

# Annual Report 2017



A Sign of Protection



SHAHEEN FOUNDATION  
PAKISTAN AIR FORCE

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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.)  
Mr. Aamir Shahzad Mughal  
Air Commodore Jamshed Iqbal (Retd.)  
Air Commodore Sikander Niaz (Retd.)  
Group Captain Javed Akhtar Khan (Retd.)

### AUDIT COMMITTEE

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

### ETHICS, HUMAN RESOURCE & REMUNERATION COMMITTEE

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

### **LEGAL ADVISOR**

Shaukat Law Associates

### **AUDITORS**

Riaz Ahmed & Company  
Chartered Accountants

### **COORDINATOR INTERNAL CONTROLS AND HEAD OF INTERNAL AUDIT**

Mr. Mahmood Ahmed Mirza

### **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  
10th Floor, Shaheen Complex  
M.R Kayani Road, Karachi -74200  
Tel # 32630370-75,32213950-51, Fax # 32626674  
E-mail :iftikhar.alam@shaheeninsurance.com  
Direct # 32272595  
UAN: (021-111-765-111)

### Hyderabad

Branch Manager - Shakir Ali Khan  
Upper 2nd Floor  
House # 75, Soldier Bazar, Hyderabad  
Tel # (022) 2720487  
Fax # (022) 2720489  
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.  
Tel # 042-36370384, 36370741, 36370742  
Fax # 042-36370385  
E-mail: lhr\_corporate@shaheeninsurance.com

### Islamabad

Branch Manager - Mujahid Raza Syed  
Office # 4, 1st Floor Zaki Centre,  
I-8 Markaz Islamabad  
Tel: 051-4938283  
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  
Office no 103-B Fista Garden RTO office ,  
Nawa Sher Chowk, Multan  
Tel # 061-4580190, 4580191, 4580192  
E-mail: naeem.baig@shaheeninsurance.com

### 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

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

### Sarghoda

Branch Manager - Mr.Nadeem Awan  
Office # 63 1st Floor Advance Book shop  
Rehman Complex Ibne Seena Hospital Market  
Kanchi More Sarghoda Mobile# 0300-86802723

### 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 23<sup>rd</sup> Annual General Meeting (AGM) of Shaheen Insurance Company Limited (SICL) will be held on Friday, April 27, 2018 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 receive, consider and adopt the Annual Audited Accounts of the Company for the year ended December 31, 2017 together with the Directors' and Auditor's Reports thereon.
2. 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 05, 2018

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 20, 2018 to April 27, 2018 (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 19, 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

**Video Conferencing facility**

8. Video Conferencing facility will be provided, only if the company receives consent from members holding in aggregate 10% or more shareholding, residing at Lahore or Islamabad at least 10 days prior to date of the meeting, subject to availability of such facility in that city. To avail this facility fill the following and submit it to the registered address of the company at least 10 days before meeting.

I/we \_\_\_\_\_ of \_\_\_\_\_, being a member of Shaheen Insurance Company Limited holder of \_\_\_\_\_ ordinary shares as per Register Folio No. \_\_\_\_\_ hereby opt for Video Conferencing Facility at \_\_\_\_\_

Signature of the member

## **DIRECTORS' REPORT**

The Directors of your Company are pleased to present the Annual Report of the Company for the year ended December 31, 2017.

### **GENERAL ECONOMIC REVIEW**

For the financial markets and the global economy, 2017 has been relatively a good year. All the major fears predicted about 2017- a market crash in the event of a change in government in US, a Brexit-triggered recession in the UK, and a collapse of the euro zone following the implosion of the Italian banking system - have failed to materialize.

Similarly for Pakistan, year 2017 witnessed impressive economic growth, with most macro-economic indicators following a favorable trajectory. Real GDP grew at a rate of 5.3% in FY 17, the highest in a decade. The driving forces behind this growth were low interest rate regime, increased private sector investment, recovery in the agricultural sector, robust industrial expansion, relatively stable law and order situation and continued infrastructure spending under CPEC.

The upshot of this economic expansion was a surge in imports and a widening current account deficit, clocking in at \$ 12.1 billion for FY 17, compared to \$ 4.9 billion in FY 16 resulting in depletion of foreign exchange reserves of the country. Consequently, exchange rate depreciated to PKR 110-111/\$ in December 2017 and PKR 115-116/\$ in March 2018 after a prolonged period of stability.

Simultaneously, Economic issues took a back seat for most of the year as the leadership got occupied with the ongoing political disturbances. Surprisingly, all the key policy makers got replaced in a matter of months resulting in uncertainty.

The general insurance sector's performance is strongly correlated to the economic growth. As a result of increased economic activity, Annual Gross Written Premium of the General Insurance Industry is expected to increase by approximately 10-11% in 2017 over 2016. Owing to non mandatory requirement for insurance, particularly for motor and health, insurance market penetration rates are extremely low in Pakistan at 0.91% in 2016 compared to emerging markets average of 3.2% and the world average of 6.3%. This indicates that the insurance industry in Pakistan has tremendous scope for expansion.

### **COMPANY'S PERFORMANCE**

Year 2017 proved to be a blissful year for the company as its entire performance indicators depicted growth and expansion, despite stiff competitive environment and old outstanding issues. Company continued its focus on generating low risk consistent revenues, consolidating and diversifying its portfolio. Injection of additional equity, upward revision in Credit Rating, strong financial performance and application for license of Window Takaful Operations were major highlights of the year.

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

	Rupees in million	
	December 2017	December 2016
Gross Premium Written	342.92	339.50
Net Premium Revenue	299.58	264.56
Net Claims	80.41	74.31
Underwriting Results	95.88	86.83
Investment Income	28.72	17.16
Profit before tax	74.33	42.78
Profit after tax	63.87	40.14
Earnings Per Share	1.14	0.89

In continuation to last year performance, our company demonstrated a robust growth during the year 2017. Profit before tax of the company increased considerably to Rs 74.33 Million for the current year against profit before tax of Rs 42.78 Million during 2016 (i.e. an increase of 74%). This was mainly due to prudent underwriting coupled with relatively low net claims expense and better investment income during the ensuing year. Profit after tax for the year 2017 increased to Rs 63.87 Million from Rs 40.14 Million during 2016. Net claims during the year 2017 stood at Rs 80.41 Million against Rs 74.31 Million during the year 2016, as the last year claims included reversals in fire segments. Gross premium written during 2017 also increased by 1% to Rs 342.92 Million from Rs 339.99 during 2016 due to cautious approach in underwriting high risk business, highly competitive business environment and slowdown in Punjab Government transport schemes. Similar to year 2016, company has been able to improve its product mix in 2017 also, as miscellaneous business segment illustrated promising underwriting results, while Motor segment continued to contribute heavy chunk in the underwriting profits of the company during the year under review.

Despite constraints and settling old liabilities, an additional amount of Rs 45 Million was placed in short term bank deposits. During the year, sizeable levels of funds remain deployed in short term bank deposits with 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 management.

General, Administration and Management expenses of the company for the 2017 decreased by 9% compared with 2016 mainly due to lower level of provisions against doubtful premium due but unpaid.

#### **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.

### **INCREASE IN PAID UP SHARE CAPITAL**

During the year, company successfully increased its Paid Up Share Capital to Rs 600 Million from Rs 450 Million through issue of 15.00 Million shares of Rs 10 each to Shaheen Foundation PAF by way of otherwise than Right, after approval from shareholders of the company and SECP. We are extremely delighted to inform the shareholders that our company is thoroughly capitalized and is **well in excess of the revised Minimum Capital Requirement of Rs 500 Million** prescribed by the SECP for non life insurance companies.

Increased capital will greatly assist the company in taking on future business challenges and growth prospects.

### **WINDOW TAKAFUL OPERATIONS**

Subsequent to year end, our Company crossed yet another milestone as SECP has **granted the license for Window Takaful Operations** in March 2018. This was due to matchless efforts by the company's staff and guidance by the Board, and the Board is abundantly convinced that this will translate into another era of growth and prosperity.

### **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. Mr. Aamir Shahzad Mughal
5. Air Commodore Jamshed Iqbal (Retd.)
6. Air Commodore Sikander Niaz (Retd.) \*
7. Group Captain Javed Akhter Khan (Retd.)

Seven directors of the company were elected unopposed for a period of three years commencing June 11, 2017 at an Extra Ordinary General Meeting of the Company held on June 9, 2017.

\* Air Commodore Sikander Niaz (Retd.) was appointed in January 2018 to fill vacancy arising on the Board in December 2017. His appointment was approved by the Securities and Exchange Commission of Pakistan in February 2018.

