

Annual Report 2016

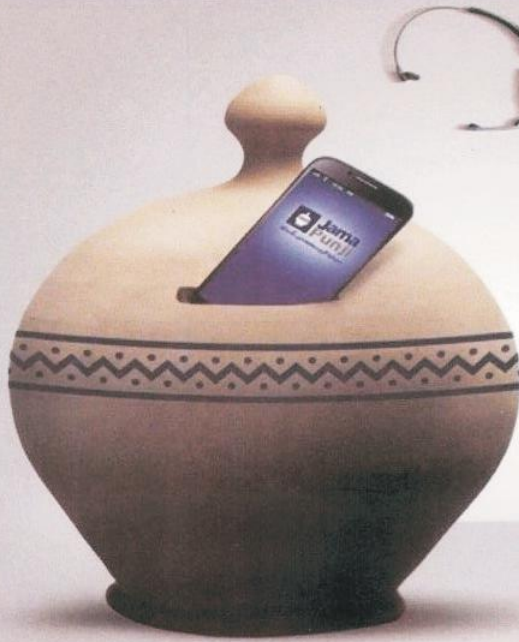


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COMPANY INFORMATION

BOARD OF DIRECTORS

Air Marshal Muhammad Jamshed Khan (Retd.)
 Air Vice Marshal Syed Razi Ul Hassan Nawab (Retd.)
 Air Commodore Zafar Yasin (Retd.)
 Air Commodore Mahmood Ahmad (Retd.)
 Group Captain Javed Akhter Khan (Retd.)
 Mr. Aamir Shahzad Mughal

AUDIT COMMITTEE

Air Vice Marshal Syed Razi Ul Hassan Nawab (Retd.) - Chairman
 Air Commodore Mahmood Ahmad (Retd.) - Member
 Mr. Aamir Shahzad Mughal - Member

ETHICS, HUMAN RESOURCE & REMUNERATION COMMITTEE

Air Vice Marshal Syed Razi Ul Hassan Nawab (Retd.) - Chairman
 Air Commodore Mahmood Ahmad (Retd.) - Member
 Mr. Sohel N. Kidwai (CEO) - Member

INVESTMENT COMMITTEE

Air Marshal Muhammad Jamshed Khan (Retd.) - Chairman
 Air Vice Marshal Syed Razi Ul Hassan Nawab (Retd.) - Member
 Air Commodore Mahmood Ahmad (Retd.) - Member
 Mr. Aamir Shahzad Mughal - Member
 Mr. Sohel N. Kidwai (CEO) - In attendance
 Mr. Nisar Ahmed Almani

CHIEF EXECUTIVE OFFICER

Mr. Sohel N. Kidwai

CHIEF FINANCIAL OFFICER, COMPANY SECRETARY AND COMPLIANCE OFFICER

Mr. Nisar Ahmed Almani

COMPANY INFORMATION**HEAD OF OPERATIONS UNDERWRITING,
CLAIMS AND REINSURANCE**

Mr. Zia Mehdi

COUNTRY HEAD BUSINESS

Mr. Naveed Y. Butt

**COORDINATOR INTERNAL CONTROLS
& HEAD OF INTERNAL AUDIT**

Mr. Mahmood A. Mirza

LEGAL ADVISOR

Shaukat Law Associates

AUDITORS

Riaz Ahmed & Company
Chartered Accountants

REGISTERED OFFICE

10th Floor, Shaheen Complex, M.R Kayani Road, Karachi.

HEAD OFFICE

10th Floor, Shaheen Complex, M.R Kayani Road, Karachi.

SHARE REGISTRAR

M/s. Corplink (Pvt) Ltd.
Wings Arcade, 1-K, Commercial Model Town, Lahore

OFFICES

Head Office

10th Floor, Shaheen Complex
M. R. Kayani Raod, Karachi-74200
Tel # 32630370-75, 322139850-51 Fax # 32626674
E-mail: info@shaheeninsurance.com
URL: www.shaheeninsurance.com
UAN: (021) 111-765-111

Karachi

Branch Manager. Mr. M. Iftikhar Alam
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M.R Kayani Road, Karachi -74200
Tel # 32630370-75,32213950-51, Fax # 32626674
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Direct # 32272595
UAN: (021-111-765-111)

Hyderabad

Branch Manager - Gulshan Ali Ansari
Upper 2nd Floor
House # 75, Soldier Bazar, Hyderabad
Tel # (022) 2720487
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E-mail: hyd@shaheeninsurance.com

Lahore Zonal Office

Country Head Business Mr.Naveed Y. Butt
Office # 4, 6th Floor, Shaheen Complex
Opp. PTV Station 38, Abbott Road,
Lahore.
Tel # 042-36376270,36376274,36376278,36376279
Fax # 042-36376276
E-mail: lhr_zone@shaheeninsurance.com

Lahore Corporate

Branch Manager / GM Mr. Sohaib Ansar Khan
Office # 6, 6th Floor , Shaheen Complex,
Opp. PTV Station 38, Abbott Road,
Lahore.
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Fax # 042-36370385
E-mail: lhr_corporate@shaheeninsurance.com

Islamabad

Branch Manager - Mujahid Raza Syed
Office # 6, 1st Floor VIP Plaza,
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Fax: 051-4938284
Email: isb@shaheeninsurance.com

Faisalabad

Branch Manager/ AGM Mr. Mohsin Khan
Office No2, 4th Floor, Ahmed Plaza,
Bilal Road, Civil Lines, Faisalabad
Tel. # (041) 2614112, 2621370, 2634658
Fax # (041) 2613514
Email: fsd@shaheeninsurance.com

Multan

GM Marketing - Mr. Muhammad Naeem Baig
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Nawa Sher Chowk, Multan
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Peshawar

Branch Manager - Mr. Amir Shahzad
Upper Basement, State Life Building
34 - The Mall, Peshawar Cantt.
Tel # (091) 5273122 Fax # (091)
E-mail: psw@shaheeninsurance.com

Sialkot

Zonal Manager - Mr. Faisal Jamil
Office # 210 Karim Plaza Defence Road,
Near Allama Iqbal Town, Sialkot
Tel # (052) 3250982, 3550131
Fax # (052) 3257412
E-mail: sil@shaheeninsurance.com

Gujranwala

Zonal Manager - Mr.Faisal Jamil
Office # 12-B 5th Floor Bhutta Center
Gujranwala.
Tel # 055-4294269 - 4274269
Email: faisal.jamil@shaheeninsurance.com

Abbottabad

Branch Manager - Mr.Ejaz Raffique
Office # 9 1st Floor Silk Plaza Supply Manshara
Road Abbottabad. Mobile # 0301-8177155
Email: abt@shaheeninsurance.com

VISION

To deliver general insurance at its best and to contribute positively and proactively for the welfare of our society at large as well as for the preservation of our environment, culture and ethics

MISSION STATEMENT

Our mission is to continuously improve our selves to become a leading, profitable Company, meeting the needs of our customers and enhancing the value of our shareholders investment.

We will accomplish this by using the strengths of our people and the application of innovative science for the development of new insurance products and services that are high in quality and competitive in price.

CODE OF CONDUCT AND ETHICS

The Code of Conduct and Ethics (Code) establishes the standards that govern the way we deal with each other, our customers, shareholders, governments, suppliers, competitors and the public at large. Complying with the Code is a part of the terms and conditions of employment with Shaheen Insurance Company Limited.

ANTI FRAUD PROGRAM & CONTROL WHISTLE BLOWING POLICY

The assessment of a Company's internal control over financial reporting must be based on procedures sufficient both to evaluate its design and to test its operating effectiveness. Controls subject to such assessment include controls related to the prevention, identification, and detection of fraud.

This Whistle Blowing Policy is a part of Company's effort to further improve governance and service quality.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 22nd Annual General Meeting (AGM) of Shaheen Insurance Company Limited (SICL) will be held on Friday, April 28, 2017 at 11:30 a.m at the head office of Shaheen Airport Services (SAPS) situated at SAPS Complex, Malir Avenue, Jinnah International Airport, Karachi, to transact the following business;

Ordinary Business

1. To confirm minutes of Extra Ordinary General Meeting of SICL held on February 16, 2017.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended December 31, 2016 together with the Directors' and Auditor's Reports thereon.
3. To appoint Auditors of the Company for the year ending December 31, 2017 and fix their remuneration. The present auditors Ms. Riaz Ahmad & Company, Chartered Accountants, being eligible, have offered themselves for reappointment.

Karachi: April 07, 2017

By Order of the Board

Nisar Ahmed Almani
Company Secretary

Notes:

1. SECP has directed vide SRO No. 831 (1)2012 dated July 05, 2012 to issue dividend warrant only crossed as "A/c Payee only" and should bear the computerized national identity card (CNIC) number of the registered members. All those shareholders possessing physical shares are requested to submit a photocopy of their valid CNIC along with the Folio number at the earliest directly to company's share registrar, M/s Corplink (Pvt.) Ltd., Wings Arcade, 1-K, Commercial, Model Town, Lahore. No dividend will be payable unless the CNIC number is printed on the dividend warrants. Corporate are also requested to submit their NTN at the address of our registrar as given above.
2. The Share transfer books of the Company shall remain closed from April 21, 2017 to April 29, 2017 (both days inclusive). Transfers received at M/s Corplink (Pvt.) Ltd., Wings Arcade, 1-K, Commercial, Model Town, Lahore, the Registrar and Share Registrar Office of the Company, by the close of business on April 20, 2017 will be considered in time for the purpose of Annual General Meeting.
3. The Proxy Form duly completed and signed along with attested copies of CNIC/Passport of the member, Proxy holder and the witnesses must be deposited at the Registered Office of the Company not later than 48 hours before the time of holding of the meeting. Original CNIC/Passport will be produced by the Proxy holder at the time of the meeting.

4. No persons shall be appointed as a Proxy unless he/she is a member of the company.
5. In case of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signature of the representative shall be submitted along with Proxy Form to the Company.
6. CDC account holders and their proxies must attach attested photocopy of their CNIC/Passport with the Proxy Form.

Circulation of Annual Audited Financial Statements and Notice of AGM to the Members through email:

7. SECP through its Notification No SRO. 787(1)/2014, dated September 08, 2014 has allowed companies to circulate Annual Audited Financial Statements ("Annual Financial Statements") along with Notice of Annual General Meeting ("Notice of AGM") to its members through email. In order to avail this facility, the members who desire to opt to receive Annual Financial Statements and Notice of AGM through e-mail are requested to provide their written consent and e-mail addresses to the Share Registrar at the below mentioned address.

Please note the Annual Reports / Financial Statements are also available on the Company's website.

For any query / difficulty / information, the member may contact the Company's Share Registrar and Share Transfer Agent, at the address, phone/fax numbers. Ms. Corplink (Pvt.) Ltd. 1-K Commercial, Model Town, Lahore Phone No. 042-35916714 - 042-35916719 Fax No. 042-35869037

DIRECTORS' REPORT

The Directors of your Company take pleasure in presenting the Annual Report along with the Audited Financial Statements for the year ended December 31, 2016.

GENERAL ECONOMIC REVIEW

With growth low and stuck at below 3%, the global economy voyaged through a yet another difficult year of stagnation; and growth outlook for 2017 shows a continuation of this trend. Geopolitical volatility remained high in 2016 as a result of the Brexit, a still-inflamed Middle East and political changes in America

Pakistan's macroeconomic outlook on the other hand remains highly positive. GDP growth reached an 8-year high of 4.7 percent, on the back of several promising developments. The government's structural reform programs, low fuel prices, a stable exchange rate, controlled inflation, improvements in the security situation and in energy supply, as well as a robust fiscal position, all contributed to strong growth. Economic activity spurred by CPEC is poised to be a windfall, as the industrial sector increased capacity in FY16 to accommodate this historic project, with large-scale manufacturing exhibiting vigorous growth in the process. The Asian Development Bank (ADB) forecasts growth of 5.2 percent for 2017, as Pakistan surpassed the previous ADB projection of 4.5 percent. Various positive trends are identifiable for FY17: low inflation, continuing fiscal consolidation and an uptick in industrial growth driven by CPEC. As a result, credit agencies have once more upgraded Pakistan's ratings, and international media is taking notice of Pakistan's economic resilience and potential. Further, sustained improvement in law and order situation in big cities has also boosted the overall business sentiment in the country.

Gross Written Premium (GWP) in the Pakistan non-life insurance market grew by 11% in 2015 (13% in 2014) to PKR 61 billion. In 2016 industry growth is once again expected in the range of 9-11%, as the country's economy continues to flourish. However, Premium rates across the board continue to face pressure due to stiff competition.

COMPANY'S PERFORMANCE

Year 2016 proved to be a prosperous year for the company as all its performance indicators depicted positive trend, despite stiff competitive environment and old outstanding issues. Company continued its focus on generating low risk consistent revenues, consolidating and diversifying its portfolio.

The summarized results for the year under review are as follows;

	Rupees in million	
	December 2016	December 2015
Gross Premium Written	339.50	308.99
Net Premium Revenue	264.56	225.23
Net Claims	74.31	100.36
Underwriting Results	89.38	43.32
Investment Income	17.16	16.31
Profit Before Tax	42.78	5.72
Profit After Tax	40.14	26.19
Earnings Per Share (Rs)	0.89	0.58

Our company demonstrated a robust growth during the year 2016 compared with 2015. Profit before tax of the company increased manifold to Rs 42.78 Million for the current year against profit before tax of Rs 5.72 Million during 2015 (i.e. an increase of 647.52%). This was mainly due to prudent underwriting coupled with low net claims expense during the ensuing year. Profit after tax for the year 2016 increased to Rs 40.14 Million from Rs 26.19 Million during 2015. Net claims during the year 2016 stood at Rs 74.31 Million against Rs 100.36 Million during the year 2015, mainly due to settlement / revision of claims at lower amounts compared with their initial recognition. Gross premium written during 2016 also increased by 10% to Rs 339.50 Million from Rs 308.99 during 2015 despite cautious approach in underwriting high risk business, competitive business environment and countering various challenges. During the year 2016, company has been able to improve its product mix as miscellaneous business segment illustrated promising underwriting results, while Motor segment continued to contribute heavy chunk in the underwriting profits of the company.

It may be worthwhile to mention here that our company is at a very advance stage of collaborating with a financial institution for auto financing insurance arrangement targeting its group undertakings. Despite constraints and settling old liabilities an additional amount of Rs 45.850 Million was placed in short term bank deposits. During the year, sizeable levels of funds remain deployed in short term bank deposits with large commercial banks at competitive rates of return, to maintain liquidity, and generate periodical cash flows. All the investment decisions of the company are taken by the investment committee of the board on the recommendations of the management.

General, Administration and Management expenses of Rs 136.768 Million for the year 2016 consist of Rs 29.169 Million on account of written off balances and provisions against doubtful balances. Excluding the impact of these balances, General, Administration and Management expenses of the company during the year 2016 stand at Rs 107.59 Million against Rs 103.43 Million (excluding written off balances and provisions) during 2015 i.e. increase of 4.02 %. The increase was in line with the growth in business of the company and expansion in branch network which increased from 9 to 11 spread across the country.

INCREASE IN AUTHORISED AND PAID UP SHARE CAPITAL

During the year, company successfully increased its Authorised Share Capital to Rs 1.00 Billion from Rs 600 Million to take on future business challenges and growth prospects.

Further subsequent to year end 15.00 Million shares of Rs 10 each were issued to Shaheen Foundation PAF by way of otherwise than Right Issue after approval from shareholders of the company and SECP.

BOARD OF DIRECTORS'

Board of Directors' of the company consists of seven directors having the knowledge, experience and skills required to provide oversight and strategic guidelines to the Company. All of the following directors of the company are non-executive directors;

1. Air Marshal Muhammad Jamshed Khan (Retd.)
2. Air Vice Marshal Syed Razi Ul Hassan Nawab (Retd.)
3. Air Commodore Zafar Yasin (Retd.)
4. Air Commodore Mahmood Ahmad (Retd.)
5. Air Commodore Nisar Ahmed Kingravi (Retd.) - SECP approval is in process.
6. Group Captain Javed Akhter Khan (Retd.)
7. Mr. Aamir Shahzad Mughal
8. Mr. Sohel Najam Kidwai (CEO)

During the year Air Marshal Muhammad Jamshed Khan (Retd.), Group Captain Javed Akhter Khan (Retd.) and Air Commodore Nisar Ahmed Kingravi (Retd.) have been appointed in place of outgoing directors namely Air Marshal Arif Pervaiz (Retd.), Air Commodore Muhammad Masud Akhtar (Retd.) and Group Captain Ehsan -ur- Rauf Sheikh (Retd.) respectively. Outgoing directors resigned from the board of the company due to their completion of tenure of service at Shaheen Foundation (the parent undertaking).

Board Meetings

Board of Directors held 4 meetings in 2016. Attendance of directors is indicated below;

Name of Director	No. of meetings held during the tenure	No. of meetings attended
Air Marshal Muhammad Jamshed Khan (Retd.)	4	3
Air Vice Marshal Syed Razi Ul Hassan Nawab (Retd.)	4	4
Air Commodore Zafar Yasin (Retd.)	4	4
Air Commodore Mahmood Ahmad (Retd.)	4	2
Air Commodore M. Masud Akhtar (Retd.) (Resigned on August 6, 2016)	4	1
Group Captain Ehsan -ur- Rauf Sheikh (Retd.) (Resigned on August 31, 2016)	4	Nil
Group Captain Javed Akhter Khan (Retd.)	4	Nil
Mr. Aamir Shahzad Mughal	4	4

Leave of absence was granted in case the directors could not attend some of the meetings.

Group Captain Javed Akhter Khan (Retd.) was appointed as the director in place of Air Commodore M. Masud Akhtar (Retd.). No meeting was held since his appointment was approved by SECP.

Board's Audit Committee

During the year under review, four meetings of the audit committee were held which were attended by all members of the committee.

Board's Investment Committee

All the investments / placements during the year have been approved by this committee.

Board Ethics, Human Resource & Remuneration Committee

The Committee held two meetings during the year, which were attended by all members.

Insurer Financial Strength (IFS) Rating

Directors and Management takes pride in informing that Pakistan Credit Rating Agency Limited (PACRA) has upgraded the IFS rating of the company to 'A' (single A) with stable outlook in March 2017 from 'A-' (single A minus) in 2016. This rating denotes strong capacity of the company to meet policyholder and contractual obligations.

The upgraded rating is unprecedented and highest ever in the history of the company, and board is confident that it will pave a way to spur growth in the business of the company.

DIVIDEND AND APPROPRIATIONS OF PROFIT

The profit after tax of Rs 40.136 Million was earned during the year ended December 31, 2016. This has reduced the accumulated loss to Rs 63.596 Million as at December 31, 2016 from Rs 103.732 Million. However, considering the cash flow situation and future plans for expansion of the company, the Directors have not recommended any dividend / payout for the year.

EARNINGS PER SHARE

Basic and Diluted Earnings per Share of the Company for the year ended December 31, 2016 is Rs 0.89 per share (December 31, 2015 Rs 0.58 per share) i.e. an increase of 53.28%.

CONTRIBUTORY PROVIDENT FUND

The value of investment including accrued income of provident fund on the basis of audited accounts as on December 31, 2016 is as follows;

Value of Net Assets	Rs 5.537 Million
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STATUTORY PAYMENTS ON ACCOUNT OF TAXES, DUTIES

There are no statutory payments on account of taxes, duties, levies, and charges which are outstanding except in the ordinary course of business and as disclosed in the financial statements.

