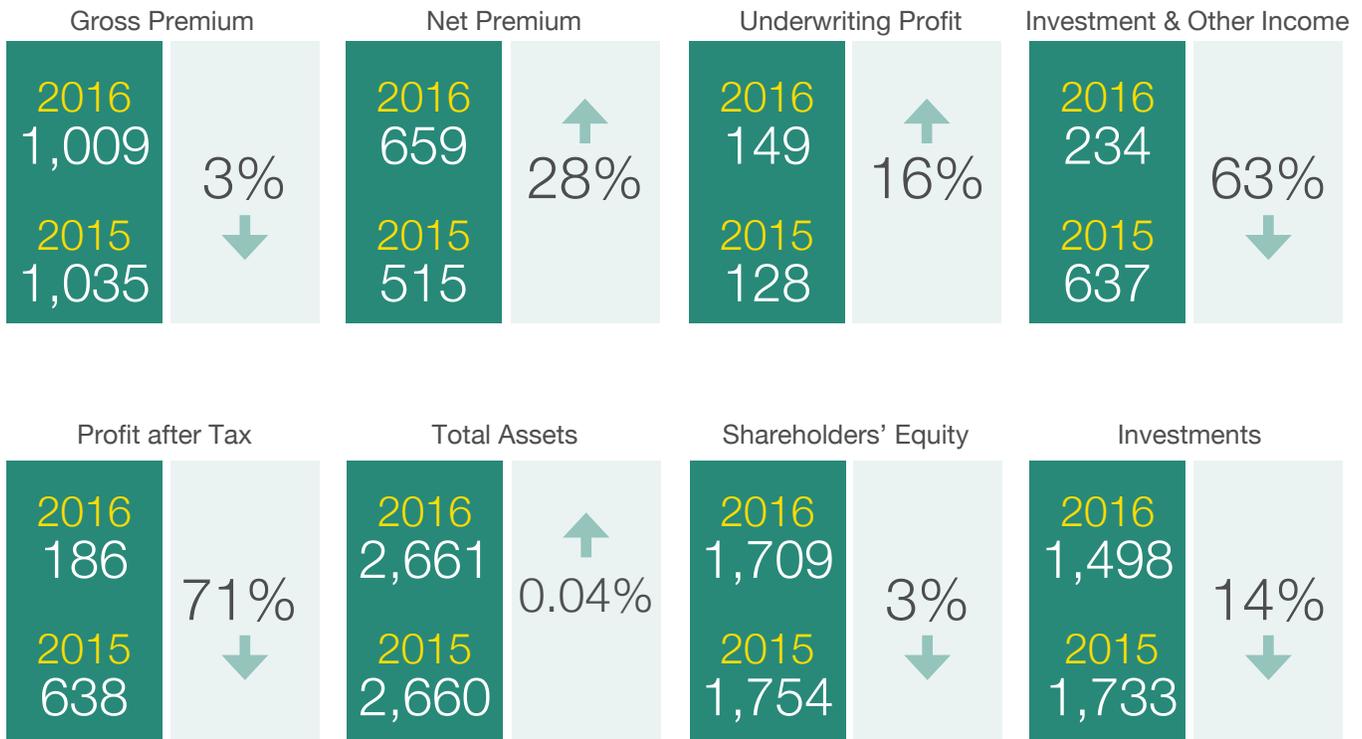
M/s. FAMCO Associates (Private) Limited  
8-F, Next to Hotel Faran, Nursery, Block-6,  
P.E.C.H.S., Shakra-e-Faisal, Karachi.

## Stock Exchange Listing

Shares of Century Insurance Company Limited are listed on Pakistan Stock Exchange Limited. The symbol code for dealing in shares of the Company is **CENI**.

# PERFORMANCE HIGHLIGHTS

(Rupees in million)



# HORIZONTAL ANALYSIS

	2016	2015	2014	2013	2012	2011
<b>BALANCE SHEET</b>						
<b>Assets</b>						
Cash and bank deposits	135.6%	-29.3%	132.9%	16.3%	-7.2%	12.0%
Investments	-13.5%	57.8%	-1.3%	11.5%	16.1%	2.4%
Deferred taxation	-79.7%	130.9%	17.1%	33.5%	19.5%	-28.0%
Premiums due but unpaid	-8.1%	96.4%	13.7%	37.2%	-11.1%	8.3%
Amounts due from other insurers / reinsurers	-0.4%	54.0%	-23.5%	-15.1%	31.7%	-5.0%
Reinsurance recoveries due but unpaid	5.3%	7.6%	77.4%	-27.8%	165.4%	35.1%
Salvage recoveries accrued	80.9%	-48.5%	31.3%	-5.0%	-18.4%	-33.3%
Accrued investment income	100.0%	-100.0%	-88.0%	10.4%	-3.8%	-31.8%
Reinsurance recoveries against outstanding claims	1.5%	-1.0%	-3.8%	-27.4%	-15.9%	166.0%
Taxation - net	-100.0%	287.4%	-78.1%	-7.5%	-36.1%	21.7%
Deferred commission expense	2.7%	26.2%	11.7%	12.6%	15.2%	24.9%
Prepayments	11.0%	15.9%	7.1%	6.1%	5.1%	31.9%
Sundry receivables	32.2%	52.7%	-17.0%	15.1%	-28.7%	79.6%
Fixed assets (tangible & intangible)	28.2%	16.2%	2.7%	7.1%	-9.8%	9.3%
<b>Total assets</b>	<b>0.01%</b>	<b>41.8%</b>	<b>7.9%</b>	<b>7.9%</b>	<b>9.4%</b>	<b>10.7%</b>
<b>Shareholders' equity and liabilities</b>						
Paid-up capital	-	-	-	-	-	-
Retained earnings	-4.8%	160.1%	26.2%	46.0%	57.9%	-7.1%
Reserves	-	-	-	-	-	-
Provision for outstanding claims (including IBNR)	4.8%	27.2%	-10.0%	-5.8%	-8.9%	59.8%
Provision for unearned premium	-13.1%	57.6%	10.9%	22.3%	4.8%	28.8%
Commission income unearned	6.1%	15.1%	15.5%	7.7%	23.1%	22.0%
Staff retirement benefits	32.6%	51.3%	-38.8%	566.3%	100.0%	0.0%
Premiums received in advance	-90.9%	77.4%	125.8%	34.3%	-78.8%	-52.8%
Amounts due to other insurers / reinsurers	30.9%	3.8%	41.9%	-11.7%	54.2%	80.1%
Accrued expenses	29.8%	36.7%	6.5%	4.0%	12.4%	15.4%
Taxation - net	100.0%	-	-	-	-	-
Other creditors and accruals	-7.6%	26.8%	-8.5%	24.3%	25.7%	12.5%
Unclaimed dividend	55.9%	28.7%	29.3%	40.5%	25.7%	65.0%
<b>Total shareholders' equity and liabilities</b>	<b>0.01%</b>	<b>41.8%</b>	<b>7.9%</b>	<b>7.9%</b>	<b>9.4%</b>	<b>10.7%</b>
<b>PROFIT AND LOSS ACCOUNT</b>						
Net premium revenue	28.0%	32.6%	20.8%	19.9%	19.1%	2.8%
Net claims	30.2%	48.5%	26.8%	42.2%	39.2%	-24.5%
Management expenses	27.0%	15.5%	10.0%	8.6%	15.3%	12.6%
Net commission	-12.4%	37.4%	106.7%	2.6%	-34.2%	-5.2%
Investment income	-64.8%	367.1%	2.0%	26.9%	370.0%	-78.9%
Other income - net	3.1%	35.1%	11.9%	-36.0%	-19.8%	37.6%
General and administration expenses	1.8%	20.3%	10.8%	10.7%	16.3%	14.4%
Share of profit / (loss) of associates	594.7%	-129.8%	-67.6%	-7.5%	351.3%	251.4%
(Impairment) / reversal in value of investment in associates	100.0%	-250.2%	-68.7%	-94.7%	2366.8%	-106.7%
Taxation - net	619.8%	-31.9%	370.9%	-74.0%	-22.7%	48.8%
<b>Profit after tax</b>	<b>-70.9%</b>	<b>348.3%</b>	<b>-3.4%</b>	<b>26.7%</b>	<b>219.8%</b>	<b>-66.8%</b>

# VERTICAL ANALYSIS

	2016	2015	2014	2013	2012	2011
<b>BALANCE SHEET</b>						
<b>Assets</b>						
Cash and bank deposits	15.4%	6.5%	13.1%	6.1%	5.6%	6.6%
Investments	56.3%	65.1%	58.5%	64.0%	61.9%	58.4%
Deferred taxation	0.1%	0.4%	0.2%	0.2%	0.2%	0.1%
Premiums due but unpaid	9.2%	10.0%	7.2%	6.9%	5.4%	6.7%
Amounts due from other insurers / reinsurers	3.6%	3.6%	3.3%	4.7%	6.0%	5.0%
Reinsurance recoveries due but unpaid	2.0%	1.9%	2.5%	1.5%	2.2%	0.9%
Salvage recoveries accrued	0.2%	0.1%	0.3%	0.2%	0.2%	0.3%
Accrued investment income	0.02%	0.0%	0.0%	0.1%	0.1%	0.2%
Reinsurance recoveries against outstanding claims	2.3%	2.3%	3.2%	3.6%	5.4%	7.0%
Taxation - net	0.0%	0.5%	0.2%	1.0%	1.1%	2.0%
Deferred commission expense	1.2%	1.1%	1.3%	1.2%	1.2%	1.1%
Prepayments	6.5%	5.9%	7.2%	7.3%	7.4%	7.7%
Sundry receivables	0.6%	0.4%	0.4%	0.5%	0.5%	0.8%
Fixed assets (tangible & intangible)	2.7%	2.1%	2.6%	2.7%	2.7%	3.3%
<b>Total assets</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Shareholders' equity and liabilities</b>						
Paid-up capital	17.2%	17.2%	24.4%	26.3%	28.4%	31.0%
Retained earnings	33.0%	34.7%	18.9%	16.2%	12.0%	8.3%
Reserves	14.0%	14.0%	19.9%	21.5%	23.1%	25.3%
Provision for outstanding claims (including IBNR)	6.2%	5.9%	6.6%	7.9%	9.0%	10.9%
Provision for unearned premium	12.7%	14.6%	13.1%	12.8%	11.3%	11.8%
Commission income unearned	1.6%	1.5%	1.9%	1.8%	1.8%	1.6%
Staff retirement benefits	0.2%	0.1%	0.1%	0.2%	0.0%	0.0%
Premiums received in advance	0.01%	0.1%	0.1%	0.0%	0.0%	0.1%
Amounts due to other insurers / reinsurers	9.8%	7.5%	10.2%	7.8%	9.5%	6.7%
Accrued expenses	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%
Taxation - net	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Other creditors and accruals	3.7%	4.0%	4.4%	5.2%	4.6%	4.0%
Unclaimed dividend	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
<b>Total shareholders' equity and liabilities</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>PROFIT AND LOSS ACCOUNT</b>						
Net premium revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net claims	-59.2%	-58.2%	-52.0%	-49.5%	-41.8%	-35.7%
Management expenses	-21.6%	-21.7%	-25.0%	-27.4%	-30.3%	-31.3%
Net commission	3.3%	4.9%	4.7%	2.7%	3.2%	5.8%
Investment income	33.9%	123.2%	35.0%	41.4%	39.1%	9.9%
Other income - net	1.3%	1.5%	1.5%	1.6%	3.1%	4.6%
General and administration expenses	-17.9%	-22.5%	-24.8%	-27.0%	-29.3%	-30.0%
Share of profit / (loss) of associates	0.4%	-0.1%	0.4%	1.5%	2.0%	0.5%
(Impairment) / reversal in value of investment in associates	0.0%	-1.0%	0.9%	3.5%	2.2%	-0.1%
Taxation - net	-12.0%	-2.1%	-4.1%	-1.1%	-4.9%	-7.6%
<b>Profit after tax</b>	<b>28.2%</b>	<b>123.9%</b>	<b>36.6%</b>	<b>45.8%</b>	<b>43.3%</b>	<b>16.1%</b>

# STATEMENT OF VALUE ADDITION

(Rupees in '000)

	2016	2015
<b>WEALTH GENERATED</b>		
Net premium revenue	781,847	628,840
Commission income - net	21,999	25,101
Investment income	225,818	628,898
Other income	8,252	8,006
	<b>1,037,916</b>	<b>1,290,845</b>
Less: Claims and Expenses (excluding employees remuneration, depreciation and donation)	(480,513)	(373,642)
	<b>557,403</b>	<b>917,203</b>
<b>WEALTH DISTRIBUTED</b>		
<b>To Employees</b>	159,490	144,128
<b>To Government:</b>		
Company taxation	78,795	10,947
Other levies	122,596	113,835
	<b>201,392</b>	<b>124,782</b>
<b>To Society:</b>		
Donation	405	910
	<b>405</b>	<b>910</b>
<b>To Shareholders:</b>		
Dividend *	125,742	228,622
	<b>125,742</b>	<b>228,622</b>
<b>Retained in Business:</b>		
Depreciation and amortisation	10,653	9,071
Net earnings	59,720	409,691
	<b>70,373</b>	<b>418,762</b>
	<b>557,403</b>	<b>917,203</b>

\* Includes cash dividend amounting to Rs. 80.018 million (2015: Rs. 228.622 million) and bonus shares of Rs. 45.724 million (2015: NIL) proposed by the Board of Directors subsequent to the year end.

## Distribution of Wealth



# 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, 2016.

## The Year in Review

2016 has been a good year for Pakistan's economy with GDP growth of 4.7% in FY2016 and GDP expected to grow by 5% during FY2017. The contributing factors on the demand side have been the fiscal stimulus provided by infrastructure spending by the government coupled with low interest rates. The easing of energy supply was another positive for industrial production that along with an improved law and order situation helped boost GDP growth.

The industrial sector recorded growth of 6.8% in FY2016 as compared to 4.8% in FY2015. The areas that did well were the fertilizer sector that grew by 13.8% thanks to uninterrupted supply of natural gas; the cement sector that grew by 10.1% on the back of strong demand and the automobile sector that benefited from low interest rates for auto financing. Edible oil, chemicals, leather and pharmaceuticals all performed well. Textiles, however, again showed insignificant growth. The services sector grew at an impressive rate of 5.7% in FY2016 with the biggest contributions coming from growth in wholesale and retail trade, banking and insurance. The agricultural sector declined by 0.2% in FY2016, mainly due to depressed commodity prices as well as unfavorable

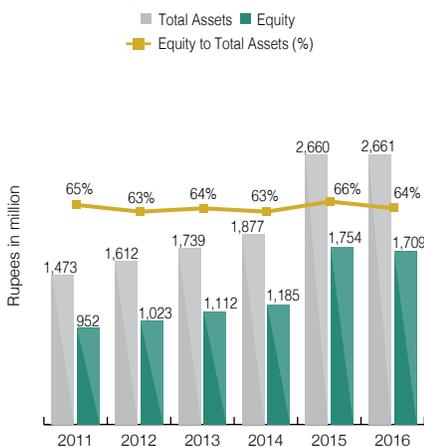
weather conditions that negatively impacted the country's cotton crop.

Inflation fell to its lowest level in 47 years, with headline CPI inflation of just 2.9% in FY2016. In large part, this was due to a fall in global commodity prices including oil prices. The decline in CPI inflation was broad based; witnessed in food, housing, transport and health care.

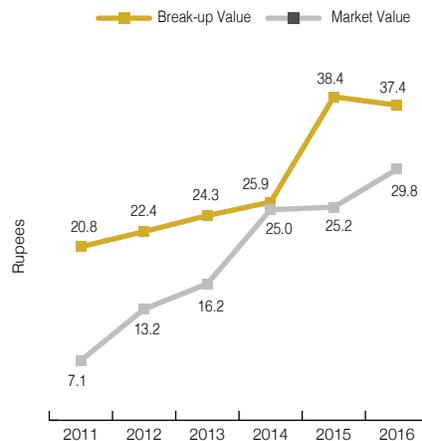
With respect to fiscal policy, the budget deficit for FY2016 declined to 4.6% of GDP, down from 5.3% the year earlier. This was due to strong growth in tax collections, with direct taxes increasing by 17.8% and indirect taxes by 19.8%. Growth in expenditures was restricted to 7.6% in FY2016 despite a 20% increase in expenditure on public sector development. This was due to historically low interest rates which resulted in considerable savings on interest payments. However, Q1 of FY2017 has witnessed an uptick in the fiscal deficit because of a decline in the non-tax revenue of the government.

With respect to monetary policy, the State Bank of Pakistan reduced its policy rate first by 50 bps and then again by 25 bps during FY2016 which resulted in a visible reduction in the retail rates of banks. As a result, the weighted average lending rate on fresh loans fell to 7.8% for the year and private sector credit expanded to PKR 460.6 billion. The increase in private sector credit was broad based and covered most sectors of the economy. In addition, FY2016 also saw a decline in government borrowing from the banking system and this also contributed to the expansion in private sector credit.

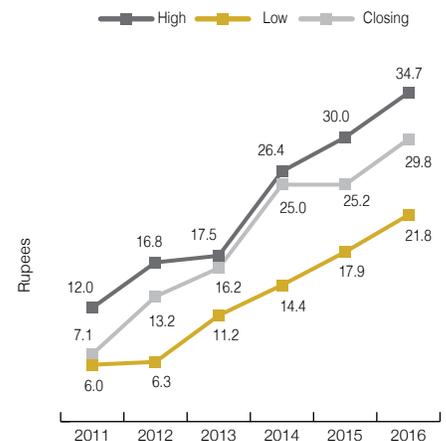
Equity and Total Assets



Break-up and Market Value per Share



Share's Market Trend



The external account position strengthened during FY2016 as the current account deficit was financed by foreign exchange inflows in the form of IMF disbursements, debt flows and foreign direct investment. As a result, the State Bank of Pakistan's reserves reached an all-time high of US\$ 18.1 billion by the end of FY2016. However, exports have continued to decline, falling 8.8% in FY2016 after having fallen 3.9% in FY2015. So far, the country has been relying on remittances to fund the widening trade deficit. But there is increasing pressure on remittances due to falling international oil prices and the resulting fiscal consolidation in the GCC countries. In fact, Q1 of FY2017 saw a decline in remittance for the first time in four years.

The outlook for FY2017 continues to be bright. The agricultural sector seems ready for a rebound with the recovery of cotton prices. The forecasts for industrial and service sector growth too, appear to be promising with low interest rates, low oil prices, improved supply of power, strong domestic demand, good corporate profits and a favorable investment environment. New infrastructure projects and the implementation of the China Pakistan Economic Corridor (CPEC) projects will increase the demand for steel, cement and other construction related products and services. All these factors make us optimistic for another good year for the economy.

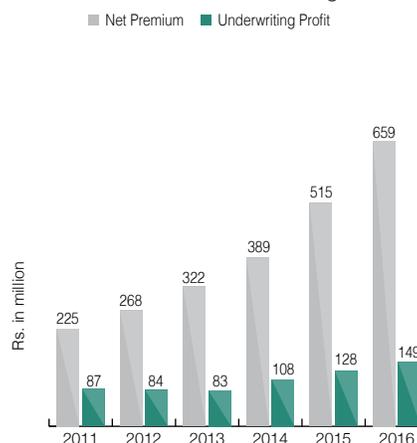
### Performance Highlights

Alhamdulillah, your company stands in the forefront of the domestic insurance industry and is widely recognized for its professionalism and prompt settlement of claims. 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 2016 and 2015 are presented as follows:

Rupees in millions (except as otherwise stated)	2016	2015
Gross Premium Written	1,009	1,035
Net Premium	659	515
Net Claims	(390)	(300)
Underwriting Profit	149	128
Investment and Other Income	234	637
Profit after tax	186	638
Total Assets	2,661	2,660
Paid-up Capital	457	457
Total Equity	1,709	1,754
Earnings per Share – Rs.	4.06	13.96

### Net Premium and Underwriting Profit



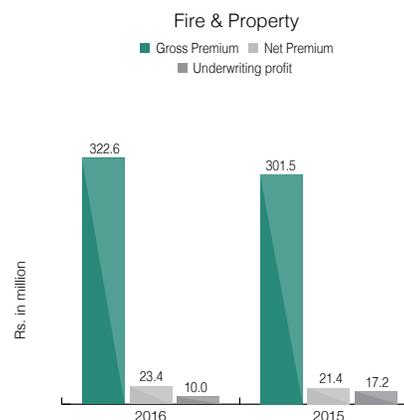
During the year under review, gross premium reduced to Rs. 1,009 million from Rs. 1,035 million in 2015, a decrease of 2.5% mainly due to a voluntary reduction in the health insurance portfolio so as to improve profitability. Net premium grew to Rs. 659 million from Rs. 515 in 2015, an increase of Rs. 144 million or 28% however, net claims have increased by Rs. 90 million. Underwriting profit recorded this year is Rs. 149 million as compared to Rs. 128 million in 2015.