### **BOARD MEETINGS**

Board of Directors held 5 meetings in 2017. 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.)	5	5
Air Vice Marshal Syed Razi Ul Hassan Nawab (Retd.)	5	5
Air Commodore Zafar Yasin (Retd.)	5	4
Air Commodore Mahmood Ahmad (Retd.) (Retired on June 10, 2017)	5	3
Mr. Aamir Shahzad Mughal	5	5
Air Commodore Nisar Ahmed Kingravi (Assumed office on April 13, 2017 and retired on June 10, 2017)	5	Nil
Air Commodore Jamshed Iqbal (Retd.) (Assumed office on June 11, 2017)	5	1
Group Captain Javed Akhter Khan (Retd.)	5	2

Air Commodore Sikander Niaz (Retd.) was appointed in January, 2018 to fill casual vacancy arising on the Board in December 2017. His appointment was approved by SECP in February 2018.

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

#### **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 HUMAN RESOURCE & REMUNERATION COMMITTEE**

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

#### **DIVIDEND AND APPROPRIATIONS OF PROFIT**

The profit after tax of Rs 63.87 Million was earned during the year ended December 31, 2017. This has converted the accumulated loss of Rs 63.60 Million as at December 31, 2016 to accumulated profit of Rs 0.28 Million as at December 31, 2017. 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, 2017 is Rs 1.14 per share (December 31, 2016 Rs 0.89 per share) i.e. an increase of 27%.

## CONTRIBUTORY PROVIDENT FUND

The value of investment including accrued income of provident fund on the basis of unaudited accounts as on December 31, 2017 is as follows;

Value of investments Rs 8.86 Million

## 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					
		2017	2016	2015	2014	2013	2012
Gross Premium Written	↑	342.92	339.51	308.99	284.18	343.57	562.85
Investment Income	↑	28.73	17.16	16.31	15.90	9.31	8.63
Claims Expense	↑	80.41	74.31	165.86	147.45	377.56	395.06
Net Commission Exp	↑	61.53	48.20	40.78	44.17	70.32	97.56
Management & Admin Expenses	↓	124.82	136.77	108.63	160.16	158.87	170.89
Profit / (Loss) after tax	↑	63.87	40.14	26.18	12.96	(106.25)	(32.09)
Share Holders Equity	↑	620.27	406.40	366.27	340.13	177.12	283.37
Claim Outstanding	↑	114.52	109.98	164.71	228.70	347.86	236.23
Premium Due But Unpaid	↑	147.25	77.25	87.58	127.69	219.09	262.20
Investment	↓	277.56	281.30	280.45	238.65	229.97	240.95
Investment Properties	↑	32.45	20.53	22.37	24.20	60.37	27.46

## 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 Rs 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 (Rs 10.30 per share as at 31 December 2017) of this available for investment remained lower than the carrying amount (Rs 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 Rs 139.59 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 Rs 10.30 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;

As disclosed in note 11.6 to the accompanied Financial Statements, Company has 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 18 April 2018. Company is aggressively following up the case, and regular hearings are taking place. Further, Directors are convinced that the company has a very strong case, and are deploying every possible resource to expedite and win the litigation.

- 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 judgment.
- 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.

- 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 laid down in the Listing Regulations of the stock exchanges except for the matters highlighted by the auditors in the CCG report.
- 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 Commodore Mahmood Ahmad (Retd.) to the director inducted in his place Air Commodore Jamshed Iqbal (Retd.).

### **AUDITORS**

Messrs. Riaz Ahmad and Company, Chartered Accountants have completed their assignment for the year 2017 and retire at the conclusion of the upcoming Annual General Meeting. Being eligible, they have offered themselves for re-appointment.

### **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. Our Company will aggressively 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. Our company further aims to tap opportunities in the Takaful market, and envisions being amongst the front runner in this segment. We further expect an uptick in inflation during 2018, due to depreciation of Pak Rupee and higher oil prices which may result in increase in policy rate by the State Bank of Pakistan with favorable impact on company's investment income and neutral impact on its core business. It is further expected that the new incoming government will continue the economic policies of the outgoing and current sentiment of uncertainty will neutralize.

## **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 also like to convey our profound gratitude and commendation 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

March 29, 2018

**Sohel N. Kidwai**  
Chief Executive Officer

## OPERATIONAL RESULTS AND FINANCIAL STRENGTHS FROM 2008 TO 2017

	Rupees in '000									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
1 Gross Direct Premium	342,923	339,503	308,988	284,182	343,566	562,845	664,326	553,084	596,327	701,245
Increase %	1.01	9.88	8.73	(17.28)	(38.96)	(15.28)	20.11	(7.25)	(14.96)	(6.05)
2 Net Premium	299,586	264,558	225,225	229,620	331,124	508,120	482,963	417,389	481,636	575,732
Increase %	13.24	17.46	(1.91)	(30.65)	(34.83)	5.21	15.71	(13.34)	(16.34)	0.86
% to 11	49.93	58.79	50.05	51.03	110.37	169.37	193.19	208.69	240.82	328.99
3 Claim Insured	80,411	74,311	100,355	73,395	235,003	303,949	247,643	263,041	267,997	333,832
% to 2	26.84	28.09	44.56	31.96	70.97	59.82	51.28	63.02	55.64	57.98
4 Commision	61,530	48,202	38,979	39,783	56,515	70,163	64,419	68,272	104,711	115,711
% to 2	20.54	18.22	17.31	17.33	17.07	13.81	13.34	16.36	21.74	20.10
5 Management Expenses	65,073	52,833	45,336	48,415	83,820	90,351	87,336	65,809	59,773	62,105
% to 1	18.98	15.56	14.67	17.04	24.40	16.05	13.15	11.90	10.02	8.86
% to 2	21.72	19.97	20.13	21.08	25.31	17.78	18.08	15.77	12.41	10.79
6 Investment Income/(Loss)	28,710	17,157	16,305	15,897	9,310	8,629	11,654	16,671	100,650	(64,649)
% to 22	4.01	3.43	3.58	3.39	3.09	2.53	14.92	5.70	32.44	(18.86)
7 Other Income	7,692	21,017	6,795	37,882	5,473	3,715	6,004	6,145	2,291	1,734
8 Provision for Taxation	10,458	2,645	20,461	2,320	3,466	2,846	5,954	5,557	3,536	7,906
9 Profit/(Loss) before Tax	74,331	42,781	5,723	11,817	(102,786)	29,245	25,199	(23,476)	21,002	(63,847)
10 Profit/(Loss) after Tax	63,872	40,135	26,184	12,962	(106,252)	(32,092)	19,245	(29,033)	17,466	(71,753)
% to 2	21.32	15.17	11.63	5.64	(32.09)	(6.32)	3.98	(6.96)	3.63	(12.46)
11 Paid-up Capital	600,000	450,000	450,000	450,000	300,000	300,000	250,000	200,000	200,000	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	144,520	149,407	145,921	89,867	103,507	174,492	225,848	187,664	169,764	221,456
14 Unappropriate Profit/(Loss)	276,925	(63,596)	(103,731)	(129,916)	(142,879)	(36,627)	(4,535)	(23,780)	5,253	12,787
15 Capital Available for Shares	620,276	406,403	366,268	340,132	177,120	283,373	265,465	196,220	225,252	207,787
16 Total Net Outstanding Claims	110,353	104,234	121,436	198,615	253,250	187,789	123,688	126,179	93,004	113,117
% to 2	36.84	39.40	53.92	86.50	76.48	36.96	25.61	30.23	19.31	19.65
17 Other Laibilities	398,934	398,934	101,872	87,733	188,111	133,560	125,882	78,010	89,947	78,628
18 Total Equity & Laibilities	1,041,243	770,634	780,904	786,756	864,392	879,077	832,521	717,706	729,670	75,242
19 Land & Properties	32,450	55,275	57,115	58,955	60,373	62,213	169,893	39,302	39,839	34,296
% to 2	10.83	20.89	25.36	25.68	18.23	12.24	35.18	9.42	8.27	5.96
20 Cash & Bank Balances	439,200	218,256	174,423	230,399	71,531	48,490	26,324	136,970	132,727	166,841
% to 2	146.60	82.50	77.44	100.34	21.60	9.54	5.45	32.82	27.56	28.98
21 Investment	277,560	281,301	280,449	238,653	229,970	240,948	51,782	155,721	177,520	175,907
22 Total Cash & Investment	716,760	499,557	454,872	469,053	301,502	289,439	78,106	292,691	310,247	342,748
23 O/S Premium	147,256	77,253	87,575	127,690	219,085	262,200	305,080	166,083	134,056	114,417
% to 2	49.15	29.20	38.88	55.61	66.16	46.58	45.92	30.03	22.48	16.32
24 Fixed Assets	12,215	11,564	13,907	11,206	25,295	38,050	43,721	25,741	16,468	24,277
% to 2	4.08	4.37	6.17	4.88	7.64	7.49	9.05	6.17	3.42	4.22
25 Total Assets	1,041,243	770,634	780,904	786,756	864,392	879,077	832,521	717,706	729,670	755,242
26 Break-up Value Per Share	5.40	5.21	6.90	7.56	5.91	9.45	10.62	9.81	11.26	11.87
27 Earning Per Share (After Tax)	1.14	0.89	0.58	0.31	(3.54)	(1.15)	(0.79)	(1.38)	0.87	(3.59)

## Statement of Compliance with the Best Practices of Code of Corporate Governance

For the year ended December 31, 2017

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. Sohail 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.)
	Mr. Aamir Shahzad Mughal
	Air Commodore Jamshed Iqbal (Retd.)
	Group Captain Javed Akhter Khan (Retd.)