Tabulated below are the financial data for the last six years against the head of accounts;

		Rupees in Millions					
		2016	2015	2014	2013	2012	2011
Gross Premium Written	↑	339.509	308.988	284.182	343.566	562.846	644.325
Investment Income	↑	17.158	16.305	15.897	9.310	8.629	12.951
Claims Expense	↓	74.312	165.861	147.453	377.563	395.058	322.392
Net Commission Exp	↑	48.203	40.780	44.169	70.317	97.559	91.894
Management & Admin Expenses	↑	136.768	108.625	160.158	158.867	170.886	165.454
Profit/ (Loss) after tax	↑	40.136	26.184	12.962	(106.253)	(32.092)	19.244
Share Holders Equity	↑	406.404	366.268	340.132	177.120	283.373	265.464
Claim Outstanding	↓	109.984	164.713	228.704	347.858	236.233	146.407
Premium Due But Unpaid	↓	77.254	87.575	127.690	219.085	262.200	305.080
Investment	↑	281.302	280.449	238.653	229.970	240.948	51.782
Investment Properties	↓	20.525	22.365	24.205	60.374	27.463	29.303

STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The corporate laws, rules and regulations framed here under spelled out the overall functions of the Board of Directors of the Company. The Board is fully aware of its corporate responsibilities as envisaged under the Code of Corporate Governance, prescribed by the Securities and Exchange Commission of Pakistan and is pleased to certify that;

- 1) The financial statements, prepared by the Company, presents fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- 2) The Company has maintained proper books of accounts as required under the Companies Ordinance 1984 and Insurance Ordinance, 2000.
- 3) The auditors have qualified and added emphasis of matters paragraph in their report in the following manner;

a) Qualification

Auditors noted that Pursuant to a settlement agreement dated 29 November 2012 with First Capital Equities Limited and FCSC Group and Pace (Pakistan) Limited (previously, the related parties) {Note 11.6}, the Company acquired 4.7 million ordinary shares of First Capital Equities Limited (FCEL) at an agreed price of Rupees 40 per ordinary share which are carried in the balance sheet at cost as 'available-for-sale investment' at Rupees 188 million. We noted that the quoted market value (Rupees 17 per share as at 31 December 2016) of this available for investment remained lower than the carrying amount (Rupees 40 per share) for the whole year which indicates a prolonged decline in market value. However, the management of the Company has not made provision for impairment amounting to Rupees 108.100 million against this investment. Had this provision been made, profit for the year and investments would have been lower by the same amount.

Auditors further noted that the quoted market price of Rupees 17 per ordinary share of FCEL as at the reporting date may not appear to have been derived by an active trade pattern (almost no transaction during the year), as its free float is not significant and equity of FCEL has almost been fully eroded due to continuous losses. The management could not so far dispose of this investment due to non-availability of active willing buyer. These factors indicate that the investment may be further impaired;

The directors are of the opinion that the Company is in the process of actively resolving the issue of investment in FCEL shares.

b) Emphasis of matters

As disclosed in note 18.3 to the financial statements, which states that the Company made an advance amounting to Rupees 34.750 million against property located at Pace Tower Project, 27-H, Gulberg II, Lahore measuring 3,475 Square Feet during the years 2007 to 2009 which is under development and its title and possession will be transferred to the Company upon completion. Our opinion is not further qualified in respect of this matter.

Directors are actively pursuing the resolution of this matter which is likely to be sorted out shortly.

- 4) The Company has consistently followed appropriate accounting policies in preparation of the financial statements and accounting estimates are on the basis of prudent and reasonable judgement.
- 5) Financial statements have been prepared by the Company in accordance with the requirements of S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan in December 2002, Insurance Ordinance, 2000, Companies Ordinance 1984 and approved accounting standards as applicable to the insurance companies in Pakistan.

- 6) The Board has established a system of internal control, which is implemented at all levels within the Company. The Company is making efforts and arrangements to include all necessary aspects of internal control given in the code, except for the matters highlighted by the auditors in the CCG report after "and there has been no material departure there from.
- 7) The fundamentals of the Company are strong and there is no doubt about its ability to continue as a going concern.
- 8) The Company has followed the best practices of Corporate Governance as mentioned in Code of Corporate Governance for Insurers, 2016 and Code of Corporate Governance as mentioned in the regulation No. 5.19.24 of the rule book of Pakistan Stock Exchange (PSX) except for the matters highlighted by the auditors in the CCG report after "and there has been no material departure there from.
- 9) The Company has at all times in the year, except as otherwise stated in the annexed financial statements, complied with and as at the date of the statement, the Company continues to be in compliance with the provisions of the Insurance Ordinance, 2000 and rules framed there under.

PATTERN OF SHARE HOLDING

A statement of pattern of shareholding is separately shown in the report.

TRADING IN COMPANY'S SHARES

No trading in the shares of the Company was carried out by the directors, CEO, CFO and Company Secretary, their spouses or minor children. Only 500 nominee shares were transferred from outgoing director Air Marshal Muhammad Arif Pervaiz (Retd.) to the director inducted in his place, Air Marshal Muhammad Jamshed Khan (Retd.).

AUDITORS

Ms. Riaz Ahmad & Company has audited the Financial Statements of the Company for the year 2016, and have offered themselves for re-appointment. The Board Audit Committee recommends that they be re-appointed as the statutory auditors for a further term of one year, and the Board endorses this recommendation.

FUTURE OUTLOOK OF THE COMPANY

Keeping in view the better macroeconomic outlook of the country along with improved strength of SICL, our company is well geared up to increase its market share gradually over the years. Management of our Company will focus on steady top line growth in all segments of the current business as well working on innovative ideas to offer new value added products to its clients in personal line of business. We further expect that State Bank of Pakistan will continue the trend of cut in policy rate in 2017, which might squeeze the investment income of the company as majority of company's fund are invested in short term deposit with commercial banks. Further, the company is in the process of obtaining license for Window Takaful Operations from SECP.

ACKNOWLEDGMENTS

We would like to place on record our appreciation for the continued guidance and support being extended by the Securities and Exchange Commission of Pakistan (SECP) and Pakistan Stock Exchange Limited.

We also appreciate and acknowledge the role of our reinsurers for their valued support to us.

Most of all we are also grateful to our customers for their continued trust and confidence which made it possible for us to achieve these results. We would like to convey our profound gratitude to the management and staff at all levels for their loyalty, devotion and hard work.

For and on behalf of Board

Air Marshal Muhammad Jamshed Khan (Retd.)
Chairman - BoD

April 7, 2017

سرمایہ کاری کی آمدنی میں کمی واقع ہوگی کیونکہ کمپنی کی رقم کا اکثر حصہ تجارتی بینکوں میں قلیل المدتی ڈپازٹ کے طور پر رکھا گیا ہے مزید یہ کہ کمپنی ونڈ وٹکافل کالائسنس حاصل کرنے کے مراحل میں ہے۔

اظہار تشکر:

ہم مستقل رہنمائی اور حمایت پر سیکوریٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) اور پاکستان اسٹاک ایکسچینج لمیٹڈ کے مشکور و ممنون ہیں۔

اس کے ساتھ ساتھ ہم اپنے ری انشوررز کے کردار اور انکی قابل قدر معاونت پر انکے بھی شکر گزار ہیں۔

اس سب سے بڑھ کر ہم اپنے صارفین کے مشکور ہیں جن کے اعتماد اور بھروسے کی وجہ سے ہم یہ نتائج حاصل کرنے کے قابل ہوئے۔ ہم انتظامیہ اور ہر سطح کے عملے کی وفاداری، لگن اور محنت پر انکے تہہ دل سے مشکور ہیں۔

7 اپریل 2017

منجانب بورڈ آف ڈائریکٹرز

ایز مارشل (ر) محمد جمشید خان

چیئر مین، بورڈ آف ڈائریکٹرز

(۹) کمپنی نے سال کے دوران تمام اوقات میں انشورنس آرڈیننس 2000 اور اس کے تحت وضع کردہ قواعد پر مکمل عملدرآمد کیا ہے الا یہ کہ منسلکہ معاشی اسٹیٹمنٹ میں کچھ اور بیان کیا جائے، نیز کمپنی اس بیان کی تاریخ کو مذکورہ قوانین و قواعد پر عملدرآمد کر رہی ہے۔

شیر ہولڈنگ کا طریقہ کار:

شیر ہولڈنگ کا طریقہ کار رپورٹ میں علیحدہ سے بیان کیا گیا ہے۔

کمپنی کے شیرز کی تجارت:

ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف فنانس آفیسر اور کمپنی سیکریٹری، ان کے رفقاء حیات اور چھوٹے بچوں کی جانب سے کمپنی کے شیرز کی کوئی تجارت نہیں کی گئی۔ صرف سبکدوش ہونے والے ڈائریکٹریز مارشل (ر) محمد عارف پرویز کی جانب سے 500 نامزد شیرز انکی جگہ مقرر ہونے والے ڈائریکٹریز مارشل (ر) محمد جمشید خان کو منتقل کئے گئے ہیں۔

آڈیٹرز:

ایم ایس ریاض احمد اینڈ کمپنی نے سال 2016ء کے لیے کمپنی کی معاشی اسٹیٹمنٹس کا آڈٹ کیا اور دوبارہ تقرری کے لیے اپنی خدمات پیش کی ہیں۔ بورڈ کی آڈٹ کمیٹی نے تجویز دی ہے کہ انہیں ایک سال کی مزید مدت کے لیے قانونی آڈیٹرز کے طور پر دوبارہ منتخب کیا جائے اور بورڈ نے اس تجویز کی توثیق کی ہے۔

کمپنی کا مستقبل:

ملک کے بہتر معاشی امکانات اور SICL کی مضبوطی کو مدنظر رکھتے ہوئے ہماری کمپنی آئندہ سالوں میں بتدریج اپنے مارکیٹ شیر میں اضافہ کیلئے مستعد ہے۔ ہماری کمپنی کی انتظامیہ موجودہ کاروبار کے تمام شعبہ جات میں مستقل بنیاد پر ترقی اور اس کے ساتھ ساتھ اپنے صارفین کو منفرد مصنوعات کی فراہمی کیلئے کوشاں رہے گی۔ ہم یہ بھی توقع کرتے ہیں کہ اسٹیٹ بینک آف پاکستان 2017 میں بھی پالیسی ریٹ میں کمی کا رجحان جاری رکھے گا، جس سے ممکنہ طور پر کمپنی کی

34.750 ملین روپے کی پیشگی ادائیگی کی جو تاحال زیر تعمیر ہے تکمیل پر اس کا قبضہ اور ملکیت کمپنی کو منتقل ہو جائیگی جو آئندہ سال متوقع ہے۔ اس معاملے کے حوالے سے ہماری رائے مزید کوالیفائیڈ نہیں۔

ڈائریکٹرز اس مسئلے کے حل کیلئے مستقل کوشاں ہیں اور متوقع طور پر یہ معاملہ جلد حل ہو جائیگا۔

(۴) کمپنی نے معاشی اسٹیٹمنٹ کی تیاری کے لیے مناسب اکاؤنٹنگ پالیسیوں پر مستقل عملدرآمد کیا ہے اور اکاؤنٹنگ کے تخمینے محتاط اور مناسب فیصلوں کی بنیاد پر ہیں۔

(۵) کمپنی کی جانب سے معاشی اسٹیٹمنٹ کی تیاری سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے دسمبر 2002 میں جاری کردہ SRO نمبر 938، انشورنس آرڈیننس 2000، کمپنیز آرڈیننس 1984 میں درج ہدایات اور پاکستان میں انشورنس کمپنیوں کے لیے قابل اطلاق اکاؤنٹنگ کے معیارات کے مطابق کی گئی ہے۔

(۶) بورڈ نے اندرونی کنٹرول کی ایک سسٹم قائم کیا ہے جو کمپنی میں ہر سطح پر نافذ ہوگا۔ کمپنی اندرونی کنٹرول کے تمام ضروری پہلوؤں کو ضابطہ میں شامل کرنے کے کیلئے کوشش اور بندوبست کر رہی ہے ماسوائے ان معاملات کے جن کی نشاندہی آڈیٹر کی جانب سے CCG رپورٹ میں کی گئی ہے۔

(۷) کمپنی کی بنیادیں مضبوط ہیں اور کمپنی کے طور پر جاری رکھنے کی صلاحیتوں کے حوالے سے کوئی شکوک و شبہات نہیں ہیں۔

(۸) کمپنی اسٹاک ایکسچینج کے لسٹنگ کے قواعد و میں بیان کردہ کارپوریٹ گورننس کے تمام بہترین طریقوں پر عملدرآمد کر رہی ہے ماسوائے ان معاملات کے جن کی نشاندہی آڈیٹر کی جانب سے CCG رپورٹ میں کی گئی ہے

معاهدے کے مطابق، کمپنی نے فرسٹ کیپٹل ایکویٹیز لمیٹڈ (FCEL) کے 4.7 ملین عام شیئر متفقہ قیمت 40 روپے فی عام شیئر کے حساب سے حاصل کئے جو بیلنس شیٹ میں 188 روپے ملین کی ”برائے فروخت سرمایہ کاری“ کے عنوان سے درج کئے گئے ہیں۔ ہم نے مشاہدہ کیا کہ برائے فروخت دستیاب سرمایہ کاری کی بیان کردہ مارکیٹ ویلیو (31 دسمبر 2016 کو 17 روپے فی شیئر) پورے سال اخذ کردہ قیمت (40 روپے فی شیئر) سے کم رہی جس سے مارکیٹ ویلیو میں طویل عرصے سے قیمت میں کمی کی نشاندہی ہوتی ہے۔ بہر حال کمپنی کی انتظامیہ نے اس سرمایہ کاری میں ہونے والی 108.100 ملین روپے کمی کے کوئی پرویژن نہیں کی۔ اگر یہ پرویژن کی جاتی تو سرمایہ کاری میں مذکورہ رقم سے کم ہو جاتی۔

آڈیٹرز نے مزید مشاہدہ کیا کہ رپورٹنگ کی تاریخ کو FCEL کے فی عام شیئر زک 23.11 فی شیئر مارکیٹ ویلیو کسی موثر تجارتی طریقے (سال کے دوران تقریباً کوئی ٹرانزیکشن نہیں) سے حاصل کردہ ظاہر نہیں ہوتی کیونکہ اس کی آزاد فلوٹ بہت زیادہ نہیں ہے اور مستقل نقصانات کی وجہ سے FCEL کی ایکویٹی تقریباً مکمل طور پر ختم ہو چکی ہے۔ انتظامیہ خواہشمند خریدار کی عدم دستیابی کی وجہ سے اس سرمایہ کاری کو فی الحال فروخت نہیں کر سکی ہے۔ ان عناصر سے نشاندہی ہوتی ہے کہ یہ سرمایہ کاری میں مزید خرابی واقع ہو سکتی ہے۔

ڈائریکٹرز کی رائے یہ ہے کہ کمپنی FCEL شیئرز میں سرمایہ کاری کے معاملے کو حل کرنے کیلئے موثر طور پر مصروف عمل ہے۔

معاملات کی اہمیت:

(b)

معاشی اسٹیٹمنٹ کے نوٹ 18.3 کے اندراج کے مطابق کمپنی نے سال 2007 سے 2009 کے دوران D-1، پہلی منزل، H-27، کالج روڈ رقبہ 3.475 مربع فٹ کی جائیداد کے عوض

19.244	(32.092)	(106.253)	12.962	26.184	40.135	↑	نفع/(نقصان) بعد از ٹیکس
265.464	283.373	177.120	340.132	366.268	406.43	↑	شیئر ہولڈرز کی ایکوٹی
146.407	236.233	347.858	228.704	164.713	109.983	↓	واجب الادا دعویٰ جات
305.080	262.200	219.085	127.690	87.575	77.253	↓	واجب الادا مگر عدم عدا شدہ پر یکم
51.782	240.948	229.970	238.653	280.449	281.301	↑	سرمایہ کاری
29.303	27.463	60.374	24.205	22.365	20.525	↓	سرمایہ کاری کی املاک

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک کا بیان:

یہاں بیان کردہ کارپوریٹ قوانین، قواعد و ضوابط پر کمپنی کے بورڈ آف ڈائریکٹرز کے تمام ترامور میں تعمیل کی جاتی ہے۔ بورڈ آف ڈائریکٹرز سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے مقرر کردہ کوڈ آف کارپوریٹ گورننس میں بیان کردہ اپنی تمام تر کارپوریٹ ذمہ داریوں سے بخوبی آگاہ ہے اور تصدیق کرتا ہے کہ:

(۱) کمپنی کی تیار کردہ فنانشل اسٹیٹمنٹس میں کمپنی کے تمام ترامور، تمام تعاملات کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی کی بالکل درست صورتحال بیان کی گئی ہے۔

(۲) کمپنی نے کمپنیز آرڈیننس 1984 اور انشورنس آرڈیننس 2000 کے تقاضوں کے مطابق اکاؤنٹس کے گوشوارے درست طور پر مرتب کر رکھے ہیں۔

(۳) آڈیٹر نے اپنی رپورٹ سے میں درج ذیل معاملات کو کو الیفائی اور توجہ طلب کہا ہے۔

(a) کو الیفیکشن:

آڈیٹر نے مشاہدہ کیا کہ مورخہ 29 نومبر 2012 کو فرسٹ کیپٹل ایکویٹیز لمیٹڈ اور FCSC گروپ اینڈ پیس (پاکستان) لمیٹڈ (اس سے قبل متعلقہ فریقین) (نوٹ 11.6) کے ساتھ

فی شیئر آمدنی:

31 دسمبر 2016 کو اختتام پزیر ہونے والے سال میں کمپنی کی فی شیئر بنیادی اور خفیف آمدنی 0.89 روپے فی شیئر ہے (جو 31 دسمبر 2015 کو 0.58 فی شیئر تھا) یعنی 53.45 فیصد کا اضافہ۔

شراکتی پرویڈنٹ فنڈ:

31 دسمبر 2016 تک کے آڈٹ شدہ اکاؤنٹ کی بنیاد پر سرمایہ کاری کی رقم بشمول پرویڈنٹ فنڈ کی آمدنی کی تفصیل درج ذیل ہے۔
خالص اثاثہ جات کی قدر 5.537 ملین روپے۔

ٹیکس، ڈیوٹیز کی مد میں ادائیگی:

ٹیکس، ڈیوٹیز، لیویز اور اخراجات کی مد میں کوئی قانونی رقم واجب الادا نہیں ہے ماسوائے ان رقوم کے جو عام کاروبار میں واجب الادا ہوتی ہے یا جن کا اظہار معاشی فنانشل اسٹیٹمنٹس میں کیا گیا ہے۔

درج ذیل ٹیبل میں گزشتہ چھ سال کے دوران بیان کردہ مد کے مالیاتی اعداد و شمار بیان کئے گئے ہیں۔

2011	2012	2013	2014	2015	2016		
644.325	562.846	343.566	284.182	308.988	339.509	↑	قلمزد کردہ مجموعی پر بیمہ
12.951	8.629	9.310	15.897	16.305	17.157	↑	سرمایہ کاری کی آمدنی
322.392	395.058	377.563	147.453	165.861	79.924	↓	دعووں کے اخراجات
91.894	97.559	70.317	44.169	40.780	50.236	↑	کمیشن کے صافی اخراجات
165.454	170.886	158.867	160.158	108.625	136.767	↑	انتظامی اخراجات

بورڈ کی آڈٹ کمیٹی:

زیر نظر سال کے دوران آڈٹ کمیٹی کی چار میٹنگز کا انعقاد ہوا جن میں کمیٹی کے تمام ممبران شریک ہوئے۔

بورڈ کی انویسٹمنٹ کمیٹی:

سال کے دوران کی جانے والی تمام تر سرمایہ کاری کمیٹی کی جانب سے منظور کی گئی۔

بورڈ کی اخلاقیات، انفرادی قوت و معاوضہ کمیٹی:

سال کے دوران کمیٹی کی دو میٹنگز منعقد کی گئیں جن میں تمام ممبران نے شرکت کی۔

انشورر فنانشل اسٹریٹجی (آئی ایف ایس) ریٹنگ:

ڈائریکٹرز اور انتظامیہ نہایت فخر کے ساتھ یہ بیان کرتے ہیں کہ پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے مارچ 2017 میں کمپنی کی ریٹنگ، جو 2016 میں "A-" تھی، کو بہتر کرتے ہوئے اسٹیبل آؤٹ لک کے ساتھ "A" قرار دیا ہے۔ یہ ریٹنگ کمپنی کی پالیسی اور معاہداتی ذمہ داریوں کو پورا کرنے کی مضبوط استعداد کی نشاندہی کرتی ہے۔

ریٹنگ میں یہ اضافہ بے مثال اور کمپنی کی اب تک کی سب سے بہترین ریٹنگ ہے اور بورڈ نہایت پر اعتماد ہے کہ اس کے نتیجے میں کمپنی کے کاروبار میں ترقی کی راہیں ہموار ہوں گی۔

ڈیویڈنڈ اور نفع کا استعمال:

31 دسمبر 2016 کو اختتام پذیر ہونے والے سال میں ٹیکس کی ادائیگی کے بعد 40.14 ملین روپے کا نفع حاصل کیا گیا۔ اس کے نتیجے میں 31 دسمبر 2016 تک مجموعی نقصان کی رقم 103.73 ملین روپے سے کم ہو کر 56.16 ملین روپے رہ گئی۔ بہر حال کیش فلو کی صورتحال اور کمپنی کی توسیع کے مستقبل کے منصوبوں کو مد نظر رکھتے ہوئے، ڈائریکٹرز نے سال کیلئے کسی ڈیویڈنڈ/ ادائیگی کی تجویز نہیں کی ہے۔