### Segments at a Glance

Performance in each class of business is given below:

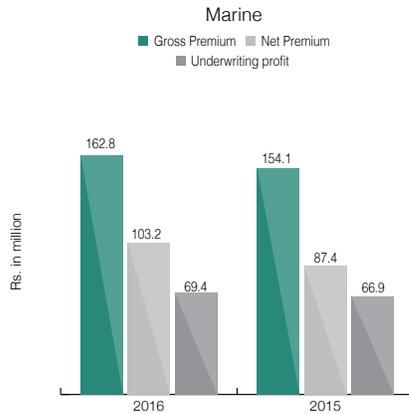
#### Fire & Property

Fire & Property class of business constitutes 32% of the total premium portfolio. Gross premium underwritten during the year was Rs. 322.6 million as compared to Rs. 301.5 million in 2015, an increase of 7%. Net premium stood at Rs. 23.4 million as against Rs. 21.4 million in 2015. The net claim to net premium ratio for the year under review was 16% resulting in an underwriting profit of Rs. 10 million in this line of business as against Rs. 17.2 million in 2015.



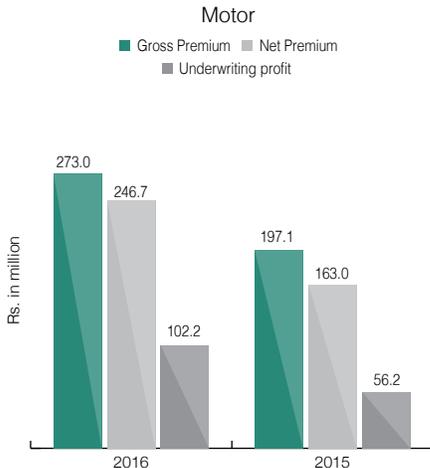
### Marine, Aviation and Transport

Marine, Aviation & Transport class of business accounted for 16% of the total premium portfolio. Gross premium underwritten grew to Rs. 162.8 million from Rs. 154.1 million in 2015, registering an increase of 6%. Net premium stood at Rs. 103.2 million as against Rs. 87.4 million in 2015. The net claim to net premium ratio for the year under review was 13% resulting in an underwriting profit of Rs. 69.4 million as against Rs. 66.9 million in 2015.



### Motor

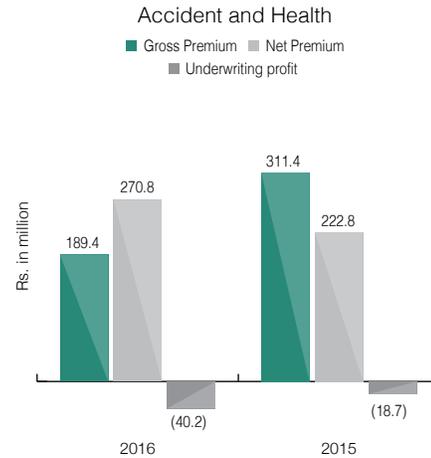
Motor business grew significantly during the year. Gross premium under this class constitutes 27% of the total premium portfolio. The company underwrote gross premium of Rs. 273 million in 2016 as compared to Rs. 197.1 million in 2015, an increase of 39%. Net premium also increased to Rs. 246.7 million from Rs. 163 million in 2015, an increase of 51%. The net claim to net premium ratio for the year under review was only 36%, resulting in an underwriting profit of Rs. 102.2 million in 2016 as against Rs. 56.2 million in 2015.



### Accident and Health

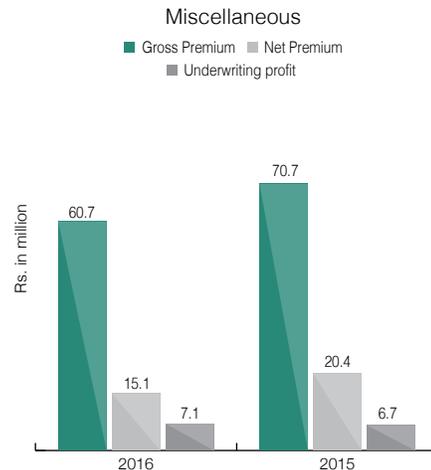
Gross premium under this class constitutes 19% of the total premium portfolio. The company underwrote gross premium of Rs. 189.4 million as compared to Rs. 311.4 million in 2015. Net premium increased to Rs. 270.8 million as against Rs. 222.8 million in 2015. The net claim to net premium ratio for the year under review was 103% resulting in an underwriting loss of Rs. 40.2 million in 2016 after allocation of expenses. This loss ratio will likely improve considerably in 2017 as all unprofitable accounts have been voluntarily removed from the portfolio.

million as against Rs. 225.1 million in 2015, an increase of 20%. The net claim to net premium ratio for the year under review was 103% resulting in an underwriting loss of Rs. 40.2 million in 2016 after allocation of expenses. This loss ratio will likely improve considerably in 2017 as all unprofitable accounts have been voluntarily removed from the portfolio.



### Miscellaneous

Gross premium under Miscellaneous class constitutes 6% of the total premium portfolio. The company underwrote gross premium of Rs. 60.7 million as compared to Rs. 70.7 million in 2015. Net premium stood at Rs. 15.1 million as against Rs. 18.1 million in 2015. The net claim to net premium ratio for the year under review was 42% resulting in an underwriting profit of Rs. 7.1 million in 2016.



### Investment Activities

During the year under review, Investment and Other Income contributed Rs. 234 million to the bottom line of the company as against Rs. 636.9 million in 2015, a decrease of Rs. 402.9 million. This was mainly due to the fact that there was an unusually high realization of gain on sale of shares in 2015. The company has realized a gain in its shares and mutual funds portfolio of Rs. 168.5 million

during the year under review as against Rs. 622.9 million in 2015.

Investment income includes dividend income of Rs. 11.8 million and returns earned on government securities of Rs. 6.3 million. Other income includes interest on bank deposits of Rs. 7.9 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 as it helps build the trust of its valued clients and earns their goodwill.

#### 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 maintained the company's rating at 'A+' with a 'Stable' outlook, signifying a high capacity to meet 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. Factoring in retained earnings and reserves, the total equity as at December 31, 2016 was Rs. 1,709.3 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. 185.9 million which translates into earnings per share of Rs. 4.06 as compared to Rs. 13.96 for the previous year.

#### Appropriation of Profit

Profits for the year ended December 31, 2016 has been appropriated as follows:

	(Rupees)
Balance at commencement of the year	923,622,571
Final cash dividend for the year ended December 31, 2015	(228,621,939)
Balance brought forward from previous years	695,000,632
Profit after tax for the year ended December 31, 2016	185,867,163
Other comprehensive loss	(1,819,368)
Amount available for appropriations	879,048,427
Appropriations:	
Proposed final cash dividend @ 17.5%	(80,017,641)
Reserve for proposed issue of Bonus Shares @ 10%	(45,724,370)
Un-appropriated amount carried forward	753,306,416

#### Future Outlook

Your company plans to focus its energies on increasing premium in order to further bring down expense ratios. The Company has made 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 excelling in the quality of our services. Your dedicated and committed management is sanguine about the future and will strive hard to make 2017 a still better year, Insha'Allah.

## Auditors

The present auditors M/s. EY Ford Rhodes, Chartered Accountants, having audited our accounts for the past five years, will retire at the conclusion of the Annual General Meeting. The audit committee has recommended the appointment of M/s. KPMG Taseer Hadi & Co., Chartered Accountants, as auditors for the year ending December 31, 2017.

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.

## Corporate Social Responsibility

Your Company believes in regulating its own behavior to ensure that it stays at all times within both the letter and spirit of the law and adheres to the highest ethical standards and norms within the insurance industry, at both a national and an international level. Moreover, your company strives to make an actual social contribution whenever possible by supporting and promoting social inclusion of the marginalized and disabled within the local community and by supporting education for the underprivileged as well as teacher education aimed at enhancing the pedagogical skills of local teachers.

Your Company is also active in promoting insurance awareness and understanding in the country by participating in such activities and projects undertaken by the Insurance Association of Pakistan.

## Contribution to National Exchequer

Your Company contributed an amount of Rs. 212.91 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.

Mr. Zulfiqar Ali Lakhani resigned from the Board of Century Insurance on December 06, 2016 and Ms. Anushka Zulfiqar Lakhani was co-opted in his place with effect from February 27, 2017. The Board appreciates the valuable services rendered by Mr. Zulfiqar Ali Lakhani during his tenure on the Board. The Board welcomes Ms. Anushka Zulfiqar Lakhani as a non-executive director of Century Insurance.

## Board of Directors' Meetings

During the year, five 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	3
Mr. Zulfiqar Ali Lakhani	2
Mr. Amin Mohammed Lakhani	3
Ms. Anushka Zulfiqar Lakhani	0
Mr. Tasleemuddin Ahmed Batlay	5
Mr. A. Aziz H. Ebrahim	5
Mr. Mohammad Hussain Hirji - Chief Executive	5
Mr. Sadrudin Ismail Mohamed	5

## Board Committees

During the year, the Board Audit Committee, Underwriting Committee, Claims Settlement Committee and Reinsurance & Co-Insurance Committee held four (04) meetings each. The Human Resource & Remuneration Committee held one (01) meeting and Investment Committee held two (02) meetings 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 at all times.

## 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, International Financial Reporting Standards or any other regulation or law 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 significant doubts upon the Company's ability to continue as a going concern.
- There has been no material 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.
- 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 rest of the Directors of the Company has completed the same. The Board arranged orientation course for its Directors during the year to apprise them of their duties and responsibilities and briefed them regarding amendments in the Corporate Laws.
- The Company is in process of obtaining Window Takaful operator license from SECP.
- The value of investments in respect of retirement benefit funds based on their respective accounts as on December 31, 2016 are as follows:

Provident Fund:	Rs. 38.96 million
Gratuity Fund:	Rs. 22.88 million

### Pattern of Shareholding

A statement showing pattern of shareholding of the Company and additional information as at December 31, 2016 is annexed with the report.

The Board has determined the 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 have been no transactions 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, 2017

Note: To read the Urdu translation of the above Directors' Report please see pages 35 to 42.

• ان کے مملکت کا آئٹس کی بنیاد پر ان کے بائرنسٹ بیٹسٹ فنڈ کے حوالے سے انڈسٹریس کی مالیت پر معلق 31 دسمبر 2016 تاریخ لایا ہے۔

پروڈیٹ فنڈ 38.96 ملین روپے

گرینوئی فنڈ 22.88 ملین روپے

## پٹرین آف ٹیئر ہولڈنگ

31 دسمبر 2016 کے مطابق کھٹی کے ٹیئر ہولڈنگ پٹرین اور اضافی معلومات کی کتاہی کرنے والی ایک آن لائن رپورٹ کے ساتھ منسلک ہے۔

پورڈ نے 2012-CCG کی آئٹن (I) XVI کے تحت کھٹی کے ایسے ایگزیکٹو اور ملازمین کے لیے جو سالانہ ایک ملین روپے یا زائد بنیادی حقوق اور سوال کر رہے ہیں، کھٹی کے ٹیئر کی خرید و فروخت کے حوالے سے حتمی حد کا تعین کر رکھا ہے۔

اس سال کے دوران ڈائریکٹرز، چیف ایگزیکٹو، چیف فنانس افسر، کھٹی بیکری اور ان سب کی شریک حیات اور کم عمر بچوں کی طرف سے کھٹی کے ٹیئر میں کوئی لین دین نہیں کیا گیا۔

## اعتراف

کھٹی کے تمام ڈائریکٹرز کی طرف سے میں ٹیئر ہولڈرز کا شکریہ ادا کرنا چاہوں گا جنہوں نے کھٹی پر اپنے اعتماد اور بھروسے کا سلسلہ برقرار رکھا اور میں کھٹی میں ان کی انویسٹمنٹ کے بہترین استعمال کے لیے اپنی اعلیٰ ترین کوششوں کی یقین دہانی کرتا ہوں۔ میں یہاں اچھا کامیاب اور نئے کے ارکان کی اس نئے دور قاری اور منت پر اچھا راستہ لیں ریکارڈ پر لانا چاہوں گا جس کے ذریعے انہوں نے کھٹی کی ترقی اور اس کے کاروباری سرگرمیوں کی کامیابی میں اہم کردار ادا کیا ہے۔



اقبال علی اکھانی

ٹیئر مین

کراچی، 27 فروری 2017

## بورڈ کی شیئر

اس سال کے دوران بورڈ آف ڈائریکٹرز کیلئے ایک ہیجمنٹ کیلئے اور سی این ڈی اور سی این ڈی کے ساتھ ساتھ (04) اجلاس منعقد ہوئے۔ اس سال کے دوران ڈی جی اینڈ ایگزیکٹو بورڈ نے بورڈ آف ڈائریکٹرز کیلئے ایک ہیجمنٹ کیلئے (01) اجلاس اور انویسٹمنٹ کیلئے (02) اجلاس منعقد ہوئے۔ بورڈ کیلئے کے نمبر ان کے نام اور ان کی کمرز آف ڈائریکٹرز اس رپورٹ کے شیڈیول میں دیے گئے ہیں۔

## شاپنگ علاقے

بورڈ نے ایک شاپنگ علاقے اختیار کیا اور تمام ملازمین کو اس شاپنگ علاقے سے مطلع کر دیا گیا ہے۔ تمام ملازمین کو بتایا گیا ہے کہ ان سے کاروبار اور سہولت کے حوالے سے ان قوانین کی تعمیل مطلوب ہے۔

## کارپوریٹ اور فنانسنگ فریم ورک کی اسٹیٹمنٹ

ڈائریکٹرز، ایگزیکٹو بورڈ اور بورڈ آف ڈائریکٹرز (SECP) کے تقاضوں کے مطابق بورڈ آف کارپوریٹ گورننس کے ضوابط کی تعمیل کرتی ہے۔

کارپوریٹ اور فنانسنگ فریم ورک پر اسٹیٹمنٹ درج ذیل ہے:

- کمپنی کی طرف سے جاری کردہ مالیاتی گوشوارے اس کے معاملات، اس کی کاروباری سرگرمیوں کے نتائج، کمپنی کی کاروباری اور دیگر اہم معلومات کی وضاحت کرتے ہیں۔
- مالیاتی گوشوارے سے ان پر لگے گئے انتظامیہ کے نوٹس انٹرنیشنل آرڈیننس 2000 اور نیوز آرسٹریٹس 1984 سے مطابقت رکھتے ہیں۔ یہ گوشوارے کمپنی کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کمپنی کی کاروباری اور دیگر اہم معلومات کی وضاحت کرتے ہیں۔
- کمپنی نے اپنے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- کمپنی نے مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل ترمیمی کی ہے اور دیگر مالیاتی تخمینے مناسب اور مستعمل طریقے پر ہیں۔
- ان مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کے بین الاقوامی معیاروں اور بین الاقوامی مالیاتی رپورٹنگ کے معیار یا کوئی اور قانون یا ضابطے نہیں ہیں۔ وہ پاکستان میں قابل اطلاق ہیں اور وہی کی گئی ہے۔
- انٹرنیشنل سٹینڈرڈ اکاؤنٹنگ سسٹم ہے۔ اس نظام کا ایک انٹرنیشنل سٹینڈرڈ اکاؤنٹنگ سسٹم ہے اور گرامر کی دیگر طریقوں کے ساتھ مسلسل گرامر کی جاتی ہے۔ انٹرنیشنل سٹینڈرڈ کی گرامر کی جاتی ہے۔ ایک جاری طریقہ کار کی حیثیت سے جاری ہے۔ گرامر کا مقصد سٹینڈرڈ اکاؤنٹنگ سسٹم بنانا اور نظام میں بہتری لانا ہے۔
- کمپنی کا کاروبار والی دوسری کمپنی کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- اسٹاک ریکورڈ میں تصدیق اور کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو جوئی نہیں کی گئی۔
- گزشتہ چھ سال کا اہم کاروباری اور مالیاتی ڈیٹا اسٹاک ہے۔
- ٹیکسوں اور محصولات کے بارے میں معلومات نوٹس اور مالیاتی گوشواروں کا حصہ ہیں۔
- CCG کی حق (5%) میں نے کروڑوں معیار کے مطابق کمپنی کے ڈائریکٹرز کی اکثریت (ڈائریکٹرز کی ایک تہ) پر گرامر کے تقاضوں سے مستثنیٰ ہے اور کمپنی کے باقی ڈائریکٹرز سے عمل کر چکے ہیں۔ بورڈ نے اپنے ڈائریکٹرز کو ان کے قرائن اور مذاہن سے گواہ کرنے کے لیے اس سال کے دوران ایک اور ڈائریکٹرز کو اس کا انتظام کیا اور انھیں کاروباری قوانین میں ترامیم کے حوالے سے مطلع کیا گیا۔
- کمپنی اپنے ڈائریکٹرز کو آئٹس کے حصول کے لیے اقدامات کر رہی ہے۔

## کاروباری سماجی ذمہ داری (Corporate Social Responsibility)

آپ کی کمپنی اپنے طرز عمل کو خود راہ راست پر رکھنے پر یقین رکھتی ہے تاکہ یہ ہمیشہ قانون کی لفظی اور معنوی حدود کے اندر رہے اور انشورنس انڈسٹری، قومی اور بین الاقوامی دونوں کے اندر اعلیٰ ترین اخلاقی معیار اور روایات کی پابندی کرے۔ مزید برآں آپ کی کمپنی جب بھی ممکن ہو غریب اور معذور افراد کی مقامی کمیونٹی میں شمولیت میں معاونت اور حمایت اور تنگ دست بچوں کو تعلیم کی فراہمی اور مقامی اساتذہ کی تدریسی مہارتوں میں اضافے کے لیے اساتذہ کی تعلیم میں مدد کے ذریعے حقیقی سماجی کردار ادا کرنے کی کوشش کرتی ہے۔

آپ کی کمپنی انشورنس ایسوسی ایشن آف پاکستان کی طرف سے کی جانے والی سرگرمیوں اور منصوبوں میں شرکت کے ذریعے ملک میں انشورنس کے حوالے سے بیداری اور افہام و تفہیم بڑھانے کے لیے بھی فعال کردار ادا کر رہی ہے۔

## قومی خزانے میں حصہ

آپ کی کمپنی نے ٹیکس، محصولات اور فیڈرل ایکسائز ڈیوٹی کی مد میں 212.91 ملین روپے کی رقم حکومتی خزانے میں جمع کرائی۔

## کاروباری نظم و ضبط کے ضابطے (Code of Corporate Governance) کی تعمیل

کاروباری نظم و ضبط کے ضابطے کی تعمیل کا گوشوارہ رپورٹ کے ساتھ منسلک ہے۔

## بورڈ آف ڈائریکٹرز

بورڈ آف ڈائریکٹرز ہمیشہ رہنمائی اور حوصلہ افزائی کا سرچشمہ رہا ہے۔ انہوں نے اپنے تجربے اور عملی مشاورت کے ذریعے زبردست کردار ادا کیا ہے۔ میں یہاں ان کی قابل قدر شمولیت اور دانائی پر اپنا اظہارِ ستائش اور اظہارِ تشکر ریکارڈ پر لانا چاہوں گا۔ جناب ذوالفقار علی لاکھانی نے سنجی انشورنس کے بورڈ سے 06 دسمبر 2016 کو استعفیٰ دے دیا تھا۔ ان کی جگہ محترمہ نوشکا ذوالفقار لاکھانی صاحبہ کو 27 فروری 2017 کو نامزد کیا گیا۔ بورڈ اس عرصے کے دوران جناب ذوالفقار علی لاکھانی کی قابل قدر خدمات کو خراج تحسین پیش کرتا ہے اور محترمہ نوشکا ذوالفقار لاکھانی صاحبہ کو بورڈ کی نان ایگزیکٹو ڈائریکٹر کے طور پر خوش آمدید کہتا ہے۔