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

\*\*Air Commodore Sikander Niaz was appointed in January 2018 to fill vacancy arising on the Board in December 2017. His appointment was approved by Securities and Exchange Commission of Pakistan in February 2018.

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 NBFI 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 December 2017 was 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 March 2017 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. One director acquired the certification under the Director's Training Program from Institute of Business Administration (IBA) Karachi. Training Programs as per the requirements of the code will be conducted in next years as per the timeline given in the code.
11. There were no new appointments of Chief Financial Officer (CFO) or Company Secretary or Head of Internal Audit during the year.
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 Jamshed Iqbal (Retd.)	Member – Non Executive Director
Mr. Sohel Najam Kidwai	Member – 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
Mr. Aamir Shahzad Mughal	Member – Non Executive Director
Air Commodore Jamshed Iqbal (Retd.)	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
Mr. Aamir Shahzad Mughal	Member – Non Executive Director
Air Commodore Jamshed Iqbal (Retd.)	Member – Non Executive Director

18. The Board has formed the following Management Committees:

**Underwriting Committee:**

Name of the Member	Designation	Category
Mr. Sohel Najam 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

The Functions of the Nominations Committee are being performed by the Board.

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. Sohail Nizam 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 as soon as possible.
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 as soon as possible.
28. The Company has been rated by PACRA and the rating assigned on 29 September 2017 is A (A Single) with stable outlook.
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

March 29, 2018

## 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 2017 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 2017.

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: March 29, 2018**

**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 2017 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 repealed 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 10.3 per share as at 31 December 2017) 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 139.590 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 10.3 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 repealed 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 repealed 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 2017 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 repealed Companies Ordinance, 1984; and
- (e) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

**RIAZ AHMAD & COMPANY**  
**Chartered Accountants**

**Name of engagement partner:**  
**Muhammad Waqas**

**Date: March 29, 2018**

**KARACHI**

## BALANCE SHEET AS AT 31 DECEMBER 2017

	Note	2017	2016
		-----Rupees-----	
<b>Share capital and reserves</b>			
<b>Authorized share capital</b>			
100,000,000 (2016: 100,000,000) ordinary shares of Rupees 10 each	3.1	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, subscribed and paid-up share capital	3.2	600,000,000	450,000,000
General reserve		20,000,000	20,000,000
Accumulated Profit / (Loss)		<u>276,925</u>	<u>(63,596,058)</u>
<b>Shareholders' equity</b>		<b>620,276,925</b>	<b>406,403,942</b>
<b>Underwriting provisions</b>			
Provision for outstanding claims (including IBNR)		114,519,530	109,983,753
Provision for unearned premium		144,520,108	149,407,509
Premium deficiency reserve	19	43,041	3,371,984
Commission income unearned	20	1,128,721	1,340,523
<b>Total underwriting provisions</b>		<b>260,211,400</b>	<b>264,103,769</b>
<b>Creditors and Accruals</b>			
Premium received in advance		2,028,245	677,367
Amounts due to other insurers / reinsurers	4	45,042,659	38,431,355
Accrued expenses	5	18,806,754	11,005,401
Agent balances		34,840,191	11,378,919
Other creditors and accruals	6	59,429,533	37,095,622
Current portion of liabilities against assets subject to finance lease	7	208,375	930,389
		<b>160,355,757</b>	<b>99,519,053</b>
<b>Borrowings</b>			
Liabilities against assets subject to finance lease	7	-	209,083
<b>Other liabilities</b>			
Unclaimed dividend		398,934	398,934
<b>TOTAL LIABILITIES</b>		<b>420,966,091</b>	<b>364,230,839</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,041,243,016</b>	<b>770,634,781</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	8		

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

	Note	2017	2016
		-----Rupees-----	
<b>Cash and bank deposits</b>	<b>9</b>		
Cash and other equivalents		189,564	179,675
Current and saving accounts		85,890,996	22,226,398
Deposits maturing within 12 months		353,119,482	195,850,000
		<b>439,200,042</b>	<b>218,256,073</b>
<b>Loans - secured</b>			
To employees	10	3,000	3,000
<b>Investments</b>	11	277,560,783	281,301,716
<b>Investment properties</b>	12	32,450,569	20,525,405
<b>Current Assets-Others</b>			
Premiums due but unpaid - net	13	147,256,979	77,253,692
Amounts due from other insurers / reinsurers	14	33,864,511	29,619,596
Accrued investment income	15	3,895,327	2,585,453
Reinsurance recoveries against outstanding claims		4,309,685	5,749,279
Taxation - provisions less payments		15,847,738	21,350,296
Deferred commission expense		30,857,514	25,571,859
Advances, deposits and prepayments	16	35,698,815	34,155,767
Other receivables	17	8,082,306	7,948,214
		<b>279,812,875</b>	<b>204,234,156</b>
<b>Fixed assets - Tangible and intangible</b>	<b>18</b>		
<b>Owned</b>			
Furniture, fixtures and office equipment		4,401,070	5,261,201
Motor vehicles		5,840,260	2,119,506
Capital work in progress - tangible	18.3	-	34,750,008
		<b>10,241,330</b>	<b>42,130,715</b>
<b>Leased</b>			
Motor vehicles		1,974,417	4,183,716
<b>TOTAL ASSETS</b>		<b>1,041,243,016</b>	<b>770,634,781</b>

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 2017

	Note	Fire and property damage	Marine, aviation and transport	Motor	Accident and health	Miscellaneous	2017 Aggregate	2016 Aggregate
----- Rupees -----								
<b>Revenue Account</b>								
Net premium revenue	21	34,501,545	8,636,418	199,239,513	10,182,042	47,026,261	299,585,779	264,558,324
Net claims		(9,368,008)	(2,441,940)	(57,718,922)	(4,927,197)	(5,955,682)	(80,411,749)	(74,311,968)
Premium deficiency (expense) / reversal	2.2.11	3,371,984	(43,041)	-	-	-	3,328,943	(2,371,984)
Management expenses	22	(9,855,065)	(2,499,333)	(39,067,796)	(1,905,007)	(11,746,392)	(65,073,593)	(52,833,284)
Net commission		(13,184,983)	(3,154,897)	(31,281,785)	(81,314)	(13,827,256)	(61,530,235)	(48,202,864)
<b>Underwriting results</b>		5,465,473	497,207	71,171,010	3,268,524	15,496,931	95,899,145	86,838,224
Investment income							28,710,358	17,157,919
Rental income							3,298,696	3,128,226
Other income	23						7,692,351	21,017,305
General and administration expenses	22						(59,752,131)	(83,934,352)
Provision for Workers' Welfare Fund	24						(1,516,968)	(1,425,886)
<b>Profit before tax</b>							74,331,451	42,781,436
Provision for taxation	25							
-Current							(10,458,468)	(2,645,583)
-Prior							-	-
<b>Profit after tax</b>							63,872,983	40,135,853
<b>Accumulated loss account</b>								
Balance of accumulated loss at commencement of the year							(63,596,058)	(103,731,911)
Profit for the year							63,872,983	40,135,853
Balance of accumulated profit / (loss) at end of the year							276,925	(63,596,058)
<b>Earnings per share-basic and diluted</b>	26						1.14	0.89

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 2017

	2017	2016
	----- Rupees -----	
Profit for the year	63,872,983	40,135,853
<b>Other comprehensive income</b>		
Items that will not be reclassified into profit or loss	-	-
Items that may be reclassified subsequently to profit or loss	-	-
	-	-
<b>Total comprehensive income for the year</b>	<b>63,872,983</b>	<b>40,135,853</b>