کیپٹن (ر) احسان الروف کی جگہ منتخب ہوئے۔ سبکدوش ہونے والے ڈائریکٹرز شاہین فاؤنڈیشن (اصل ادارہ) میں اپنی ملازمت کی مدت پوری ہونے پر کمپنی کے بورڈ سے مستعفی ہو گئے تھے۔

بورڈ کی میٹنگز:

2016 میں بورڈ آف ڈائریکٹرز کی 4 میٹنگز منعقد ہوئیں۔ ڈائریکٹرز کی حاضری کی تفصیل درج ذیل ہے۔

ڈائریکٹر کا نام	مدت ملازمت کے دوران منعقد شدہ میٹنگز کی تعداد	حاضری
ایئر مارشل (ر) محمد جمشید خان	4	3
ایئر مارشل (ر) سید رضی الحسن نواب	4	4
ایئر کموڈور (ر) ظفر یاسین	4	4
ایئر کموڈور (ر) محمود احمد	4	2
ایئر کموڈور (ر) مسعود اختر (6 اگست 2016 کو مستعفی ہوئے)	4	1
گروپ کیپٹن (ر) احسان الروف (31 اگست 2016 کو مستعفی ہوئے)	4	NIL
گروپ کیپٹن (ر) جاوید اختر خان	4	NIL
عامر شہزاد مغل	4	4

میٹنگ میں حاضری سے قاصر رہنے کی صورت میں ڈائریکٹرز کو رخصت فراہم کی گئی۔

گروپ کیپٹن (ر) جاوید اختر ایئر کموڈور (ر) ایم مسعود اختر کی جگہ مقرر کئے گئے۔ ایس ای سی پی کی جانب سے انکی تقرری کی منظوری کے بعد سے کوئی میٹنگ منعقد نہیں ہوئی۔

اخراجات کی رقم 103.42 ملین روپے تھی یعنی 4.02 فیصد کا اضافہ ہوا۔ یہ اضافہ کمپنی کے کاروبار میں ترقی اور برائے نیٹ ورک میں توسیع سے ہم آہنگ ہے۔

محاز اور اداشدہ سرمائے میں اضافہ:

سال کے دوران کمپنی نے مستقبل کے کاروباری چیلنجز اور ترقیاتی عناصر کو حاصل کرنے اپنے محاز سرمایہ حصص کو 600 ملین روپے سے بڑھا کر ایک بلین روپے کرنے میں کامیاب رہی۔

علاوہ ازیں، سال کے اختتام کے بعد کمپنی کے حصص یافتگان اور ایس ای سی پی سے منظوری حاصل کرنے کے بعد رائٹ ایشو کے علاوہ 10 روپے کے 15.00 ملین شیئرز شاہین فاؤنڈیشن پی اے ایف کو جاری کئے گئے۔

بورڈ آف ڈائریکٹرز:

کمپنی کا بورڈ آف ڈائریکٹرز سات ڈائریکٹرز پر مشتمل ہے جو کمپنی کی نگرانی، حکمت عملی اور رہنمائی کیلئے درکار لیاقت و استعداد اور تعلیم و تجربے کے حامل ہیں۔ کمپنی کے تمام ڈائریکٹرز نان ایگزیکٹو ڈائریکٹرز ہیں۔

- ۱۔ ایئر مارشل (ر) محمد جمشید خان
- ۲۔ ایئر مارشل (ر) سید رضی الحسن نواب
- ۳۔ ایئر کموڈور (ر) ظفر یاسین
- ۴۔ ایئر کموڈور (ر) محمود احمد
- ۵۔ ایئر کموڈور (ر) ثار احمد کنگر اوہی۔ ایس ای سی پی کی منظوری کا عمل زیر تکمیل ہے
- ۶۔ گروپ کیپٹن (ر) جاوید اختر خان
- ۷۔ عامر شہزاد مغل

سال کے دوران ایئر مارشل (ر) محمد جمشید خان، گروپ کیپٹن (ر) جاوید اختر خان اور ایئر کموڈور ثار احمد کنگر واری بالترتیب سبکدوش ہونے والے ڈائریکٹرز ایئر مارشل (ر) محمد عارف پرویز، ایئر کموڈور (ر) محمد مسعود اختر اور گروپ

ٹیکس منافع بڑھ کر 42.78 ملین روپے رہا جبکہ سال 2015 میں ٹیکس سے قبل منافع 5.72 ملین روپے تھا (یعنی 647.52 فیصد اضافہ)۔ اس کی بنیادی وجہ احتیاط کے ساتھ کی جانے والی ذمہ نویسی بمعہ سال کے دوران صافی دعویٰ جات کی شرح میں کمی تھی۔ سال 2016 کے دوران نفع بعد از ٹیکس اضافے کے بعد 40.14 ملین روپے تک جا پہنچا جبکہ سال 2015 میں یہ رقم 26.18 ملین روپے تھی۔ سال 2016 کے دوران صافی دعویٰ جات کی رقم 74.31 ملین روپے رہی جبکہ سال 2015 میں یہ رقم 100.36 ملین روپے تھی جس کی بنیادی وجہ ابتدائی تخمینے کے برخلاف دعووں کی کم رقم کی ادائیگی/تصفیہ تھی۔ سال 2016 کے دوران پریمیم کی مجموعی رقم بھی 10% اضافے کے ساتھ 339.50 ملین روپے رہی جبکہ سال 2015 میں یہ رقم 308.99 ملین روپے تھی باوجود یکہ زیادہ خدشات کے حامل کاروبار میں ذمہ نویسی کے حوالے سے محتاط طرز عمل، مسابقتی کاروباری ماحول اور مختلف چیلنجز کا مقابلہ۔ سال 2016 کے دوران کمپنی اپنی مصنوعات کے امتزاج کو بہتر کرنے میں کامیاب رہی جیسا کہ متفرق کاروباری شعبہ جات کے حوصلہ افزا نتائج ظاہر ہوئے، جبکہ موٹر کا شعبہ زیر نظر سال میں کمپنی کے ذمہ نویسی کے منافع میں سب سے اہم کردار کا حامل رہا۔

یہاں یہ بات بھی قابل ذکر ہوگی کہ ہماری کمپنی آٹو فنانسنگ انشورنس کے بندوبست کے حوالے سے مالیاتی ادارے کے ساتھ اشتراک کے اگلے مراحل میں ہے جس کا ہدف گروپ کمپنیز ہونگی۔

مختلف رکاوٹوں اور گزشتہ واجبات کے تصفیے کے باوجود 45.85 ملین روپے کی اضافی رقم قلیل المدتی بینک ڈپازٹ کے طور پر رکھی گئی ہے۔ سال کے دوران ایک بڑی رقم بڑے تجارتی بینکوں میں نفع کے مسابقتی ریٹس پر قلیل المدتی بینک ڈپازٹ کے طور پر رکھی گئی تاکہ حل پذیری کو برقرار اور وقفہ جاتی کیش فلو حاصل کیا جاسکے۔ کمپنی کے سرمایہ کاری کے تمام فیصلے انتظامیہ کی تجاویز کی روشنی میں بورڈ کی انویسٹمنٹ کمیٹی کی جانب سے کئے جاتے ہیں۔

سال 2016 کے عمومی انتظامی اور مینجمنٹ کے اخراجات 136.788 میں 38.08 ملین روپے قلمزد بیلنس اور غیر وصول شدہ پریمیم شامل ہے۔ ان رقوم کے اثرات لو، منہا کیا جائے تو 2016 کے دوران عمومی، انتظامی اور مینجمنٹ کے اخراجات کی رقم 107.69 ملین روپے تھی جبکہ سال 2015 کے دوران (قلمزد بیلنس اور ادائیگی منہا کر کے) ان

2015 میں پاکستان میں نان لائف انشورنس مارکیٹ میں مجموعی طور پر قلمزد کردہ پریمیم 11 فیصد اضافے کے ساتھ 61 بلین روپے تک جا پہنچا (جو 2014 میں 13 فیصد تھا)۔ 2016 میں ملکی معیشت کی ترقی کے تسلسل کی وجہ سے ایک مرتبہ بھراس صنعت کی نمو 11-9 فیصد کے درمیان تک متوقع ہے۔ بہر حال سخت مسابقت کی وجہ سے تمام جانب پریمیم کے ریٹس کے حوالے سے دباؤ کا سامنا رہے گا۔

کمپنی کی کارکردگی:

سال 2016 کمپنی کیلئے خوشحالی کا سال ثابت ہوا اور سخت مسابقت اور گزشتہ حل طلب معاملات کے باوجود کمپنی کی کارکردگی کے تمام تر اشاریے مثبت ہیں۔ کمپنی بدستور کم خدشات کے ساتھ آمدنی حاصل کرنے، مضبوطی کرنے اور اپنے پورٹ فولیو کو وسعت دینے کے اہداف پر کاربند ہے۔

زیر نظر سال کے نتائج کا خلاصہ درج ذیل ہے۔

روپے (ملین میں)		
دسمبر 2015	دسمبر 2016	
308.99	339.50	قلمزد مجموعی پریمیم
225.23	264.56	پریمیم کی صافی آمدنی
100.36	74.31	صافی دعوے
43.32	89.38	ذمہ نویسی کے نتائج
16.31	17.16	سرمایہ کاری کی آمدنی
5.72	42.78	نفع قبل از ٹیکس
26.19	40.14	نفع بعد از ٹیکس
0.58	0.89	آمدنی فی شیئر (روپے)

ہماری کمپنی نے 2015 کے مقابلے میں سال 2016 میں مضبوط ترقی کا مظاہرہ کیا۔ موجودہ سال میں کمپنی کا قبل از

ڈائریکٹرز کی رپورٹ

آپ کی کمپنی کے ڈائریکٹرز مسرت کے ساتھ 31 دسمبر 2016 کو اختتام پذیر ہونے والے سال کی سالانہ رپورٹ بمعہ آڈٹ شدہ معاشی اسٹیٹمنٹس پیش کر رہے ہیں۔

عام معاشی جائزہ:

نمو کی شرح بدستور 3 فیصد سے کم رہنے کی وجہ سے عالمی معیشت جمود کے ایک اور مشکل سال سے گزری ہے اور سال 2017 میں شرح نمو کا یہی رجحان متوقع ہے۔ بریگزٹ، مشرق وسطیٰ کی کشیدہ صورتحال اور امریکہ میں ہونے والی سیاسی تبدیلیوں کی وجہ سے سال 2016 میں جغرافیائی و سیاسی عدم استحکام بدستور زیادہ رہا۔

جبکہ دوسری جانب پاکستان کا مجموعی معاشی جائزہ بہت زیادہ مثبت رہا۔ بہت سے اہم ترقیاتی کاموں کی وجہ سے مجموعی ملکی پیداوار میں اضافہ گذشتہ آٹھ سالوں کے دوران سب سے زیادہ یعنی 4.7 فیصد رہا۔ حکومت کے اسٹرکچرل ریفرم پروگرام، ایندھن کی قیمتوں میں کمی، مستحکم آپیکس ریت، مہنگائی پر قابو، سیکوریٹی کی صورتحال اور توانائی کی فراہمی میں بہتری اور اس کے ساتھ ساتھ صحتمند مالیاتی حالات جیسے عناصر شرح نمو کی بہتری میں کارفرما رہے۔ سی پیک کے نتیجے میں ہونے والی معاشی سرگرمیاں خوشگوار ہوا کا ایک جھونکا ثابت ہوئیں کیونکہ اس کے نتیجے میں صنعتی شعبے نے اس پروجیکٹ کی ضروریات کو پورا کرنے کیلئے مالیاتی سال 2016 میں اپنی استعداد کو بڑھایا اور اس ضمن میں بڑے پیمانے پر ہونے والی مینوفیکچرنگ کے نتیجے میں مضبوط شرح نمو دیکھنے میں آئی۔ ایشین ڈولپمنٹ بینک نے سال 2017 میں 5.2 فیصد کی پیش گوئی کی ہے، کیونکہ پاکستان کی شرح نمو ایشین ڈولپمنٹ بینک کی گذشتہ 4.5 فیصد کی پیش گوئی سے زیادہ رہی تھی۔ مالیاتی سال 2017 کے حوالے سے متعدد مثبت رجحانات کا اشارہ دیا جاسکتا ہے جیسا کہ مہنگائی کی شرح میں کمی، مالیاتی وصولیابی اور سی پیک کی وجہ سے صنعتی نمو میں ہونے والا اضافہ۔ ان سب کے نتیجے میں کریڈٹ ایجنسیوں نے پاکستان کی ریٹنگ میں ایک مرتبہ پھر اضافہ کر دیا ہے اور بین الاقوامی میڈیا نے پاکستانی معیشت کے استحکام اور صلاحیتوں کو اہمیت دینا شروع کر دی ہے۔ علاوہ ازیں بڑے شہروں میں امن عامہ کی صورتحال میں مستقل بہتری کی وجہ سے بھی ملک میں مجموعی طور پر کاروباری شعبے کو فائدہ حاصل ہوا ہے۔

OPERATIONAL RESULTS AND FINANCIAL STRENGTHS FROM 2006 TO 2016

	Rupees in '000									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
1 Gross Direct Premium	332,918	308,988	284,182	343,566	562,845	664,326	553,084	596,327	701,245	746,419
Increase %	7.74	8.73	(17.28)	(38.96)	(15.28)	20.11	(7.25)	(14.96)	(6.05)	11.19
2 Net Premium	336,017	225,225	229,620	331,124	508,120	482,963	417,389	481,636	575,732	570,800
Increase %	49.19	(1.91)	(30.65)	(34.83)	5.21	15.71	(13.34)	(16.34)	0.86	0.97
% to 11	74.67	50.05	51.03	110.37	169.37	193.19	208.69	240.82	328.99	326.17
3 Claim Insured	74,311	100,355	73,395	235,003	303,949	247,643	263,041	267,997	333,832	369,997
% to 2	22.12	44.56	31.96	70.97	59.82	51.28	63.02	55.64	57.98	64.82
4 Commision	48,202	38,979	39,783	56,515	70,163	64,419	68,272	104,711	115,711	105,860
% to 2	14.35	17.31	17.33	17.07	13.81	13.34	16.36	21.74	20.10	18.55
5 Management Expenses	50,293	45,336	48,415	83,820	90,351	87,336	65,809	59,773	62,105	59,303
% to 1	15.11	14.67	17.04	24.40	16.05	13.15	11.90	10.02	8.86	7.95
% to 2	14.97	20.13	21.08	25.31	17.78	18.08	15.77	12.41	10.79	10.39
6 Investment Income/(Loss)	17,157	16,305	15,897	9,310	8,629	11,654	16,671	100,650	(64,649)	83,774
% to 22	3.43	3.58	3.39	3.09	2.53	14.92	5.70	32.44	(18.86)	18.06
7 Other Income	21,017	6,795	37,882	5,473	3,715	6,004	6,145	2,291	1,734	1,324
8 Provision for Taxation	2,645	20,461	2,320	3,466	2,846	5,954	5,557	3,536	7,906	2,854
9 Profit/(Loss) before Tax	42,781	5,723	11,817	(102,786)	29,245	25,199	(23,476)	21,002	(63,847)	63,061
10 Profit/(Loss) after Tax	40,135	26,184	12,962	(106,252)	(32,092)	19,245	(29,033)	17,466	(71,753)	60,207
% to 2	11.94	11.63	5.64	(32.09)	(6.32)	3.98	(6.96)	3.63	(12.46)	10.55
11 Paid-up Capital	450,000	450,000	450,000	300,000	300,000	250,000	200,000	200,000	175,000	175,000
12 General Reserves	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
13 Reserves for Unexpired Risks	149,407	145,921	89,867	103,507	174,492	225,848	187,664	169,764	221,456	267,567
14 Unappropriate Profit/(Loss)	(63,596)	(103,731)	(129,916)	(142,879)	(36,627)	(4,535)	(23,780)	5,253	12,787	84,540
15 Capital Available for Shares	406,403	366,268	340,132	177,120	283,373	265,465	196,220	225,252	207,787	279,540
16 Total Net Outstanding Claims	104,234	121,436	198,615	253,250	187,789	123,688	126,179	93,004	113,117	126,661
% to 2	31.02	53.92	86.50	76.48	36.96	25.61	30.23	19.31	19.65	22.19
17 Other Laibilities	398,934	101,872	87,733	188,111	133,560	125,882	78,010	89,947	78,628	84,593
18 Total Equity & Laibilities	770,634	780,904	786,756	864,392	879,077	832,521	717,706	729,670	75,242	871,716
19 Land & Properties	55,275	57,115	58,955	60,373	62,213	169,893	39,302	39,839	34,296	6,164
% to 2	16.45	25.36	25.68	18.23	12.24	35.18	9.42	8.27	5.96	1.08
20 Cash & Bank Balances	218,256	174,423	230,399	71,531	48,490	26,324	136,970	132,727	166,841	235,860
% to 2	64.95	77.44	100.34	21.60	9.54	5.45	32.82	27.56	28.98	41.32
21 Investment	281,301	280,449	238,653	229,970	240,948	51,782	155,721	177,520	175,907	227,940
22 Total Cash & Investment	499,557	454,872	469,053	301,502	289,439	78,106	292,691	310,247	342,748	463,800
23 O/S Premium	77,253	87,575	127,690	219,085	262,200	305,080	166,083	134,056	114,417	155,426
% to 2	22.99	38.88	55.61	66.16	46.58	45.92	30.03	22.48	16.32	20.82
24 Fixed Assets	11,564	13,907	11,206	25,295	38,050	43,721	25,741	16,468	24,277	39,422
% to 2	3.44	6.17	4.88	7.64	7.49	9.05	6.17	3.42	4.22	6.91
25 Total Assets	770,634	780,904	786,756	864,392	879,077	832,521	717,706	729,670	755,242	871,716
26 Break-up Value Per Share	5.21	6.90	7.56	5.91	9.45	10.62	9.81	11.26	11.87	15.97
27 Earning Per Share (After Tax)	0.89	0.58	0.31	(3.54)	(1.15)	(0.79)	(1.38)	0.87	(3.59)	3.44

Statement of Compliance with the Code of Corporate Governance

For the year ended December 31, 2016

This statement is being presented in compliance with the Code of Corporate Governance for Insurers, 2016 and Code of Corporate Governance as mentioned in the Regulation No. 5.19.24 of the Rule Book of Pakistan Stock Exchange ("PSX") {hereinafter jointly referred to as 'the Codes'} for the purpose of establishing a framework of good governance, whereby a listed Insurer is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of directors ("the Board"). At present all the non-executive directors on the Board are from Shaheen Foundation. The Board includes:

Category	Names
Independent director	-*
Executives director	Mr. Sohel Najam Kidwai
Non-executive directors	Air Marshal Muhammad Jamshed Khan (Retd.)
	Air Vice Marshal Syed Razi Ul Hassan Nawab (Retd.)
	Air Commodore Zafar Yasin (Retd.)
	Air Commodore Mahmood Ahmad (Retd.)
	Air Commodore Nisar Ahmed Kingravi (Retd.) **
	Group Captain Javed Akhter Khan (Retd.)
	Mr. Aamir Shahzad Mughal

*The appointment of independent Director(s), who meets criteria of independence, is being pursued, and the same will be complied with shortly.