## بورڈ آف ڈائریکٹرز کے اجلاس

اس سال کے دوران بورڈ کے پانچ اجلاس منعقد ہوئے۔ ہر ڈائریکٹر کی طرف سے اجلاسوں میں شرکت کی تعداد درج ذیل ہے:

ڈائریکٹر کا نام	اجلاسوں میں شرکت کی تعداد
جناب اقبال علی لاکھانی (چیئرمین)	3
جناب ذوالفقار علی لاکھانی (6 دسمبر 2016 تک)	2
جناب امین محمد لاکھانی	3
محترمہ نوشکا ذوالفقار لاکھانی	-
جناب تسلیم الدین احمد باٹلے	5
جناب اے عزیز ایچ ابراہیم	5
جناب محمد حسین ہیرجی (چیف ایگزیکٹو)	5
جناب صدر الدین اسماعیل محمد	5

## منافع کی تخصیص (Appropriation of Profit)

31 دسمبر 2016 کو ختم ہونے والے سال کے لیے منافع کی تخصیص درج ذیل ہے:

(روپے)	
923,622,571	سال کے عادی بیٹیس
(228,621,939)	مئیلا 31 دسمبر 2015 کو ختم ہونے والے سال کے لیے حتمی پیش لاؤ بیٹنڈ
-----	
695,000,632	گزشتہ سالوں سے آئے منقول شدہ رقم
185,867,163	31 دسمبر 2016 کو ختم ہونے والے سال کے لیے ہبہ از ایس منافع
(1,819,368)	مہیا دیگر مجموعی تسارہ
-----	
879,048,427	تخصیص کے لیے دستیاب غیر تخصیص شدہ رقم
	تخصیص شدہ رقم:
(80,017,641)	تجویر شدہ حتمی پیش لاؤ بیٹنڈ کے حساباً 17 لاکھ
(45,724,370)	دستاویزات کے تجویز شدہ نوٹس ضمن بحساب 10 لاکھ
-----	
753,306,416	آئے منقول شدہ غیر تخصیص شدہ رقم
-----	

## مستقبل کا سفر ذمہ

آپ کی کمپنی پر بیمہ میں انسانیت پر اپنی توانائیاں مرکوز رکھنے کا ارادہ رکھتی ہے تاکہ انفرادیات کی شرمیں مزید نیچے لائی جاسکیں۔ کمپنی نے کوآپٹی بیڈنس پر واپس سرزد کی خدمات حاصل کرنے میں نمایاں پیش رفت کی ہے اور اس طرح ہم اپنی کسٹمرز کو بڑھانے کی امید کر سکتے ہیں۔ ہم پختہ یقین رکھتے ہیں کہ تیز رفتار ترقی صرف اسی صورت میں حاصل کی جاسکتی ہے کہ ہم اپنے کسٹمرز کی خواہشات کو بہتر طور پر سمجھنے کی مسلسل کوشش کریں اور اپنی خدمات کا اعلیٰ ترین معیار یقیناً بنانے کے ذریعے مسابقتی فائدہ حاصل کریں۔ آپ کی فرض ناس اور بڑھ کر مہم الکلامیہ مستقبل کے ہارسے میں بڑھ جوش ہے اور 2017 کو مزید بہتر بنانے کے لیے سخت محنت کرنے کی ہانڈا ہانڈا!

## آئیٹرز

مہیا آئیٹرز (M/s. EY Ford Rhodes) چارٹرڈ اکاؤنٹنٹس، گزشتہ پانچ سال سے ہمارے اکاؤنٹس آڈٹ کر کے سالانہ اجلاس عام کے اختتام پر ہانڈا ہو جائیں گے۔ آڈٹ کمپنی نے 31 دسمبر 2017 کو ختم ہونے والے سال کے لیے M/s. KPMG Taseer Hadi & Co. چارٹرڈ اکاؤنٹنٹس کی ایلو آرڈر تقرری کی سفارش کی ہے۔

آڈٹ فرم نے تصدیق کی ہے کہ اسے انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) کے کوآپٹی کنٹرول ریویو پر گرام کے تحت اطمینان بخش ریٹنگ سے ٹوٹا ہوا چکا ہے اور فرم انٹرنیشنل فیڈریشن آف اکاؤنٹنٹس (IFAC) کی طرف سے مشاہدہ علاقہ کی وجوہات پر ہمیں ICAP کی طرف سے اختیار کیا گیا ہے، پوری طرح تعمیل کرتی ہے۔



## شعبوں پر ایک نظر

کاروبار کے ہر شعبے کی کارکردگی اور شرح ذمہ ہے۔

## لاٹری اینڈ پرائمری

بزنس کی لاٹری اینڈ پرائمری کا مجموعی پورٹ فولیو کے 32 فیصد پر مشتمل ہے۔ اظہارِ رائے کیا گیا مجموعی پریمیم 2015ء کے 301.5 ملین روپے کے مقابلے میں بلاحدہ 322.8 ملین روپے ہو گیا اس طرح 7 فیصد اضافہ ہوا۔ تاہم خالص پریمیم 2015ء کے 21.4 ملین روپے کے مقابلے میں 23.4 ملین روپے پر بلاحدہ پرائمری سال کے لیے خالص پریمیم پر خالص پریمیم کی شرح 16 فیصد تھی جس کے نتیجے میں 2015ء میں 17.2 ملین روپے کے مقابلے میں 2016ء میں 10 ملین روپے کا درآمدی منگ مبالغہ ہوا۔

## میرین ایجی انشورنس اینڈ ٹرانسپورٹ

میرین ایجی انشورنس اینڈ ٹرانسپورٹ کا مجموعی پورٹ فولیو کے 16 فیصد پر مشتمل ہے۔ اظہارِ رائے کیا گیا مجموعی پریمیم 2015ء کے 154.1 ملین روپے کے مقابلے میں بلاحدہ 162.8 ملین روپے ہو گیا اس طرح 6 فیصد اضافہ ہوا۔ خالص پریمیم 2015ء کے 87.4 ملین روپے کے مقابلے میں 103.2 ملین روپے پر بلاحدہ پرائمری سال کے لیے خالص پریمیم پر خالص پریمیم کی شرح 13 فیصد تھی جس کے نتیجے میں 2015ء میں 66.9 ملین روپے کے مقابلے میں 2016ء میں 69.4 ملین روپے کا درآمدی منگ مبالغہ ہوا۔

## موٹر

اس سال کے دوران موٹر بزنس میں نمایاں اضافہ ہوا۔ اس کا مجموعی پورٹ فولیو کے 27 فیصد پر مشتمل ہے۔ اس سال کے دوران کئی نئے 27 ملین روپے کا مجموعی پریمیم اظہارِ رائے کیا ہے جبکہ 2015ء میں 197.1 ملین روپے کا مجموعی پریمیم اظہارِ رائے کیا تھا۔ خالص پریمیم بھی 2015ء میں 163 ملین روپے کے مقابلے میں 246.7 ملین روپے حاصل ہوا اس طرح 51 فیصد اضافہ ہوا۔ پرائمری سال کے لیے خالص پریمیم پر خالص پریمیم کی شرح 36 فیصد تھی جس کے نتیجے میں 2015ء میں 56.2 ملین روپے کے مقابلے میں 2016ء میں 102.2 ملین روپے کا درآمدی منگ مبالغہ ہوا۔

## آکسیڈینٹ اینڈ ہیلتھ

اس کا مجموعی پورٹ فولیو کے 19 فیصد پر مشتمل ہے۔ کئی نئے 2015ء میں 311.4 ملین روپے کے مقابلے میں 189 ملین روپے کا مجموعی پریمیم اظہارِ رائے کیا۔ خالص پریمیم 2015ء میں 225.1 ملین روپے کے مقابلے میں بلاحدہ 270.8 ملین روپے پر بلاحدہ پرائمری سال کے لیے خالص پریمیم پر خالص پریمیم کی شرح 103 فیصد تھی جس کے نتیجے میں 2016ء میں اہل اہل حالت میں کیے جانے کے بعد 40.2 ملین روپے کا درآمدی منگ مبالغہ ہوا۔ تاہم خالص پریمیم پر خالص پریمیم کی شرح 103 فیصد تھی جس کے نتیجے میں 2017ء میں 40.2 ملین روپے کا درآمدی منگ مبالغہ ہوا۔

## حقوق

حقوق کا مجموعی پورٹ فولیو کے 8 فیصد پر مشتمل ہے۔ اس سال کے دوران کئی نئے 2015ء میں 70.7 ملین روپے کے مقابلے میں 60.7 ملین روپے کا مجموعی پریمیم اظہارِ رائے کیا ہے۔ خالص پریمیم 2015ء میں 18.1 ملین روپے کے مقابلے میں 15.1 ملین روپے حاصل ہوا۔ پرائمری سال کے لیے خالص پریمیم پر خالص پریمیم کی شرح 42 فیصد تھی جس کے نتیجے میں 2016ء میں 7.1 ملین روپے کا درآمدی منگ مبالغہ ہوا۔

## الوہ صنعت کی سرگرمیاں

الوہ صنعت اور دیگر ترقی نے پرائمری سال کے دوران کئی نئے حوالے میں 2015ء میں 636.8 ملین روپے کے مقابلے میں 234 ملین روپے حاصل کیا، یعنی 402.9 ملین روپے کی۔ اس کی وجہ سے 2015ء کے شیئرز پرائمری کی غیر معمولی وصولی ہے۔ کئی نئے پرائمری سال کے دوران اپنے شیئرز اور دیگر حوالے کی فروخت سے 2015ء میں 622.9 ملین روپے کے مقابلے میں 168.5 ملین روپے حاصل کیا ہے۔

مالی سال 2017 کا اختتام بدستور ریجنری کی طرف گامزن ہے۔ کپاس کی قیمتوں میں سہولتی سے زرعی شعبے میں وہ بارہ ریجنری کی امید و کھائی دے رہی ہے۔ کم شرح سود، پیش کی کم قیمتوں، بجلی کی فراہمی میں بہتری، اندرون ملک مٹھم طلب، اچھے کارپوریٹ منافع اور سرمایہ کاری کے لیے سازگار، سول کی وجہ سے انڈسٹریل اور سروس سیکٹرز کی ترقی کے لیے امید افزا صورت حال کی قیام گوئی کی یاد دہی ہے۔ انڈسٹریل سیکٹر کے نئے پروڈیکٹس اور پاک سٹین آئٹمز ای ماہداری (CPEC) کے پروڈیکٹس پر عمل درآمد سے لوہے، سیسٹہ، اور دیگر قیمتی معدنیات اور سروسز کی طلب میں اضافہ ہوگا۔ ان تمام عوامل کی بدولت ہم معاشی لحاظ سے ایک اور اچھے سال کے لیے پر امید ہیں۔

## کارکردگی کی جھلکیاں

الحمد للہ! آپ کی کھائی ملک کی انڈسٹریل سٹریٹجی میں مثبت اڈوں میں، جو ہے اور بحیثیت ملک کی اہم پیدائشیں، انڈسٹریل سٹریٹجی میں سٹاپ کیا۔ ناپے پر ہیٹنگ کے حوالے سے پہلے بنائے پشیم کی باقی ہے۔ مسلسل ترقی کے ہیٹنگز سے مدد ورا ہونے اور اپنے، کرسٹ سٹیز اور منافع کمانے کی اہلیت میں اضافے کے لیے کھئی، آئی سٹیز نوٹس میں مزید اضافے اور اسے 13.96 سے کم کر رہی ہے۔

2015 اور 2016 کے سالوں کی باہم مسابقتی ماہریتی جھلکیاں درج ذیل ہیں:

2015	2016	ملین روپے (دسمبر سے سب سے کم اور شرح بیان کیا ہوا)
1,035	1,009	تعمیر شدہ مجموعی پریمیم
515	659	خالص پریمیم
(300)	(390)	خالص بھنگو
128	149	انڈر رائٹنگ منافع
637	234	سرمایہ کاری اور دیگر ذرائع آمدنی
638	186	بھدرا بگس منافع
2,680	2,861	مجموعی اثاثے
457	457	ادا شدہ سرمایہ
1,754	1,709	مجموعی لیکویٹی
13.96	4.06	نیٹ شیئر آمدنی (روپے)

زرعی بائزر سال کے دوران مجموعی پریمیم 2015 کے 1,035 ملین روپے سے کم ہو کر 1,009 ملین روپے ہو گیا۔ 2.5 فیصد کی یکجہتی طور پر منافع کمانے کی اہلیت بھرنے کے لیے ایٹھ انڈسٹریل پورٹ فولیو میں کمی کا نتیجہ ہے۔ خالص پریمیم 2015 میں 515 ملین روپے سے 144 ملین 28 فیصد اضافے کے ساتھ بھدرا 659 ملین روپے ہو گیا۔ ہم خالص بھنگو بھدرا 90 ملین روپے ہو گئے ہیں۔ انڈر رائٹنگ منافع 2015 میں 128 ملین روپے کے مقابلے میں اس سال 149 ملین روپے ریکارڈ کیا گیا۔

## ڈائریکٹرز رپورٹ

مزید شیئر ہولڈرز ملاحظہ

31 دسمبر 2016 کو ختم ہونے والے سال کے لیے آپ کی کمپنی کی سالانہ رپورٹ مع آڈٹ شدہ مالیاتی کوشا سے پیش کرنا سیکھ کر خوشامد (کمپنی) کے ڈائریکٹرز کے لیے باعث مسرت ہے۔

### ذریعہ جائزہ سال

GDP میں 4.7 فیصد اضافے کے ساتھ مالی سال 2016، پاکستان کی معیشت کے لیے بہت اچھا ہوا اور مالی سال 2017 میں GDP میں 5 فیصد اضافے کی توقع ہے۔ حکومت کی طرف سے انفراسٹرکچر اخراجات میں اضافہ اور کم شرح سود مالی اضافے میں گلیے کی گاہل کا اہم محرک ہے۔ بجلی کی فراہمی میں آسانی ملنے کے لیے ایک اور مثبت وجہ رہی، ساتھ ہی امن و امان کی بہتر صورتحال سے GDP میں بہتری دیکھنے میں آئی۔

انڈسٹریل پیکٹور میں مالی سال 2015 کے 4.8 فیصد کے مقابلے میں مالی سال 2016 میں 6.8 فیصد اضافہ پایا گیا۔ جن شعبوں میں زیادہ بہتر کارکردگی کا مظاہرہ کیا گیا ان میں ٹریڈنگ، ٹیکسٹائل، 13.8 فیصد اضافہ دیکھا گیا، جس کے لیے قدرتی گیس کی بارگاہت فراہمی قابل توجہ ہے۔ طلب میں بڑھتے ہوئے مسلسل اضافے کی وجہ سے سینٹیکل میں 10.1 فیصد اضافہ دیکھا گیا اور آٹوموٹو پائل پیکٹور کو آٹو ٹرانگ کی کم شرح سود کی وجہ سے خاصا فائدہ ہوا۔ خوردنی تیل، ٹیکسٹائل اور فارماسیوٹیکل پیکٹور کی کارکردگی بہتر رہی۔ جبکہ ٹیکسٹائل کے شعبے میں ایک بار پھر معمولی اضافہ ہوا۔ سروس پیکٹور میں مالی سال 2016 میں 5.7 فیصد کی قدرتی شرح سے اضافہ دیکھنے میں آیا جس کے بڑے حصہ داران میں ہول سیل اور ریشیل ٹریڈ، اینڈنگ اور انشورنس شامل ہیں۔ زرعی شعبے میں مالی سال 2016 میں 0.2 فیصد کی توقع ہوئی جس کی بنیادی وجہ است کمزوری پر اس پر ہونے والے اضافے کو سمجھنا ہے۔ مہینہ بہ مہینہ صورت حال ہے جس نے ملک میں کپاس کی فصل پر منفی اثرات مرتب کیے۔

گذشتہ 47 سال کے دوران انفراسٹرکچر کی شرح اپنی کم ترین سطح پر آئی جس میں ایشیائے صرف کے اندر کم سے کم مالی سال 2016 میں 2.9 فیصد گرائی دیکھنے میں آئی۔ اس بڑے پیمانے پر کمی کی وجہ گلوبل کپاسٹری پر اس اور اسٹیل پر اس میں کمی ہے۔ ایشیائے صرف کے اندر کم سے کم گرائی واقع ایشیاء اور جس میں فولڈ، ہاؤسنگ، ٹرانسپورٹ اور صحت کے شعبوں میں نمایاں کمی دیکھنے میں آئی۔

ایرانی پالیسی کے مطابق مالی سال 2016 کا بجٹ خسارہ گذشتہ سال کے 5.3 فیصد سے کم ہو کر GDP کا 4.6 فیصد ہو گیا۔ جس کی وجہ گیس وصولی میں مستحکم اضافہ ہے، جس میں انڈیکسٹریٹ گیس وصولی 17.8 فیصد اور انڈیکسٹریٹ گیس وصولی 19.8 فیصد رہی۔ مالی سال 2016 میں اخراجات میں اضافے کو 7.6 فیصد تک محدود رکھا گیا اس کے باوجود پبلک سیکٹور اخراجات کی مدد میں اخراجات میں 20 فیصد اضافہ دیکھا گیا۔ جس کی وجہ تاریخی کم شرح سودی اور تھیمے میں سود کی امانتوں کی مدد میں معتدل بچت دیکھنے میں آئی۔ مالی سال 2017 کی پہلی سہ ماہی میں مالی خسارہ میں معمولی اضافہ نظر آیا ہے جس کی وجہ حکومت کے ہن گیس ریویژن میں کمی ہے۔

اسٹیٹ بینک آف پاکستان نے ریٹرنری پالیسی کے تحت مالی سال 2016 میں اپنے پالیسی ریٹ پہلے 50 bps اور ایک بار پھر 25 bps تک کم کیے جس کے نتیجے میں بینک کے ریٹیل ریٹس میں واضح کمی نظر آئی۔ اس سال سے ہن کے لیے مڈیا ریٹنگ ایجنسی کی شرح 7.8 فیصد تک کم ہوئی اور پرائیویٹ سیکٹور کی ریٹنگ 460.6 بلین پاکستانی روپے تک تھما ڈر گیا۔ پرائیویٹ سیکٹور کی ریٹس میں یا اضافہ 3 سے پانچ سے ہوا اس نے معیشت کے بیشتر شعبوں کا اسٹارو کیا۔ مزید برآں مالی سال 2016 میں حکومت کی جانب سے چیکنگ سٹم سے قرض لینے کے رجحان میں کمی دیکھی گئی اور اس نے پرائیویٹ سیکٹور کی ریٹس کے پھیلاؤ میں اہم کردار ادا کیا۔

گلوبل اکاؤنٹ کا خسارہ کم کرنے کے لیے IMF کی امانتوں کی قطع میں ترسیلات زر کی اندرون ملک آمد، اینڈنگ گولڈ اور بیرون ملک سے برآمدات سرکاری کمانڈ کی وجہ سے بیرونی اکاؤنٹس کی مثبتیت مالی سال 2016 کے دوران مستحکم رہی۔ جس کے نتیجے میں اسٹیٹ بینک آف پاکستان میں زرمبادلہ کے ذخائر مالی سال 2016 کے اختتام پر 18.1 بلین امریکی ڈالرز تک کی جارہی تھی۔ پانچ ترین سطح تک پہنچ گئے، تاہم برآمدات میں کمی کا تسلسل جاری رہا جو کہ مالی سال 2015 میں 3.9 فیصد بچے آنے کے بعد مالی سال 2016 میں 8.8 فیصد تک گر گیا۔ ساتھ ہی ملک میں جانے سے ہونے والی خسارے کو کم کرنے کے لیے ترسیلات زر پر اٹھارہ فیصد قرار ہے۔ لیکن بین الاقوامی سطح پر تیل کی گرتی ہوئی قیمتوں اور بی بی ممالک میں مالی استحکام کے نتیجے میں ترسیلات زر پر 19.6 ہونے لگا ہے۔ مالی سال 2017 کی پہلی سہ ماہی میں ترسیلات زر میں گذشتہ چار سال کے دوران پہلی بار کمی دیکھی گئی ہے۔

# BOARD COMMITTEES

## Audit Committee:

### Terms of reference:

1. Determination of appropriate measure 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. Areas of major concerns;
  - 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; and
  - f. Compliance with statutory and regulatory requirements.
4. Facilitating the external audit and discussion with external auditors of 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 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 insurer's statement on internal control systems prior to endorsement by the Board of Directors.

11. Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider communicating 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.

The Committee comprises of three members, including the Chairman of the committee, two of them are non-executive directors and one is an independent director. During the year 2016 four meetings of this committee were held and the attendance of meeting is as follows:

Name of Members	Meetings Attended
Mr. Sadrudin Ismail Mohamed - Chairman	4
Mr. Zulfiqar Ali Lakhani (up to December 6, 2016)	4
Mr. Amin Mohammad Lakhani	3
Mr. Tasleemuddin Ahmed Batlay	4

## Investment Committee

### Terms of reference:

To fulfill its responsibilities and duties, the investment committee shall:

1. Review the investment policies and strategies of the Company to ensure they are consistent with the goals and objectives of the Company.
2. Determine that investment constraints are consistently followed and that procedures are in place to ensure that the investment portfolio is managed in compliance with the investment policy.
3. Review the performance of the investment portfolios of the Company and make periodic reports to the Board.

4. Review and approve the annual investment plan and budget.
5. Annually review and reassess the overall investment policy and recommend any proposed changes to the Board for approval.

The Committee comprises of four members, including the Chairman of the committee. Two members including the Chairman are non-executive directors. During the year 2016 two meetings of this committee were held and the attendance of meeting is as follows:

Name of Members	Meetings Attended
Mr. A. Aziz H. Ebrahim – Chairman	2
Mr. Iqbal Ali Lakhani	1
Mr. Mohammad Hussain Hirji	2
Mr. Sabza Ali Pirani	2

## Ethics, Human Resource & 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 the Chief Executive Officer.
3. Recommending to the Board the selection and evaluation of Chief Financial Officer, Company Secretary, Compliance Officer and Head of Internal Audit.
4. Consideration and approval on recommendations of the Chief Executive Officer related to key management positions.
5. Proposing a remuneration framework that takes into account performance evaluations, market considerations and compensation structure.
6. This framework will be reviewed and approved on an annual basis prior to the convening of the annual general meeting for the immediate preceding year.

7. Reviewing and making recommendations to the Board of Directors regarding the specific remuneration of the Board members, the Chief Executive Officer, Chief Financial Officer, Company Secretary, Compliance Officer and Head of Internal Audit.
8. Any additional responsibility may be assigned to the Committee by the Board.

The Committee comprises of three members, including the Chairman of the committee. Two members including the Chairman are non-executive directors. During the year 2016 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

# MANAGEMENT COMMITTEES

## Underwriting, Reinsurance & Co-insurance Committee

1. To review the rates and profitability of the various business sectors for each class of underwriting.
2. To review the reinsurance structure and arrangements for each class of business to ensure that the company's net exposure is within agreed limits for individual risks and also on a cumulative basis in the event of a catastrophic occurrence.
3. To review and approve underwriting proposals for high risk and complex covers.
4. To review policy terms and rating for new insurance products.

The Committee comprises of four members, including the Chairman of this committee who is an executive director.

### Name of Members

Mr. Mohammad Hussain Hirji – Chairman  
Mr. Afzal-ur-Rahman  
Ms. Madiha Khalid  
Mr. Rehman Saeed

## Claim Settlement Committee

1. To review and approve claim settling policy of the company.
2. To review and approve the adequacy of claim reserves.
3. To assist in resolution of disputed claims of material amount and recommend settlement strategy.
4. To oversee the implementation of the measures for combating fraudulent claims.

The Committee comprises of three members, including the Chairman of this committee who is an executive director.

### Name of Members

Mr. Mohammad Hussain Hirji – Chairman  
Mr. Mir Mehmood Ali  
Mr. Sabza Ali Pirani

## Risk Management & Compliance Committee

1. The Committee shall review and identify all possible risks faced by the Company under various categories such as; operational, financial, IT systems, physical or catastrophic, etc and make appropriate recommendations for the mitigation of these risks to the Board.
2. To identify the risks faced by the company in respect of compliance with the laws applicable to it and to setup adequate controls to mitigate the identified risks.
3. To supervise and monitor matters reported using insurer's whistle-blowing or other confidential mechanisms for employees and other to report compliance concerns, potential breaches, violations or fraud.

The Committee comprises of five members, including the Chairman of this committee who is an executive director.

### Name of Members

Mr. Mohammad Hussain Hirji – Chairman  
Mr. Afzal-ur-Rahman  
Mr. Sabza Ali Pirani  
Mr. Asif Mehmood  
Mr. Abdul Rasheed

# PATTERN OF SHAREHOLDING

As at December 31, 2016

Incorporation No. K-192/8927 1985-86

CUIN Registration No. 0013587

No. of Shareholders	From	Shareholding	To	Total Shares Held
464	1		100	6,563
219	101		500	78,374
162	501		1,000	135,748
298	1,001		5,000	782,294
100	5,001		10,000	761,561
39	10,001		15,000	499,828
17	15,001		20,000	319,847
17	20,001		25,000	389,827
10	25,001		30,000	283,026
5	30,001		35,000	158,442
3	35,001		40,000	115,500
5	40,001		45,000	217,946
6	45,001		50,000	290,462
2	50,001		55,000	105,336
3	65,001		70,000	196,800
2	70,001		75,000	146,027
2	75,001		80,000	158,653
2	80,001		85,000	165,238
2	85,001		90,000	174,000
1	95,001		100,000	99,377
1	120,001		125,000	122,500
1	140,001		145,000	140,000
2	150,001		155,000	304,531
1	155,001		160,000	159,300
1	180,001		185,000	180,540
1	250,001		255,000	250,000
1	275,001		280,000	276,000
1	335,001		340,000	339,597
1	355,001		360,000	355,000
1	385,001		390,000	386,812
1	610,001		615,000	610,892
1	1,145,001		1,150,000	1,147,500
1	1,305,001		1,310,000	1,305,500
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>1,377</b>		<b>Total</b>		<b>45,724,366</b>

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive, their spouse and minor children	37,555	0.08
Associated Companies, undertakings and related parties	35,067,703	76.69
NIT and ICP	Nil	-
Banks, Development Financial Institutions, Non Banking Financial Institutions	1,147,500	2.51
Insurance Companies	Nil	-
Modaraba & Mutual Funds	424,312	0.93
Shareholders holding 10% or more	30,522,160	66.75
General Public	6,792,916	14.86
Others	2,254,380	4.93

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, 2016

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. Mr. Zulfiqar Ali Lakhani	900	
7. Mrs. Shaista Sultan Ali Lakhani	360	
8. Mrs. Fatima Lakhani	180	
9. Mr. Babar Ali Lakhani	1,560	
10. Mr. Bilal Ali Lakhani	329	
11. Mr. Danish Ali Lakhani	1,321	
12. Ms. Anushka Zulfiqar Lakhani	566	
13. Ms. Anika Amin Lakhani	602	
<b>ii) MUTUAL FUNDS</b>		
1. Golden Arrow Selected Stocks Fund Limited	386,812	
2. CDC-Trustee APF-Equity Sub Fund	37,500	
<b>iii) DIRECTORS, CHIEF EXECUTIVE, THEIR SPOUSE AND MINOR CHILDREN</b>		
1. Mr. Iqbal Ali Lakhani	Chairman/Director	1,670
2. Mr. Amin Mohammed Lakhani	Director	1,605
3. Mr. Tasleemuddin Ahmed Batlay	Director	29,632
4. Mr. A. Aziz H. Ebrahim	Director	3,014
5. Mr. Mohammad Hussain Hirji	Director/Chief Executive	500
6. Mr. Sadrudin Ismail Mohamed	Director	500
7. Mrs. Ronak Iqbal Lakhani		
W/o. Mr. Iqbal Ali Lakhani		360
8. Mrs. Saira Amin Lakhani		
W/o. Mr. Amin Mohammed Lakhani		274
<b>iv) EXECUTIVE</b>		10,500
<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>		1,147,500
<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>		9,036,796
		<b>45,724,366</b>

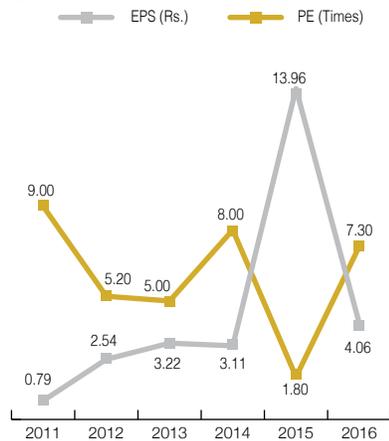
# KEY OPERATING AND FINANCIAL DATA

(Rupees in million)

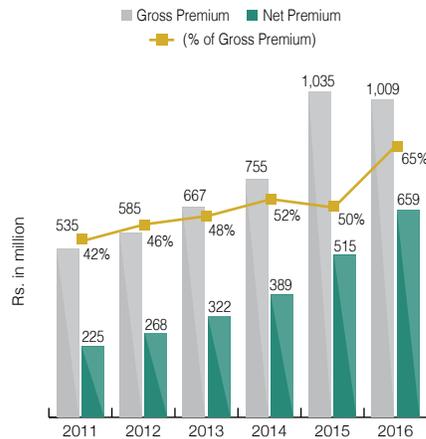
	2016	2015	2014	2013	2012	2011	
<b>FINANCIAL DATA</b>							
Paid-up Capital	457.2	457.2	457.2	457.2	457.2	457.2	
Reserves & Retained Earnings	1,252.1	1,296.6	728.1	654.4	565.7	495.0	
Equity	1,709.3	1,753.8	1,185.3	1,111.6	1,022.9	952.3	
Underwriting Provisions	545.0	585.9	405.2	389.9	355.7	356.2	
Investments	1,498.4	1,732.9	1,098.2	1,112.7	998.1	859.9	
Fixed Assets (Tangible & Intangible)	72.1	56.2	48.4	47.1	44.0	48.7	
Cash & Bank Deposits	408.6	173.5	245.2	105.3	90.5	97.5	
Total Assets	2,660.7	2,660.4	1,876.7	1,738.9	1,612.1	1,473.2	
<b>OPERATING DATA</b>							
Gross Premium	1,008.6	1,034.8	755.3	667.1	585.1	534.8	
Net Premium	659.3	515.0	388.5	321.7	268.2	225.2	
Net Claims	390.5	299.8	201.9	159.3	112.0	80.5	
Underwriting Profit	148.6	128.3	107.8	83.0	83.6	87.3	
Investment & Other Income	234.1	636.9	146.9	154.7	124.3	33.5	
Profit Before Tax (PBT)	264.7	649.3	158.5	150.8	129.4	53.4	
Taxation - Net	78.8	10.9	16.1	3.4	13.2	17.0	
Profit After Tax (PAT)	185.9	638.3	142.4	147.3	116.2	36.3	
<b>CASH FLOW SUMMARY</b>							
Operating Activities	19.6	10.1	46.4	45.1	50.8	57.4	
Investing Activities	442.8	(13.8)	161.7	26.4	(12.3)	(1.5)	
Financing Activities	(227.3)	(68.1)	(68.2)	(56.8)	(45.5)	(45.4)	
Cash & Cash Equivalents at the year end	407.8	172.8	244.5	104.6	89.8	96.8	
<b>FINANCIAL RATIOS</b>							
<b>Profitability</b>							
Profit Before Tax / Net Premium	(%)	40.1	126.1	40.8	46.9	48.2	23.7
Profit After Tax / Net Premium	(%)	28.2	123.9	36.7	45.8	43.3	16.1
Underwriting Results / Net Premium	(%)	22.5	24.9	27.7	25.8	31.2	38.8
Total Expenses / Gross Premium	(%)	25.8	22.0	25.6	26.2	27.3	25.8
Total Expenses / Net Premium	(%)	39.5	44.2	49.8	54.4	59.5	61.2
Net Claims / Net Premium	(%)	59.2	58.2	52.0	49.5	41.8	35.7
Combined Ratio	(%)	95.4	97.6	97.0	101.2	98.1	91.2
<b>Return to Shareholders</b>							
Return on Equity	(%)	10.9	36.4	12.0	13.3	11.4	3.8
Return on Assets	(%)	7.0	24.0	7.6	8.5	7.2	2.5
Return on Investment	(%)	14.5	45.0	13.3	14.7	13.4	4.0
Earnings per Share	(Rs.)	4.06	13.96	3.11	3.22	2.54	0.79
Dividend	(%)	17.5	50.0	15.0	15.0	12.5	10.0
Dividend Yield	(%)	5.9	19.8	6.0	9.3	9.5	14.1
Dividend Payout	(%)	43.1	35.8	48.2	46.6	49.2	126.6
Bonus Share	(%)	10.0	-	-	-	-	-
Price Earning Ratio	(Times)	7.3	1.8	8.0	5.0	5.2	9.0
Market Price per Share	(Rs.)	29.78	25.2	25.0	16.2	13.2	7.1
<b>Liquidity / Leverage</b>							
Break-up Value per Share	(Rs.)	37.4	38.4	25.9	24.3	22.4	20.8
Current Ratio	(Times)	4.2	5.1	4.0	4.2	3.7	4.0
Total Assets Turnover Ratio	(Times)	0.4	0.4	0.4	0.4	0.4	0.4
Total Liabilities / Equity	(Times)	0.6	0.5	0.6	0.6	0.6	0.5
Paid-up Capital / Total Assets	(%)	17.2	17.2	24.4	26.3	28.4	31.0
Equity / Total Assets	(%)	64.2	65.9	63.2	63.9	63.5	64.6

# GRAPHICAL PRESENTATION

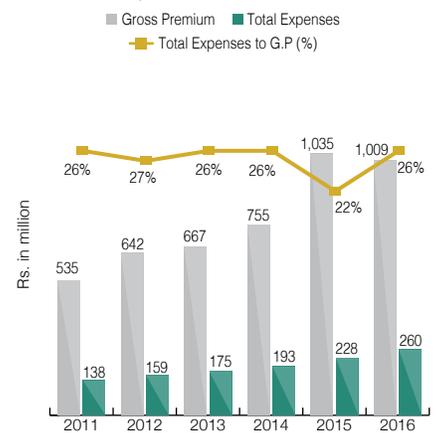
Earnings per Share (EPS) and Price Earning (PE) Ratio



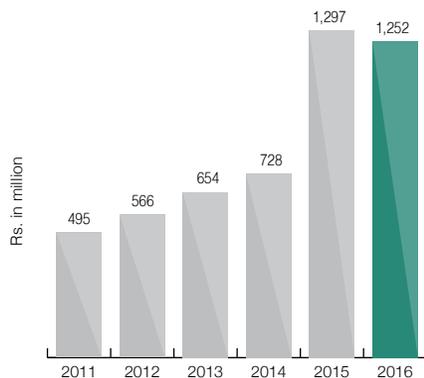
Gross Premium and Net Premium



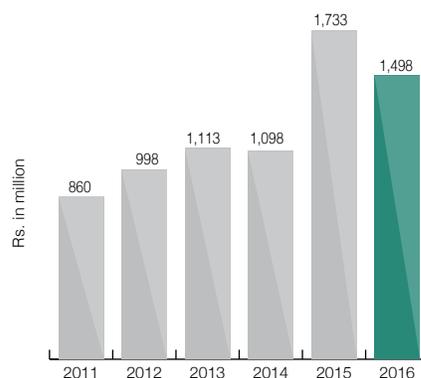
Total Expenses to Gross Premium



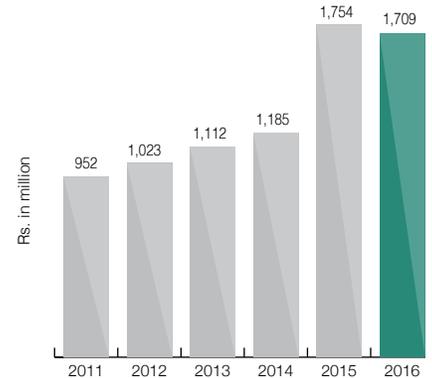
Reserves



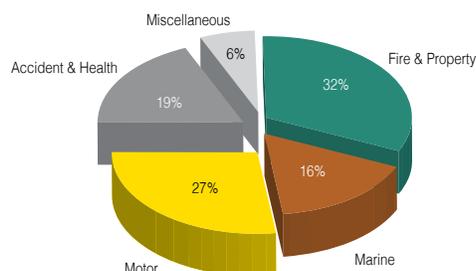
Investments



Equity



Gross Premium (Class wise)



# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

**Name:** Century Insurance Company Limited  
**Year Ended:** December 31, 2016

This statement is being presented in compliance with the Code of Corporate Governance for Insurers, 2016 for the purpose of establishing a framework of good governance, whereby a Company managed in compliance with the best practices of corporate governance.

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

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

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

The independent director meets the criteria of independence as laid down under the Code of Corporate Governance for Insurers, 2016.

\* Ms. Anushka Zulfiqar Lakani was co-opted in place of Mr. Zulfiqar Ali Lakani with effect from February 27, 2017.

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 a stock exchange.

4. A casual vacancy occurred on the board on December 06, 2016 which was filled up by the directors within the stipulated time and the Company has applied to Securities and Exchange Commission of Pakistan (SECP) for its approval in order for the new director to assume the charge.
5. The Company has prepared a Code of Conduct, which has been disseminated among all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All 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) and key officers have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in 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. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company has adopted and complied with all the necessary aspect of internal controls given in the Code.
10. While almost all the directors are professionals and senior executives who possess wide experience of duties of directors, the Company apprises its directors of new laws and regulations and amendments in the existing ones. Our three directors are "Certified Directors" under director training program from SECP approved institute while three directors meet the criteria of eligibility as director of 15 years of experience on the Board of Listed Company and 14 years of Education as required under Code of Corporate Governance. The remaining director will be trained within a stipulated time.

11. There was no new appointment of Chief Financial Officer (CFO) and Company Secretary and Head of Internal Audit during the year. The Board has however, approved the remuneration of CFO and Company Secretary and the Head of Internal Audit on the recommendation of E, HR & R Committee as determined by 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

12. The Directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance for Insurers, 2016 and fully describes the salient matters required to be disclosed.

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

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

15. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance for Insurers, 2016.

16. The Board has formed the following Management Committees:

a) Underwriting, Reinsurance & Co-insurance Committee

Name of Members	Category
Mr. Mohammad Hussain Hirji	Chairman - Executive Director
Mr. Afzal-ur-Rahman	Member
Ms. Madiha Khalid	Member
Mr. Rehman Saeed	Member

b) Claim Settlement Committee

Name of Members	Category
Mr. Mohammad Hussain Hirji	Chairman - Executive Director
Mr. Mir Mehmood Ali	Member
Mr. Sabza Ali Pirani	Member

c) Risk Management & Compliance Committee

Name of Members	Category
Mr. Mohammad Hussain Hirji	Chairman - Executive Director
Mr. Afzal-ur-Rahman	Member
Mr. Sabza Ali Pirani	Member
Mr. Asif Mehmood	Member
Mr. Abdul Rasheed	Member

17. The Board has formed the following Board Committees:

a) Ethics, Human Resource & Remuneration Committee

Name of Members	Category
Mr. Amin Mohammed Lakhani	Chairman - Non Executive Director
Mr. Tasleemuddin Ahmed Batlay	Member - Non Executive Director
Mr. Mohammad Hussain Hirji	Member - Executive Director

b) Investment Committee

Name of Members	Category
Mr. A. Aziz H. Ebrahim	Chairman - Non Executive Director
Mr. Iqbal Ali Lakhani	Member - Non Executive Director
Mr. Mohammad Hussain Hirji	Member - Executive Director
Mr. Sabza Ali Pirani	Member

18. The Board has formed an Audit Committee. It comprises of three members, of whom one is independent Director and two are non-executive Directors. The Chairman of the Committee is an independent Director. The Composition of the Audit Committee is as follows:

Name of Members	Category
Mr. Sadrudin Ismail Mohamed	Chairman - Independent Director
Mr. Amin Mohammed Lakhani	Member - Non Executive Director
Mr. Tasleemuddin Ahmed Batlay	Member - Non Executive Director

19. The meetings of the Committees, except Ethics, Human Resource and Remuneration Committee, were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code of Corporate Governance for Insurers, 2016. The term of references of the Committees have been formed and advised to the Committees for compliance. No meeting of Risk Management & Compliance Committee was conducted as it was formed on February 27, 2017.

20. 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 and they are involved in the internal audit function on a regular basis.