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 2017

	Revenue reserves			
	Paid-up share capital	General reserve	Accumulated Profit / (Loss)	Total
	Rupees			
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 2015	-	-	40,135,853	40,135,853
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	40,135,853	40,135,853
<b>Balance as at 31 December 2016</b>	<b>450,000,000</b>	<b>20,000,000</b>	<b>(63,596,058)</b>	<b>406,403,942</b>
<i>Comprehensive income for the year ended 31 December 2017</i>				
Profit for the year ended 31 December 2017	-	-	63,872,983	63,872,983
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	63,872,983	63,872,983
<b>Transactions with owners</b>				
Issue of shares otherwise than right issue (Note 3.2)	150,000,000	-	-	150,000,000
<b>Balance as at 31 December 2017</b>	<b>600,000,000</b>	<b>20,000,000</b>	<b>276,925</b>	<b>620,276,925</b>

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 2017

	Note	2017	2016
		----- Rupees -----	
<b>OPERATING ACTIVITIES</b>			
<b>a) Underwriting activities</b>			
Premiums received		273,271,174	321,053,477
Reinsurance premiums paid		(44,777,052)	(55,423,594)
Claims paid		(99,553,763)	(134,655,026)
Reinsurance and other recoveries received		25,117,385	41,544,992
Commissions paid		(45,388,054)	(60,445,939)
Commissions received		1,821,634	2,246,345
Other payments		(88,739,464)	(84,848,646)
Net cash flow from underwriting activities		21,751,860	29,471,609
<b>b) Other operating activities</b>			
Income tax paid		(4,955,910)	(2,033,011)
Workers' Welfare Fund paid		-	-
Loan to employees recovered		-	-
Net cash used in other operating activities		(4,955,910)	(2,033,011)
<b>Total cash flow from all operating activities</b>		16,795,950	27,438,598
<b>INVESTING ACTIVITIES</b>			
Profit / return received		26,675,926	19,175,833
Rentals received		3,391,214	3,050,292
Proceeds / Payments for investments - net		(8,290,494)	(1,863,316)
Fixed capital expenditure	18	(789,495)	(3,762,444)
Proceeds from disposal of fixed assets	18.1	34,394,730	1,701,200
<b>Total cash flow from all investing activities</b>		55,381,881	18,301,565
<b>FINANCING ACTIVITIES</b>			
Financial charges paid		(247,641)	(62,555)
Payments of finance lease liability		(1,002,314)	(1,842,821)
Payments from further issue of shares		150,000,000	-
<b>Total cash flow from / (used in) all financing activities</b>		148,750,045	(1,905,376)
<b>Net cash flow from all activities</b>		220,927,876	43,834,787
Exchange gain / (loss) on cash and cash equivalents	23	16,093	(1,728)
Cash and cash equivalents at the beginning of year		218,256,073	174,423,014
<b>Cash and cash equivalents at end of the year</b>		439,200,042	218,256,073

	2017	2016
	Rupees	
<b>Reconciliation to profit and loss account</b>		
Operating cash flows	16,795,950	27,438,598
Exchange gain on cash and cash equivalents	16,093	(1,728)
Depreciation on fixed assets	(4,188,171)	(3,983,871)
Depreciation on investment property	(1,839,836)	(1,839,836)
Gain on disposal of fixed assets	5,299,192	(419,967)
Provision for doubtful premium due but unpaid	(1,000,000)	(29,169,098)
Taxes paid	4,955,910	2,033,011
Financial charges	(318,858)	(281,230)
Decrease in assets other than cash	80,647,313	(20,990,516)
Decrease in liabilities	(56,604,036)	51,135,814
Investment and other income	32,084,862	20,286,145
Workers' Welfare Fund	(1,516,968)	(1,425,886)
<b>Profit before taxation</b>	<b>74,331,451</b>	<b>42,781,436</b>

#### 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:

	2017	2016
Note	Rupees	
<b>Cash and other equivalents</b>		
- Cash in hand	33,049	33,835
- Policy stamps in hand	156,515	145,840
	<b>189,564</b>	<b>179,675</b>
<b>Current and saving accounts</b>		
- Current accounts	10,516,989	9,136,210
- Savings accounts	75,374,007	13,090,188
	<b>85,890,996</b>	<b>22,226,398</b>
<b>Deposits maturing within 12 months</b>		
Term deposits- local currency	353,119,482	195,850,000
9	<b>439,200,042</b>	<b>218,256,073</b>

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

# STATEMENT OF PREMIUMS FOR THE YEAR ENDED 31 DECEMBER 2017

Business underwritten inside Pakistan

Class	Premium written (Note 28) a	Unearned premium reserve		Premium earned d=a+b-c	Reinsurance ceded e	Prepaid reinsurance premium		Reinsurance expense h=e+f-g	2017		2016	
		Opening b	Closing c			Opening f	Closing g		Net premium revenue i=d-h	Net premium revenue		
----- Rupees -----												
Direct and facultative												
Fire and property damage	45,927,395	24,021,744	17,274,932	52,674,207	16,770,429	10,151,965	8,749,732	18,172,662	34,501,545		7,860,848	
Marine, aviation and transport	13,095,748	941,365	678,460	13,358,653	4,625,414	675,000	578,179	4,722,235	8,636,418		6,193,028	
Motor	205,583,646	105,644,907	102,415,608	208,812,945	8,673,298	5,366,858	4,466,724	9,573,432	199,239,513		197,197,552	
Accident and health	10,395,637	1,520,868	1,734,463	10,182,042	-	-	-	-	10,182,042		7,920,935	
Miscellaneous	67,921,157	17,278,625	22,416,645	62,783,137	17,074,300	8,827,030	10,144,454	15,756,876	47,026,261		45,385,961	
Total	342,923,583	149,407,509	144,520,108	347,810,984	47,143,441	25,020,853	23,939,089	48,225,205	299,585,779		264,558,324	
Treaty - Proportional and Non-proportional	-	-	-	-	-	-	-	-	-		-	
Grand total	342,923,583	149,407,509	144,520,108	347,810,984	47,143,441	25,020,853	23,939,089	48,225,205	299,585,779		264,558,324	

Note: The Company does not underwrite business outside Pakistan.

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



Mr. Sohail N. Kidwai  
Chief Executive Officer

Mr. Nisar Ahmed Almani  
Chief Financial Officer

Mr. Aamir Shahzad Mughal  
Director

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

Air Marshal Muhammad Jamshed Khan (Retd.) - Chairman

## STATEMENT OF CLAIMS FOR THE YEAR ENDED 31 DECEMBER 2017

### 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	2017 Net claims expense i=d-h	2016 Net claims expense	
	a	b	Opening	Closing			c	d=a+c-b				e
					Reinsurance and other recoveries				Closing			
	Rupees -----											
Direct and facultative												
Fire and property damage	5,987,995	16,926,604	22,666,930		11,728,321	4,046,130		2,382,512	696,695	2,360,313	9,368,008	(12,974,315)
Marine, aviation and transport	2,246,524	2,855,585	3,227,564		2,618,503	569,312		727,399	334,650	176,563	2,441,940	1,866,091
Motor	85,471,658	64,227,797	56,639,966		77,883,827	20,492,879		1,873,215	1,545,241	20,164,905	57,718,922	70,103,520
Accident and health	5,073,526	19,107,049	18,960,720		4,927,197	-		-	-	-	4,927,197	8,557,737
Miscellaneous	774,060	6,866,718	13,024,350		6,931,692	9,064		766,153	1,733,099	976,010	5,955,682	6,758,935
Total	99,553,763	109,983,753	114,519,530		104,089,540	25,117,385		5,749,279	4,309,685	23,677,791	80,411,749	74,311,968
Treaty - Proportional and Non-proportional												
Grand total	99,553,763	109,983,753	114,519,530		104,089,540	25,117,385		5,749,279	4,309,685	23,677,791	80,411,749	74,311,968

Note: The Company does not underwrite business outside Pakistan.