**Approval for appointment from Securities and Exchange Commission of Pakistan is pending.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by a stock exchange.
4. One casual vacancy occurring on the Board in March 2016 and two casual vacancies occurring on the Board in August 2016 were filled by the directors within 90 days.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. However, these policies and procedures are being further refined and strengthened. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO), other executives and key officers, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The 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 aspects of internal controls given in the Codes.
10. The management of the Company has submitted CDs to the Board of Directors in October 2016 to consider it as an orientation course for its Directors and to apprise them of their duties and responsibilities. The course CD also apprised the Directors about changes in Code of Corporate Governance. However, no training program for directors' training has been arranged during the year. Training Programs as per the requirements of the codes will be conducted in next year and requirement will be complied within the timeline.
11. There were no new appointments of Chief Financial Officer (CFO) or Company Secretary except for Head of Internal Audit. The board had, however, approved the appointment of Head of Internal Audit and remuneration of CFO and Company Secretary and Head of Internal Audit including terms and conditions of employment.
12. The directors' report for this year has been prepared in compliance with the requirements of the Codes 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 Codes.
16. The Board has formed the following Board Committees:

Ethics, Human Resource and Remuneration Committee:

Name of the Member	Category
Air Vice Marshal Syed Razi Ul Hassan Nawab (Retd)	Chairman – Non Executive Director
Air Commodore Mahmood Ahmad (Retd.)	Member – Non Executive Director
Mr. Aamir Shahzad Mughal	Member – Non Executive Director

Investment Committee:

Name of the Member	Category
Air Marshal Muhammad Jamshed Khan (Retd.)	Chairman – Non Executive Director
Air Vice Marshal Syed Razi Ul Hassan Nawab (Retd)	Member – Non Executive Director
Air Commodore Mahmood Ahmad (Retd.)	Member – Non Executive Director
Mr. Aamir Shahzad Mughal	Member – Non Executive Director

17. The Board has formed an Audit Committee. It comprises of three members and all are non-executive and Chairman of Audit Committee is not an independent director. The Composition of the audit committee is as follows:

Audit Committee:

Name of the Member	Category
Air Vice Marshal Syed Razi Ul Hassan Nawab (Retd)	Chairman – Non Executive Director
Air Commodore Mahmood Ahmad (Retd.)	Member – Non Executive Director
Mr. Aamir Shahzad Mughal	Member – Non Executive Director

18. The Board has formed the following Management Committees:

Underwriting Committee:

Name of the Member	Designation	Category
Mr. Sohail Nizam Kidwai	Chief Executive Officer	Chairman
Mr. Zia Mehdi	Head of Operations	Member
Mr. Naveed Yunus Butt	Country head Business	Member
Mr. Zia Ur Rahim	Deputy Manager Underwriting	Member and Secretary

Claim Settlement Committee:

Name of the Member	Designation	Category
Mr. Sohail Nizam Kidwai	Chief Executive Officer	Chairman
Mr. Nisar Ahmed Almani	Chief Financial Officer	Member
Mr. Zia Mehdi	Head of Operations	Member
Mr. Kashif Ilyas	Assistant General Manager	Member and Secretary

Reinsurance & Co-Insurance Committee:

Name of the Member	Designation	Category
Mr. Sohail Nizam Kidwai	Chief Executive Officer	Chairman
Mr. Nisar Ahmed Almani	Chief Financial Officer	Member
Mr. Zia Mehdi	Head of Operations	Member
Mr. Muhammad Hasnain	Senior Manager	Member and Secretary

Risk Management & Compliance Committee:

Name of the Member	Designation	Category
Mr. Sohail Nizam Kidwai	Chief Executive Officer	Chairman
Mr. Nisar Ahmed Almani	Chief Financial Officer	Member
Mr. Zia Mehdi	Head of Operations	Member
Mr. Rizwan Muhammad Idrees	Manager	Member and Secretary

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 as required by the Codes. The terms of references of the Committees have been formed and advised to the Committees for compliance.
20. The board has set up an effective internal audit department which comprises of suitably qualified and experienced staff for the purpose who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a regular basis.

21. The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the Codes. The Appointed Actuary of the Company also meets the conditions as laid down in the Codes. Moreover, the persons heading the underwriting, claim, reinsurance, risk management and grievance functions possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000):

Name of the Person	Designation
Mr. Sohel Najam Kidwai	Chief Executive Officer
Mr. Nisar Ahmed Almani	Chief Financial Officer, Company Secretary and Compliance Officer
Mr. Mahmood A. Mirza	Head of Internal Audit
Mr. Zia Mehdi	Head of Operations Underwriting, Claims and Reinsurance
Mr. Kashif Ilyas	Head of Grievance Function

22. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
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 actuary appointed by the Company has confirmed that neither he nor his spouse and minor children hold shares of the Company.
25. The Board ensures that the Appointed Actuary complies with the requirements set out for him in the Codes.
26. The Company has an investment policy, however the Company will align the policy with the requirements of new Code of Corporate Governance for Insurers, 2016 within the prescribed timeline.
27. The Company already has a Risk Management function. The task of new Risk Management and Compliance function as covered under new Code of Corporate Governance for Insurers, 2016 will be aligned within the prescribed timeline.
28. The Company has been rated by PACRA and the rating assigned on 17 November 2016 is A- (A Negative) with stable outlook. Subsequent to year-end, the rating of the Company has been upgraded to A (A only) with stable outlook by PACRA on 10 March 2017.

29. The Board has set up a grievance function in compliance with the requirement of the Code of Corporate Governance for Insurers, 2016.
30. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and Pakistan Stock Exchange.
31. Material/price sensitive information has been disseminated among all market participants at once through Pakistan Stock Exchange.
32. The Board is in process to develop and approve the criteria for annual evaluation of its own performance as per the requirement of the Codes.
33. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said Register.
34. The Company has not obtained any exemption from the Securities and Exchange Commission of Pakistan in respect of the requirement of the Codes.
35. We confirm that all material principles contained in the Codes have been complied with except for certain matters disclosed above in clause 1, 17 and 32 toward which reasonable progress is being made by the Company to seek compliance.

Air Marshal Muhammad Jamshed Khan (Retd.)

Chairman - BoD

April 07, 2017

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance for Insurers, 2016 and the Code of Corporate Governance as mentioned in Regulation No. 5.19.24 of the Rule Book of Pakistan Stock Exchange (PSX) {hereinafter jointly referred to as 'the Codes'} prepared by the Board of Directors of SHAHEEN INSURANCE COMPANY LIMITED ("the Company") for the year ended 31 December 2016 to comply with the requirements of the Codes.

The responsibility for compliance with the Codes is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Codes and report if it does not and to highlight any non-compliance with the requirements of the Codes. 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 Codes.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Codes as applicable to the Company for the year ended 31 December 2016.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance:

S. No.	Paragraph	Description
I	1.	There is no independent director on the Board of Directors of the Company.
II	17.	Audit Committee does not comprise of any independent Director.
III	32.	Board has not developed criteria for annual evaluation of its own performance.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Muhammad Waqas

Date: April 07, 2017

KARACHI

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:

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

of SHAHEEN 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 International Accounting Standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

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

- (a) Pursuant to a settlement agreement dated 29 November 2012 with First Capital Equities Limited and FCSC Group and Pace (Pakistan) Limited (previously, the related parties) {Note 11.6}, the Company acquired 4.7 million ordinary shares of First Capital Equities Limited (FCEL) at an agreed price of Rupees 40 per ordinary share which are carried in the balance sheet at cost as 'available-for-sale investment' at Rupees 188 million. We noted that the quoted market value (Rupees 17 per share as at 31 December 2016) of this available for investment remained lower than the carrying amount (Rupees 40 per share) for the whole year which indicates a prolonged decline in market value. However, the management of the Company has not made provision for impairment amounting to Rupees 108.100 million against this investment. Had this provision been made, profit for the year and investments would have been lower by the same amount.

We further noted that the quoted market price of Rupees 17 per ordinary share of FCEL as at the reporting date may not appear to have been derived by an active trade pattern (almost no transaction during the year), as its free float is not significant and equity of FCEL has almost been fully eroded due to continuous losses. The management could not so far dispose of this investment due to non-availability of active willing buyer. These factors indicate that the investment may be further impaired;

Except for the effect of adjustment, if any, as might have been determined to be necessary, had we been able to satisfy ourselves in respect of the matter stated in the preceding paragraph (a), we report that:

In our opinion:

- (b) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- (c) 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;
- (d) 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
- (e) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Emphasis of matter

We also draw attention to Note 18.3 to the financial statements, which states that the Company made an advance amounting to Rupees 34.750 million against property located at Pace Tower Project, 27-H, Gulberg II, Lahore measuring 3,475 Square Feet during the years 2007 to 2009 which is under development and its title and possession will be transferred to the Company upon completion. Our opinion is not further qualified in respect of this matter.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Muhammad Waqas

Date: April 07, 2017

KARACHI

BALANCE SHEET AS AT 31 DECEMBER 2016

	Note	2016	2015
		-----Rupees-----	
Share capital and reserves			
Authorized share capital			
100,000,000 (2015: 60,000,000) ordinary shares of Rupees 10 each	3.1	<u>1,000,000,000</u>	<u>600,000,000</u>
Issued, subscribed and paid-up share capital	3.2	450,000,000	450,000,000
General reserve		20,000,000	20,000,000
Accumulated loss		(63,596,058)	(103,731,911)
Shareholders' equity		<u>406,403,942</u>	<u>366,268,089</u>
Underwriting provisions			
Provision for outstanding claims (including IBNR)		109,983,753	164,713,923
Provision for unearned premium		149,407,509	145,921,759
Premium deficiency reserve	19	3,371,984	1,000,000
Commission income unearned	20	1,340,523	1,128,257
Total underwriting provisions		<u>264,103,769</u>	<u>312,763,939</u>
Creditors and Accruals			
Premium received in advance		677,367	279,627
Amounts due to other insurers / reinsurers	4	38,431,355	31,500,364
Accrued expenses	5	11,005,401	9,540,166
Agent balances		11,378,919	18,130,920
Current portion of liabilities against assets subject to finance lease	7	930,389	1,147,106
Other creditors and accruals	6	37,095,622	39,258,509
		<u>99,519,053</u>	<u>99,856,692</u>
Borrowings			
Liabilities against assets subject to finance lease	7	209,083	1,616,512
Other liabilities			
Unclaimed dividend		398,934	398,934
TOTAL LIABILITIES		<u>364,230,839</u>	<u>414,636,077</u>
TOTAL EQUITY AND LIABILITIES		<u>770,634,781</u>	<u>780,904,166</u>
CONTINGENCIES AND COMMITMENTS	8		

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

	Note	2016	2015
		-----Rupees-----	
Cash and bank deposits	9		
Cash and other equivalents		179,675	2,660,953
Current and saving accounts		22,226,398	21,762,061
Deposits maturing within 12 months		195,850,000	150,000,000
		218,256,073	174,423,014
Loans - secured			
To employees	10	3,000	3,000
Investments	11	281,301,716	280,449,544
Investment properties	12	20,525,405	22,365,241
Current Assets-Others			
Premiums due but unpaid - net	13	77,253,692	87,575,473
Amounts due from other insurers / reinsurers	14	29,619,596	35,893,450
Accrued investment income	15	2,585,453	2,669,387
Reinsurance recoveries against outstanding claims		5,749,279	41,681,383
Taxation - provisions less payments		21,350,296	21,962,868
Deferred commission expense		25,571,859	22,114,864
Advances, deposits and prepayments	16	34,155,767	37,392,350
Other receivables	17	7,948,214	5,716,567
		204,234,156	255,006,342
Fixed assets - Tangible and intangible	18		
Owned			
Furniture, fixtures and office equipment		5,261,201	5,505,369
Motor vehicles		2,119,506	774,873
Capital work in progress - tangible	18.3	34,750,008	34,750,008
		42,130,715	41,030,250
Leased			
Motor vehicles		4,183,716	7,626,775
TOTAL ASSETS		770,634,781	780,904,166

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

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Fire and property damage	Marine, aviation and transport	Motor	Accident and health	Miscellaneous	2016 Aggregate	2015 Aggregate
----- Rupees -----								
Revenue Account								
Net premium revenue	21	7,860,848	6,193,028	197,197,552	7,920,935	45,385,961	264,558,324	225,225,009
Net claims		12,974,315	(1,866,091)	(70,103,520)	(8,557,737)	(6,758,935)	(74,311,968)	(100,355,366)
Premium deficiency expense	2.2.11	(3,071,785)	-	-	-	699,801	(2,371,984)	2,764,066
Management expenses	22	(6,657,554)	(1,760,495)	(31,420,627)	(1,185,567)	(9,269,186)	(50,293,429)	(45,336,164)
Net commission		(10,958,646)	(2,663,315)	(27,011,109)	(59,438)	(7,510,356)	(48,202,864)	(38,979,207)
Underwriting results		147,178	(96,873)	68,662,296	(1,881,807)	22,547,285	89,378,079	43,318,338
Investment income							17,157,919	16,305,716
Rental income							3,128,226	2,710,244
Other income	23						21,017,305	6,795,574
General and administration expenses	22						(86,474,207)	(63,289,770)
Provision for Workers' Welfare Fund	24						(1,425,886)	(116,802)
Profit before tax							42,781,436	5,723,300
Provision for taxation	25							
-Current							(2,645,583)	(3,241,228)
-Prior							-	23,702,882
Profit after tax							40,135,853	26,184,954
Accumulated loss account								
Balance of accumulated loss at commencement of the year							(103,731,911)	(129,916,865)
Profit for the year							40,135,853	26,184,954
Balance of accumulated loss at end of the year							(63,596,058)	(103,731,911)
Earnings per share-basic and diluted	26						0.89	0.58

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	----- Rupees -----	
Profit for the year	40,135,853	26,184,954
Other comprehensive income		
Items that will not be reclassified into profit or loss	-	-
Items that may be reclassified subsequently to profit or loss	-	-
	-	-
Total comprehensive income for the year	40,135,853	26,184,954

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Revenue reserves			
	Paid-up share capital	General reserve	Accumulated loss	Total
	----- Rupees -----			
Balance as at 31 December 2014	450,000,000	20,000,000	(129,916,865)	340,083,135
<i>Comprehensive income for the year ended 31 December 2015</i>				
Profit for the year ended 31 December 2015	-	-	26,184,954	26,184,954
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	26,184,954	26,184,954
Balance as at 31 December 2015	450,000,000	20,000,000	(103,731,911)	366,268,089
<i>Comprehensive income for the year ended 31 December 2016</i>				
Profit for the year ended 31 December 2016	-	-	40,135,853	40,135,853
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	40,135,853	40,135,853
Balance as at 31 December 2016	450,000,000	20,000,000	(63,596,058)	406,403,942

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 ----- Rupees -----	2015
OPERATING ACTIVITIES			
a) Underwriting activities			
Premiums received		321,053,477	340,528,542
Reinsurance premiums paid		(55,423,594)	(64,568,216)
Claims paid		(134,655,026)	(229,851,539)
Reinsurance and other recoveries received		41,544,992	53,913,404
Commissions paid		(60,445,939)	(39,974,046)
Commissions received		2,246,345	2,185,377
Other payments		(84,848,646)	(86,936,031)
Net cash flow from / (used in) underwriting activities		29,471,609	(24,702,509)
b) Other operating activities			
Income tax paid		(2,033,011)	(6,580,391)
Workers' Welfare Fund paid		-	(215,074)
Loan to employees recovered		-	51,314
Net cash used in other operating activities		(2,033,011)	(6,744,151)
Total cash flow from / (used in) all operating activities		27,438,598	(31,446,660)
INVESTING ACTIVITIES			
Profit / return received		19,175,833	20,453,896
Rentals received		3,050,292	2,700,291
Payments for investments - net		(1,863,316)	(44,770,150)
Fixed capital expenditure	18	(3,762,444)	(592,650)
Proceeds from disposal of fixed assets	18.1	1,701,200	4,741,999
Total cash flow from / (used in) all investing activities		18,301,565	(17,466,614)
FINANCING ACTIVITIES			
Financial charges paid		(62,555)	(67,919)
Payments of finance lease liability		(1,842,821)	(7,006,720)
Total cash used in all financing activities		(1,905,376)	(7,074,639)
Net cash flow from / (used in) all activities		43,834,787	(55,987,913)
Exchange (loss) / gain on cash and cash equivalents	23	(1,728)	11,761
Cash and cash equivalents at the beginning of year		174,423,014	230,399,166
Cash and cash equivalents at end of the year		218,256,073	174,423,014

	2016	2015
	----- Rupees -----	
Reconciliation to profit and loss account		
Operating cash flows	27,438,598	(31,446,660)
Exchange gain on cash and cash equivalents	(1,728)	11,761
Depreciation on fixed assets	(3,983,871)	(5,678,244)
Depreciation on investment property	(1,839,836)	(1,839,836)
Gain on disposal of fixed assets	(419,967)	3,674,888
Provision for doubtful premium due but unpaid	(29,169,098)	(5,000,000)
Taxes paid	2,033,011	6,580,391
Financial charges	(281,230)	(432,922)
Decrease in assets other than cash	(20,990,516)	(9,444,194)
Decrease in liabilities	51,135,814	28,178,568
Investment and other income	20,286,145	21,021,276
Workers' Welfare Fund	(1,425,886)	98,272
Profit before taxation	42,781,436	5,723,300

Definition of cash

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

Cash for the purpose of the statement of cash flows consists of:

	Note	2016	2015
		----- Rupees -----	
Cash and other equivalents			
- Cash in hand		33,835	2,681
- Policy stamps in hand		145,840	2,658,272
		179,675	2,660,953
Current and saving accounts			
- Current accounts		9,136,210	1,908,778
- Savings accounts		13,090,188	19,853,283
		22,226,398	21,762,061
Deposits maturing within 12 months			
Term Deposit- local currency		195,850,000	150,000,000
	9	218,256,073	174,423,014

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

STATEMENT OF PREMIUMS FOR THE YEAR ENDED 31 DECEMBER 2016

Business underwritten inside Pakistan

Class	Premium written (Note 28)	Unearned premium reserve		Premium earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	2016 Net premium revenue i=d-h	2015 Net premium revenue
		Opening	Closing			Opening	Closing			
	a	b	c	d=a+b-c	e	f	g	h=e+f-g		
<i>Rupees</i>										
Direct and facultative										
Fire and property damage	47,698,205	20,803,573	24,021,744	44,480,034	33,472,555	13,298,596	10,151,965	36,619,186	7,860,848	16,918,343
Marine, aviation and transport	11,771,195	932,280	941,365	11,762,110	5,400,000	844,082	675,000	5,569,082	6,193,028	3,353,164
Motor	210,276,486	105,293,942	105,644,907	209,925,521	14,195,669	3,899,158	5,366,858	12,727,969	197,197,552	179,557,672
Accident and health	7,977,814	1,463,989	1,520,868	7,920,935	-	-	-	-	7,920,935	12,467,116
Miscellaneous	61,779,354	17,427,975	17,278,625	61,928,704	15,560,215	9,809,558	8,827,030	16,542,743	45,385,961	12,928,714
Total	339,503,054	145,921,759	149,407,509	336,017,304	68,628,439	27,851,394	25,020,853	71,458,980	264,558,324	225,225,009
Treaty - Proportional and Non-proportional										
Grand total	339,503,054	145,921,759	149,407,509	336,017,304	68,628,439	27,851,394	25,020,853	71,458,980	264,558,324	225,225,009

Note: The Company does not underwrite business outside Pakistan.

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

Air Marshal Muhammad Jamshed
Khan (Retd.) - Chairman

Air Vice Marshal Syed Razi Ul
Hassan Nawab (Retd.) - Director

Mr. Aamir Shahzad Mughal
Director

Mr. Sohel N. Kidwai
Chief Executive Officer

STATEMENT OF CLAIMS FOR THE YEAR ENDED 31 DECEMBER 2016

Business underwritten inside Pakistan

Class	Claims paid		Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	2016 Net claims expense i=d-h	2015 Net claims expense
	a	b	Opening	Closing			c	e			
	Rupees										
Direct and facultative											
Fire and property damage	46,612,057	83,388,179	16,926,604	(19,849,518)	27,138,395	36,396,110	2,382,512	(6,875,203)	(12,974,315)	44,941,976	
Marine, aviation and transpo	3,569,646	4,861,691	2,855,585	1,563,540	888,597	1,918,547	727,399	(302,551)	1,866,091	1,662,077	
Motor	75,334,185	56,306,279	64,227,797	83,255,703	12,726,701	1,447,733	1,873,215	13,152,183	70,103,520	40,895,429	
Accident and health	6,881,902	17,431,214	19,107,049	8,557,737	-	-	-	-	8,557,737	8,964,497	
Miscellaneous	2,257,236	2,726,560	6,866,718	6,397,394	791,299	1,918,993	766,153	(361,541)	6,758,935	3,891,387	
Total	134,655,026	164,713,923	109,983,753	79,924,856	41,544,992	41,681,383	5,749,279	5,612,888	74,311,968	100,355,366	
Treaty - Proportional and Non-proportional											
Grand total	-	-	-	-	-	-	-	-	-	-	-
	134,655,026	164,713,923	109,983,753	79,924,856	41,544,992	41,681,383	5,749,279	5,612,888	74,311,968	100,355,366	

Note: The Company does not underwrite business outside Pakistan.