21. The Chief Executive Officer, Chief Financial Officer, and the Head of Internal Audit possess such qualification and experience as is required under this Code. Moreover, the persons heading the underwriting, claims, reinsurance, risk management and grievance functions possess qualification and experience of direct relevance to their functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000):

Name of Persons	Designation
Mr. Mohammad Hussain Hirji	Chief Executive Officer
Mr. Afzal-ur-Rahman	Head of Operations
Mr. Sabza Ali Pirani	Chief Financial Officer
Mr. Mansoor Ahmed	Company Secretary
Mr. Muhammad Rao Shahid Mobeen	Head of Internal Audit
Mr. Ghulam Mustafa Khan	Head of Marine Underwriting
Mr. Rehman Saeed	Head of Fire Underwriting
Mr. Abid Raza Isphani	Head of Accident and Health Underwriting
Mr. M. Ghayyur Baig Chughtai	Head of Motor Underwriting
Mr. Mir Mehmood Ali	Head of Claims
Ms. Madiha Khalid	Head of Reinsurance

22. The statutory auditors of the insurer have been appointed from the panel of auditor approved by the Commission in term of section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). 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.

23. 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.

24. The Board ensures that the investment policy of the Company has been drawn up in accordance with the provision of the Code of Corporate Governance for Insurers, 2016.

25. The Company has risk management function. The task of new Risk Management and Compliance function as covered under new Code of Corporate Governance for Insurers, 2016 approved on February 27, 2017.

26. The Board ensures that as part of the risk management, the Company gets itself rated from JCR-VIS Credit Rating Company Limited which is being used by its risk management function and the respective Committee as a risk monitoring tool. The rating assigned by the said rating agency on August 23, 2016 is A+ with stable outlook.

27. The Board has set up a grievance department/function, which fully complies with the requirement of the Code of Corporate Governance for Insurers, 2016.

28. 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.

29. Material and price sensitive information has been disseminated among all market participants at once through stock exchange.

30. The Company has complied with the requirement relating to maintenance of register of persons having access to inside information by designated Senior Management Official in a timely manner and maintained proper record including basis of inclusion or exclusion of names of persons from the said list.

31. The Company has not obtained any exemption(s) from the Securities and Exchange Commission of Pakistan (SECP) in respect of the requirements of Code of Corporate Governance for Insurers, 2016.

32. We confirm that all other material principles enshrined in the Code of Corporate Governance for Insurers, 2016 have been complied.



Iqbal Ali Lakhani  
Chairman

Karachi: February 27, 2017



EY Ford Rhodes  
Chartered Accountants  
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Pakistan

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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 (the Statement) 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 2016 to comply with the requirements of Listing Regulations of the Stock Exchange, 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 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 part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of requirement to the extent of approval of 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 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 2016.

Chartered Accountants

Date: 27 February 2017

Karachi



EY Ford Rhodes  
Chartered Accountants  
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P.O. Box 15541, Karachi 75530  
Pakistan

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ey.com/pk

## 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 2016 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 2016 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.

*EY Farid Rhoden*

Chartered Accountants

Audit Engagement Partner: Shaikh Ahmad Salman

Date: 27 February 2017  
Karachi

# Balance Sheet

As at December 31, 2016

	2016	2015
Note	(Rupees)	
<b>Share capital and reserves</b>		
Authorised share capital [70,000,000 (December 31, 2015: 50,000,000) Ordinary shares of Rs.10 each]	700,000,000	500,000,000
Paid-up share capital	457,243,660	457,243,660
Retained earnings	879,048,427	923,622,571
Reserves	373,024,260	373,024,260
	1,709,316,347	1,753,890,491
<b>Underwriting provisions</b>		
Provision for outstanding claims (including IBNR)	164,787,530	157,298,790
Provision for unearned premium	337,036,982	388,001,402
Commission income unearned	43,125,928	40,664,654
Total underwriting provisions	544,950,440	585,964,846
<b>Creditors and accruals</b>		
Premiums received in advance	202,327	2,229,476
Amounts due to other insurers / reinsurers	260,739,918	199,147,518
Accrued expenses	9,350,972	7,202,891
Taxation - net	29,724,205	-
Other creditors and accruals	102,839,797	109,640,261
	402,857,219	318,220,146
<b>Other liabilities</b>		
Unclaimed dividend	3,559,189	2,282,987
<b>TOTAL LIABILITIES</b>	<b>951,366,848</b>	<b>906,467,979</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,660,683,195</b>	<b>2,660,358,470</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	10	

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

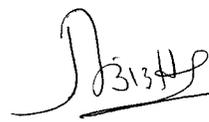
		2016	2015
	Note	----- (Rupees) -----	
<b>Cash and bank deposits</b>	11		
Cash and other equivalents		999,878	1,013,229
Current and other accounts		107,620,939	172,438,187
Deposits maturing within 12 months		300,000,000	-
		<b>408,620,817</b>	173,451,416
<b>Investments</b>	12	1,498,426,580	1,732,983,684
<b>Deferred taxation</b>	13	1,928,077	9,520,206
<b>Current assets - others</b>			
Premiums due but unpaid	14	245,046,777	266,758,993
Amounts due from other insurers / reinsurers	15	95,986,394	96,375,488
Reinsurance recoveries due but unpaid		52,297,380	49,657,347
Salvage recoveries accrued		4,378,000	2,420,000
Dividend receivable	16	617,330	-
Reinsurance recoveries against outstanding claims	17	61,181,748	60,249,843
Taxation - net		-	14,378,136
Deferred commission expense		30,829,820	30,015,561
Prepayments	18	173,959,315	156,734,791
Sundry receivables	19	15,355,504	11,615,106
		<b>679,652,268</b>	688,205,265
<b>Fixed assets</b>	20		
<b>Tangible and intangible</b>			
Office improvement		5,297,616	5,373,775
Furniture and fixtures		6,661,830	5,636,673
Office equipment		4,697,433	4,692,080
Computer and related accessories		896,573	917,780
Motor vehicles		47,538,032	31,759,228
Capital work-in-progress		5,920,272	6,160,500
Computer software		1,043,697	1,657,863
		<b>72,055,453</b>	56,197,899
<b>TOTAL ASSETS</b>		<b>2,660,683,195</b>	<b>2,660,358,470</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, 2016

		Fire and property damage	Marine, aviation and transport	Motor	Accident and health	Miscellaneous	2016 Aggregate	2015 Aggregate	
	Note	----- (Rupees) -----							
<b>Revenue account</b>									
Net premium revenue	21	23,443,334	103,220,765	246,707,418	270,788,662	15,090,394	659,250,573	515,004,996	
Net claims		(3,862,401)	(13,737,232)	(88,360,308)	(278,091,042)	(6,399,397)	(390,450,380)	(299,836,085)	
Management expenses	22	(45,488,472)	(22,957,428)	(38,490,384)	(26,709,323)	(8,557,454)	(142,203,061)	(112,008,675)	
Net commission		35,902,496	2,907,023	(17,620,739)	(6,167,899)	6,978,353	21,999,234	25,101,232	
<b>Underwriting result</b>		<b>9,994,957</b>	<b>69,433,128</b>	<b>102,235,987</b>	<b>(40,179,602)</b>	<b>7,111,896</b>	<b>148,596,366</b>	<b>128,261,468</b>	
Net investment income							223,483,200	634,704,287	
Other income - net	24						8,251,759	8,005,744	
General and administration expenses	25						(118,003,154)	(115,905,817)	
Share of profit / (loss) of associates - net of tax	12.1.2						2,334,451	(471,876)	
Impairment in value of investment in associates - net							-	(5,334,047)	
<b>Profit before tax</b>							<b>264,662,622</b>	<b>649,259,759</b>	
Taxation - net	26						(78,795,459)	(10,947,006)	
<b>Profit after tax</b>							<b>185,867,163</b>	<b>638,312,753</b>	
<b>Profit and loss appropriation account:</b>									
<b>Balance at commencement of the year</b>									
							923,622,571	355,042,959	
Profit after tax for the year							185,867,163	638,312,753	
Other comprehensive income									
- Share in associates' reserves - net of tax							89,546	(163,863)	
- Remeasurement of post retirement benefits obligation							(1,908,914)	(982,495)	
Final cash dividend of Rs.5 (50%) for the year ended December 31, 2015 [December 31, 2015: Rs.1.5 (15%) for the year 2014]							(228,621,939)	(68,586,783)	
<b>Balance of unappropriated profit at end of the year</b>							<b>879,048,427</b>	<b>923,622,571</b>	
<b>Earnings per share of Rs.10 each - basic and diluted</b>	27						<b>4.06</b>	<b>13.96</b>	

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 Comprehensive Income

For the year ended December 31, 2016

	2016	2015
	----- (Rupees) -----	
Net profit for the year	185,867,163	638,312,753
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	89,546	(163,863)
- Remeasurement of post retirement benefits obligation	(1,908,914)	(982,495)
<b>Total comprehensive income for the year</b>	<b>184,047,795</b>	<b>637,166,395</b>

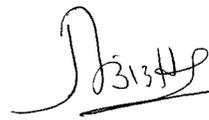
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Iqbal Ali Lakhani  
Chairman



Tasleemuddin Ahmed Batlay  
Director



A. Aziz H. Ebrahim  
Director



Mohammad Hussain Hirji  
Director & Chief Executive

# Statement of Changes in Equity

For the year ended December 31, 2016

	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, 2015	457,243,660	254,024,260	119,000,000	355,042,959	728,067,219	1,185,310,879

## Changes in equity for the year ended December 31, 2015

Profit for the year	-	-	-	638,312,753	638,312,753	638,312,753
Other comprehensive income						
- gratuity	-	-	-	(982,495)	(982,495)	(982,495)
- share in associates' reserve	-	-	-	(163,863)	(163,863)	(163,863)
Total comprehensive income for the year	-	-	-	637,166,395	637,166,395	637,166,395
Final cash dividend of Rs.1.5 (15%) for the year ended December 31, 2014	-	-	-	(68,586,783)	(68,586,783)	(68,586,783)
<b>Balance as at December 31, 2015</b>	<b>457,243,660</b>	<b>254,024,260</b>	<b>119,000,000</b>	<b>923,622,571</b>	<b>1,296,646,831</b>	<b>1,753,890,491</b>

## Changes in equity for the year ended December 31, 2016

Profit for the year	-	-	-	185,867,163	185,867,163	185,867,163
Other comprehensive income						
- gratuity	-	-	-	(1,908,914)	(1,908,914)	(1,908,914)
- share in associates' reserve	-	-	-	89,546	89,546	89,546
Total comprehensive income for the year	-	-	-	184,047,795	184,047,795	184,047,795
Final cash dividend of Rs.5 (50%) for the year ended December 31, 2015	-	-	-	(228,621,939)	(228,621,939)	(228,621,939)
<b>Balance as at December 31, 2016</b>	<b>457,243,660</b>	<b>254,024,260</b>	<b>119,000,000</b>	<b>879,048,427</b>	<b>1,252,072,687</b>	<b>1,709,316,347</b>

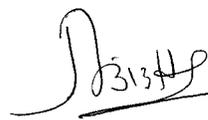
The annexed notes from 1 to 36 form an integral part of these financial statements.



Iqbal Ali Lakhani  
Chairman



Tasleemuddin Ahmed Batlay  
Director



A. Aziz H. Ebrahim  
Director



Mohammad Hussain Hirji  
Director & Chief Executive

# Statement of Cash Flows

For the year ended December 31, 2016

	2016	2015
	----- (Rupees) -----	
<b>Operating cash flows</b>		
<b>(a) Underwriting activities</b>		
Premiums received	1,009,099,482	907,403,608
Reinsurance premiums paid	(344,164,842)	(358,654,846)
Claims paid	(471,767,331)	(448,804,966)
Reinsurance and other recoveries received	84,965,299	134,610,401
Commissions paid	(95,862,512)	(74,326,840)
Commissions received	107,765,898	92,715,025
Net cash inflow from underwriting activities	290,035,994	252,942,382
<b>(b) Other operating activities</b>		
Income tax paid	(27,096,626)	(30,859,338)
General management expenses paid	(243,731,403)	(217,928,066)
Other operating receipts	432,595	5,992,520
Net cash outflow from other operating activities	(270,395,434)	(242,794,884)
<b>Total cash inflow from all operating activities</b>	19,640,560	10,147,498
<b>Investment activities</b>		
Profit / return received	13,844,923	13,167,183
Dividends received	15,548,372	14,717,491
Purchase of investments	(3,439,630,869)	(2,576,928,520)
Proceeds from disposal of investments	3,879,277,790	2,551,494,271
Fixed capital expenditure	(30,608,953)	(19,457,599)
Proceeds from disposal of fixed assets	4,343,315	3,183,778
<b>Total cash inflow / (outflow) from investing activities</b>	442,774,578	(13,823,396)
<b>Financing activities</b>		
Dividends paid	(227,345,737)	(68,077,602)
<b>Net cash inflow / (outflow) from all activities</b>	235,069,401	(71,753,500)
Cash at beginning of the year	172,751,416	244,504,916
Cash at end of the year	407,820,817	172,751,416

# Statement of Cash Flows

For the year ended December 31, 2016

	2016	2015
	----- (Rupees) -----	
<b>Reconciliation to profit and loss account</b>		
Operating cash flows	19,640,560	10,147,498
Depreciation / amortisation expense	(10,653,175)	(9,071,131)
Gain on disposal of fixed assets	245,091	615,876
Profit on disposal of investments	168,497,697	622,917,592
Dividend income	11,811,172	13,810,333
Investment and other income	56,789,935	1,028,494
(Decrease) / increase in assets other than cash	(16,841,450)	213,658,145
Increase in liabilities other than running finance	(43,622,667)	(214,794,054)
Profit after taxation	<u>185,867,163</u>	<u>638,312,753</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:

### Cash and other equivalents

Cash	160,995	188,027
Policy stamps and bond papers in hand	838,883	825,202
	<u>999,878</u>	<u>1,013,229</u>

### Current and other accounts

Current accounts *	8,678,895	23,638,940
PLS savings accounts	98,142,044	148,099,247
	<u>106,820,939</u>	<u>171,738,187</u>

### Deposits maturing within 12 months

Term deposits	300,000,000	-
---------------	-------------	---

### Cash and bank deposits as per balance sheet

	<u>407,820,817</u>	<u>172,751,416</u>
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\* This does not include local currency account with a lien amounting to Rs.0.8 million (December 31, 2015: Rs.0.7 million), with a commercial bank for letters of credit arranged through the bank for securing claims arising outside Pakistan.

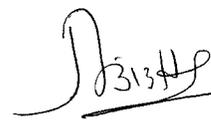
The annexed notes from 1 to 36 form an integral part of these financial statements.



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, 2016

Business underwritten inside Pakistan

Class	Premiums written (note 21)	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium		Reinsurance expenses	2016 Net premium revenue	2015 Net premium revenue
		Opening	Closing			Opening	Closing			
----- (Rupees) -----										
<b>Direct and facultative</b>										
1. Fire and property damage	322,635,630	126,098,308	139,919,287	308,814,651	298,831,767	121,947,321	135,407,771	285,371,317	23,443,334	21,441,123
2. Marine, aviation and transport	162,829,923	13,750,109	16,216,428	160,363,604	58,550,436	5,177,121	6,584,718	57,142,839	103,220,765	87,357,113
3. Motor	273,000,364	81,537,451	99,853,420	254,684,395	7,805,769	3,570,170	3,398,962	7,976,977	246,707,418	163,011,271
4. Accident and health	189,440,949	141,164,946	59,357,776	271,248,119	350,081	318,524	209,148	459,457	270,788,662	225,112,767
5. Miscellaneous	60,695,366	25,450,588	21,690,071	64,455,883	46,383,291	22,921,074	19,938,876	49,365,489	15,090,394	18,082,722
<b>Total</b>	<b>1,008,602,232</b>	<b>388,001,402</b>	<b>337,036,982</b>	<b>1,059,566,652</b>	<b>411,921,344</b>	<b>153,934,210</b>	<b>165,539,475</b>	<b>400,316,079</b>	<b>659,250,573</b>	<b>515,004,996</b>

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 Claims

For the year ended December 31, 2016

## 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	2016 Net claims expense	2015 Net claims expense
		Opening	Closing			Opening	Closing			
----- (Rupees) -----										
<b>Direct and facultative</b>										
1. Fire and property damage	50,808,902	26,849,493	28,071,691	52,031,100	47,474,598	23,205,855	23,899,956	48,168,699	3,862,401	9,127,193
2. Marine, aviation and transport	20,679,753	10,383,008	13,234,339	23,531,084	9,997,229	5,186,350	4,982,973	9,793,852	13,737,232	7,441,681
3. Motor	95,488,694	28,023,913	39,123,549	106,588,330	18,358,503	502,193	371,712	18,228,022	88,360,308	71,855,706
4. Accident and health	284,039,713	47,587,825	41,639,154	278,091,042	-	-	-	-	278,091,042	204,422,771
5. Miscellaneous	20,750,269	44,454,551	42,718,797	19,014,515	12,043,456	31,355,445	31,927,107	12,615,118	6,399,397	6,988,734
<b>Total</b>	<b>471,767,331</b>	<b>157,298,790</b>	<b>164,787,530</b>	<b>479,256,071</b>	<b>87,873,786</b>	<b>60,249,843</b>	<b>61,181,748</b>	<b>88,805,691</b>	<b>390,450,380</b>	<b>299,836,085</b>

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 Expenses

For the year ended December 31, 2016

## 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)	2016 Net underwriting expense	2015 Net underwriting expense
		Opening	Closing						
----- (Rupees) -----									
<b>Direct and facultative</b>									
1. Fire and property damage	43,843,675	17,120,401	18,278,532	42,685,544	45,488,472	88,174,016	78,588,040	9,585,976	(4,841,232)
2. Marine, aviation and transport	23,930,810	2,035,876	2,440,646	23,526,040	22,957,428	46,483,468	26,433,063	20,050,405	12,997,539
3. Motor	19,116,440	5,966,715	7,228,906	17,854,249	38,490,384	56,344,633	233,510	56,111,123	34,975,718
4. Accident and health	4,769,056	2,842,882	1,338,393	6,273,545	26,709,323	32,982,868	105,646	32,877,222	39,471,966
5. Miscellaneous	5,735,184	2,049,687	1,543,343	6,241,528	8,557,454	14,798,982	13,219,881	1,579,101	4,303,452
<b>Total</b>	<b>97,395,165</b>	<b>30,015,561</b>	<b>30,829,820</b>	<b>96,580,906</b>	<b>142,203,061</b>	<b>238,783,967</b>	<b>118,580,140</b>	<b>120,203,827</b>	<b>86,907,443</b>

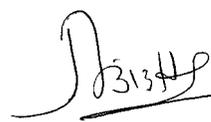
The annexed notes from 1 to 36 form an integral part of these financial statements.



Iqbal Ali Lakhani  
Chairman



Tasleemuddin Ahmed Batlay  
Director



A. Aziz H. Ebrahim  
Director



Mohammad Hussain Hirji  
Director & Chief Executive

# Statement of Investment Income

For the year ended December 31, 2016

	2016	2015
	----- (Rupees) -----	
<b>Income from trading investments</b>		
Gain on sale of trading investments	22,575,484	4,654,127
Dividend income	7,333,017	6,199,134
Unrealised gain / (loss) on remeasurement of securities to fair value - net	40,115,594	(7,568,231)
	<u>70,024,095</u>	<u>3,285,030</u>
<b>Income from non-trading investments</b>		
<b>Held-to-maturity</b>		
Return on government securities	6,319,503	7,063,545
<b>Available-for-sale</b>		
Dividend income	4,478,155	7,611,199
	10,797,658	14,674,744
Gain on sale of non-trading investments	145,922,213	618,263,465
Reversal for impairment in investment classified as held-to-maturity	13,720	6,250
Investment related expenses	(3,274,486)	(1,525,202)
<b>Net investments income</b>	<u>223,483,200</u>	<u>634,704,287</u>

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

# Notes to the Financial Statements

For the year ended December 31, 2016

## 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 Pakistan Stock Exchange Limited 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 an 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.