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

## STATEMENT OF EXPENSES FOR THE YEAR ENDED 31 DECEMBER 2017

Business underwritten inside Pakistan

Class	Commissions		Deferred Commission		Commission		Management		Underwriting		Commission		2017		2016	
	paid or payable	Opening	Closing		expense		expenses (Note 22)	expense	from reinsurers (Note 20)				Net	Net	Net	Net
	a	b	c	d=a+b-c	e	f=d+e	g	h=f-g								
<i>Rupees</i>																
<b>Direct and facultative</b>																
Fire and property damage	12,317,351	7,047,022	4,763,727	14,600,646	9,855,065	24,455,711	1,415,663	23,040,048								
Marine, aviation and transport	3,126,937	209,513	181,553	3,154,897	2,499,333	5,654,230	-	5,654,230								
Motor	38,006,813	12,784,534	19,444,139	31,347,208	39,067,796	70,415,004	65,423	70,349,581								
Accident and health	115,019	188	33,893	81,314	1,905,007	1,986,321	-	1,986,321								
Miscellaneous	15,283,206	5,530,602	6,434,202	14,379,606	11,746,392	26,125,998	552,350	25,573,648								
<b>Total</b>	<b>68,849,326</b>	<b>25,571,859</b>	<b>30,857,514</b>	<b>63,563,671</b>	<b>65,073,593</b>	<b>128,637,264</b>	<b>2,033,436</b>	<b>126,603,828</b>								
<b>Treaty - Proportional and Non-proportional</b>																
<b>Grand total</b>	<b>68,849,326</b>	<b>25,571,859</b>	<b>30,857,514</b>	<b>63,563,671</b>	<b>65,073,593</b>	<b>128,637,264</b>	<b>2,033,436</b>	<b>126,603,828</b>								

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. Nisar Ahmed Almani  
Chief Financial Officer

Mr. Sohail N. Kidwai  
Chief Executive Officer



## STATEMENT OF INVESTMENT INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
		----- Rupees -----	
<b>Income from trading investments</b>			
Gain on disposal of shares		804,705	-
Unrealized (loss) / gain on revaluation of held-for-trading investments		(197,857)	235,534
<b>Income from non-trading investments</b>			
<i>Held-to-maturity</i>			
Return on other fixed income securities		20,231,007	9,510,582
Return on Government Securities		4,706,757	4,908,323
		24,937,764	14,418,905
<i>Available-for-sale</i>			
Dividend income		3,180,926	2,503,480
		28,725,538	17,157,919
<b>Less: Investment related expenses</b>		(15,180)	-
<b>Net investment income</b>		28,710,358	17,157,919

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 2017

### 1. STATUS AND NATURE OF BUSINESS

Shaheen Insurance Company Limited (the Company) was incorporated under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017), as a Public Limited 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. Subsequent to the year end, on 14 March 2018 the Company has been awarded license to commence Window Takaful Operations. The Company is listed on Pakistan Stock Exchange Limited. Its registered office is located at 10th Floor, Shaheen Commercial Complex, Karachi. The Company operates only in Pakistan through 13 Branches.

### 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 repealed 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.

During the year, the Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017 on 30 May 2017. SECP vide its Circular 23 of 2017 has clarified that the companies whose financial year, closes on or before 31 December 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 requires enhanced disclosures about Company's operations and has also enhanced the definition of related parties. Accordingly, these financial statements have been prepared under repealed Companies Ordinance, 1984.

Further, Securities and Exchange Commission of Pakistan (SECP) has issued Insurance Accounting Regulations, 2017 and SEC (Insurance) Rules, 2017, which were applicable with effect from 09 February 2017. However, the Company applied for the extension relating to the applicability of the said regulations for preparation of the financial statements for the year ended 31 December 2017 which was allowed by SECP vide letter No. ID/OSM/Shahen/2018/13796 dated 26 February 2018. Hence, the financial statements for the year ended 31 December 2017 are prepared in accordance with the requirements of SEC (Insurance) Rules, 2002. Major impact in accordance with the format prescribed by SEC Insurance Rules, 2017 is on presentation and disclosure of financial statements as per Annexure II of SEC Insurance Rules, 2017 and on valuation of available-for-sale investments, the impact of which has been disclosed in note 2.5.3.

**b) Basis of presentation**

These financial statements have been prepared on the format of financial statements issued by the SECP through repealed 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)**

At each balance sheet date, liability adequacy tests are performed separately for each class of business to ensure the adequacy of the unearned premium liability for that class. It is performed by comparing the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after balance sheet date in respect of policies in force at balance sheet date with the carrying amount of unearned premium liability. Any deficiency is recognized by establishing a provision (premium deficiency reserve) to meet the deficit.

**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 2017:

- IAS 12 (Amendments regarding deferred tax assets for unrealized losses) - Income Taxes
- IAS 7 (Amendments) - Statement of Cash Flows

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 2018 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 July 2018
- IFRS 15 - Revenue from Contracts with Customers	01 July 2018
- IFRS 16 - Leases	01 January 2019
- IFRS 17 - Insurance Contracts	01 January 2021
- IAS 12 (Amendments regarding income tax consequences of dividends) - Income Taxes	01 January 2019
- IAS 40 (Amendments) - Investment Property	01 January 2018
- Annual Improvements 2014 - 2016 cycles	01 January 2018

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods (except for IFRS 4, IFRS 9 and IFRS 17), will have no material impact on the financial statements other than in presentation / disclosures. However, in case of IFRS 4, IFRS 9 and IFRS 17, the Company is assessing the potential impact on its Financial Statements resulting from the application of such standards which is generally expected to have a significant impact on the Financial Statements of insurance businesses.

There are other new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after 01 January 2018 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.

## 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 Rs. 4.166 million (2016: Rs. 1.124 million). The latest valuation was carried out as of 31 December 2017.

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 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 the repealed 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 2017. 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 2017 amounting to Rupees 43,041 (2016: 3.372 million). 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.

### **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 repealed 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 lowered by Rupees 128.545 million (2016: lower by Rupees 96.683 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 repealed 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 repealed 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

2017	2016		2017	2016
<i>Number of shares</i>			<i>----- Rupees -----</i>	
<b>100,000,000</b>	100,000,000	Ordinary shares of Rs. 10 each	<b>1,000,000,000</b>	1000,000,000

### 3.2 Issued, subscribed and paid - up share capital

31 December 2017	31 December 2016			
<i>Number of shares</i>				
<b>8,000,000</b>	8,000,000	Ordinary shares of Rs. 10 each, fully paid in cash	<b>80,000,000</b>	80,000,000
<b>12,000,000</b>	12,000,000	Ordinary shares of Rs. 10 each, issued as fully paid bonus shares	<b>120,000,000</b>	120,000,000
<b>10,000,000</b>	10,000,000	Ordinary shares of Rs. 10 each, issued as right shares fully paid in cash	<b>100,000,000</b>	100,000,000
<b>15,000,000</b>	15,000,000	Ordinary shares of Rs. 10 each, issued as right shares fully paid in cash	<b>150,000,000</b>	150,000,000
<b>15,000,000</b>	-	Ordinary shares of Rs. 10 each, issued otherwise than right issue	<b>150,000,000</b>	-
<b>60,000,000</b>	45,000,000		<b>600,000,000</b>	450,000,000

**3.2.1** The paid up share capital of the Company has been increased from 45 million ordinary shares of Rupees 10 each to 60 million ordinary shares of Rupees 10 each under the authority of a special resolution duly passed in Extra Ordinary General Meeting dated 16 February 2017.

**3.2.2** As at 31 December 2017, 44.065 million (2016: 29.065 million) shares of the Company are held by associated companies / undertakings. Details of these holdings are as follows:

	Note	2017	2016
		<i>Number of shares</i>	
Shaheen Foundation, Pakistan Air Force		41,565,422	22,888,997
Central Non Public Fund, Pakistan Air Force		2,500,000	2,500,000
Ensign Communique (Pvt) Limited		-	3,676,425
		<b>44,065,422</b>	<b>29,065,422</b>
Percentage of shareholding by associated companies / undertakings		<b>73.44%</b>	64.59%
<b>4. AMOUNTS DUE TO OTHER INSURERS / REINSURERS</b>		<b>2017</b>	<b>2016</b>
		<i>----- Rupees -----</i>	
Foreign companies		5,151,940	8,210,899
Local companies		39,890,719	30,220,456
		<b>45,042,659</b>	<b>38,431,355</b>
<b>5. ACCRUED EXPENSES</b>	Note	<b>2017</b>	<b>2016</b>
		<i>----- Rupees -----</i>	
Rent payable		7,252,505	339,454
Advisory fee payable		1,659,938	1,659,939
Accrual against utilities		844,809	2,228,104
Accrued salaries		3,433,052	1,891,695
Others		5,616,450	4,886,209
		<b>18,806,754</b>	<b>11,005,401</b>
<b>6. OTHER CREDITORS AND ACCRUALS</b>			
Provincial services tax		41,866,047	30,314,283
Withholding tax payable		4,560,337	2,919,484
Sindh Workers' Welfare Fund payable		3,555,307	2,038,339
Unearned rental income		645,607	553,089
Payable to provident fund		102,356	-
Others		8,699,879	1,270,427
		<b>59,429,533</b>	<b>37,095,622</b>
<b>7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>			
Present value of minimum lease payments		<b>208,375</b>	<b>1,139,472</b>
<b>7.1 Minimum lease payments</b>			
Not later than 1 year		213,022	1,006,466
Later than 1 year and not later than 5 years		-	213,699
	7.3	<b>213,022</b>	1,220,165
Future finance charges on finance lease		(4,647)	(80,693)
Present value of finance lease liability	7.2	<b>208,375</b>	<b>1,139,472</b>
<b>7.2 Present value of finance lease liability</b>			
Not later than 1 year		208,375	930,389
Later than 1 year and not later than 5 years		-	209,083
		<b>208,375</b>	<b>1,139,472</b>