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

Air Marshal Muhammad Jamshed
Khan (Retd.) - Chairman

Air Vice Marshal Syed Razi Ul
Hassan Nawab (Retd.) - Director

Mr. Aamir Shahzad Mughal
Director

Mr. Sohail N. Kidwai
Chief Executive Officer

STATEMENT OF EXPENSES FOR THE YEAR ENDED 31 DECEMBER 2016

Business underwritten inside Pakistan

Class	Commissions paid or payable	Deferred Commission		Net Commission expense	Management expenses (Note 22)	Underwriting expense	*Commission from reinsurers (Note 20)	2016 Net underwriting expenses	2015 Net underwriting expenses
		Opening	Closing						
a	b	c		d=a+b-c	e	f=d+e	g	h=f-g	
Direct and facultative									
Fire and property damage	13,523,399	5,882,703	7,047,022	12,359,080	6,657,554	19,016,634	1,400,434	17,616,200	13,552,866
Marine, aviation and transport	2,627,301	245,527	209,513	2,663,315	1,760,495	4,423,810	-	4,423,810	4,019,463
Motor	26,697,114	13,203,629	12,784,534	27,116,209	31,420,627	58,536,836	105,100	58,431,736	53,586,356
Accident and health	2,530	57,096	188	59,438	1,185,567	1,245,005	-	1,245,005	2,398,821
Miscellaneous	10,843,594	2,725,909	5,530,602	8,038,901	9,269,186	17,308,087	528,545	16,779,542	10,757,865
Total	53,693,938	22,114,864	25,571,859	50,236,943	50,293,429	100,530,372	2,034,079	98,496,293	84,315,371
Treaty - Proportional and Non-proportional									
Grand total	53,693,938	22,114,864	25,571,859	50,236,943	50,293,429	100,530,372	2,034,079	98,496,293	84,315,371

Note: The Company does not underwrite business outside Pakistan.

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

Air Marshal Muhammad Jamshed Khan (Retd.) - Chairman

Air Vice Marshal Syed Razi Ul Hassan Nawab (Retd.) - Director

Mr. Aamir Shahzad Mughal Director

Mr. Sohel N. Kidwai Chief Executive Officer

**STATEMENT OF INVESTMENT INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016	2015
		----- Rupees -----	
Income from trading investments			
Dividend income		2,503,480	3,532,728
Income from non-trading investments			
<i>Held-to-maturity</i>			
Return on other fixed income securities		9,510,582	11,397,098
Return on Government Securities		4,908,323	3,347,875
		14,418,905	14,744,973
Unrealized gain / (loss) on revaluation of held-for-trading investments		235,534	(1,971,985)
Net investment income		<u>17,157,919</u>	<u>16,305,716</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. STATUS AND NATURE OF BUSINESS

Shaheen Insurance Company Limited (the Company) was incorporated under the Companies Ordinance, 1984, as a Public Company in March 1995 and obtained the certificate of commencement of business in July 1995. It was registered with the Controller of Insurance in November 1995 to carry out non-life insurance business comprising fire, marine, motor, aviation, engineering, transportation, etc. The Company is listed on Pakistan Stock Exchange. Its registered office is located at Shaheen Commercial Complex, Karachi.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis for preparation

a) 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 Securities and Exchange Commission (Insurance) Rules, 2002. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 shall prevail.

The Securities Exchange and Commission of Pakistan (SECP) has allowed insurance companies to defer 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 the SECP as aforesaid, have not been considered in the preparation of these financial statements.

b) Basis of presentation

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

c) Basis of measurement

These financial statements have been prepared under the historical cost convention, except 'held-to-maturity' investments which are stated at amortised cost (refer note 11.2 and 11.3), provision for IBNR and premium deficiency reserve on the basis of actuarial valuation (refer note 2.2.3 and 2.2.11) and investment 'at fair value through profit or loss - held-for-trading investments which are stated at fair value (refer note 11.4). These financial statements have been prepared on accrual basis of accounting except for cash flow information which has been prepared on cash basis.

d) Use of critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements 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 on-going 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. Significant areas where assumptions and estimates were exercised in application of accounting policies relate to:

i) Classification of investments

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

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

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

ii) Provision for outstanding claims (including IBNR)

The Company records claims based on the amount of claim lodged by the insured. However, the settlement of all the claims is made based on the surveyor's assessment appointed for ascertainment of the Company's liability. The surveyor's assessment could differ significantly with the claims lodged by the insured, and accordingly amount of claims settled could materially differ with the amount of liability accrued.

The provision of claims incurred but not reported (IBNR) is made on the basis of actuarial valuation. The actuarial valuation is made on the basis of past trend and pattern of reporting of claims. The actual amount of IBNR may materially differ from the actuarial estimates.

iii) Additional provision for unexpired risks

Additional provision for unexpired risks is based on actuarial valuation for class wise insurance business. The actuary considers the trends of gross and net loss ratio of the Company. Accordingly, the actual results may differ with the assumption (based on historical trend) used by the actuary.

iv) Reinsurance recoveries against outstanding claims

Reinsurance recoveries are accrued on the basis of share of reinsurers in outstanding claims including IBNR as stated above. The recoveries are finalized when the amounts of outstanding claims are finalized based on surveyor's assessment. Therefore, reinsurance recoveries booked against settled claims could proportionately differ with the amount of reinsurance recoveries accrued against outstanding claims at the balance sheet date.

v) Income taxes

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

vi) Impairment - (available-for-sale investments)

The Company determines that investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in prices. In addition the impairment may be appropriate when there is an evidence of deterioration in the financial health of the investee, industry, sector performance, changes in technology and operational and financial cash flows.

vii) Impairment of other assets, including premium due but unpaid

The Company also considers the need for impairment provision against other assets, including the premium due but unpaid and the provision required there against. While assessing such a requirement, various factors including delinquency in the account and financial position of the insured are considered.

viii) Fixed assets, investment properties and depreciation / amortization

The Company carries investment properties at their respective costs. The fair values are determined by the independent valuation experts and such valuations are carried out every year to determine the recoverable amount.

In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Company. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard - 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

The assets residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

The Company also reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of fixed assets with a corresponding effect on the charge for depreciation and impairment.

ix) Premium deficiency reserve (refer note 2.2.11)

e) Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency and have been rounded off to the nearest rupees, unless otherwise stated.

f) Application of new and revised International Financial Reporting Standards (IFRSs)

i) New and amended standards and interpretations became effective during the year

The following amendments to published approved standards and interpretation are mandatory for the Company's accounting periods beginning on or after 01 January 2016:

- 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 Amortization (Amendment)

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 - Financial Instruments - Disclosures
- IAS 19 - Employee Benefits
- IAS 34 - Interim Financial Reporting

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

ii) Standards, interpretations and amendments to published approved accounting standards those are not yet effective

The following standards, amendments and interpretation of approved accounting standards will be effective for the accounting periods beginning on or after 01 January 2017 or later periods:

	Effective date (accounting periods beginning on or after)
- IFRS 4 (Amendments) - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4	01 January 2018
- IFRS 9 - Financial Instruments	01 January 2018
- IFRS 15 - Revenue from Contracts with Customers	01 January 2017
- IFRS 16 - Lease	01 January 2017
- IAS 12 (Amendments) - Income Taxes	01 January 2017
- IAS 7 (Amendments) - Statement of Cash Flows	01 January 2017
- IFRS 15 (Amendments) - Revenue from Contracts with Customers	01 January 2018
- IAS 40 (Amendments) - Investment Property	01 July 2018

There are other new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after 01 January 2017 but are considered not to be relevant or do not have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than in presentation / disclosures.

2.2 Insurance contracts

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

Insurance contracts are classified into following main categories, depending on the nature and duration of risk and whether or not the terms and conditions are fixed.

- Fire and property
- Marine, aviation and transport
- Motor
- Accident and health
- Miscellaneous

These contracts are normally one year insurance contracts except marine and some contracts of fire and property and miscellaneous class, where the coverage period varies. Normally all marine insurance contracts and some fire and property contracts are of three months period. In miscellaneous class, some engineering insurance contracts are of more than one year period, whereas, normally travel insurance contracts expire within one month time.

These contracts are provided to all types of customers based on assessment of insurance risk by the Company. Normally personal insurance contracts e.g. vehicle, travel, personal accident, etc. are provided to individual customers, whereas, insurance contracts of fire and property, marine, aviation and transport, accident and health and other commercial line products are provided to commercial organizations.

Fire and property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities.

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

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

Accident and health insurance covers unforeseen cash flows and financial hardships arising due to ailments, accidents and other natural causes necessitating hospitalization.

Other various types of insurance are classified in miscellaneous category which includes mainly engineering, terrorism, worker compensation, and travel insurances, etc.

The Company also accepts insurance risk pertaining to insurance contracts of other insurer as reinsurance inward. The insurance risk involved in these contracts is similar to the contracts undertaken by the Company as insurer. All reinsurance inward contracts are facultative (specific risk) acceptance contracts.

2.2.1 Premium income and provision for unearned premiums

Premium under a policy is recognized at the time of the issuance of insurance policy.

Revenue from premiums is recognized after taking into account the unearned portion of premium which is calculated using the 1/24th method except for premium revenue relating to marine which is calculated using the 1/6th method and Afghan transit policies on the basis of pattern of risk coverage. The unearned portion of premium income is recognized as a liability. Under this method, the liability for above unearned premium is equal to 1/24 of the premiums relating to policies commencing in the first month of financial year, 3/24 of the premiums relating to policies commencing in the second month of the financial year, and so on.

2.2.2 Reinsurance contracts held

These are contracts entered into by the Company with reinsurers for compensation of losses suffered on insurance contracts issued. These reinsurance contracts include both facultative and treaty arrangement contracts and are classified in same categories of insurance contracts for the purpose of these financial statements. The Company recognizes the entitled benefits under the contracts as various reinsurance assets.

2.2.3 Provision for outstanding claims including incurred but not reported (IBNR)

A liability for outstanding claims is recognized in respect of all claims incurred as at the balance sheet date which represents the estimates of the claims intimated or assessed before the end of the accounting year and are measured at the undiscounted value of expected future payments.

Provision for outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs. Provision for IBNR to account for the cost of settling claims incurred but not reported as at balance sheet date on the basis of actuarial valuation amounts to Rupees 1.124 million (2015: Rs. 1.394 million). The latest valuation was carried out as of 31 December 2016.

The actuary uses statistical methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The method used is the chain-ladder method which involves the analysis of historic claims development factors and the selection of estimated development factors based on the historic pattern. The selected development factors are then applied to cumulative claims data for each accident year. Study of claim lag pattern is conducted annually to account for any changes in experience. The development factors are based on these studies and are updated accordingly. Adequate margins are also built in to compensate for any adverse deviations in claims experience.

The actuary recommends that month wise factor based on an analysis of the past claims reporting pattern be applied to estimation of provision for IBNR. The historic chain-ladder method is used for determination of month wise factor for each class of business. Accordingly, provision has been made based on IBNR factors applied on incurred claims recommended by the actuary.

2.2.4 Reinsurance recoveries against outstanding claims

Reinsurance recoveries against outstanding claims are recognized as an asset and measured at the amount expected to be received.

2.2.5 Commission expense and deferred commission expense

Commission incurred in obtaining and recording policies is recognized as expense after taking into account the proportion of deferred commission expense which is calculated using 1/24th method.

2.2.6 Claims expense

General insurance claims include all claims occurring during the year, whether reported or not, related 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 the previous years.

The Company recognizes liability in respect of all claims incurred up to the balance sheet date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract. The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. Provision for IBNR is based on the actuarial valuation which takes in to account the past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date.

2.2.7 Administrative surcharge

Administrative surcharge is included in the profit and loss account (as premium revenue) at the time the policies are issued.

2.2.8 Receivables and payables related to insurance contracts

Receivables and payables relating to insurance contracts are recognized when due. These include premiums due but unpaid, premiums received in advance and claims payable to insurance contract holders. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any.

If there is an objective evidence that any premiums due but unpaid is impaired, the Company reduces the carrying amount of the insurance receivable and recognizes the loss in the profit and loss account.

2.2.9 Reinsurance expense and prepaid reinsurance premium ceded

Reinsurance premium is recognized as expense after taking into account the proportion of deferred premium expense which is calculated using the 1/24th method. The deferred portion of premium expense is recognized as a prepayment.

2.2.10 Commission income and unearned commission income

Commission from reinsurers is recognized as income after taking into account the unearned portion of commission which is calculated using the 1/24th method (in accordance with the pattern of recognition of reinsurance premium). The unearned portion of commission is recognized as liability.

2.2.11 Premium deficiency reserve

The Company is required under SEC (Insurance) Rules, 2002 to maintain a provision in respect of premium deficiency for the individual class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve (PDR) is recognised in the profit and loss account for the year.

The requirement for additional provision for unexpired risks is determined on the basis of an actuarial valuation. The latest valuation was carried out as of 31 December 2016. Based on the actuarial valuation so carried out, the Company is required to make provision on account of PDR for the year ended 31 December 2016 amounting to Rupees 3.372 (2015: 0.300). The actuary determines adequacy of liability of premium deficiency by carrying out analysis of the Company's loss ratio of expired periods. For this purpose average loss ratio of last five years inclusive of claim settlement cost but excluding major exceptional claims are taken into consideration to determine ultimate loss ratio to be applied on unearned premium.

2.2.12 Claim and salvage recoveries

Claims recoveries receivable from the reinsurers are recognised as an asset at the same time as the claims which give rise to the right of recovery are recognised and are measured at the amount expected to be received. Claims expenses are reported net-off reinsurance in the profit and loss account.

Salvage value recoverable is recognised only if a firm and irrevocable contract and price thereon have been agreed with the buyer.

2.3 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.

2.4 Fixed assets

Tangibles

Owned

Operating fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable cost of bringing the asset to workable condition.

Depreciation is charged over the estimated useful life of the asset on a systematic basis to income applying straight line method at rates given in note 18 to these financial statements.

Depreciation is charged from the month the asset is available for intended use. No depreciation is charged from the month of disposal of the asset.

The assets' residual value, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

Gains and losses on disposal of fixed assets are taken to profit and loss account currently.

Expenditure incurred subsequent to the initial acquisition of asset is capitalised only when it increases the future economic benefits embodied in the items of fixed assets. All other expenditure is recognised in the profit and loss account as an expense.

Leased

Assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception of lease less accumulated depreciation and impairment losses, if any. Finance charge on lease obligation is recognised in the profit and loss account over the lease term in a manner so as to provide a constant periodic rate of charge on the outstanding balance.

Depreciation on assets subject to finance lease is recognised in the same manner as owned assets.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortized over the lease term.

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 18 to the financial statements.

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 balance sheet 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.

Capital work in progress

Capital work in progress is stated at cost less any impairment in value (if any).

2.5 Investments

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs except for 'investments at fair value through profit or loss - held-for-trading investments in which case the transaction costs are charged to the profit and loss account.

All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investments. These are recognised and classified as follows:

2.5.1 Investments at fair value through profit or loss - held-for-trading

Quoted investments which are acquired principally for the purpose of generating profit from short-term fluctuations in price or are part of the portfolio in which there is a recent actual pattern of short-term profit taking are classified as held-for-trading.

Subsequent to initial recognition these are re-measured at fair value by reference to quoted market prices with the resulting gain or loss being included in profit or loss of the period in which it arises.

2.5.2 Held-to-maturity

Investments with fixed maturity, where the 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. Premium paid or discount availed on the acquisition of held-to-maturity investment is deferred and amortised over the term of investment using the effective yield method.

Profit on held-to-maturity instruments is recognised on a time proportion basis taking into account the effective yield on the investments.

These are reviewed for impairment at each reporting period and losses arising, if any, are charged to the profit and loss account of the period in which they arise.

2.5.3 Available-for-sale

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

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 requirement of the S.R.O. 938 issued by the SECP in December 2002. The Company uses Stock Exchange quotations at the balance sheet date to determine the market value of listed shares. Furthermore, market value of open-ended mutual funds is determined by using MUFAP rates at the balance sheet date.

Had the Company adopted International Accounting Standard (IAS) 39 "Financial instruments-recognition and measurement" in respect of recognition of gain / (loss) on measurement of available-for-sale securities directly into equity, the investments of the Company would have been lower by Rupees 96.591 Million (2015: lower by Rupees 46.205 million) and the net equity would have decreased / increased by the same amount.

Unquoted

Unquoted investments are recorded at cost less impairment (if any) in accordance with the above requirement.

2.5.4 Recognition / de-recognition of investments

Investments are recognised / derecognised by the Company on the date it commits to purchase / sell the investments.

2.6 Securities under repurchase / resale agreements

Transactions of purchase under resale (reverse-repo) of marketable securities are entered into at contracted rates for specified periods of time. These securities are not recognized in the financial statements as investments, as the Company does not obtain control over the assets. Amounts paid under these agreements are included in the financial statements as balance receivables for securities purchased under resale arrangements in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from the date of reverse repurchase transaction and accrued over the period of the reverse-repo agreement.

Transactions of sale under repurchase (repo) of marketable securities are entered into at contracted rates for specified periods of time. These securities are not derecognized from the financial statements and continue to be recognized as investments and measured in accordance with accounting policies for investment securities. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the period of the repo agreement.

2.7 Investment properties

Investment properties are accounted for under the cost model in accordance with International Accounting Standard 40, Investment Property, and S.R.O. 938 issued by SECP. Accordingly:

- i) premises is depreciated so as to write-off the assets over their expected economic lives under the straight line method at rates given in note 12 to these financial statements; and
- ii) subsequent capital expenditures on existing properties and gains or losses on disposals are accounted for in the same manner as operating fixed assets.

2.8 Other receivables

These are stated at cost less impairment losses, if any. Full provision is made against the impaired debts.

2.9 Retirement benefits

Defined Contribution Plan (Provident Fund)

The Company operates a contributory provident fund scheme for its permanent employees. Contribution to the fund is made by the employees and the Company at the rate of 10% of their basic salaries.

2.10 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts used for financial reporting purpose and amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets may be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date.

2.11 Financial instruments

Financial instruments carried on the balance sheet include cash and bank deposits, loans, premiums due but unpaid, amount due from other insurers / reinsurers, premium and claim reserves retained by cedents, accrued investment income, reinsurance recoveries against outstanding claims, security deposits, investments, sundry receivables, amount due to other insurers / reinsurers, accrued expenses, provision for outstanding claims including incurred but not reported, agent's balances, liabilities against assets subject to finance lease, other creditors and accruals and other payables.

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Any gain or losses on de-recognition of financial assets and financial liabilities are taken to income directly.

2.12 Revenue recognition

i) Underwriting result

The earned premium less reinsurance, claims, commission and allocable expenses of management are reflected in the profit and loss account as the underwriting result for each class of insurance business undertaken.

ii) Investment income

Profit on held-to-maturity instruments is recognised on a time proportion basis taking into account the effective yield on the instruments. 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 is recognised when the right to receive the same is established.

Entitlement of bonus shares is recognised when the right to receive the same is established by increasing the number of shares to which the Company is entitled without giving any monetary effect in the financial statements either in terms of cost or value thereof.

Gains / Losses on sale of investments are recognised in the profit and loss account at the time of sale

iii) Return on bank accounts, term finance certificates and certificates of investments

Return on bank accounts, term finance certificates and certificates of investments are accounted for on accrual basis.

iv) Income from investment properties

Rental income from investment properties is recognised on time proportion basis.

2.13 Expenses of management

These are allocated to various classes of business in proportion to respective net premium revenue for the year. Expenses not allocable to the underwriting business are charged as general and administration expenses.

2.14 Off setting

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

2.15 Impairment

The carrying amount of assets 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. In addition impairment on available-for-sale investments and reinsurance assets are recognised as follows:

- **Available-for-sale**

The Company determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

- **Reinsurance assets**

The Company determines the impairment of the reinsurance assets by looking at objective evidence, as a result of an event that occurred after initial recognition of the reinsurance assets, which indicates that the Company may not be able to recover amount due from reinsurer under the terms of reinsurance contract. In addition, the Company also monitors the financial ratings of its reinsurers on each reporting date.

2.16 Foreign currency translations

Foreign currency transactions during the year are recorded at the exchange rate approximating those ruling on the date of transaction. Monetary assets and liabilities in foreign currencies are translated at the rate of exchange which approximates those prevailing on the balance sheet date. Gains and losses on translations 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 date of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

2.17 Segment reporting

A business segment is a distinguishable component of the Company that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Company accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002 as the primary reporting format.

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

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

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

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

Accident and health insurance provides cover against loss due to accidental injury or sickness.

Miscellaneous insurance provides cover against loss of cash in safe and cash in transit, money, engineering losses and others coverage.

Assets and liabilities that are directly attributable to segments have been assigned to them while the assets and liabilities pertaining to two or more segments have been allocated to segments on a net premium revenue basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities. Depreciation and amortisation are allocated to a particular segment on the basis of premium earned.