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:

# Notes to the Financial Statements

For the year ended December 31, 2016

- (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 2 Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	January 01, 2018
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IAS 7 Financial Instruments: Disclosures -Disclosure Initiative - (Amendment)	January 01, 2017
IAS 12 Income Taxes – Recognition of Deferred Tax Assets for unrealised losses (Amendments)	January 01, 2017
IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	January 01, 2018
IAS 40 Investment Property: Transfers of Investment Property (Amendments)	January 01, 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 01, 2018

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.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016. Such improvements are generally effective for accounting periods beginning on or after January 01, 2017. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

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.

# Notes to the Financial Statements

For the year ended December 31, 2016

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, 2018
IFRS 16 – Leases	January 01, 2019

## 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 accounting standard and the amendments and interpretation of IFRS which became effective for the current year:

IFRS 10	Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)
IFRS 11	Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)
IAS 1	Presentation of Financial Statements - Disclosure Initiative (Amendment)
IAS 16	Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortisation (Amendment)
IAS 16	Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)
IAS 27	Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)

### Improvements to Accounting Standards Issued by the IASB in September 2014

IFRS 5	Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal
IFRS 7	Financial Instruments: Disclosures - Servicing contracts
IFRS 7	Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements
IAS 19	Employee Benefits - Discount rate: regional market issue
IAS 34	Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements.

# Notes to the Financial Statements

For the year ended December 31, 2016

## 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.

### 4.2.1 Premiums

Premiums under a policy are recognised 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 recognised 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 recognised 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 recognises 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 derecognised 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 recognises it as impairment loss.

# Notes to the Financial Statements

For the year ended December 31, 2016

## 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 recognises 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 provision for claims incurred but not reported (IBNR) is made at the balance sheet date. In accordance with SECP circular no. 9 of 2016, the Company has changed its method of estimation of IBNR. The Company now takes actuarial advice for the determination of IBNR claims. IBNR claim have been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level. Upto previous year the provision for IBNR was accounted for on the basis whereby all claims incurred before the year end but reported subsequently were aggregated and the ratio of such claims to outstanding claims was applied to outstanding claims at the reporting date (except exceptional losses) to arrive at liability for IBNR. The analysis was carried out separately for each class of business.

Had the method for estimating IBNR claims, not been changed, the provision for claims net of reinsurance recoveries against outstanding claims would have been lower by Rs.2.383 million and the profit for the year would have been higher by Rs.1.645 million.

## 4.2.4 Reinsurance recoveries against outstanding claims

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

## 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 recognised 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 recognised 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:

# Notes to the Financial Statements

For the year ended December 31, 2016

Fire and property damage	26.46%
Marine, aviation and transport	14.33%
Motor	41.86%
Accident and Health	95.28%
Miscellaneous	52.70%

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 recognised 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.

## 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.

# Notes to the Financial Statements

For the year ended December 31, 2016

## 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, 2016 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 recognised 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-for-trading  
Held-to-maturity  
Available-for-sale

### 4.8.2 Measurement

#### 4.8.2.1 Investment at fair value through profit or loss - held-for-trading

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.

# Notes to the Financial Statements

For the year ended December 31, 2016

## 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.212.658 million (December 31, 2015: Rs.1.568 million) and net equity would have been higher by the same amount (refer notes 12.2 and 12.5).

### 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.

After the application of equity method including recognising the associates losses, the Company determines whether it is necessary to recognise 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.

# Notes to the Financial Statements

For the year ended December 31, 2016

Subsequent costs are included in the assets' carrying amount or recognised 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 derecognised.

## 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.

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.

# Notes to the Financial Statements

For the year ended December 31, 2016

## 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, accident and 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.

Accident and health insurance provides cover to compensate personal accident, hospitalisation and outpatient medical coverage to the insured.

Miscellaneous insurance provides cover against burglary, 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.

## 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.

# Notes to the Financial Statements

For the year ended December 31, 2016

## 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

2016	2015		2016	2015
----- Number of shares -----			----- (Rupees) -----	
13,981,213	13,981,213	Ordinary shares of Rs.10 each issued as fully paid in cash	139,812,130	139,812,130
31,743,153	31,743,153	Ordinary shares of Rs.10 each issued as fully paid bonus shares	317,431,530	317,431,530
<u>45,724,366</u>	<u>45,724,366</u>		<u>457,243,660</u>	<u>457,243,660</u>

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

	2016	2015
	----- Number of shares -----	
Siza (Private) Limited	6,506,692	6,506,692
Siza Services (Private) Limited	10,774,674	10,774,674
Siza Commodities (Private) Limited	4,539,185	4,539,185
Premier Fashions (Private) Limited	13,240,794	13,240,794
Directors and their spouses	37,555	38,635
Related parties - individuals	6,358	5,278
	<u>35,105,258</u>	<u>35,105,258</u>

## 6. AMOUNTS DUE TO OTHER INSURERS / REINSURERS

Note

	2016	2015
	----- (Rupees) -----	
Foreign reinsurers	60,113,996	46,643,036
Local reinsurers	171,703,972	129,941,759
Co-insurers	28,921,950	22,562,723
	<u>260,739,918</u>	<u>199,147,518</u>

## 7. ACCRUED EXPENSES

	2016	2015
Auditors' remuneration	755,000	585,000
Professional services fee	545,000	1,020,000
Provision for compensated absences	5,154,141	4,136,331
Utilities and others	1,339,695	1,335,560
Investment advisory fee - due to related party	1,557,136	126,000
	<u>9,350,972</u>	<u>7,202,891</u>

7.1

7.1 This includes a sum of Rs.0.075 million (December 31, 2015: Rs.0.121 million) due to related parties.

## 8. TAXATION - NET

Provision for taxation	71,203,330	16,340,631
Advance tax including tax deducted at source	(41,479,125)	(30,718,767)
	<u>29,724,205</u>	<u>(14,378,136)</u>

# Notes to the Financial Statements

For the year ended December 31, 2016

- 8.1 The Company has filed returns upto tax year 2016. The returns filed for tax years upto 2016 has been finalized. The Company has received notice under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2016, for which proceedings are pending.

9. OTHER CREDITORS AND ACCRUALS	Note	2016	2015
		----- (Rupees) -----	
Creditors		2,085,221	1,289,383
Federal excise duty		9,230,240	5,520,185
Federal insurance fees		706,688	456,003
Retention money		65,851	218,546
Commission payable	9.1	73,927,799	70,934,542
Payable against purchase of shares		3,053,518	-
Workers' Welfare Fund	9.2	-	15,241,531
Margin deposits	9.3	3,186,601	4,270,832
Withholding tax payable		677,716	1,226,789
Staff retirement benefits	9.4	4,984,383	3,758,322
Deposits from employees against car scheme	9.5	4,751,775	4,156,273
Others		170,005	2,567,855
		<u>102,839,797</u>	<u>109,640,261</u>

- 9.1 This includes a sum of Rs.47.293 million (December 31, 2015: Rs.46.527 million) due to related parties.

- 9.2 During the year, the Honorable Supreme Court of Pakistan (SCP) passed a judgement declaring the insertion of amendments introduced in the Finance Acts pertaining to Workers Welfare Fund Ordinance, 1971, as unlawful and thereby striking down such amendments. Pursuant to the SCP Judgement, the Company reversed the entire provision held for WWF, amounting to Rs. 15.242 million, as the Company is of the view that there is no basis to maintain such provision anymore.

- 9.3 This represents margin deposit on account of performance bond policies issued by the company.

## 9.4 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 9% (December 31, 2015: 10%) per annum.

Expected rate of increase in the salaries of the employees 9% (December 31, 2015: 10%) per annum.

Expected interest rate on plan assets of the scheme 9% (December 31, 2015: 10%) per annum.

Average length of service of the employees 6.65 years (December 31, 2015: 6.92 years).

# Notes to the Financial Statements

For the year ended December 31, 2016

	2016	2015
	----- (Rupees) -----	
<b>9.4.1 Liability in balance sheet</b>		
Present value of defined benefit obligations	28,548,972	22,287,820
Fair value of plan assets	<u>(23,564,589)</u>	<u>(18,529,498)</u>
	<u>4,984,383</u>	<u>3,758,322</u>
<b>9.4.2 Movement in liability during the year</b>		
Opening balance	3,758,322	2,484,248
Charge to profit and loss account	3,075,468	2,775,826
Charged to other comprehensive income	1,908,914	982,495
Contributions to the fund during the year	<u>(3,758,321)</u>	<u>(2,484,247)</u>
Closing balance	<u>4,984,383</u>	<u>3,758,322</u>
<b>9.4.3 Reconciliation of the present value of defined benefit obligations</b>		
Present value of obligations as at January 01	22,287,820	18,261,587
Current service cost	2,887,552	2,620,561
Interest cost	2,156,835	2,214,040
Benefits paid	<u>(1,438,945)</u>	<u>(1,098,529)</u>
Actuarial loss	2,655,710	290,161
Present value of obligations as at December 31	<u>28,548,972</u>	<u>22,287,820</u>
<b>9.4.4 Reconciliation of the fair value of plan assets</b>		
Fair value of plan assets as at January 01	18,529,498	15,777,339
Expected return on plan assets	1,968,919	2,058,775
Contribution to the fund	3,758,321	2,484,247
Benefits paid	<u>(1,438,945)</u>	<u>(1,098,529)</u>
Actuarial gain / (loss)	746,796	(692,334)
Fair value of plan assets as at December 31	<u>23,564,589</u>	<u>18,529,498</u>
<b>9.4.5 Charge for the defined benefit plan</b>		
Current service cost	2,887,552	2,620,561
Interest cost	2,156,835	2,214,040
Expected return on plan assets	<u>(1,968,919)</u>	<u>(2,058,775)</u>
	<u>3,075,468</u>	<u>2,775,826</u>
<b>9.4.6 Actual return on plan assets</b>		
Expected return on assets	1,968,919	2,058,775
Actuarial gain / (loss) on assets	<u>746,796</u>	<u>(692,334)</u>
	<u>2,715,715</u>	<u>1,366,441</u>

# Notes to the Financial Statements

For the year ended December 31, 2016

## 9.4.7 Composition of fair value of plan assets

	2016		2015	
	Fair value (Rupees)	Percentage	Fair value (Rupees)	Percentage
Treasury bills	7,052,132	30%	5,553,365	30%
Funds	3,786,369	16%	-	0%
Pakistan investment bonds	12,521,897	53%	12,380,134	67%
Cash and bank balances	204,190	1%	595,999	3%
Fair value of plan assets	23,564,588	100%	18,529,498	100%

## 9.4.8 Historical data of the fund

	2016	2015	2014	2013	2012
	----- (Rupees) -----				
Present value of defined benefit obligations	28,548,972	22,287,820	18,261,587	15,000,469	12,268,220
Fair value of plan assets	(23,564,589)	(18,529,498)	(15,777,339)	(10,939,163)	(11,658,695)
Deficit	4,984,383	3,758,322	2,484,248	4,061,306	609,525
Experience adjustments					
Actuarial loss / (gain) on obligation	2,655,710	290,161	(252,831)	126,061	(808,774)
Actuarial gain / (loss) on assets	746,796	(692,334)	(293,441)	(172,674)	(207,830)

9.4.9 The estimated contribution to the fund for the year ended December 31, 2017 is Rs.3.636 million.

## 9.4.10 Sensitivity analysis

	Change in assumption	Impact on Defined Benefit Obligation	
		Increase in assumption	Decrease in assumption
Discount rate	1%	(3,477,771)	4,163,183
Salary increase rate	1%	4,395,966	(3,716,577)
	Change in assumption	Impact in percentage on Defined Benefit Obligation	
		Increase in assumption	Decrease in assumption
Discount rate	1%	(12.18%)	14.58%
Salary increase rate	1%	15.40%	(13.02%)
Weighted Average Duration (Years)		15.87	

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

# Notes to the Financial Statements

For the year ended December 31, 2016

## 10. CONTINGENCIES AND COMMITMENTS

### 10.1 Contingencies

During the current year, the Company received orders under section 122(5A) passed by the Additional Commissioner Inland Revenue (ACIR) for the tax years 2015 on issue of treating dividend income as single basket income and to be taxed @ 35% instead of fixed rate of 10% resulting aggregate demand of Rs.0.936 million. The Company has filed appeal against the said orders to CIT (Appeals) which is pending adjudication. It is further submitted that Appeal on similar issue in respect of tax year 2014 have been decided in Company's favor by the CIT (Appeals).

During the year 2015, the Company received orders under section 122(5A) passed by the ACIR for the tax years 2009 to 2013 wherein prior year assessments were revised on similar issue as mentioned above resulting in aggregate demand of Rs.26.35 million. The Company had paid Rs.2.9 million in protest against demand for tax year 2009 before going in appeal and applied for rectification of remaining order in respect of short credits allowed. The ACIR issued revised orders and now aggregated demand is Rs.14.609 million. The Company had filed appeals against the said orders with CIT (Appeals) that was rejected by the CIT (Appeals) through a combined order for five years. Thereafter, the Company filed an appeal against the order of CIT (Appeal) with Appellate Tribunal Revenue which is pending adjudication.

The Company, based on the opinion of its tax advisor, is confident that the ultimate outcome of the appeal will be in its favor. Hence, no provision for the said demand has been made in these financial statements.

10.2 Commitments	Note	2016 ----- (Rupees) -----	2015 -----
<b>Capital work-in-progress</b>			
Purchase of office equipments		300,515	-
<b>11. CASH AND BANK DEPOSITS</b>			
<b>Cash and other equivalents</b>			
Cash		160,995	188,027
Policy stamps and bond papers in hand		838,883	825,202
		999,878	1,013,229
<b>Current and other accounts</b>			
Current accounts	11.1	9,478,895	24,338,940
PLS savings accounts	11.2	98,142,044	148,099,247
		107,620,939	172,438,187
<b>Deposits maturing within 12 months</b>			
Term deposits	11.3	300,000,000	-
		408,620,817	173,451,416

**11.1** This includes lien on a local currency account, amounting to Rs.0.8 million (December 31, 2015: Rs.0.7 million) in respect of letters of credit arranged through a bank for securing claims arising outside Pakistan.

**11.2** The rate of return on PLS savings accounts maintained at various banks range from 3.75% to 5.5% per annum (December 31, 2015: 5% to 8% per annum).

**11.3** The rate of return on term deposit certificates issued by various banks ranges from 6.5% to 11% per annum (2015: Nil) depending on tenor. These term deposit certificates have maturities upto December 2017.

# Notes to the Financial Statements

For the year ended December 31, 2016

12. INVESTMENTS	Note	2016	2015
		----- (Rupees) -----	
<b>In related parties</b>			
Investment in associates under equity accounting	12.1	38,284,477	40,568,071
Available-for-sale - quoted mutual funds	12.2	494,109,919	606,655,814
		<u>532,394,396</u>	<u>647,223,885</u>
<b>Others</b>			
<b>Investments at fair value through profit or loss - held-for-trading</b>			
Quoted equity securities		204,596,954	132,284,225
Government securities - Pakistan Investment Bonds		1,018,782	-
		<u>205,615,736</u>	<u>132,284,225</u>
<b>Held-to-maturity</b>			
Government securities	12.3	51,117,042	50,797,539
Term finance certificates - quoted	12.4	-	-
		<u>51,117,042</u>	<u>50,797,539</u>
<b>Available-for-sale</b>			
Quoted equity securities and mutual funds	12.5	709,299,406	902,678,035
		<u>1,498,426,580</u>	<u>1,732,983,684</u>

## 12.1 Investment in associates under equity accounting

### 12.1.1 Particulars of investment in associates - listed

Number of shares		Face value per share (Rupees)	Name of associates	2016	2015
2016	2015			----- (Rupees) -----	
629,495	629,495	10	Century Paper & Board Mills Limited	29,506,203	28,192,328
-	66,528	10	Clover Pakistan Limited	-	4,131,390
17,639	17,639	10	Colgate-Palmolive (Pakistan) Limited	8,778,274	8,244,353
				<u>38,284,477</u>	<u>40,568,071</u>

12.1.2 Movement of investment in associates - listed		Beginning of the year	Share of profit / (loss)	Dividend received	Share in equity	Disposal of shares	2016	2015
							----- (Rupees) -----	
	Century Paper & Board Mills Limited	28,192,328	1,273,502	-	40,373	-	29,506,203	28,192,328
	Clover Pakistan Limited	4,131,390	(6,826)	(3,825,360)	53,857	(353,061)	-	4,131,390
	Colgate-Palmolive (Pakistan) Limited	8,244,353	1,067,775	(529,170)	(4,684)	-	8,778,274	8,244,353
		<u>40,568,071</u>	<u>2,334,451</u>	<u>(4,354,530)</u>	<u>89,546</u>	<u>(353,061)</u>	<u>38,284,477</u>	<u>40,568,071</u>

### 12.1.3 Latest available interim financial information of the associates of the Company is as follows:

Name of associate	Country of incorporation / listing	Total assets*	Total liabilities*	Net assets*	Revenues*	Profit after tax*	Interest held %
<b>2016</b>							
Century Paper & Board Mills Limited	Pakistan	15,163,363	9,277,825	5,885,538	3,213,874	34,972	0.43
Colgate-Palmolive (Pakistan) Limited	Pakistan	14,219,571	4,219,858	9,999,713	6,861,048	735,834	0.04
		<u>29,382,934</u>	<u>13,497,683</u>	<u>15,885,251</u>	<u>10,074,922</u>	<u>770,806</u>	
<b>2015</b>							
Century Paper & Board Mills Limited	Pakistan	14,941,557	9,425,524	5,516,033	3,056,005	(339,015)	0.43
Clover Pakistan Limited	Pakistan	744,141	5,201	738,940	10,875	20,979	0.71
Colgate-Palmolive (Pakistan) Limited	Pakistan	11,738,255	3,190,107	8,548,148	6,062,250	2,261,321	0.04
		<u>27,423,953</u>	<u>12,620,832</u>	<u>14,803,121</u>	<u>9,129,130</u>	<u>1,943,285</u>	

\* These represent amounts reported in un-audited financial statements for the nine months ended September 30, 2016.

# Notes to the Financial Statements

For the year ended December 31, 2016

12.1.4 Market value of investment in associates is Rs.70.810 million (December 31, 2015: Rs.61.932 million).

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

### 12.2.1 Related parties

Number of units		Face value per unit (Rupees)	Name of entity	2016	2015
2016	2015			----- (Rupees) -----	
<b>Open-end mutual funds</b>					
2,673,098	3,482,756	100	Lakson Equity Fund	277,109,919	356,655,814
1,896,737	-	100	Lakson Tactical Fund	217,000,000	-
-	1,692,930	100	Lakson Income Fund	-	175,000,000
-	749,097	100	Lakson Money Market Fund	-	75,000,000
				<b>494,109,919</b>	<b>606,655,814</b>

12.2.2 Market value of investment in related parties classified as available-for-sale is Rs.602.172 million (December 31, 2015: Rs.614.022 million).

## 12.3 Held-to-maturity

### 12.3.1 Government securities

Number of certificates		Face value per certificate (Rupees)	Particulars	Coupon rate	Profit payment	Maturity date	2016	2015
2016	2015						----- (Rupees) -----	
1	1	25,000,000	Pakistan Investment Bond* (10 years)	12.00%	Semi annually	August 30, 2018	25,639,185	25,432,307
1	1	25,000,000	Pakistan Investment Bond * (10 years)	12.00%	Semi annually	July 19, 2022	25,477,857	25,365,232
							<b>51,117,042</b>	<b>50,797,539</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.

12.3.2 Market value of Pakistan Investment Bonds is Rs.57.156 million (December 31, 2015: Rs.56.657 million).

## 12.4 Held-to-maturity

### 12.4.1 Term finance certificates - quoted

Number of certificates		Face value per certificate (Rupees)	Name of investee	Profit rate (note 12.4.2)	Maturity date	2016	2015
2016	2015					----- (Rupees) -----	
200	200	5,000	Telecard Limited	Base rate plus 3.75% per annum *	May 27, 2011	297,545	311,265
						297,545	311,265
						(297,545)	(311,265)
						-	-

\* Base rate is defined as six months KIBOR

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

12.4.3 Market value of quoted term finance certificates is not available (December 31, 2015: Rs.Nil) as the same is classified in non performing category by Mutual Funds Association of Pakistan as at December 31, 2016.

# Notes to the Financial Statements

For the year ended December 31, 2016

	Note	2016 ----- (Rupees) -----	2015 -----
<b>12.5 Available-for-sale - quoted equity securities and mutual funds</b>			
Cost	12.5.1	711,069,591	904,448,220
Provision for impairment - net of reversals	12.5.2	(1,770,185)	(1,770,185)
		<u>709,299,406</u>	<u>902,678,035</u>

**12.5.1** Market value of quoted available-for-sale investments is Rs.815.665 million (December 31, 2015: Rs.896.880 million).