- 7.3** Minimum lease payments have been discounted using implicit interest rates ranging from 10.62% to 10.65% (2016: 10.55% to 10.99%) per annum. The total lease rentals due under lease agreements are payable in 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 60% of the leased amount aggregating to Rupees 2.451 million (2016: Rupees 3.843 million) already paid as security deposit against respective vehicle. 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 repealed 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.) Limited and M/s. Zahid Enterprises (Pvt.) Limited have filed four (04) suits against the Company in the Insurance Tribunal, Karachi. Three (03) suits pertain to claim of damages on delayed claims settlement, while one (01) suit relates to recovery of 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 II<sup>nd</sup> Senior Civil Judge Karachi South. Subsequent to the year end, same has been decided in favour of the Company.
- 8.1.4** The income tax assessments of the Company have been finalized up to and including the assessment year 2016-17 (financial year ended 31 December 2016), 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 (9) read with 122(5A) of the Income Tax ordinance 2001 creating a demand of Rupees 1.49 million and Rupees 2.70 million respectively. The Company filed appeals against these orders with CIR (A), who vacated the order of taxation officer. Taxation Officer has subsequent to the year-end filed appeals with the ATIR against decision of CIR (A). Proceedings in this regard have not started yet.

**8.1.5** Further, the Company has received show cause notice to amend assessments for the tax years 2012, 2013 and 2014 under section 122(5A) of the Income Tax ordinance 2001. The case is in hearing / compliance stage.

**8.1.6** The Company has also received a notice for further amending the assessment of tax year 2011 under section 122 (9) read with section 122(5A) of the Income Tax Ordinance 2011 against which a constitutional petition has been filed in the High Court of Sindh. High Court has granted the stay in favor of the Company.

<b>8.2 Commitments</b>	<b>Note</b>	<b>2017</b>	<b>2016</b>
<b>Lease commitments</b>		----- Rupees -----	
Not later than 1 year		<b>213,022</b>	1,006,466
Later than 1 year and not later than 5 years		-	213,699
		<b>213,022</b>	<b>1,220,165</b>

## **9. CASH AND BANK DEPOSITS**

### **Cash and other equivalents**

- Cash in hand		<b>33,049</b>	33,835
- Policy stamps and bond papers in hand		<b>156,515</b>	145,840
		<b>189,564</b>	<b>179,675</b>

### **Current and saving accounts**

- Current accounts		<b>10,516,989</b>	9,136,210
- Saving accounts	<b>9.1</b>	<b>75,374,007</b>	13,090,188
		<b>85,890,996</b>	<b>22,226,398</b>

### **Deposits maturing within 12 months**

Term deposits - local currency	<b>9.2</b>	<b>353,119,482</b>	195,850,000
		<b>439,200,042</b>	<b>218,256,073</b>

**9.1** The saving account balances contain amount of Rupees 50 million in respect of fund separated for Company's prospective Window Takaful Operations. The saving account balances carry profit rates ranging between 3% to 5.60% (2016: 3% to 4%) per annum.

**9.2** The rate of return on term deposits with various banks ranging from 5.5% to 6.45% per annum (2016: 5.25% to 6.35% per annum) due on maturity. These term deposits have maturities upto 02 July 2018 (2016: 29 June 2017).

<b>10. LOANS TO EMPLOYEES - secured</b>	<b>Note</b>	<b>2017</b>	<b>2016</b>
		----- Rupees -----	
Considered good	<b>10.1</b>	<b>3,000</b>	3,000

**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

### 11.1 Type of investments

#### Held-to-maturity

Government Securities	11.2	50,227,086	54,514,125
Term finance certificates - Listed	11.3	-	-
		<b>50,227,086</b>	54,514,125
At fair value through profit or loss - Held for trading	11.4	336,237	2,203,894
Available-for-sale investments	11.5 & 11.5.2	226,997,460	224,583,697
		<b>277,560,783</b>	<b>281,301,716</b>

### 11.2 Government Securities

Type of security	Note	Maturity date	Profit (%)	Face value	2017	2016
----- Rupees -----						
Pakistan Investment Bonds	11.5.1	18 July 2018	11.50%	15,000,000	<b>14,936,634</b>	14,830,311
Pakistan Investment Bonds		19 July 2017	11.50%	3,000,000	-	3,062,753
Pakistan Investment Bonds	11.5.1	30 Aug 2018	12.00%	25,800,000	<b>26,512,512</b>	27,534,208
Pakistan Investment Bonds	11.5.1	18 July 2018	11.50%	8,600,000	<b>8,777,940</b>	9,086,853
					<b>50,227,086</b>	54,514,125

### 11.3 Term Finance Certificates - Listed

11.3.1	2017	2016	Note	2017	2016
	Number of certificates			----- Rupees -----	
			Invest Capital Investment Bank Limited (formerly Al-Zamin Leasing Corporation Limited		
	109	109	Less: Impairment of non-performing TFC	<b>545,000</b>	545,000
				<b>(545,000)</b>	(545,000)
				<b>-</b>	<b>-</b>

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 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

		Banks		
121,385	500,885	Summit Bank Limited	<b>336,237</b>	2,203,894

## 11.5 Available-for-sale investments

2017	2016					2017	2016
Number of shares/						----- 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							
764,341	728,319	Pakistan Income Fund	11.5.1	32,904,635	30,970,949		
6,670	6,288	Pakistan Cash Management Fund		284,398	265,204		
7,463	7,160	Faysal Saving Growth Fund		599,231	568,354		
126,523	121,397	ABL Income Fund		1,051,969	1,000,700		
874	838	Atlas Islamic Income Fund		369,242	351,323		
166,307	149,699	Al-Hamra Islamic Society Fund		966,570	770,090		
20,390	19,341	HBL Cash Fund		1,790,821	1,687,105		
4,921	4,683	Lakson Money Market Fund		412,004	388,204		
8,156	7,793	HBL Money Market Fund		618,590	581,768		
				38,997,460	36,583,697		
				226,997,460	224,583,697		

**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. 98.451 million (2016: Rs. 127.90 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 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 18 April 2018. Company is aggressively following up the case, and regular hearings are taking place. Further, Management strongly believe that the company has irrefutable evidences / arguments to win this litigation, and is deploying every possible resource for expeditious disposal of the case.

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 repealed 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.

**12. INVESTMENT PROPERTIES - at cost less accumulated depreciation**

**2017**

Note	Cost					Depreciation		Written down value as at 31 December 2017	Depreciation rate %
	As at 1 January 2017	Addition/ (Deletion)	As at 31 December 2017	As at 1 January 2017	For the year	As at 31 December 2017			
----- Rupees -----									
12.1	33,948,414	-	33,948,414	13,624,767	1,697,421	15,322,188	18,626,226	5	
12.1	2,848,320	-	2,848,320	2,646,562	142,415	2,788,977	59,343	5	
12.2	-	13,765,000	13,765,000	-	-	-	13,765,000	0	
	36,796,734	13,765,000	50,561,734	16,271,329	1,839,836	18,111,165	32,450,569		