2.18 Cash and cash equivalents

Cash and cash equivalents include cash, cheques and policy stamps in hand and balance with banks in current, saving and deposit accounts.

2.19 Amount due to other insurers / reinsurers

Liabilities for other insurers / reinsurers are carried at cost which is the fair value of consideration to be paid in the future for services.

2.20 Premiums due but unpaid

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

2.21 Amount due from other insurers / reinsurers

Amount due from other insurers / reinsurers are carried at cost less provision for impairment, if any. Cost represents the fair value of consideration to be received in future for services rendered.

2.22 Dividend distributions and appropriations

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.

2.23 Earnings per share

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

2.24 Related parties transactions

All transactions with related parties are carried out by the Company at arm's length prices or as otherwise disclosed. The Company follows the "Comparable Uncontrolled Price Method" to measure and value the transactions with the related parties, without exceptions.

3. SHARE CAPITAL

3.1 Authorized share capital

<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>
<i>Number of shares</i>			<i>----- Rupees -----</i>	
<u>100,000,000</u>	<u>60,000,000</u>	Ordinary shares of Rs. 10 each	<u>1,000,000,000</u>	<u>600,000,000</u>

The authorized capital has been increased from 60 million ordinary shares of Rupees 10 each to 100 million ordinary shares of Rupees 10 each under the authority of special resolution duly passed in Extra Ordinary General Meeting dated 26 October 2016.

3.2 Issued, subscribed and paid - up share capital

<u>31 December 2016</u>	<u>31 December 2015</u>			
<i>Number of shares</i>				
<u>8,000,000</u>	<u>8,000,000</u>	Ordinary shares of Rs. 10 each, fully paid in cash	<u>80,000,000</u>	<u>80,000,000</u>
<u>12,000,000</u>	<u>12,000,000</u>	Ordinary shares of Rs. 10 each, issued as fully paid bonus shares	<u>120,000,000</u>	<u>120,000,000</u>
<u>10,000,000</u>	<u>10,000,000</u>	Ordinary shares of Rs. 10 each, issued as right shares fully paid in cash	<u>100,000,000</u>	<u>100,000,000</u>
<u>15,000,000</u>	<u>15,000,000</u>	Ordinary shares of Rs. 10 each, issued as right shares fully paid in cash	<u>150,000,000</u>	<u>150,000,000</u>
<u>45,000,000</u>	<u>45,000,000</u>		<u>450,000,000</u>	<u>450,000,000</u>

3.2.1 As at 31 December 2016, 29.065 million (2015: 29.065 million) shares of the Company are held by associated companies / undertakings. Details of these holdings are as follows:

	Note	2016	2015
		<i>Number of shares</i>	
Shaheen Foundation, Pakistan Air Force		22,888,997	22,888,997
Central Non Public Fund, Pakistan Air Force		2,500,000	2,500,000
Ensign Communique (Pvt) Limited		3,676,425	3,676,425
		29,065,422	29,065,422
Percentage of shareholding by associated companies / undertakings		64.59%	64.59%
4. AMOUNTS DUE TO OTHER INSURERS / REINSURERS		2016	2015
		<i>----- Rupees -----</i>	
Foreign companies		8,210,899	1,156,318
Local companies		30,220,456	30,344,046
		38,431,355	31,500,364
5. ACCRUED EXPENSES	Note	2016	2015
		<i>----- Rupees -----</i>	
Rent payable		339,454	636,937
Advisory fee payable		1,659,939	1,671,938
Accrual against utilities		2,228,104	2,768,485
Accrued salaries		1,891,695	292,749
Others		4,886,209	4,170,057
		11,005,401	9,540,166
6. OTHER CREDITORS AND ACCRUALS			
Provincial services tax		30,314,283	27,824,699
Withholding tax payable		2,919,484	2,418,411
Workers welfare fund payable		2,038,339	612,453
Unearned rental income		553,089	475,155
Payable to provident fund		-	5,248,643
Others		1,270,427	2,679,148
		37,095,622	39,258,509
7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Present value of minimum lease payments		1,139,472	2,763,618
7.1 Minimum lease payments			
Not later than 1 year		1,006,466	1,396,672
Later than 1 year and not later than 5 year		213,699	1,739,860
	7.3	1,220,165	3,136,532
Future finance charges on finance lease		(80,693)	(372,914)
Present value of finance lease liability	7.2	1,139,472	2,763,618
7.2 Present value of finance lease liability			
Not later than 1 year		930,389	1,147,106
Later than 1 year and not later than 5 years		209,083	1,616,512
		1,139,472	2,763,618

- 7.3** Minimum lease payments have been discounted using implicit interest rates ranging from 10.55% to 10.99% (2015:11.10% to 21%) per annum. The total lease rentals due under lease agreements are payable in equal monthly installments till 8 April 2018. Taxes, repairs and insurance costs are to be borne by the Company. Purchase option can be exercised by the Company by adjusting 20% to 30% of the leased amount aggregating to Rupees 3.843 million (2015: Rupees 5.312 million) already paid as security deposit against respective vehicles. In case of termination of the agreement, the Company shall pay entire amount of rentals for unexpired period of lease agreement. These are secured against the leased assets, demand promissory notes, personal guarantees of directors.

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

- 8.1.1** Securities and Exchange Commission of Pakistan (SECP) has concluded the hearings on show cause notices issued under section 208 of the Companies Ordinance 1984 and section 39 read with section 156 and section 158 of the Insurance Ordinance 2000. Decisions of SECP in this regard are awaited.
- 8.1.2** M/s. New Lal Enterprise (Pvt.) Ltd. and M/s. Zahid Enterprises (Pvt.) Ltd have filed 4 suits against the Company in the Insurance Tribunal, Karachi. 3 suits pertain to claim of damages on delayed claims settlement, while one suit relates to marine claim. Total amount involved is approximately Rupees 28 Million. Another suit bearing No. 11 of 2013 for recovery of Rupees 1.086 million has been filed against the Company. As the legal advisor of the Company is confident about favorable outcome of these suits, no provision has been made in these financial statements.
- 8.1.3** A suit bearing No. 133 of 2014 for recovery of salary by an employee has been filed against the Company which is at the stage of evidence of the defendant pending adjudication before Honourable Court of IInd Senior Civil Judge Karachi South. As the legal advisor of the Company is confident about favorable outcome therefore no provision has been made in these financial statements.
- 8.1.4** The income tax assessments of the Company have been finalized up to and including the assessment year 2015-16 (financial year ended 31 December 2015), unless amended. However, assessments for tax years 2004, 2006 and 2007 had been amended by the taxation officer, against which the Company had preferred an appeal before the Commissioner Inland Revenue (Appeal) (CIR(A)). Subsequently, CIR(A) confirmed the order of taxation officer, against which the Company preferred to file an appeal before the Appellate Tribunal Inland Revenue (ATIR). ATIR decided the case in favour of the Company. Case was decided in favour of the Company in High Court as well, through the order dated 5 September 2013. However, taxation officer has filed civil petition against the order with the Supreme Court of Pakistan; the decision of which is pending. The demand raised was of Rupees 2.045 million for the tax year 2004, Rupees 8.22 million for the tax year 2006, and Rupees 9.689 million for tax year 2007 against Apportionment of Expenditure. As it is expected that the matter will be decided in favour of the Company, no provision has been made in these financial statements. Further, the Company has received notice to amend assessments for the tax years 2015 and 2016 under section 122(5A) of the Income Tax ordinance 2001. The matter is in early stage, and the Company is confident that the outcome will be in favour of the Company. As a result no provision has been made in these financial statements.

8.2 Commitments	Note	2016	2015
Lease commitments			
Not later than 1 year		1,006,466	1,396,672
Later than 1 year and not later than 5 year		213,699	1,739,860
		1,220,165	3,136,532

9. CASH AND BANK DEPOSITS

Cash and other equivalents

- Cash in hand		33,835	2,681
- Policy stamps and bond papers in hand		145,840	2,658,272
		179,675	2,660,953

Current and saving accounts

- Current accounts		9,136,210	1,908,778
- Saving accounts	9.1	13,090,188	19,853,283
		22,226,398	21,762,061

Deposits maturing within 12 months

Term deposit - local currency	9.2	195,850,000	150,000,000
		218,256,073	174,423,014

9.1 These carry profit rates ranging between 3% to 4% (2015: 5% to 7%) per annum.

9.2 The rate of return on term deposits with various banks range from 5.25% to 6.35% per annum (2015: 5.93% to 9.80% per annum) due on maturity. These term deposits have maturities upto 29 June 2017 (2015: 22 January 2016).

10. LOANS TO EMPLOYEES - secured	Note	2016	2015
<i>Due from employees other than executives</i>			
Considered good	10.1	3,000	3,000

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10.1 This represents mark-up free loans to the employees of the Company in accordance with the terms of their employment and are secured against their retirement benefits. These loans are recoverable in monthly installments over a period of less than two years.

11. INVESTMENTS	Note	2016	2015
11.1 Type of investments			
<i>Held-to-maturity</i>			
Government Securities	11.2	54,514,125	55,760,802
Term finance certificates - Listed	11.3	-	-
		54,514,125	55,760,802
<i>At fair value through profit or loss - Held for trading</i>	11.4	2,203,894	1,968,360
<i>Available-for-sale investments</i>	11.5 & 11.5.2	224,583,697	222,720,382
		281,301,716	280,449,544

11.2 Government Securities

Type of security	Note	Maturity date	Profit (%)	Face value	2016	2015
----- Rupees -----						
Pakistan Investment Bonds	11.5.1	18 July 2018	11.50%	15,000,000	14,830,311	14,736,238
Pakistan Investment Bonds		19 July 2017	11.50%	3,000,000	3,062,753	3,170,338
Pakistan Investment Bonds		30 Aug 2018	12.00%	25,800,000	27,534,208	28,481,339
Pakistan Investment Bonds		18 July 2018	11.50%	8,600,000	9,086,853	9,372,887
					54,514,125	55,760,802

11.3 Term Finance Certificates - listed

2016	2015		Note	2016	2015
Number of certificates				----- Rupees -----	
		Invest Capital Investment Bank Limited (formerly Al-Zamin Leasing Corporation Limited)			
109	109	Less: Impairment of non-performing TFC	11.3.1	545,000	545,000
				(545,000)	(545,000)
				-	-

11.3.1 These represent listed term finance certificates (face value of Rs. 5,000 each) and carried mark-up rate equal to five years Pakistan Investment Bond rate plus 2% per annum, receivable semi-annually in arrears with floor of 12% per annum and cap of 15.75% per annum. The principal amount was due on maturity in September 2013.

At 31 December 2012, the TFC was classified as non-performing as per the valuation report of debt securities by the Mutual Fund Association of Pakistan under SECP Circular 33 of 2012 dated 24 October 2012.

11.4 At fair value through profit or loss - Held for trading - quoted shares

2016	2015		Note	2016	2015
Number of shares				----- Rupees -----	
		Banks			
500,885	500,885	Summit Bank Limited		2,203,894	1,968,360

11.5 Available-for-sale investments

2016	2015			2016	2015
Number of shares/ (Units)				----- Rupees -----	
Quoted shares					
4,700,000	4,700,000	First Capital Equities Limited	11.6	188,000,000	188,000,000
Open-end mutual funds					
728,319	698,078	Pakistan Income Fund	11.5.1	30,970,949	29,347,918
6,288	6,027	Pakistan Cash Management Fund		265,204	252,133
7,160	6,733	Faysal Saving Growth Fund		568,354	524,926
121,397	114,823	ABL Income Fund		1,000,700	947,267
838	808	Atlas Islamic Income Fund		351,323	336,171
149,699	149,083	MCB Pakistan Islamic Stock Fund		770,090	763,568
19,341	18,528	PICIC Cash Fund		1,687,105	1,605,521
4,683	4,683	Lakson Money Market Fund		388,204	388,204
7,793	7,526	HBL Money Market Fund		581,768	554,674
				36,583,697	34,720,382
				224,583,697	222,720,382

11.5.1 These units and Government securities are pledged with the State Bank of Pakistan under the provisions of Insurance Ordinance, 2000 (XXXIX of 2000).

11.5.2 Market value of available-for-sale securities is Rs. 127.90 million (2015: Rs. 176.514 million).

11.6 On 29 November 2012, the Company through an agreement settled balance of Reverse Repo' and Premium due but unpaid' amounting to Rs. 99.89 million (reverse repo and associated mark-up) and Rs. 88.859 million of FCSC Group and Pace (Pakistan) Limited respectively against 4.7 million shares of First Capital Equities Limited at Rs. 40 per share against the market value of Rs. 69 per share as at that date. The agreement was subsequently amended on 7 March 2013 to make the clause of restriction on holding period and SWAP against property null and void.

The Company has been served a show cause notice dated 2 May 2013 by the SECP stating that investment with FCEL is creating difficulty for the Company with respect to the liquidity and solvency. Further, it appears that the Company has not followed the requirements of Sections 208 of the Companies Ordinance, 1984 and the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012. SECP has conducted the hearing on this matter, and decision in this regard is awaited.

The Company had filed a civil suit in Civil Court Lahore in April 2015 against First Capital Equities Limited and five others for recovery of Rs 188.00 million and cancellation of documents. The case is under adjudication and next hearing of the case is scheduled for 08 April 2017.

12. INVESTMENT PROPERTIES - at cost less accumulated depreciation

		2016						
Note		Cost		Depreciation		Written down value as at 31 December	Depreciation rate %	
		As at 1 January 2016	As at 31 December 2016	As at 1 January 2016	For the year December 2016			
----- Rupees -----								
Shop premises	12.1	33,948,414	-	33,948,414	11,927,346	1,697,421	20,323,647	5
Office premises	12.1	2,848,320	-	2,848,320	2,504,147	142,415	201,758	5
		36,796,734	-	36,796,734	14,431,493	1,839,836	20,525,405	
----- Rupees -----								
		2015						
		Cost		Depreciation		Written down value as at 31 December 2015	Depreciation rate %	
		As at 1 January 2015	As at 31 December 2015	As at 1 January 2015	For the year December 2015			
----- Rupees -----								
Shop premises	12.1	33,948,414	-	33,948,414	10,229,925	1,697,421	22,021,068	5
Office premises	12.1	2,848,320	-	2,848,320	2,361,732	142,415	344,173	5
		36,796,734	-	36,796,734	12,591,657	1,839,836	22,365,241	

12.1 As per latest available valuation conducted by KBN (Private) Limited, assessed value of shop premises as of 31 December 2016 amounted to Rupees 81.165 million (2015: 80.596 million) and office premises valued by I.Hussain Associates (Private) Limited as of 31 Decemebr 2016 amounted to Rupees 14.07 million (2015: 13.4 million).

13. PREMIUMS DUE BUT UNPAID - NET	Note	2016	2015
		----- Rupees -----	
Considered good	13.1	77,253,692	87,575,473
Considered doubtful		59,479,528	30,310,430
		136,733,220	117,885,903
Provision for doubtful receivables	13.2	(59,479,528)	(30,310,430)
		77,253,692	87,575,473
13.1 Premiums due but unpaid from related parties include:			
Shaheen Airport Services (SAPS)		3,345,708	885,370
Shaheen Foundation, PAF		62,001	255,288
Shaheen Aero Traders		132,363	42,846
Shaheen Knitwear		221,188	56,011
Hawks Advertising and Communication		-	139,485
		3,761,260	1,379,000
Percentage of premium due but unpaid - considered good		4.87%	1.57%
13.2 Reconciliation of provision against doubtful receivables			
Balance as at beginning of the year		30,310,430	25,310,430
Charge for the year		29,169,098	5,000,000
Balance as at end of the year		59,479,528	30,310,430
14. AMOUNTS DUE FROM OTHER INSURERS \ REINSURERS			
Considered good - foreign		1,916,028	8,510,798
- local		27,703,568	27,382,652
		29,619,596	35,893,450
15. ACCRUED INVESTMENT INCOME			
Mark-up accrued on bank deposits		126,492	212,823
Mark-up accrued on Pakistan Investment Bonds		2,458,961	2,456,564
		2,585,453	2,669,387
16. ADVANCES, DEPOSITS AND PREPAYMENTS			
Advances		2,109,833	2,189,833
Security deposits	16.1	5,849,955	6,190,635
Prepaid reinsurance premium ceded		25,020,853	27,851,394
Prepayments	16.2	1,175,126	1,140,488
Others		-	20,000
		34,155,767	37,392,350
16.1	This includes Rupees 2.322 million (2015: 4.15 million) in respect of security deposits paid against rental properties to Shaheen Foundation, Pakistan Air Force - related party.		
16.2	This includes Rupees 1.05 million (2015: 1.05 million) in respect of prepayment of rent to Shaheen Foundation, Pakistan Air Force - related party.		
17. OTHER RECEIVABLES - unsecured, considered good			
Receivable:			
-against Federal Insurance Fee		470,009	850,668
- against trading in marketable securities		957,649	957,649
- against general sales tax		1,207,322	1,207,322
Others		5,313,234	2,700,928
		7,948,214	5,716,567

18. FIXED ASSETS

Particulars	2016							Depreciation/ Amortization rate
	COST			DEPRECIATION / AMORTIZATION			Written down value as at 31 December 2016	
	As at 01 January 2016	Additions/ transfer / (deletions)	As at 31 December 2016	As at 01 January 2016	Charge for the year / transfer / (disposals)	As at 31 December 2016		
Rupees								
- Owned								%
Tangible fixed assets								
Furniture and fixtures	13,207,003	88,000	13,295,003	9,731,427	663,859	10,395,286	2,899,717	10
Office and electrical equipment	11,240,676	942,316 (90,000)	12,092,992	9,562,273	675,591 (90,000)	10,147,864	1,945,128	15 - 20
Computer equipment	16,588,595	316,628	16,905,223	16,237,205	251,662	16,488,867	416,356	33.3
Furniture, fixtures & office equipment	41,036,274	1,346,944 (90,000)	42,293,218	35,530,905	1,591,112 (90,000)	37,032,017	5,261,201	
Motor vehicles	20,703,790	2,415,500	23,119,290	19,928,917	1,070,867	20,999,784	2,119,506	20
	61,740,064	3,762,444 (90,000)	65,412,508	55,459,822	2,661,979 (90,000)	58,031,801	7,380,707	
Intangible assets								
Computer software	10,178,944	-	10,178,944	10,178,944	-	10,178,944	-	33.3
	71,919,008	3,762,444 (90,000)	75,591,452	65,638,766	2,661,979 (90,000)	68,210,745	7,380,707	
- Leased								
Tangible fixed assets								
Motor vehicles	8,853,000	- (2,447,500)	6,405,500	1,226,225	1,321,892 (326,333)	2,221,784	4,183,716	20
	80,772,008	3,762,444 (2,537,500)	81,996,952	66,864,991	3,983,871 (416,333)	70,432,529	11,564,423	

2015								
Particulars	COST		DEPRECIATION / AMORTIZATION			Written down value as at 31 December 2015	Depreciation/ Amortization rate	
	As at 01 January 2015	Additions/ (Deletions)	As at 31 December 2015	As at 01 January 2015	Charge for the year / (Adjustments / disposals)			As at 31 December 2015
----- Rupees ----- %								
- Owned								
<i>Tangible fixed assets</i>								
Furniture and fixtures	14,022,592	127,000 (942,589)	13,207,003	9,986,945	674,903 (930,421)	9,731,427	10	
Office and electrical equipment	11,419,251	311,250 (489,825)	11,240,676	9,429,189	622,909 (489,825)	9,562,273	15 - 20	
Computer equipment	16,480,195	154,400 (46,000)	16,588,595	15,881,116	402,089 (46,000)	16,237,205	33.3	
Furniture, fixtures & office equipment	41,922,038	592,650 (1,478,414)	41,036,274	35,297,250	1,699,901 (1,466,246)	35,530,905	5,505,369	
Motor vehicles	24,518,290	2,076,000 (5,890,500)	20,703,790	21,014,593	2,331,282 1,418,600 (4,835,558)	19,928,917	774,873	
	66,440,328	2,668,650 (7,368,914)	61,740,064	56,311,843	5,449,783 (6,301,804)	55,459,822	6,280,242	
<i>Intangible assets</i>								
Computer software	10,178,944	-	10,178,944	9,861,908	317,036	10,178,944	-	
	76,619,272	2,668,650 (7,368,914)	71,919,008	66,173,751	5,766,819 (6,301,804)	65,638,766	6,280,242	
- Leased								
<i>Tangible fixed assets</i>								
Motor vehicles	2,076,000	8,853,000 (2,076,000)	8,853,000	1,314,800	1,330,025 (1,418,600)	1,226,225	7,626,775	
	78,695,272	11,521,650 (9,444,914)	80,772,008	67,488,551	7,096,844 (7,720,404)	66,864,991	13,907,017	

18.1 Disposal of Operating Fixed Assets

Particulars of the assets	Cost	Written down value	Sale proceeds	Profit / (Loss) on disposal	Mode of disposal	Sold to	Address
-----Rupees-----							
- Owned							
<i>Furniture, fixtures and office equipment</i>							
Sale of Office Equipment	90,000	-	1,200	1,200	Negotiation	Various	Various
	90,000	-	1,200	1,200			
- Leased							
<i>Motor vehicles</i>							
Honda Civic LEC-15-5300 (LFK-384)	2,447,500	2,121,167	1,700,000	(421,167)	Negotiation	Malik Muhammad Pervaiz	House no 3 Park Lane Timple Road Lahore
	2,447,500	2,121,167	1,700,000	(421,167)			
Grand total (2016)	2,537,500	2,121,167	1,701,200	(419,967)			
Grand total (2015)	7,338,914	1,067,111	4,741,999	3,674,888			

18.2 Fixed assets include fully depreciated items costing Rupees 61.427 million (2015: Rupees 52.383).

18.3 Capital work in progress represents advance against the purchase of property from Pace Pakistan Limited (previously a related party) situated at First floor of Pace tower project, 27-H, Gulberg II, Lahore. The property has been valued under the market value basis by KBN (Private) Limited, as of 31 December 2016 at Rupees 47.955 million (As of 31 December 2015 at Rupees 47.955 million). No depreciation has been charged during the year (2015: Nil) as the property is not yet completed and available for use for the purpose intended by management.