## 12.5.2 Provision for impairment - net of reversals

Opening provision	1,770,185	43,059,465
Realised on disposal	-	(41,289,280)
Closing provision	<u>1,770,185</u>	<u>1,770,185</u>

## 13. DEFERRED TAXATION

Deferred tax asset / (liability) arising in respect of:

Accelerated depreciation on operating fixed assets	(1,221,936)	(1,352,296)
Unrealised gain on remeasurement of securities to fair value - net	(12,435,834)	-
Provision for claims incurred but not reported (IBNR)	4,436,875	6,954,098
Provision for compensated absences	1,597,784	1,323,626
Share of profit from associates	(213,838)	(194,032)
Provision against receivables	9,765,026	2,788,810
	<u>1,928,077</u>	<u>9,520,206</u>

## 14. PREMIUMS DUE BUT UNPAID

### Unsecured

Considered good	14.1	245,046,777	266,758,993
Considered doubtful		8,848,257	7,898,928
		<u>253,895,034</u>	<u>274,657,921</u>
Provision for doubtful balances	14.2	(8,848,257)	(7,898,928)
		<u>245,046,777</u>	<u>266,758,993</u>

**14.1** This includes a sum of Rs.98.410 million (December 31, 2015: Rs.58.502 million) due from related parties.

### 14.2 Provision for doubtful balances

Opening balance	7,898,928	7,739,445
Provision made during the year	1,189,136	312,369
Recoveries during the year	(239,807)	(152,886)
	949,329	159,483
Closing balance	<u>8,848,257</u>	<u>7,898,928</u>

# Notes to the Financial Statements

For the year ended December 31, 2016

	Note	2016 ----- (Rupees) -----	2015 -----
<b>15. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS</b>			
<b>Unsecured</b>			
<b>Considered good</b>			
Foreign reinsurers		115,363	4,891,312
Local reinsurers		46,238,090	46,098,265
Co-insurers		72,284,766	46,202,013
		<u>118,638,219</u>	<u>97,191,590</u>
Provision for doubtful balances	15.1	(22,651,825)	(816,102)
		<u>95,986,394</u>	<u>96,375,488</u>
<b>15.1 Provision for doubtful balances</b>			
Opening balance		816,102	816,102
Provision made during the year		21,835,723	-
Recoveries during the year		-	-
		<u>21,835,723</u>	<u>-</u>
Closing balance		<u>22,651,825</u>	<u>816,102</u>
<b>16. DIVIDEND RECEIVABLE</b>			
Dividend receivable on equity securities		617,330	-
<b>17. REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS</b>			
These are unsecured and considered good.			
<b>18. PREPAYMENTS</b>			
Prepaid reinsurance premium ceded		165,539,475	153,934,210
Others	18.1	8,419,840	2,800,581
		<u>173,959,315</u>	<u>156,734,791</u>
<b>18.1</b>			
This includes payments made in respect of club membership fee for next ten years to Karachi Boat Club amounting Rs.3.99 million (2015: Nil).			
<b>19. SUNDRY RECEIVABLES</b>			
Profit on bank deposits - savings accounts		1,082,107	1,040,362
Security deposits		5,936,167	5,782,667
Advance to employees		2,226,647	2,413,674
Advance against expenses		774,604	1,460,000
Receivable against sale of shares		4,979,685	-
Others		356,294	918,403
		<u>15,355,504</u>	<u>11,615,106</u>

# Notes to the Financial Statements

For the year ended December 31, 2016

## 20. FIXED ASSETS

### 20.1 Tangible assets

	December 31, 2016									
	Cost				Depreciation				Written down value as at December 31, 2016	Depreciation rate %
	As at January 01, 2016	Additions	(Disposals)	As at December 31, 2016	As at January 01, 2016	For the year	(Disposals)	As at December 31, 2016		
	----- (Rupees) -----									
Office improvement	18,470,443	1,057,588	1,260,326	18,267,705	13,096,668	939,703	1,066,282	12,970,089	5,297,616	10
Furniture and fixtures	12,877,277	2,076,060	885,182	14,068,155	7,240,604	951,605	785,884	7,406,325	6,661,830	10
Office equipment	10,968,442	1,567,798	850,252	11,685,988	6,276,362	1,536,772	824,579	6,988,555	4,697,433	10 - 33
Computer and related accessories	7,398,983	629,735	344,096	7,684,622	6,481,203	650,919	344,073	6,788,049	896,573	33
Motor vehicles	52,060,461	25,518,000	8,681,650	68,896,811	20,301,233	5,960,010	4,902,464	21,358,779	47,538,032	20
	<u>101,775,606</u>	<u>30,849,181</u>	<u>12,021,506</u>	<u>120,603,281</u>	<u>53,396,070</u>	<u>10,039,009</u>	<u>7,923,282</u>	<u>55,511,797</u>	<u>65,091,484</u>	

	December 31, 2015									
	Cost				Depreciation				Written down value as at December 31, 2015	Depreciation rate %
	As at January 01, 2015	Additions	(Disposals)	As at December 31, 2015	As at January 01, 2015	For the year	(Disposals)	As at December 31, 2015		
	----- (Rupees) -----									
Office improvement	17,810,600	1,258,293	598,450	18,470,443	12,521,829	1,039,628	464,789	13,096,668	5,373,775	10
Furniture and fixtures	11,826,298	1,243,039	192,060	12,877,277	6,467,501	929,644	156,541	7,240,604	5,636,673	10
Office equipment	9,587,937	2,832,315	1,451,810	10,968,442	6,423,857	1,231,451	1,378,946	6,276,362	4,692,080	10 - 33
Computer and related accessories	7,698,704	721,090	1,020,811	7,398,983	6,780,312	721,299	1,020,408	6,481,203	917,780	33
Motor vehicles	51,615,644	6,149,863	5,705,046	52,060,461	18,716,368	4,964,457	3,379,592	20,301,233	31,759,228	20
	<u>98,539,183</u>	<u>12,204,600</u>	<u>8,968,177</u>	<u>101,775,606</u>	<u>50,909,867</u>	<u>8,886,479</u>	<u>6,400,276</u>	<u>53,396,070</u>	<u>48,379,536</u>	

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

	Note	2016 ----- (Rupees) -----	2015 -----
Management expenses	22	5,320,675	4,709,834
General and administration expenses	25	4,718,334	4,176,645
		<u>10,039,009</u>	<u>8,886,479</u>

### 20.3 Capital work-in-progress

Advance against purchase of vehicles	5,369,000	6,160,500
Advance against purchase of office equipments	450,772	-
Advance against renovation of office	100,500	-
	<u>5,920,272</u>	<u>6,160,500</u>

# Notes to the Financial Statements

For the year ended December 31, 2016

## 20.4 Intangible assets

	Cost				As at January 01, 2016	For the year 2016	Amortisation		Written down value as at December 31, 2016	Amortisation rate %
	As at January 01, 2016	Additions	(Disposals / written off)	As at December 31, 2016			(Disposals / written off)	As at December 31, 2016		
	----- (Rupees) -----									
Computer software	6,956,837	-	-	6,956,837	5,298,974	614,166	-	5,913,140	1,043,697	33
2015	5,124,839	1,842,500	10,502	6,956,837	5,124,823	184,652	10,501	5,298,974	1,657,863	33

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

	Note	2016 ----- (Rupees) -----	2015
Management expenses	22	325,508	97,866
General and administration expenses	25	288,658	86,786
		<u>614,166</u>	<u>184,652</u>

## 20.6 Disposal of tangible and intangible assets

	Cost	Accumulated depreciation	Book value	Sale proceeds	Net gain / (loss) (note 24)	Mode of disposal	Sold to
	----- (Rupees) -----						
Office improvement	1,260,326	1,066,282	194,044	195,000	956	Negotiation	Mr. Tahir Malik
Furniture and fixtures	101,644	97,275	4,369	2,000	(2,369)	Negotiation	Shahbaz Computer
Furniture and fixtures	783,538	688,617	94,921	95,000	79	Negotiation	Mr. Tahir Malik
Office equipment	33,600	33,598	2	1,500	1,498	Negotiation	Nadeem Electronics
Office equipment	23,500	13,708	9,792	5,000	(4,792)	Insurance claim	EFU General Insurance
Office equipment	87,000	86,998	2	9,000	8,998	Negotiation	Ahmed Engineering
Office equipment	68,000	67,999	1	10,000	9,999	Negotiation	Panasonic Business Point
Office equipment	334,710	324,722	9,988	10,000	12	Negotiation	Mr. Tahir Malik
Office equipment	303,442	297,546	5,896	3,472	(2,424)	Negotiation	Shahbaz Computer
Computer and related accessories	56,500	56,493	7	5,000	4,993	Negotiation	Star Com
Computer related accessories	277,396	277,382	14	28	14	Negotiation	Shahbaz Computer
Motor vehicle	10,200	10,198	2	1,000	998	Negotiation	Triple Brothers Enterprises
Motor vehicle	1,043,000	336,950	706,050	770,000	63,950	Negotiation	Mr. Muneer Ahmed
Motor vehicle	814,000	547,269	266,731	480,000	213,269	Negotiation	Mr. Muneer Ahmed
Motor vehicle	1,970,000	1,324,470	645,530	645,530	-	As per company policy	Mr. M. Hussain Hirji - Executive
Motor vehicle	1,169,000	469,000	700,000	715,000	15,000	Negotiation	Mr. Salman Ilyas
Motor vehicle	637,000	328,339	308,661	322,937	14,276	As per company policy	Mr. Abid Raza Isfahani - Executive
Motor vehicle	890,000	598,364	291,636	291,636	-	As per company policy	Ms. Madiha Khalid - Executive
Motor vehicle	1,010,000	543,023	466,977	466,977	-	As per company policy	Mr. Tassarwar Abbas - Executive
Motor vehicle	516,000	341,530	174,470	174,470	-	As per company policy	Mr. S. Athar Nadeem - Employee
Motor vehicle	48,175	23,775	24,400	12,000	(12,400)	Negotiation	Mr. Bilal Ahmed
Motor vehicle	48,175	23,775	24,400	12,000	(12,400)	Negotiation	Mr. Muhammad Farooq
Motor vehicle	69,500	46,735	22,765	22,765	-	As per company policy	Mr. S. Waqar A. Rizvi - Employee
Motor vehicle	72,400	48,676	23,724	13,000	(10,724)	Negotiation	Mr. Hashmat
Motor vehicle	76,000	53,859	22,141	15,000	(7,141)	Negotiation	Mr. Muhammad Taha
Motor vehicle	80,400	51,230	29,170	16,000	(13,170)	Negotiation	Mr. Hashmat
Motor vehicle	76,400	50,414	25,986	15,000	(10,986)	Negotiation	Mr. Hashmat
Motor vehicle	68,400	52,119	16,281	12,000	(4,281)	Negotiation	Mr. Abdul Hameed Khan
Motor vehicle	46,700	31,535	15,165	12,000	(3,165)	Negotiation	Mr. Shoab Alam
Motor vehicle	46,500	31,401	15,099	10,000	(5,099)	Negotiation	Mr. Muhammad Talha
	<u>12,021,506</u>	<u>7,923,282</u>	<u>4,098,224</u>	<u>4,343,315</u>	<u>245,091</u>		

# Notes to the Financial Statements

For the year ended December 31, 2016

## 21. NET PREMIUM REVENUE - ADMINISTRATIVE SURCHARGE

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

	Note	2016 ----- (Rupees) -----	2015 -----
Fire and property damage		1,464,028	1,493,104
Marine, aviation and transport		4,554,653	4,244,073
Motor		7,017,513	4,016,040
Accident and health		159,816	122,923
Miscellaneous		788,849	1,047,744
		<u>13,984,859</u>	<u>10,923,884</u>

## 22. MANAGEMENT EXPENSES

Salaries, wages and benefits	22.1	84,529,894	76,387,631
Rent, taxes and electricity		10,090,704	8,873,249
Communications		3,921,387	3,045,364
Printing and stationery		2,532,671	2,638,642
Travelling and entertainment		2,519,677	2,174,365
Repairs and maintenance		1,832,671	1,870,391
Advertisement and sales promotion		1,555,782	219,693
Rental for tracking devices		10,549,390	1,570,216
Depreciation	20.2	5,320,675	4,709,834
Amortisation	20.5	325,508	97,866
Legal and professional charges		1,353,442	788,179
Workers' Welfare Fund	9.2	(8,078,011)	7,022,605
Provision against premium due but unpaid - net	14.2	949,329	159,483
Provision against amount due from other insurers / reinsurers	15.1	21,835,723	-
Service charges	22.2	2,964,219	2,451,157
		<u>142,203,061</u>	<u>112,008,675</u>

**22.1** These include Rs.2.749 million (December 31, 2015: Rs.2.413 million) in respect of employees' provident fund and Rs.1.630 million (December 31, 2015: Rs.1.174 million) in respect of defined benefit plan. For details of the provident fund, refer note 25.2.

**22.2** These 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	80,681,118	33,012,839	35,105,917	78,588,040
Marine, aviation and transport	27,177,645	1,830,563	2,575,145	26,433,063
Motor	187,953	140,723	95,166	233,510
Accident and health	75,481	75,787	45,622	105,646
Miscellaneous	12,919,217	5,604,742	5,304,078	13,219,881
	<u>121,041,414</u>	<u>40,664,654</u>	<u>43,125,928</u>	<u>118,580,140</u>

# Notes to the Financial Statements

For the year ended December 31, 2016

24. OTHER INCOME - NET	Note	2016	2015
		----- (Rupees) -----	
<b>Income from financial assets</b>			
<b>Profit on bank deposits</b>			
Savings accounts		7,248,791	7,269,868
Term deposits		637,877	-
		<b>7,886,668</b>	<b>7,269,868</b>
<b>Income from non-financial assets</b>			
Gain on sale of fixed assets - net	20.6	245,091	615,876
Others	24.1	120,000	120,000
		<b>365,091</b>	<b>735,876</b>
		<b>8,251,759</b>	<b>8,005,744</b>

24.1 These represent service charges from a related party for keeping promotional materials in the Company's branches located outside Karachi.

25. GENERAL AND ADMINISTRATION EXPENSES	Note	2016	2015
		----- (Rupees) -----	
Salaries, wages and benefits	25.1	74,960,472	67,739,975
Rent, taxes and utilities		9,168,247	7,820,880
Fees and subscription		4,023,616	3,990,112
Communications		3,037,294	2,369,629
Printing and stationery		2,532,671	2,638,641
Travelling and entertainment		3,242,607	2,884,204
Depreciation	20.2	4,718,334	4,176,645
Amortisation	20.5	288,658	86,786
Repairs and maintenance		1,625,199	1,658,649
Legal and professional charges		1,689,480	2,599,078
Auditors' remuneration	25.5	1,606,660	1,114,127
Advertisement and sales promotion		2,375,316	1,929,057
Rental for tracking devices		7,032,927	2,355,323
Insurance		4,556,060	3,846,910
Bank charges		444,898	312,799
Donation	25.6	405,000	910,000
Workers' Welfare Fund	9.2	(7,163,520)	6,227,593
Security charges		1,665,241	1,471,931
Other expenses		1,676,620	1,716,463
Exchange loss		87,374	57,015
Penalty imposed by SECP		30,000	-
		<b>118,003,154</b>	<b>115,905,817</b>

25.1 These include Rs.2.437 million (December 31, 2015: Rs.2.140 million) in respect of employees' provident fund and Rs.1.446 million (December 31, 2015: Rs.1.305 million) in respect of defined benefit plan. For details of the provident fund refer note 25.2.

# Notes to the Financial Statements

For the year ended December 31, 2016

## 25.2 Provident Fund (the Fund) Disclosures

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

	Note	Unaudited 2016 ----- (Rupees) -----	Audited 2015 -----
Size of the Fund - total assets	25.3	39,753,610	33,181,291
Cost of investment made		33,110,021	27,495,021
Fair value of investments		33,894,606	29,677,886
Percentage of investment made		83%	83%

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

	Unaudited 2016		Audited 2015	
	--- (Rupees) ---	Percent	--- (Rupees) ---	Percent
Bank balances	5,859,004	14.74%	3,503,405	10.56%
Government securities	26,100,887	65.66%	27,949,013	84.23%
Debt securities	1,002,300	2.52%	-	-
Mutual funds	6,791,419	17.08%	1,728,873	5.21%
	39,753,610	100.00%	33,181,291	100.00%

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

	2016 ----- (Rupees) -----	2015 -----
Statutory audit fee	305,000	305,000
Half year review	165,000	165,000
Review of code of corporate governance	110,000	110,000
Special reports and other certifications	845,000	365,500
	1,425,000	945,500
Sindh sales tax	78,600	56,730
Out of pocket expenses	103,060	111,897
	1,606,660	1,114,127

25.6 This includes sum of Rs.0.4 million (December 31, 2015: Rs.0.4 million) in respect of related party.

## 26. TAXATION - NET

Current	70,373,657	15,506,516
Prior	829,673	834,115
Deferred	7,592,129	(5,393,625)
	78,795,459	10,947,006

# Notes to the Financial Statements

For the year ended December 31, 2016

	2016	2015
	----- (Rupees) -----	
<b>26.1 Relationship between tax expense and accounting profit</b>		
Profit for the year before taxation	264,662,622	649,259,759
Tax at the applicable rate of 31% (December 31, 2015: 32%)	82,045,413	207,763,123
Tax effect of (income) / expenses that are not allowable in determining taxable income	(5,448,554)	4,751,776
Tax effect of capital gains	-	(199,788,648)
Tax effect of income subject to lower rates	-	(2,693,015)
Tax effect on dividend received from associate	1,349,904	-
Others	19,023	79,655
Prior year charge	829,673	834,115
	<u>78,795,459</u>	<u>10,947,006</u>

**26.2** During the year 2016, the Federal Government has reduced income tax rate for non banking finance companies from 32% to 31%. This amendment was introduced through Finance Act, 2016.

## 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:

	2016	2015
	----- (Rupees) -----	
Profit after tax for the year	185,867,163	638,312,753
	----- (Number of shares) -----	
Weighted average number of shares of Rs.10 each	45,724,366	45,724,366
	----- (Rupees) -----	
Basic earnings per share of Rs.10 each	<u>4.06</u>	<u>13.96</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	
	2016	2015	2016	2015	2016	2015
	----- (Rupees) -----					
Managerial remuneration	7,077,876	6,419,808	37,369,812	33,125,256	44,447,688	39,545,064
Bonus	1,715,105	1,553,814	8,963,096	7,405,568	10,678,201	8,959,382
Retirement benefits	708,360	642,552	2,667,577	2,187,615	3,375,937	2,830,167
House rent	3,185,040	2,888,916	16,831,800	14,907,548	20,016,840	17,796,464
Others	724,584	651,276	6,547,056	5,942,924	7,271,640	6,594,200
	<u>13,410,965</u>	<u>12,156,366</u>	<u>72,379,341</u>	<u>63,568,911</u>	<u>85,790,306</u>	<u>75,725,277</u>
Number of persons	<u>1</u>	<u>1</u>	<u>36</u>	<u>34</u>	<u>37</u>	<u>35</u>

# Notes to the Financial Statements

For the year ended December 31, 2016

28.1 Aggregate amount charged in these financial statements in respect of Director's fee for attending Board and Audit Committee meetings amounted to Rs.125,000 (December 31, 2015: Rs.100,000) and Rs.200,000 (December 31, 2015: Rs.200,000) respectively.