**2016**

		2020		2019		2018		2017		2016		2015		2014		2013		2012		2011		2010		2009		2008		2007		2006		2005		2004		2003		2002		2001		2000		1999		1998		1997		1996		1995		1994		1993		1992		1991		1990		1989		1988		1987		1986		1985		1984		1983		1982		1981		1980		1979		1978		1977		1976		1975		1974		1973		1972		1971		1970		1969		1968		1967		1966		1965		1964		1963		1962		1961		1960		1959		1958		1957		1956		1955		1954		1953		1952		1951		1950		1949		1948		1947		1946		1945		1944		1943		1942		1941		1940		1939		1938		1937		1936		1935		1934		1933		1932		1931		1930		1929		1928		1927		1926		1925		1924		1923		1922		1921		1920		1919		1918		1917		1916		1915		1914		1913		1912		1911		1910		1909		1908		1907		1906		1905		1904		1903		1902		1901		1900		1899		1898		1897		1896		1895		1894		1893		1892		1891		1890		1889		1888		1887		1886		1885		1884		1883		1882		1881		1880		1879		1878		1877		1876		1875		1874		1873		1872		1871		1870		1869		1868		1867		1866		1865		1864		1863		1862		1861		1860		1859		1858		1857		1856		1855		1854		1853		1852		1851		1850		1849		1848		1847		1846		1845		1844		1843		1842		1841		1840		1839		1838		1837		1836		1835		1834		1833		1832		1831		1830		1829		1828		1827		1826		1825		1824		1823		1822		1821		1820		1819		1818		1817		1816		1815		1814		1813		1812		1811		1810		1809		1808		1807		1806		1805		1804		1803		1802		1801		1800		1799		1798		1797		1796		1795		1794		1793		1792		1791		1790		1789		1788		1787		1786		1785		1784		1783		1782		1781		1780		1779		1778		1777		1776		1775		1774		1773		1772		1771		1770		1769		1768		1767		1766		1765		1764		1763		1762		1761		1760		1759		1758		1757		1756		1755		1754		1753		1752		1751		1750		1749		1748		1747		1746		1745		1744		1743		1742		1741		1740		1739		1738		1737		1736		1735		1734		1733		1732		1731		1730		1729		1728		1727		1726		1725		1724		1723		1722		1721		1720		1719		1718		1717		1716		1715		1714		1713		1712		1711		1710		1709		1708		1707		1706		1705		1704		1703		1702		1701		1700		1699		1698		1697		1696		1695		1694		1693		1692		1691		1690		1689		1688		1687		1686		1685		1684		1683		1682		1681		1680		1679		1678		1677		1676		1675		1674		1673		1672		1671		1670		1669		1668		1667		1666		1665		1664		1663		1662		1661		1660		1659		1658		1657		1656		1655		1654		1653		1652		1651		1650		1649		1648		1647		1646		1645		1644		1643		1642		1641		1640		1639		1638		1637		1636		1635		1634		1633		1632		1631		1630		1629		1628		1627		1626		1625		1624		1623		1622		1621		1620		1619		1618		1617		1616		1615		1614		1613		1612		1611		1610		1609		1608		1607		1606		1605		1604		1603		1602		1601		1600		1599		1598		1597		1596		1595		1594		1593		1592		1591		1590		1589		1588		1587		1586		1585		1584		1583		1582		1581		1580		1579		1578		1577		1576		1575		1574		1573		1572		1571		1570		1569		1568		1567		1566		1565		1564		1563		1562		1561		1560		1559		1558		1557		1556		1555		1554		1553		1552		1551		1550		1549		1548		1547		1546		1545		1544		1543		1542		1541		1540		1539		1538		1537		1536		1535		1534		1533		1532		1531		1530		1529		1528		1527		1526		1525		1524		1523		1522		1521		1520		1519		1518		1517		1516		1515		1514		1513		1512		1511		1510		1509		1508		1507		1506		1505		1504		1503		1502		1501		1500		1499		1498		1497		1496		1495		1494		1493		1492		1491		1490		1489		1488		1487		1486		1485		1484		1483		1482		1481		1480		1479		1478		1477		1476		1475		1474		1473		1472		1471		1470		1469		1468		1467		1466		1465		1464		1463		1462		1461		1460		1459		1458		1457		1456		1455		1454		1453		1452		1451		1450		1449		1448		1447		1446		1445		1444		1443		1442		1441		1440		1439		1438		1437		1436		1435		1434		1433		1432		1431		1430		1429		1428		1427		1426		1425		1424		1423		1422		1421		1420		1419		1418		1417		1416		1415		1414		1413		1412		1411		1410		1409		1408		1407		1406		1405		1404		1403		1402		1401		1400		1399		1398		1397		1396		1395		1394		1393		1392		1391		1390		1389		1388		1387		1386		1385		1384		1383		1382		1381		1380		1379		1378		1377		1376		1375		1374		1373		1372		1371		1370		1369		1368		1367		1366		1365		1364		1363		1362		1361		1360		1359		1358		1357		1356		1355		1354		1353		1352		1351		1350		1349		1348		1347		1346		1345		1344		1343		1342		1341		1340		1339		1338		1337		1336		1335		1334		1333		1332		1331		1330		1329		1328		1327		1326		1325		1324		1323		1322		1321		1320		1319		1318		1317		1316		1315		1314		1313		1312		1311		1310		1309		1308		1307		1306		1305		1304		1303		1302		1301		1300		1299		1298		1297		1296		1295		1294		1293		1292		1291		1290		1289		1288		1287		1286		1285		1284		1283		1282		1281		1280		1279		1278		1277		1276		1275		1274		1273		1272		1271		1270		1269		1268		1267		1266		1265		1264		1263		1262		1261		1260		1259		1258		1257		1256		1255		1254		1253		1252		1251		1250		1249		1248		1247		1246		1245		1244		1243		1242		1241		1240		1239		1238		1237		1236		1235		1234		1233		1232		1231		1230		1229		1228		1227		1226		1225		1224		1223		1222		1221		1220		1219		1218		1217		1216		1215		1214		1213		1212		1211		1210		1209		1208		1207		1206		1205		1204		1203		1202		1201		1200		1199		1198		1197		1196		1195		1194		1193		1192		1191		1190		1189		1188		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**12.1** As per latest available valuation conducted by KBN (Private) Limited, assessed value of shop premises as of 31 December 2017 amounted to Rupees 118.387 million (2016: Rupees 81.165 million), office premises valued by Chaudhary Noor Mohammad & Co. (Private) Limited as of 31 December 2017 amounted to Rupees 16.70 million (2016: 14.07 million).

**12.2** This represents two open plots of land measuring 300 square yards each acquired during the period for capital appreciation purposes. Cost model has been adopted for valuation of investment property and no depreciation is charged, being immovable property with indefinite life. As per latest valuation by Industrial Consultants & Machinery Linkers (ICML), fair value of such freehold land amounted to Rupees 14 million as at 31 December 2017.

13. PREMIUMS DUE BUT UNPAID - NET	Note	2017	2016
		----- Rupees -----	
Considered good	13.1	147,256,979	77,253,692
Considered doubtful		60,479,528	59,479,528
		207,736,507	136,733,220
Provision for doubtful receivables	13.2	(60,479,528)	(59,479,528)
		147,256,979	77,253,692
<b>13.1 Premiums due but unpaid from related parties include:</b>			
Shaheen Airport Services (SAPS)		44,874,263	3,345,708
Shaheen Foundation, PAF		1,544,549	62,001
Shaheen Aero Traders		1,838,214	132,363
Shaheen Knitwear		-	221,188
Shaheen Medical Services		1,076,392	-
Shaheen Housing Complex		36,851	-
Shaheen Splash		22,573	-
Shaheen Complex		272,420	-
Fazaia Education System		80,140	-
		49,745,402	3,761,260
Percentage of premium due but unpaid - considered good		33.78%	4.87%
<b>13.2 Reconciliation of provision against doubtful receivables</b>			
Balance as at beginning of the year		59,479,528	30,310,430
Charge for the year		1,000,000	29,169,098
Balance written off during the year		-	-
Balance as at end of the year		60,479,528	59,479,528
<b>14. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS</b>			
Considered good - foreign		174,695	1,916,028
- local		33,689,816	27,703,568
		33,864,511	29,619,596
<b>15. ACCRUED INVESTMENT INCOME</b>			
Mark-up accrued on bank deposits		1,590,874	126,492
Mark-up accrued on Pakistan Investment Bonds		2,304,453	2,458,961
		3,895,327	2,585,453
<b>16. ADVANCES, DEPOSITS AND PREPAYMENTS</b>			
Advances		2,320,541	2,109,833
Security deposits	16.1	9,428,904	5,849,955
Prepaid reinsurance premium ceded		23,939,089	25,020,853
Prepayments		10,281	1,175,126
		35,698,815	34,155,767
<b>16.1</b> This includes Rupees 2.517 million (2016: 2.322 million) in respect of security deposits paid against rental properties to Shaheen Foundation, Pakistan Air Force - related party.			
<b>17. OTHER RECEIVABLES - unsecured, considered good</b>			
Receivables:			
-against Federal Insurance Fee		-	470,009
- against trading in marketable securities		957,650	957,649
- against general sales tax		-	1,207,322
Others	17.1	7,124,656	5,313,234
		8,082,306	7,948,214
<b>17.1</b> This includes balance receivable of Rupees 5.6 million from Pace Pakistan Limited in respect of sale of property located at Pace Tower Project, Lahore.			