19. PREMIUM DEFICIENCY RESERVE

Premium deficiency reserve of Rupees 3.372 has been determined by an independent actuary as at 31 December 2016 (2015: Rupees 1,000,000)

20. COMMISSION FROM REINSURERS

	2016			2015
	----- Rupees -----			
	Commission received or receivable	Unearned Commission		Commission from reinsurers
		Opening	Closing	
	a	b	c	d=a+b-c
Fire and property damage	1,481,555	751,709	832,830	1,400,434
Marine, aviation and transport	-	-	-	-
Motor	100,642	69,881	65,423	105,100
Accident and health	-	-	-	-
Miscellaneous	664,148	306,667	442,270	528,545
	2,246,345	1,128,257	1,340,523	2,034,079
				1,800,982

21. NET PREMIUM REVENUE

	Note	2016	2015
		----- Rupees -----	
Premium revenue (net of reinsurance)		261,843,401	222,969,733
Administrative surcharge	21.1	2,714,923	2,255,276
		264,558,324	225,225,009

21.1 Administrative surcharge

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

Fire and property damage	239,206	211,067
Marine, aviation and transport	43,951	35,250
Motor	1,780,902	1,770,306
Accident and health	4,375	21,042
Miscellaneous	646,489	217,611
	2,714,923	2,255,276

22. MANAGEMENT AND GENERAL AND ADMINISTRATION EXPENSES

	Note	2016			2015		
		Management expenses	General and administration expenses	Total	Management expenses	General and administration expenses	Total
		----- Rupees -----					
Salaries and other benefits		31,943,322	23,643,200	55,586,522	31,080,051	22,924,603	54,004,654
Provident fund contribution		-	1,022,494	1,022,494	-	592,277	592,277
Rent	22.1	6,147,993	7,284,812	13,432,805	5,956,710	6,276,294	12,233,004
Utilities		3,689,078	3,690,577	7,379,655	2,905,710	2,381,707	5,287,417
Repair and maintenance		522,294	845,055	1,367,349	1,462,699	1,120,957	2,583,656
Legal and professional charges		179,000	2,130,610	2,309,610	182,000	2,928,540	3,110,540
Auditors' remuneration	22.2	-	1,150,000	1,150,000	-	1,050,000	1,050,000
Depreciation and amortization	12 & 18	-	5,823,707	5,823,707	-	7,518,080	7,518,080
Bank charges		19,027	43,528	62,555	9,554	58,365	67,919
Financial charges on assets subject to finance lease		-	218,675	218,675	259,565	105,438	365,003
Advertisement and sales promotion		518,162	1,189,901	1,708,063	128,765	697,490	826,255
Travelling and entertainment		4,896,622	1,838,944	6,735,566	2,114,242	2,017,603	4,131,845
Printing and stationery		1,078,422	1,798,668	2,877,090	849,310	1,719,481	2,568,791
Newspaper and periodicals		37,526	20,937	58,463	28,696	35,849	64,545
Fee and subscription		-	3,762,808	3,762,808	156,502	5,518,759	5,675,261
Software maintenance		-	330,000	330,000	-	660,000	660,000
Provision for doubtful premium due but unpaid		-	29,169,098	29,169,098	-	5,000,000	5,000,000
Communication expense		-	-	-	65,825	560,080	625,905
Loss on disposal of fixed assets		-	419,967	419,967	-	-	-
Bad debt expense		-	-	-	-	137,222	137,222
Exchange loss		-	1,728	1,728	-	-	-
Miscellaneous		1,261,983	2,089,498	3,351,481	136,535	1,987,025	2,123,560
		<u>50,293,429</u>	<u>86,474,207</u>	<u>136,767,636</u>	<u>45,336,164</u>	<u>63,289,770</u>	<u>108,625,934</u>

22.1 This amount includes Rupees 11.899 million (2015: Rupees 10.179 million) rent expense to Shaheen Foundation, Pakistan Air Force - related party.

	Note	2016	2015
		----- Rupees -----	
22.2 Auditors' remuneration			
Annual audit fee		600,000	600,000
Interim review fee		175,000	175,000
Certification fees and review of statement of compliance with the Code of Corporate Governance		225,000	175,000
Out of pocket expenses		150,000	100,000
		<u>1,150,000</u>	<u>1,050,000</u>

	Note	2016 ----- Rupees -----	2015
23. OTHER INCOME			
Gain on sale of fixed assets		-	3,674,888
Exchange gain		-	11,761
Return on saving accounts		922,836	2,005,316
Liabilities written back - no more payable		20,082,418	-
Others		12,051	1,103,609
		21,017,305	6,795,574

24. WORKERS WELFARE FUND (WWF)

For the current year	1,425,886	116,802
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24.1 This represents the provision for Sindh Workers' Welfare fund under The Sindh Workers Welfare Fund Act, 2014.

	Note	2016 ----- Rupees -----	2015
25. TAXATION			
Current		2,645,583	3,241,228
Relationship between tax expense and accounting loss is as follows:			
Profit before taxation		42,781,436	5,723,300
Tax charge at enacted tax rate of 31% (2015: 32%)		13,262,245	1,831,456
Tax effect of expense that are not allowable in determining taxable income		(8,396,958)	(2,611,684)
Tax effect of dividend and rental income taxable at normal rate		-	(526,728)
Tax effect of application of minimum tax rate		2,645,583	2,887,955
Others		(4,865,287)	1,660,229
		2,645,583	3,241,228

25.1 Deferred tax asset on deductible temporary differences amounting to Rupees 14.667 million (2015: Rupees 51.373 million) has not been recognized in view of the uncertainty about its realization.

26. EARNINGS PER SHARE - basic and diluted

Profit after tax for the year - Rupees	40,135,853	26,184,954
Weighted average of number of ordinary shares	45,000,000	45,000,000
Earnings per share - Rupees	0.89	0.58

26.1 Diluted loss / earnings per share have not been presented as the Company does not have any convertible instruments as at 31 December 2016 and 31 December 2015 which would have any effect on the profit per share if the option to convert is

27. REMUNERATION TO THE CHIEF EXECUTIVE OFFICER AND EXECUTIVES

	Chief Executive Officer		Executives		Total	Total
	2016	2015	2016	2015	2016	2015
	----- Rupees -----					
Managerial remuneration	3,872,779	3,810,876	9,458,235	15,900,702	13,331,014	19,711,578
Provident fund	30,000	-	158,080	139,485	188,080	139,485
	3,902,779	3,810,876	9,616,315	16,040,187	13,519,094	19,851,063
Number of persons	1	1	5	11	6	12

- 27** No performance bonuses were granted to employees during the year. In addition to the above, the Chief Executive Officer and executives have been provided with the Company maintained vehicles.
- 27** Executives mean employees, other than the Chief Executive Officer and Directors, whose basic salary exceeds five hundred thousand rupees in a financial year. No amounts have been paid by the Company to its directors other than Chief Executive Officer.

28. PREMIUM WRITTEN

Premium written constitute direct and facultative business and administrative surcharge (which is also included in net premium revenue), class-wise details of which are as follows:-

	2016					
	Fire and property damage	Marine, aviation and transport	Motor	Accident and Health	Miscellaneous	Total
	----- Rupees -----					
Direct	46,221,048	11,411,603	206,876,312	7,972,814	60,436,751	332,918,528
Facultative	929,211	-	40,027	-	-	969,238
Administrative surcharge	547,946	359,592	3,360,147	5,000	1,342,603	5,615,288
	47,698,205	11,771,195	210,276,486	7,977,814	61,779,354	339,503,054

	2015					
	Fire and property damage	Marine, aviation and transport	Motor	Accident and Health	Miscellaneous	Total
	----- Rupees -----					
Direct	37,171,060	10,151,968	215,947,649	7,786,254	30,171,015	301,227,946
Facultative	1,854,235	144,539	347,641	808,062	-	3,154,477
Administrative surcharge	484,032	329,745	3,237,838	35,000	519,205	4,605,820
	39,509,327	10,626,252	219,533,128	8,629,316	30,690,220	308,988,243

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

	Fire & Property Damage		Marine, Aviation & Transport		Motor		Accident and Health		Miscellaneous		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015		
Rupees												
SEGMENT ASSETS												
Segment assets	54,323,730	55,680,866	23,408,456	23,993,255	230,796,049	236,561,885	108,886,780	111,607,032	43,444,431	44,529,776	460,859,446	472,372,814
Unallocated corporate assets											309,775,335	308,531,352
Total assets											770,634,781	780,904,166
SEGMENT LIABILITIES												
Segment liabilities	38,489,339	44,009,998	16,585,312	18,964,200	163,523,149	186,977,838	77,148,241	88,213,879	30,781,160	35,196,208	326,527,201	373,362,123
Unallocated corporate liabilities											37,703,638	41,273,954
Total liabilities											364,230,839	414,636,077
Capital expenditure	443,497	1,113,405	191,106	479,773	1,884,213	4,730,333	888,949	2,231,714	354,679	890,425	3,762,444	9,445,650
Depreciation / Amortisation	686,468	669,322	295,804	288,415	2,916,482	2,843,636	1,375,961	1,341,593	548,992	535,278	5,823,707	5,678,244

The Company is exposed to a variety of financial risks: market risk (comprising interest rate risk, currency risk and other price risk), liquidity risk and credit risk that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management framework. There are board committees and management committees for developing risk management policies and its monitoring.

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and other equity prices. The Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies.

30.1.1.1 Interest rate risk exposure

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company invests in securities and has deposits that are subject to interest / mark-up rate risk. The Company limits interest / mark-up rate risk by monitoring changes in interest / mark-up rates in the currencies in which its

The Company's interest / mark-up sensitivity and liquidity positions based on the contractual and maturity dates, whichever is earlier are as follows:

	Effective interest %	2016					
		Interest / mark-up bearing financial instruments			Non-interest /		
		Maturity	Maturity over	Maturity more	Sub total	mark-up bearing	
	per annum	up to one year	one year to five years	than five years		financial instruments	Total
Rupees							
Financial assets							
Cash and bank deposits	3 - 6.35	208,940,188	-	-	208,940,188	9,315,885	218,256,073
Investments	11.5 - 12.0	3,062,753	51,451,372	-	54,514,125	226,787,591	281,301,716
Premiums due but unpaid		-	-	-	-	77,253,692	77,253,692
Amounts due from other insurers / reinsurers		-	-	-	-	29,619,596	29,619,596
Accrued investment income		-	-	-	-	2,585,453	2,585,453
Reinsurance recoveries against outstanding claims		-	-	-	-	5,749,279	5,749,279
Advances and security deposits		-	-	-	-	7,959,788	7,959,788
Other receivables		-	-	-	-	6,270,883	6,270,883
		212,002,941	51,451,372	-	263,454,313	365,542,167	628,996,480
Financial liabilities							
Provision for outstanding claims		-	-	-	-	109,983,753	109,983,753
Amounts due to other insurers / reinsurers		-	-	-	-	38,431,355	38,431,355
Accrued expenses		-	-	-	-	11,005,401	11,005,401
Agent balances		-	-	-	-	11,378,919	11,378,919
Other creditors and accruals		-	-	-	-	1,270,427	1,270,427
Undeclared dividend		-	-	-	-	398,934	398,934
Liabilities against assets subject to finance lease	10.55 - 10.99	930,389	209,083	-	1,139,472	-	1,139,472
		930,389	209,083	-	1,139,472	172,468,789	173,608,261
Interest risk sensitivity gap		211,072,552	51,242,289	-	262,314,841	193,073,378	455,388,219
Cumulative interest risk sensitivity gap		211,072,552	262,314,841	262,314,841			
Off balance sheet item							
Commitments for capital expenditure							

2015

	Effective Interest % per annum	Interest / mark-up bearing financial instruments				Non-interest / mark-up bearing financial instruments	Total
		Maturity up to one year	Maturity over one year to five years	Maturity more than five years	Sub total		
		Rupees					
Financial assets							
Cash and bank deposits	5 - 9.8	169,853,283	-	-	169,853,283	4,569,731	174,423,014
Investments	7.55 - 12.33	-	55,760,802	-	55,760,802	224,688,742	280,449,544
Premiums due but unpaid		-	-	-	-	87,575,473	87,575,473
Amounts due from other insurers / reinsurers		-	-	-	-	35,893,450	35,893,450
Accrued investment income		-	-	-	-	2,669,387	2,669,387
Reinsurance recoveries against outstanding claims		-	-	-	-	41,681,383	41,681,383
Advance and security deposits		-	-	-	-	8,400,468	8,400,468
Other receivables		-	-	-	-	3,658,577	3,658,577
		169,853,283	55,760,802	-	225,614,085	409,137,211	634,751,296
Financial liabilities							
Provision for outstanding claims		-	-	-	-	164,713,923	164,713,923
Amounts due to other insurers / reinsurers		-	-	-	-	31,500,364	31,500,364
Accrued expenses		-	-	-	-	9,540,166	9,540,166
Agent balances		-	-	-	-	18,130,920	18,130,920
Other creditors and accruals		-	-	-	-	7,927,791	7,927,791
Unclaimed dividend		-	-	-	-	398,934	398,934
Liabilities against assets subject to finance lease	11.10 - 21	1,147,106	1,616,512	-	2,763,618	-	2,763,618
		1,147,106	1,616,512	-	2,763,618	232,212,098	234,975,716
Interest risk sensitivity gap		168,706,177	54,144,290	-	222,850,467	176,925,113	399,775,580
Cumulative interest risk sensitivity gap		168,706,177	222,850,467	222,850,467			
Off balance sheet item							
Commitments for capital expenditure		-	-	-	-	-	-

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax and equity based upon average balances and rates:

	Increase / (decrease) in basis points	Effect on	
		Profit before tax	Equity
		-----Rupees-----	
31 December 2016	100	2,623,148	1,809,972
	(100)	(2,623,148)	(1,809,972)
31 December 2015	100	2,228,505	1,515,383
	(100)	(2,228,505)	(1,515,383)

30.1.2 Foreign currency risk

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

30.1.3 Other price risk

Other price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's listed securities and mutual funds are susceptible to market price risk arising from uncertainties about the future value of investment securities and units. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity and mutual funds. In addition, the Company actively monitors the key factors that affect stock, money market and TFCs market.

The following table summarizes the Company's other price risk as of 31 December 2016 and 2015. It shows the effects of an estimated increase of 5% in the market prices as on those dates. A decrease of 5% in the fair values of the quoted securities would affect profit and equity of the Company in a similar but opposite manner.

	Price change	Fair value	Effect on fair value
			-----Rupees-----
31 December 2016	+5%	50,203,761	2,510,188
	- 5%		(2,510,188)
31 December 2015	+5%	47,823,297	2,391,165
	- 5%		(2,391,165)

30.2 Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due under normal circumstances. To guard against the risk, the Company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

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

FINANCIAL LIABILITIES	Note	2016			2015				
		Carrying amount	Contracted cash flows	Upto one year	More than one year	Carrying amount	Contracted cash flows	Upto one year	More than one year
		Rupees							
Provision for outstanding claims		109,983,753	109,983,753	109,983,753	-	164,713,923	164,713,923	164,713,923	-
Amounts due to other insurers / reinsure	4	38,431,355	38,431,355	38,431,355	-	31,500,364	31,500,364	31,500,364	-
Accrued expenses	5	11,005,401	11,005,401	11,005,401	-	9,540,166	9,540,166	9,540,166	-
Agent balances		11,378,919	11,378,919	11,378,919	-	18,130,920	18,130,920	18,130,920	-
Other creditors and accruals		1,270,427	1,270,427	1,270,427	-	7,927,791	7,927,791	7,927,791	-
Unclaimed dividend		398,934	398,934	398,934	-	398,934	398,934	398,934	-
Obligation under finance lease	7	1,139,472	1,220,165	1,006,466	213,699	2,763,618	3,136,532	1,396,672	1,739,860
		173,608,261	173,688,954	173,475,255	213,699	234,975,716	235,348,630	233,608,770	1,739,860

30.3 Credit risk

Credit risk is the risk, which 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.

30.3.1 Concentration of credit risk

Concentration of credit risk arises when a number of counter parties have a similar type of business activities. As a result any change in economic, political or other conditions would affect their ability to meet contractual obligations in a similar manner. The Company manages concentration of credit risk through diversification of activities among individuals, groups and industry

The Company is exposed to major credit risk on bank balances and deposits, term finance certificates, certificate of investments, premiums receivable from customers and co-insurers, sundry receivables and on commission and claim recoveries from re-insurers, etc.

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

	2016	2015
	----- Rupees -----	
Bank deposits	218,076,398	171,762,061
Investments	54,514,125	55,760,802
Premiums due but unpaid	77,253,692	87,575,473
Amounts due from other insurers / reinsurers	29,619,596	35,893,450
Accrued investment income	2,585,453	2,669,387
Reinsurance recoveries against outstanding claims	5,749,279	41,681,383
Advances, security deposits and other	7,959,788	8,400,468
Other receivables	6,270,883	3,658,577
	402,029,214	407,401,601

The Company did not hold any collateral against the above during the year.

The age analysis of receivables (Gross) from other than related parties is as follows:

Upto 1 year	70,326,318	39,916,635
1 - 2 years	12,905,020	13,898,524
2 - 3 years	6,034,833	18,392,161
Over 3 years	73,325,385	80,193,033
	162,591,556	152,400,353

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

Upto 1 year	3,761,260	1,379,000
1 - 2 years	-	-
2 - 3 years	-	-
Over 3 years	-	-
	3,761,260	1,379,000

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

Bank	Rating	Rating agency	2016	2015
			----- Rupees -----	
Soneri Bank	AA-/A1+	PACRA	152,177,500	-
Allied Bank Limited	AA+/A1+	PACRA	953,450	150,415,693
Bank Al Falah Limited	AA/A1+	PACRA	111,235	211,007
MCB Bank Limited	AAA/A1+	PACRA	509,059	1,510,169
Faysal Bank Limited	AA/A1+	PACRA	105,077	105,077
Bank Al Habib Limited	AA+/A1+	PACRA	48,097	48,216
JS Bank Limited	AA-/A1+	PACRA	64,171,980	19,471,899
			218,076,398	171,762,061

The management monitors exposure to credit risk in premium receivable from customers through regular review of credit exposure and prudent estimates of provisions for doubtful receivables as disclosed in note 13.

The credit quality of premium receivable from co-insurer, and for commission and claim recoveries from reinsurer can be assessed from external ratings disclosed in note 32.

31. INSURANCE RISK

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty in the amount of compensation to the insured. Generally most insurance contracts carry the insurance risk for a period of one year.

The Company accepts insurance through issuance of general insurance contracts. For these general insurance contracts the most significant risks arise from fire, atmospheric disturbance, earthquake, terrorist activities and other catastrophes. For health insurance contracts, significant risks arise from epidemics.