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

## 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 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 mutual funds	Sales of shares / units of mutual funds	Dividend received	Dividend paid	Purchase of equipment	Donation paid	Expenses	Retirement Fund
----- (Rupees) -----											
<b>Associated companies / undertaking</b>											
Accuray Surgical Limited	1,748,356	139,290	1,024,880	-	-	-	-	-	-	-	-
Alan (Private) Limited	209,299	20,930	-	-	-	-	-	-	-	-	-
Anchor Commodities (Private) Limited	2,043,412	196,648	586,195	-	-	-	-	-	-	-	-
Baluchistan Polyproducts (Private) Limited	467,520	61,680	-	-	-	-	-	-	-	-	-
Century Paper & Board Mills Limited	105,626,288	10,339,391	11,693,125	-	-	-	-	-	-	2,981,884	-
Clover Pakistan Limited	30,399	93	6,670	-	3,075,458	3,825,360	-	-	-	-	-
Colgate Palmolive (Pakistan) Limited	142,238,070	20,229,458	3,100,256	-	-	529,170	-	-	-	-	-
Cyber Internet Services (Private) Limited	24,287,310	937,426	13,771,297	-	-	-	-	-	-	357,199	-
ICE Animations (Private) Limited	2,063,892	84,890	1,971,874	-	-	-	-	-	-	-	-
GAM Corporation (Private) Limited	27,815,921	2,096,142	5,613,605	-	-	-	-	-	-	-	-
Hasanali and Gulbanoo Lakhani Foundation	1,692,577	134,705	743,338	-	-	-	-	-	-	745,227	-
Lakson Business Solution Limited	580,923	540	504,122	-	-	-	-	-	-	1,745,753	-
Lakson Investments Limited	2,050,591	1,785	970,935	-	-	-	-	-	-	4,829,031	-
Lakson Income Fund	-	-	-	75,000,000	258,729,138	-	-	-	-	-	-
Lakson Money Market Fund	-	-	-	400,000,000	481,923,519	-	-	-	-	-	-
Lakson Equity Fund	-	-	-	20,000,000	114,504,047	-	-	-	-	-	-
Lakson Tactical Fund	-	-	-	417,000,000	220,661,005	-	-	-	-	-	-
Merit Packaging Limited	13,605,505	1,414,294	16,142,218	-	-	-	-	-	-	-	-
Premier Fashions (Private) Limited	16,652	2,498	-	-	-	-	66,203,970	-	-	-	-
Princeton Travels (Private) Limited	1,020,103	59,042	328,755	-	-	-	-	-	-	1,155,647	-
Reliance Chemicals (Private) Limited	100,525	15,079	-	-	-	-	-	-	-	-	-
Siza (Private) Limited	724,703	19,647	55,660	-	-	-	32,533,460	-	-	2,550,637	-
Siza Commodities (Private) Limited	76,258	90	228,260	-	-	-	22,695,925	-	-	-	-
Siza Foods (Private) Limited	21,831,773	1,651,711	4,823,630	-	-	-	-	-	-	-	-
Sybrid (Private) Limited	10,239,217	67,441	6,290,817	-	-	-	-	-	-	51,532	-
Siza Services (Private) Limited	2,556,373	259,677	180,143	-	-	-	53,873,370	-	-	7,679,698	-
Tetley Clover (Private) Limited	(229,325)	13,139	85,650	-	-	-	-	-	-	-	-
<b>Others</b>											
Express Publication (Private) Limited	4,820,707	522,214	401,406	-	-	-	-	-	-	409,204	-
Ronak and Iqbal Trust	2,485	249	-	-	-	-	-	-	-	-	-
Matrix Press (Private) Limited	7,054,976	281,192	3,171,242	-	-	-	-	-	-	-	-
Misha Fashion (Private) Limited	47,415	4,742	-	-	-	-	-	-	-	-	-
Printek (Private) Limited	5,512,022	119,734	5,129,926	-	-	-	-	-	-	-	-
Television Media Network (Private) Limited	15,191,731	1,253,755	4,663,949	-	-	-	-	-	-	-	-
The Aga Khan Hospital and Medical College Foundation	2,569,560	-	-	-	-	-	-	-	400,000	-	-
<b>Key management personnel</b>	256,623	9,708	186,526	-	-	-	201,695	-	-	-	-
<b>Retirement benefit plans</b>											
Contribution to staff provident fund	-	-	-	-	-	-	-	-	-	-	5,187,035
Contribution to staff gratuity fund	-	-	-	-	-	-	-	-	-	-	3,075,468
<b>December 31, 2016</b>	<b>396,251,861</b>	<b>39,937,190</b>	<b>81,674,479</b>	<b>912,000,000</b>	<b>1,078,893,167</b>	<b>4,354,530</b>	<b>175,508,420</b>	<b>-</b>	<b>400,000</b>	<b>22,505,812</b>	<b>8,262,503</b>
December 31, 2015	360,010,100	37,227,533	171,634,113	102,530,000	1,230,486,299	607,295	52,652,526	816,470	400,000	17,501,317	7,329,479

# Notes to the Financial Statements

For the year ended December 31, 2016

## 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, 2016 and December 31, 2015, allocated and unallocated capital expenditures and non-cash expenses during the year:

	Fire		Marine		Motor		Accident and health		Miscellaneous		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	----- (Rupees) -----											
<b>SEGMENT ASSETS</b>												
Segment assets	177,586,259	162,273,577	14,008,337	12,399,347	10,999,580	10,039,078	1,547,541	3,161,406	53,409,326	56,326,206	257,551,043	244,199,614
Unallocated corporate assets											2,403,132,152	2,416,158,856
Total assets											2,660,683,195	2,660,358,470
<b>SEGMENT LIABILITIES</b>												
Segment liabilities	203,096,895	185,960,640	32,025,912	25,963,680	139,072,135	109,702,087	101,042,552	188,828,558	69,712,946	75,509,881	544,950,440	585,964,846
Unallocated corporate liabilities											406,416,408	320,503,133
Total liabilities											951,366,848	906,467,979
<b>CAPITAL EXPENDITURE</b>												
Capital expenditure	1,650,347	114,000	181,600	181,600	27,500	27,500	216,000	216,000	-	-	2,075,447	539,100
Unallocated capital expenditure											28,773,734	13,508,000
Total capital expenditure											30,849,181	14,047,100
Depreciation and amortisation	1,806,123	1,400,695	911,526	716,050	1,528,264	915,775	1,060,496	1,446,841	339,774	328,339	5,646,183	4,807,700
Non-cash expenses other than depreciation and amortisation	7,288,572	46,464	3,673,445	23,753	6,167,275	30,378	4,279,608	47,995	1,371,152	10,892	22,785,052	159,482

## 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.

# Notes to the Financial Statements

For the year ended December 31, 2016

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

## (a) Frequency and severity of claims

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

Insurance contracts which 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, 2016

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.

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.

# Notes to the Financial Statements

For the year ended December 31, 2016

	Underwriting results		Shareholders' equity	
	2016	2015	2016	2015
	----- (Rupees) -----			
<b>10% increase in loss / decrease</b>				
Fire and property damage	(386,240)	(912,719)	(266,506)	(620,649)
Marine, aviation and transport	(1,373,723)	(744,168)	(947,869)	(506,034)
Motor	(8,836,031)	(7,185,571)	(6,096,861)	(4,886,188)
Accident and health	(27,809,104)	(20,442,277)	(19,188,282)	(13,900,748)
Miscellaneous	(639,940)	(698,873)	(441,559)	(475,234)
	<b>(39,045,038)</b>	<b>(29,983,608)</b>	<b>(26,941,077)</b>	<b>(20,388,853)</b>
<b>10% decrease in loss / increase</b>				
Fire and property damage	386,240	912,719	266,506	620,649
Marine, aviation and transport	1,373,723	744,168	947,869	506,034
Motor	8,836,031	7,185,571	6,096,861	4,886,188
Accident and health	27,809,104	20,442,277	19,188,282	13,900,748
Miscellaneous	639,940	698,873	441,559	475,234
	<b>39,045,038</b>	<b>29,983,608</b>	<b>26,941,077</b>	<b>20,388,853</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) -----				
2016	+ 10%	47,926	39,045	39,045	26,941
2015	+ 10%	48,248	32,355	31,720	21,570

## 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.

# Notes to the Financial Statements

For the year ended December 31, 2016

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

	Gross sum insured		Reinsurance		Net	
	2016	2015	2016	2015	2016	2015
	----- (Rupees in millions) -----					
Fire and property damage	198,710	204,574	189,982	194,450	8,728	10,124
Marine, aviation and transport	134,913	111,723	50,421	47,639	84,492	64,085
Motor	12,291	7,784	80	93	12,211	7,691
Accident and health	985	462	126	-	859	462
Miscellaneous	23,859	14,114	21,901	11,970	1,957	2,144
	<b>370,758</b>	<b>338,657</b>	<b>262,510</b>	<b>254,151</b>	<b>108,248</b>	<b>84,506</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, 2016.

## Analysis on gross basis

Accident year	2014	2015	2016	Total
	----- (Rupees) -----			
Estimate of ultimate claims cost:				
At end of accident year	6,278,465	128,186,451	453,114,609	-
One year later	11,154,533	141,075,703	-	-
Two years later	42,364,549	-	-	-
Estimate of cumulative claims	42,364,549	141,075,703	453,114,609	636,554,861
Cumulative payments to date	(5,851,162)	(117,936,149)	(347,980,020)	(471,767,331)
Liability recognised in the balance sheet	36,513,387	23,139,554	105,134,589	164,787,530

## Statement of age-wise breakup of unclaimed insurance benefits

Particulars	Total amount	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months
	----- (Rupees) -----					
Claims not encashed	1,613,004	637,487	113,939	673,462	123,637	64,479

## 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

# Notes to the Financial Statements

For the year ended December 31, 2016

## 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.

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:

		2016	2015
	Note	----- (Rupees) -----	-----
Bank balances	11	408,459,822	173,263,389
Investments	12	1,409,025,061	1,641,618,074
Premiums due but unpaid	14	245,046,777	266,758,993
Amounts due from other insurers / reinsurers	15	95,986,394	96,375,488
Dividend receivable	16	617,330	-
Reinsurance recoveries against outstanding claims	17	61,181,748	60,249,843
Sundry receivables	19	12,354,253	7,741,432
		<u>2,232,671,385</u>	<u>2,246,007,219</u>

# Notes to the Financial Statements

For the year ended December 31, 2016

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	
Bank Alfalah Limited	A1+	AA+	JCR-VIS
Habib Bank Limited	A1+	AAA	JCR-VIS
Habib Metropolitan Bank Limited	A1+	AA+	PACRA
National Bank of Pakistan	A1+	AAA	JCR-VIS
NIB Bank Limited	A1+	AA-	PACRA
NRSP Microfinance Bank Limited	A1	A	JCR-VIS
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA
United Bank Limited	A1+	AAA	JCR-VIS

## 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 liquidated by selling through stock exchange and encashment of units at the counter of mutual funds.

## Premium due but unpaid

Premium due but unpaid is recoverable from group companies and corporate clients 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:

	2016		2015	
	(Rupees)	%	(Rupees)	%
Miscellaneous	141,217,645	57.6%	202,763,032	76.0%
Technology and communication	33,862,891	13.8%	29,309,578	11.0%
Paper and board	32,490,507	13.3%	19,843,194	7.4%
Pharmaceutical	-	-	11,431,700	4.3%
Food and allied industries	21,959,180	9.0%	3,411,489	1.3%
Textiles	15,516,554	6.3%	-	-
	<b>245,046,777</b>	<b>100%</b>	<b>266,758,993</b>	<b>100%</b>

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

	2016		2015	
	Gross	Impairment	Gross	Impairment
----- (Rupees) -----				
Upto 1 year	228,964,736	-	261,419,619	-
1-2 years	14,612,250	-	2,533,346	-
2-3 years	1,469,791	-	2,806,028	-
Over 3 years	8,848,257	8,848,257	7,898,928	7,898,928
Total	<b>253,895,034</b>	<b>8,848,257</b>	<b>274,657,921</b>	<b>7,898,928</b>

# Notes to the Financial Statements

For the year ended December 31, 2016

## 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:

	Amount due from reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	2016	2015
	----- (Rupees) -----				
A or above (including PRCL)	115,363	48,388,508	73,708,695	122,212,566	130,832,894
BBB	-	204,475	-	204,475	230,150
<b>Total</b>	<b>115,363</b>	<b>48,592,983</b>	<b>73,708,695</b>	<b>122,417,041</b>	<b>131,063,044</b>

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

	2016		2015	
	Gross	Impairment	Gross	Impairment
	----- (Rupees) -----			
Upto 1 year	59,768,574	-	71,960,334	-
1-2 years	45,446,823	21,835,723	12,931,887	-
2-3 years	4,939,925	-	5,401,454	-
Over 3 years	8,482,897	816,102	6,897,915	816,102
<b>Total</b>	<b>118,638,219</b>	<b>22,651,825</b>	<b>97,191,590</b>	<b>816,102</b>

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

Upto 1 year	22,739,506	-	23,149,620	-
1-2 years	3,994,693	-	6,201,419	-
2-3 years	4,775,959	-	3,027,589	-
Over 3 years	29,671,590	-	27,871,215	-
<b>Total</b>	<b>61,181,748</b>	<b>-</b>	<b>60,249,843</b>	<b>-</b>

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, 2016, an amount of Rs.98.410 million (December 31, 2015: Rs.58.502 million) is receivable from related parties out of which Rs.26.625 million (December 31, 2015: Rs.23.063 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.

# Notes to the Financial Statements

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## 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.

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

	2016		2015	
	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	164,787,530	(164,787,530)	157,298,790	(157,298,790)
Amount due to other insurers / reinsurers	260,739,918	(260,739,918)	199,147,518	(199,147,518)
Accrued expenses	9,350,972	(9,350,972)	7,202,891	(7,202,891)
Other creditors and accruals	92,225,153	(92,225,153)	87,195,753	(87,195,753)
Unclaimed dividend	3,559,189	(3,559,189)	2,282,987	(2,282,987)
	<b>530,662,762</b>	<b>(530,662,762)</b>	<b>453,127,939</b>	<b>(453,127,939)</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 are:

	2016	2015	2016	2015
	Effective interest rate (in %)		----- (Rupees) -----	
<b>Fixed rate instruments</b>				
Government securities	12% to 15%	12% to 15%	51,117,042	50,797,539
<b>Variable rate instruments</b>				
PLS savings accounts	3.75% to 5.5%	5% to 8%	98,142,044	148,099,247

### 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.

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## 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.0.936 million (December 31, 2015: Rs.1.327 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 12 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.

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, 2016 and 2015 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. 14.188 million (December 31, 2015: Rs.13.228 million).

### 32.4 Fair value of financial instruments

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

# Notes to the Financial Statements

For the year ended December 31, 2016

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table provides the fair value measurement hierarchy of the Company's assets:

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
<b>Asset measured at fair value</b>	(Rupees)			
<b>At fair value through profit or loss - held-for-trading</b>				
Quoted equity securities (fair value disclosed only)	204,596,954	-	-	204,596,954
Government securities - Pakistan Investment Bond	-	1,018,782	-	1,018,782
<b>Available-for-sale</b>				
Equity securities (fair value disclosed only)	90,995,158	-	-	90,995,158
Mutual fund units (fair value disclosed only)	-	1,326,842,328	-	1,326,842,328
	<b>295,592,112</b>	<b>1,327,861,110</b>	<b>-</b>	<b>1,623,453,222</b>
	December 31, 2015			
	Level 1	Level 2	Level 3	Total
<b>Asset measured at fair value</b>	(Rupees)			
<b>At fair value through profit or loss - held-for-trading</b>				
Quoted equity securities (fair value disclosed only)	132,284,225	-	-	132,284,225
<b>Available-for-sale</b>				
Equity securities (fair value disclosed only)	75,200	-	-	75,200
Mutual fund units (fair value disclosed only)	-	1,498,951,476	-	1,498,951,476
	<b>132,359,425</b>	<b>1,498,951,476</b>	<b>-</b>	<b>1,631,310,901</b>

## 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.

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.

# Notes to the Financial Statements

For the year ended December 31, 2016

## 34. SUBSEQUENT EVENT

The Finance Act, 2015 introduced a tax on every public company at the rate of 10 percent of such undistributed reserves which exceed the amount of its paid-up capital. However, this tax shall not apply in case of a public company which distributes cash dividend equal to at least either 40 percent of its after tax profits or 50 percent of its paid-up capital, within the prescribed time after the end of the relevant tax year.

The Board of Directors in its meeting held on February 27, 2017 has recommended cash dividend of 17.5% i.e. Rs.1.75 per share in respect of the year ended December 31, 2016 [December 31, 2015: 50% (Rs.5 per share)] and bonus shares @ 10% (December 31, 2015: NIL). These financial statements for the year ended December 31, 2016 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, 2017.

## 36. GENERAL

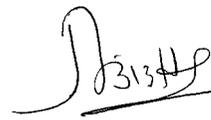
- 36.1 Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate the comparison. However, there were no material reclassifications to report.
- 36.2 All figures have been rounded off to the nearest of rupees, except otherwise stated.



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 2017 or at any adjournment thereof.

Signed this \_\_\_\_\_ day of April 2017.

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

Signature

## 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.



## مختار نامہ (پراکسی فارم)

میں / ہم \_\_\_\_\_ ساکن  
\_\_\_\_\_ ساکن  
\_\_\_\_\_ بحثیت رکن (ممبر) سینچری انشورنس کمپنی لمیٹڈ مقرر کرتا / کرتی ہوں / کرتے ہیں مسملی / مسماة \_\_\_\_\_ ساکن  
\_\_\_\_\_ کو یا ان کی غیر حاضری میں مسملی / مسماة \_\_\_\_\_ ساکن  
\_\_\_\_\_ ساکن

کو جو خود بھی سینچری انشورنس کمپنی لمیٹڈ کا رکن ہے کہ وہ بطور میرا / ہمارا مختار (پراکسی) سینچری انشورنس کمپنی لمیٹڈ کے سالانہ اجلاس عام جو ۲۸ اپریل ۲۰۱۷ کو منعقد ہو رہا ہے یا اس کے کسی ملتوی شدہ اجلاس میں شرکت کرے اور وہ میری / ہماری جگہ میری / ہماری طرف سے حق رائے دہی استعمال کرے۔

مورخہ اپریل \_\_\_\_\_ ۲۰۱۷ کو میرے / ہمارے دستخط سے جاری ہوا۔

فولیو نمبر	سی ڈی سی کھاتہ نمبر	حصص کی تعداد

دستخط

گواہ نمبر ۱ \_\_\_\_\_ دستخط  
نام \_\_\_\_\_  
کمپیوٹرائزڈ قومی شناختی کارڈ نمبر \_\_\_\_\_  
پتہ \_\_\_\_\_

گواہ نمبر ۲ \_\_\_\_\_ دستخط  
نام \_\_\_\_\_  
کمپیوٹرائزڈ قومی شناختی کارڈ نمبر \_\_\_\_\_  
پتہ \_\_\_\_\_

### ہدایات:

- ۱- مختار (پراکسی) کا کمپنی کا رکن (ممبر) ہونا ضروری ہے۔
- ۲- ممبر (رکن) کے دستخط، نمونہ دستخط / اندراج شدہ دستخط سے مماثلت ہونا ضروری ہے۔
- ۳- سی ڈی سی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر کو مختار نامہ (پراکسی فارم) کے ہمراہ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقل منسلک کرنا ضروری ہے۔ کارپوریٹ ادارے کے نمائندوں کو معمول کے مطابق دستاویزات ساتھ لانا ضروری ہے۔
- ۴- مختار نامہ (پراکسی فارم) مکمل پر شدہ کمپنی کے رجسٹرڈ آفس میں اجلاس کے مقررہ وقت سے کم از کم ۴۸ گھنٹے قبل جمع کرانا ضروری ہے۔





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# NETWORK

## Registered and Corporate Office

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

Tel: (021) 35698000 Fax: (021) 35683410

## Karachi Lakson Square Office

10<sup>th</sup> Floor, Lakson Square, Building # 3, Sarwar Shaheed Road, Karachi-74200.

Tel: (021) 35698550 Fax: (021) 35689518

## Lahore Regional Office

1<sup>st</sup> Floor, 14 Ali Block, New Garden Town, Lahore.

UAN: (042) 111-111-717 Fax: (042) 35911176

## Faisalabad Office

2<sup>nd</sup> Floor, Legacy Tower, Kohinoor City, Faisalabad.

UAN: (041) 111-111-717 Fax: (041) 8554453

## Multan Office

Office # 55-57, 1<sup>st</sup> Floor, Business City Plaza, Bosan Road, Multan.

Tel: (061) 6211241-43 Fax: (061) 6211244

## Head Office

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Email: info@cicl.com.pk

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## Sialkot Office

1<sup>st</sup> Floor, Karim Plaza, Iqbal Town, Defence Road, Sialkot.

UAN: (052) 111-111-717 Fax: (052) 3241703

Website: [www.cicl.com.pk](http://www.cicl.com.pk)



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Website: [www.cicl.com.pk](http://www.cicl.com.pk)