The Company's risk exposure is mitigated by employing a comprehensive framework to identify, assess, manage and monitor risk. This framework includes implementation of underwriting strategies which aim to ensure that the underwritten risks are well diversified in terms of type and amount of the risk. Adequate reinsurance is arranged to mitigate the effect of the potential loss to the Company from individual to large or catastrophic insured events. Further, the Company adopts strict claim review policies including active management and prompt pursuing of the claims, regular detailed review of claim handling procedures and frequent investigation of possible false claims to reduce the insurance risk.

Geographical concentration of insurance risk

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

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the commercial / industrial / residential occupation of the insured. Details regarding the fire separation / segregation with respect to the manufacturing processes, storage, utilities, etc. are extracted from the layout plan of the insured facility. Such details are formed part of the reports which are made available to the underwriters / reinsurance personnel for their evaluation. Reference is made to the standard construction specifications as laid down by Insurance Association of Pakistan (IAP). For instance, the presence of Perfect Party Walls, Double Fire Proof Iron Doors, physical separation between the buildings within an insured's premises. It is basically the property contained within an area which is separated by another property by sufficient distance to confine insured damage from uncontrolled fire and explosion under the most adverse conditions to that one area.

Address look-up and geocoding is the essential field of the policy data interphase of IT systems. It provides instant location which is dependent on data collection provided under the policy schedule. All critical underwriting information is entered into the IT system/application through which a number of MIS reports can be generated to assess the concentration of risk.

The ability to manage catastrophic risk is tied to managing the density of risk within a particular area. A risk management solution is implemented to help assess and plan for risk in catastrophic scenarios. It provides a way to better visualize the risk exposures so the Company determines the appropriate amount of reinsurance coverage to protect the business portfolio.

For marine risks, complete underwriting details, besides sums insured and premiums, like vessel identification, voyage input (sea / air / inland transit), sailing dates, origin and destination of the shipments, per carry limits, etc. are entered into the IT system. The reinsurance module of the IT system is designed to satisfy the requirements as laid down in the proportional treaty agreement.

Shipment declarations are also endorsed on the policies. Respective reinsurance cessions are automatically made upon the posting of policy documents.

The voyage cards so maintained for the particular set of policies for a single vessel voyage are automatically logged into the system showing actual gross, treaty and net exposure, both in terms of sums insured and premiums.

Frequency and severity of claims

Risk associated with general insurance contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the insured events. This has been managed by having in place underwriting strategy, reinsurance arrangements and proactive claim handling procedures.

The reinsurance arrangements against major risk exposure include excess of loss, surplus arrangements, and quota arrangement. The objective of having such arrangements is to mitigate adverse impacts of severe losses on the Company's net retentions. As the motor reinsurance arrangements are on excess of loss basis, therefore the reinsurance coverage against the Company's risk exposures on motor business is not quantifiable.

The concentration of risk by type of contract is summarized below by reference to liabilities:

Class	2016	2015	2016	2015	2016	2015
	Gross sum insured		Reinsurance		Net exposure of risk	
	----- Rupees -----					
Fire and property damage	28,127,340,668	27,470,874,636	24,362,461,767	23,064,027,788	3,764,878,901	4,406,846,848
Marine and transport	9,035,798,915	7,987,689,729	5,558,153,083	5,473,496,968	3,477,645,832	2,514,192,761
Aviation	525,000,000	553,780,000	498,750,000	506,390,000	26,250,000	47,390,000
Miscellaneous	35,217,680,033	9,425,809,789	6,578,591,965	3,577,146,258	28,639,088,068	5,848,663,531
	72,905,819,616	45,438,154,154	36,997,956,815	32,621,061,014	35,907,862,801	12,817,093,140

Uncertainty in the estimation of future claims payment

Claims on general insurance contracts are payable on a claim occurrence basis. The Company is liable for all insured events that occur during the term of the insurance contract including the event reported after the expiry of the insurance contract term.

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. For the estimation of provision of claims incurred but not reported (IBNR), the Company follows the recommendation of actuary to apply month wise factor based on analysis of the past claim reporting pattern. For this purpose, the claim chain-ladder method is used for each class of business. The month wise factor is applied on claims incurred to determine the amount of IBNR.

There are several variable factors which affect the amount and timing of recognized claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognized amount. Similarly, the provision for IBNR is based on historic reporting pattern of the claims; hence, actual amount of IBNR may differ from the amount estimated.

Key assumptions

The principal assumption underlying the liability estimation of IBNR and PDR is that the Company's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc. The internal factors such as portfolio mix, policy conditions and claim handling procedures are further used in this regard.

The assumed net off reinsurance loss ratios has taken on the basis of last five years analysis for each class of business are as follows:

Class	2016	2015
	Assumed net loss ratio (%)	
Fire and property	-27.20%	51.38%
Marine, aviation and transport	15.85%	96.23%
Motor	33.34%	77.30%
Accident and health	107.27%	100.00%
Miscellaneous	10.94%	36.23%

Sensitivities

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

	Pre-tax loss		Shareholders' equity	
	2016	2015	2016	2015
	----- Rupees -----			
10% increase in loss				
Fire and property damage	1,297,432	(4,494,198)	895,228	(3,056,054)
Marine, aviation and transport	(186,609)	(166,208)	(128,760)	(113,021)
Motor	(7,010,352)	(4,089,543)	(4,837,143)	(2,780,889)
Accident and health	(855,774)	(896,450)	(590,484)	(609,586)
Miscellaneous	(675,894)	(389,139)	(466,367)	(264,614)
	(7,431,197)	(10,035,538)	(5,127,526)	(6,824,164)

Claim development

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

Accident year	2012	2013	2014	2015	2016	Total
	----- Rupees -----					
Estimate of ultimate claims cost:						
At the end of accident year	152,104,504	163,700,529	107,790,930	95,658,400	87,329,363	606,583,726
One year later	65,247,884	165,141,661	81,601,344	52,195,942	-	364,186,831
Two years later	45,340,729	97,756,438	19,340,870	-	-	162,438,037
Three years later	21,298,495	22,800,336	-	-	-	44,098,831
Four years later	15,677,997	-	-	-	-	15,677,997
Estimate of cumulative claims	15,677,997	22,800,336	19,340,870	52,195,942	87,329,363	197,344,508
Less: cumulative payments to date	4,379,976	4,114,758	2,579,101	41,404,886	40,631,313	93,110,034
Liability recognised	11,298,021	18,685,578	16,761,769	10,791,056	46,698,050	104,234,474

32. REINSURANCE RISK

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

To minimize its exposure to significant losses from reinsurer insolvencies, the Company obtains reinsurance rating from a number of reinsurers, who are dispersed over several geographical regions.

An analysis of all reinsurance assets recognized by the rating of the entity from which it is due are as follows:

Rating	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	2016	2015
	----- Rupees -----				
A- or above including Pakistan Reinsurance Company Limited	26,933,256	-	-	26,933,256	43,012,629
BBB	2,686,340	5,749,279	25,020,853	33,456,472	708,576
Others	-	-	-	-	-
	29,619,596	5,749,279	25,020,853	60,389,728	43,721,205

33. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is, to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to the shareholders and benefits to 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 Securities and Exchange Commission of Pakistan (SECP) through its S.R.O 828(I)/2015 dated 18 August 2015 required the minimum paid up capital for Insurance Companies to be raised to Rs. 400 million by the year ended 31 December 2016. The Company has complied with the requirements as at 31 December 2016. Subsequent to the year end the Company is in the process of issuing further shares without issuing right shares and the subscription amount has been received by the Company.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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:

Level 1: Quoted Market prices

Level 2: Valuation techniques (market observable)

Level 3: Valuation techniques (non market observable)

Following are the assets where fair value is only disclosed and is different from their carrying value:

	2016		
	Fair value measurement using		
	Level - 1	Level - 2	Level - 2
Available for sale investments	127,899,867	-	-
Investment properties	-	95,234,560	

Available-for-sale investments are stated at lower of cost and market value in accordance with the requirements of the SEC (Insurance) Rules, 2002 as disclosed in note 2.5.3 to these financial statements. Further, investment properties are stated at carrying value as disclosed in note 2.7 to these financial statements.

35. PROVIDENT FUND RELATED DISCLOSURE

The Company operates contributory provident fund scheme for its permanent employees. Details of net assets and investments of this fund are as follows:

	<u>2016</u>	<u>2015</u>
	----- Rupees -----	
Size of the fund - Net assets	<u>5,537,620</u>	<u>4,747,499</u>
Cost of the investment made	<u>5,495,333</u>	<u>149,839</u>
Percentage of the investment made	<u>99%</u>	<u>3%</u>
Fair value of the investment made	<u>5,795,333</u>	<u>149,839</u>

The breakup of fair value of the investment is:

	<u>2016</u>		<u>2015</u>	
	<u>Rupees</u>	<u>%</u>	<u>Rupees</u>	<u>%</u>
Bank balances	<u>4,411,248</u>	<u>76%</u>	149,839	100%
Loans to members	<u>1,384,085</u>	<u>24%</u>	-	0%
	<u>5,795,333</u>		<u>149,839</u>	

Above disclosure is based on unaudited financial statements of the provident fund for the year ended 31 December 2016. The investments out of the provident fund have been made in accordance with the provisions of subsection 227 of the Companies Ordinance, 1984 and the Rules formulated for the purpose.

36. TRANSACTIONS WITH RELATED PARTIES

The Company has related party relationship with its employee provident fund, key management personnel, entities indicated in note 3.2.2 to the financial statements and companies with common directors.

Transactions with related parties during the year and balances with them as at the year-end, not elsewhere disclosed, are as follows:

		<u>2016</u>	<u>2015</u>
		----- Rupees -----	
<i>Transactions and balances with associated companies</i>	Note		
<i>Insurance premium</i>			
Balance at beginning of the year		1,379,000	3,547,504
Gross insurance premium written (including government levies, administrative surcharge and policies stamps)		73,223,589	57,849,543
Received / Adjusted during the year		<u>(70,841,329)</u>	<u>(60,018,047)</u>
Balance at end of the year	13.1	<u>3,761,260</u>	<u>1,379,000</u>

		2016	2015
		----- Rupees -----	
<i>Insurance claim expense</i>			
Outstanding claims at beginning of the year		763,076	1,511,759
Gross claim expense for the year		3,471,759	1,073,997
Claims paid during the year		(1,276,719)	(1,822,680)
Outstanding claims at end of the year	36.1	2,958,116	763,076
<i>Other transactions during the year with associated companies</i>			
Rental expense	22.1	11,898,723	10,179,094
Advertisement expenses		1,093,865	826,255
<i>Other balances with associated companies</i>			
Rent paid in advance	16.2	1,164,845	1,046,952
Security deposits	16.1	2,321,937	4,147,200
<i>Transactions during the year with other related parties (key management personnel)</i>			
Contribution to the Provident Fund	36.3	1,022,494	592,277
Remuneration of key management personnel	36.4	13,519,094	19,851,063
<i>Balances with other related parties (key management personnel)</i>			
Payable to the Provident Fund	6	-	5,248,643
36.1 Outstanding claims - related parties			
Hawk Advertising		-	20,000
Shaheen Complex		125,000	-
Shaheen Air Port Services (SAPS)		190,000	336,000
Shaheen Foundation, PAF		2,620,116	384,076
Shaheen Knitwear		15,000	15,000
Shaheen Air International		8,000	8,000
		2,958,116	763,076

36.2 Insurance and claim related transactions with related parties are carried in normal course of business.

36.3 Contribution to the Provident Fund is in accordance with the Company's staff services rules.

36.4 Remuneration to the key management personnel are in accordance with the terms of their employment.

36.5 Other transactions are at agreed terms.

37. EMPLOYEES

	2016	2015
Number of employees as on 31 December	115	110
Average number of employees as on 31 December	120	115

38. DATE OF AUTHORISATION FOR ISSUE

- 38.1** No significant re-arrangement / reclassification of the crossponding figures have been made during the year.
- 38.2** These financial statements were approved and authorized for issue by the Board of Directors of the Company in its meeting held on April 07, 2017.

Air Marshal Muhammad Jamshed
Khan (Retd.) - Chairman

Air Vice Marshal Syed Razi Ul
Hassan Nawab (Retd.) - Director

Mr. Aamir Shahzad Mughal
Director

Mr. Sohel N. Kidwai
Chief Executive Officer

**PATTERN OF SHARE HOLDING
HELD BY THE SHARE HOLDERS AS AT 31ST DECEMBER, 2016**

No. of Shareholders	Shares Holding From	To	Total Shares Held
226	1	100	4,216
120	101	500	41,367
83	501	1,000	69,380
165	1,001	5,000	393,920
38	5,001	10,000	316,815
20	10,001	15,000	241,360
11	15,001	20,000	204,375
7	20,001	25,000	167,500
7	25,001	30,000	202,000
4	30,001	35,000	136,500
4	35,001	40,000	157,000
2	40,001	45,000	86,000
7	45,001	50,000	346,000
1	55,001	60,000	60,000
2	60,001	65,000	129,500
1	65,001	70,000	65,500
2	95,001	100,000	196,000
1	100,001	105,000	104,500
1	115,001	120,000	120,000
1	135,001	140,000	140,000
1	155,001	160,000	158,037
1	160,001	165,000	165,000
1	195,001	200,000	200,000
1	220,001	225,000	225,000
1	245,001	250,000	250,000
1	355,001	360,000	356,818
1	365,001	370,000	368,500
1	710,001	715,000	713,031
1	830,001	835,000	834,000
1	2,495,001	2,500,000	2,500,000
1	3,135,001	3,140,000	3,136,963
1	3,675,001	3,680,000	3,676,425
1	6,345,001	6,350,000	6,345,296
1	22,885,001	22,890,000	22,888,997
717			45,000,000

**CATEGORIES OF SHARE HOLDERS AS REQUIRE UNDER (CCG)
AS ON 31 ST DECEMBER, 2016**

NAME	Holding	%AGE
Directors, Chief Executive Officers, and their spouse and minor children	2,500	0.0056%
Associated Companies, undertakings and related parties.	29,065,422	64.5899%
NIT and ICP	0	0.0000%
Banks Development Financial Institutions, Non Banking Financial Institutions.	368,500	0.8189%
Insurance Companies	0	0.0000%
Modarabas and Mutual Funds	356,818	0.7929%
Shareholders holding 10% or more	29,234,293	64.9651%
General Public		
a. Local	3,766,213	8.3694%
b. Foreign	0	0.0000%
Others (to be specified) Joint Stock Companies	5,095,251	11.3228%

**NAME OF SHAREHOLDERS 10% OR MORE OF TOTAL CAPITAL
AS ON 31 ST DECEMBER,2016**

NAME	Holding	%AGE
SHAHEEN FOUNDATION PAF	22,888,997	50.8644%
THE HOLLARD COMPANY LIMITED (CDC)	6,345,296	14.1007%
	<u>29,234,293</u>	<u>64.9651%</u>

**INFORMATION AS REQUIRED UNDER CODE OF CORPORATE GOVERNANCE
CATEGORIES OF SHAREHOLDER AS AT DECEMBER 31,2016**

NAME	Holding	%AGE
<u>DIRECTORS, CEO THEIR SPOUSES & MINOR CHILDREN</u>		
AIR MARSHAL (R) MUHAMMAD JAMSHED KHAN	500	0.0011%
AIR VICE MARSHAL (R) SYED RAZI UL HASSAN NAWAB	500	0.0011%
AIR COMMODORE (R) ZAFAR YASIN	500	0.0011%
AIR COMMODORE (R) MEHMOOD AHMAD	500	0.0011%
MR. AAMIR SHAHZAD MUGHAL	500	0.0011%
	<u>2,500</u>	<u>0.0056%</u>

ASSOCIATED COMPANIES

SHAHEEN FOUNDATION PAF	22,888,997	50.8644%
CENTRAL NON PUBLIC FUND. PAF	2,500,000	5.5556%
ENSIGN COMMUNIQUE (PVT) LIMITED	3,676,425	8.1698%
	<u>29,065,422</u>	<u>64.5898%</u>

PROXY FORM

I/We, _____ of _____
 being member of Shaheen Insurance Company Limited and holder of _____
 ordinary shares as per Share Register Folio No. _____ and/or CDC Participant ID
 No. _____ and Account/Sub-Account No. _____
 hereby appoint _____ of _____ as
 my /our proxy to attend and vote for me/ us and on my/our behalf at the Extra Ordinary General
 Meeting
 of the Company to be held on Friday, April 28, 2017 at 11.30 a.m. at the Head Office of Shaheen
 Airport Services (SAPS) situated at SAPS Complex, Malir Avenue, Jinnah International Airport, Karachi
 and at any adjournment thereof.
 Signed this _____ day of, _____ 2017.

Witness: 1

Signature _____
 Name _____
 CNIC No. _____
 Address _____

Signature on
 Revenue
 Stamp of Rs. 5/-

Witness: 2

Signature _____
 Name _____
 CNIC No. _____
 Address _____

Notes:

1. The Proxy Form duly completed and signed along with attested copies of CNIC/Passport of the member, Proxy holder and the witnesses must be deposited at the Registered Office of the Company not later than 48 hours before the time of holding of the meeting. Original CNIC/Passport will be produced by the Proxy holder at the time of the meeting.
2. No persons shall be appointed as a Proxy unless he/she is a member of the company.
3. In case of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signature of the representative shall be submitted along with Proxy Form to the Company.
4. CDC account holders and their proxies must attach attested photocopy of their CNIC/Passport with the Proxy Form.

مختار نامہ

میں / ہم _____ کا/ کے _____
 بحیثیت رکن شاہین انشورنس کمپنی لمیٹڈ اور حاصل حصص، _____ برطابق شیئرز رجسٹرڈ فولیو نمبر _____ اور/ یا سی
 ڈی سی پائیس پیٹ (شرکت) آئی ڈی نمبر _____ اور اکاؤنٹ (کھاتہ) سب اکاؤنٹ (ذیلی کھاتہ) نمبر _____
 محترم/محترمہ _____ کا/ کے _____
 کو اپنے/ ہمارے ایماء پر بروز جمعہ مورخہ 28 اپریل، 2017، بوقت صبح 11:30 بجے کو بمقام ہیڈ آفس شاہین انشورنس سروسز (سپیس) واقع سپیس کمپلیکس
 ملیراپو نیو، جناح انٹرنیشنل انشورنس پورٹ، کراچی پر منعقد ہونے والے کمپنی کے سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے یا کسی بھی التوا کی صورت میں اپنا / ہمارا مختار
 (پراکسی) مقرر کرتا ہوں/ کرتے ہیں۔
 آج بروز _____ بتاریخ _____ 2017 کو دستخط کیے گئے۔

گواہان

پانچ روپے مالیت کے رسیدی ٹکٹ پر دستخط

دستخط کمپنی کے نمونہ دستخط سے مماثل ہونے چاہئیں

۱۔ دستخط: _____

نام: _____

پتہ: _____

کمپیوٹرائزڈ شناختی کارڈ یا پاسپورٹ نمبر: _____

۲۔ دستخط: _____

نام: _____

پتہ: _____

کمپیوٹرائزڈ شناختی کارڈ یا پاسپورٹ نمبر: _____

نوٹ

۱۔ اس فارم کو پُر اور دستخط کر کے ممبر، پراکسی (مختار) اور گواہان کے کمپیوٹرائزڈ قومی شناختی کارڈ/ پاسپورٹ کی مصدقہ نقول کے ہمراہ اجلاس شروع ہونے سے کم از کم

48 گھنٹے پہلے کمپنی کے رجسٹرڈ پتے پر جمع کرایا جائے۔ مختار (پراکسی فارم) کو اصل شناختی کارڈ/ پاسپورٹ اجلاس کے وقت پیش کرنا ہوگا۔

۲۔ کسی بھی شخص کو مختار (پراکسی) مقرر نہیں کیا جاسکتا الا یہ کہ وہ کمپنی کا رکن ہو۔

۳۔ کارپوریٹ ادارہ ہونے کی صورت میں مختار نامہ (پراکسی فارم) کے ہمراہ بورڈ آف ڈائریکٹرز کی قرارداد/ مختار نامہ اور نمائندے کے دستخط کے نمونہ بھی جمع کرائے

جائیں گے۔

۴۔ سی ڈی سی اکاؤنٹ ہولڈر اور ان کے مختار کیلئے ضروری ہے کہ مختار نامہ (پراکسی فارم) کے ہمراہ اپنے کمپیوٹرائزڈ شناختی کارڈ/ پاسپورٹ کی مصدقہ نقول بھی جمع

کرائیں۔