18. FIXED ASSETS

2017							
Particulars	COST			DEPRECIATION / AMORTIZATION			Depreciation/ Amortization rate %
	As at 01 January 2017	Additions/ transfer / (deletions)	Adjustments* 31 December 2017	As at 01 January 2017	Charge for the year / transfer / (disposals)	As at 31 December 2017	
<b>- Owned</b>							
<i>Tangible fixed assets</i>							
Furniture and fixtures	13,295,003	263,612	-	13,558,615	10,395,286	654,779	11,050,065
		-				-	
Office and electrical equipment	12,092,992	211,700	-	12,176,972	10,147,864	643,085	10,663,229
		(127,720)				(127,720)	
Computer equipment	16,905,223	211,200	-	16,670,268	16,488,867	248,779	16,291,491
		(446,155)				(446,155)	
Furniture, fixtures & office equipment	42,293,218	686,512	-	42,405,855	37,032,017	1,546,643	38,004,785
		(573,875)				(573,875)	
Motor vehicles	23,119,290	2,423,483	4,050,000	29,470,773	20,999,784	2,752,729	23,630,513
		(122,000)				(122,000)	
	65,412,508	3,109,995	4,050,000	71,876,628	58,031,801	4,299,372	61,635,298
		(695,875)	-			(695,875)	
<i>Intangible assets</i>							
Computer software	10,178,944	-		10,178,944	10,178,944	-	10,178,944
	75,591,452	3,109,995	4,050,000	82,055,572	68,210,745	4,299,372	71,814,242
		(695,875)	-			(695,875)	
<b>- Leased</b>							
<i>Tangible fixed assets</i>							
Motor vehicles	6,405,500	-	-	4,085,000	2,221,784	1,281,099	2,110,583
		(2,320,500)				(1,392,300)	
	81,996,952	3,109,995	4,050,000	86,140,572	70,432,529	4,188,171	73,924,825
		(3,016,375)	-			(2,088,175)	

\* During the year, the Company identified few motor vehicles appearing in salvage recoveries amounting to Rs. 4.050 million which were in use of the employees of the Company. Since it was not practically possible to identify the exact date and period in which most of these vehicles started to and became available for use of the employees of the Company, the adjustment relating to these were booked in the current year's financial statements in order to rectify the effect of this error as per the requirements of International Accounting Standard - 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and resultantly the depreciation expense has been accounted for accordingly.

Particulars	2016						
	COST			DEPRECIATION / AMORTIZATION			Depreciation/ Amortization rate
	As at 01 January 2016	Additions/ (Deletions)	Adjustments	As at 31 December 2016	As at 01 January 2016	Charge for the year / (Adjustments / As at 31 December 2016	
<b>- Owned</b>							%
<i>Tangible fixed assets</i>							
Furniture and fixtures	13,207,003	88,000	-	13,295,003	9,731,427	663,859	10
Office and electrical equipment	11,240,676	942,316 (90,000)	-	12,092,992	9,562,273	675,591 (90,000)	15 - 20
Computer equipment	16,588,595	316,628	-	16,905,223	16,237,205	251,662	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)	
Motor vehicles	20,703,790	2,415,500	-	23,119,290	19,928,917	1,070,867	20
Intangible assets							
Computer software	61,740,064	3,762,444 (90,000)	-	65,412,508	55,459,822	2,661,979 (90,000)	33.3
	10,178,944	-	-	10,178,944	10,178,944	-	
	71,919,008	3,762,444 (90,000)	-	75,591,452	65,638,766	2,661,979 (90,000)	
- Leased (Tangible fixed assets)							
<b>Motor vehicles</b>	8,853,000	-	-	6,405,500	1,226,225	1,321,892 (326,333)	20
		(2,447,500)					
	80,772,008	3,762,444 (2,537,500)	-	81,996,952	66,864,991	3,983,871 (416,333)	

### 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 -----							
<b>- Owned</b>							
<b><i>Furniture, fixtures and office equipment</i></b>							
Sale of Office & Electrical	127,720	-	14,500	14,500	Negotiation	Mr. Shahid	Karachi
Sale of Computer Hardware	446,155	-	5,500	5,500	Negotiation	Jaffer Hussain	Lahore
	573,875	-	20,000	20,000			
<b><i>Motor vehicles</i></b>							
Sale of Motor cycles							
- KER 0044	43,000	-	10,500	10,500	Negotiation	Sheikh Azhar A	Karachi
- KBZ 247	35,500	-	3,600	3,600	Negotiation	Nisar Ashraf	Karachi
- KGF 8941	43,500	-	15,100	15,100	Negotiation	M. Ameen	Karachi
	122,000	-	29,200	29,200			
<b><i>Capital Work in Progress</i></b>							
Sale of property classified as CWIP	34,750,008	34,750,008	40,000,000	5,249,992	Negotiation	Pace Pakistan Limited	2nd & 3rd Floor, Pace Shopping Mall, Fortress Stadium, Lahore
<b>Grand total (2017)</b>	<b>35,445,883</b>	<b>34,750,008</b>	<b>40,049,200</b>	<b>5,299,192</b>			
<b>Grand total (2016)</b>	<b>2,537,500</b>	<b>2,121,167</b>	<b>1,701,200</b>	<b>(419,967)</b>			

**18.2** Fixed assets include fully depreciated items costing Rupees 61.674 (2016: Rupees 61.427) million.

**18.3** Capital work in progress represented advance against the purchase of property from Pace Pakistan Limited (previously a related party), the title to which was not transferred to the Company and has been settled with Pace Pakistan Limited during the year for Rupees 40 million.

## 19. PREMIUM DEFICIENCY RESERVE

The independent actuary has determined Premium deficiency reserve of Rupees 43,041 as at 31 December 2017 (2016: Rupees 3.372 million). Consequently the Company has reversed an amount of Rupees 3.329 million during the year.

## 20. COMMISSION FROM REINSURERS

	2017			2016
	----- Rupees -----			
	Commission received or receivable	Unearned Commission		Commission from reinsurers
		Opening	Closing	from reinsurers
	a	b	c	d=a+b-c
Fire and property damage	1,293,240	832,830	710,407	1,415,663
Marine, aviation and transport	-	-	-	-
Motor	-	65,423	-	65,423
Accident and health	-	-	-	-
Miscellaneous	528,394	442,270	418,314	552,350
	<b>1,821,634</b>	<b>1,340,523</b>	<b>1,128,721</b>	<b>2,033,436</b>

## 21. NET PREMIUM REVENUE

	Note	2017	2016
		----- Rupees -----	
Premium revenue (net of reinsurance)		<b>292,383,137</b>	261,843,401
Administrative surcharge	21.1	<b>7,202,642</b>	2,714,923
		<b>299,585,779</b>	264,558,324

### 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	<b>700,458</b>	239,206
Marine, aviation and transport	<b>408,959</b>	43,951
Motor	<b>4,309,886</b>	1,780,902
Accident and health	<b>10,000</b>	4,375
Miscellaneous	<b>1,773,339</b>	646,489
	<b>7,202,642</b>	2,714,923

## 22. MANAGEMENT AND GENERAL AND ADMINISTRATION EXPENSES

	Note	2017			2016		
		Management expenses	General and administration expenses	Total	Management expenses	General and administration expenses	Total
		Rupees					
Salaries and other benefits		34,714,471	27,239,655	61,954,126	31,943,322	23,643,200	55,586,522
Provident fund contribution		1,097,416	1,240,373	2,337,789	-	1,022,494	1,022,494
Rent	22.1	9,349,863	5,675,125	15,024,988	7,604,955	5,827,850	13,432,805
Utilities		5,257,994	2,697,404	7,955,398	4,412,293	2,967,362	7,379,655
Repair and maintenance		692,606	5,843,410	6,536,016	522,294	845,055	1,367,349
Legal and professional charges		330,900	2,216,616	2,547,516	179,000	2,130,610	2,309,610
Auditors' remuneration	22.2	-	1,150,000	1,150,000	-	1,150,000	1,150,000
Depreciation and amortization	12 & 18	1,768,767	4,259,240	6,028,007	-	5,823,707	5,823,707
Bank charges		42,315	205,326	247,641	19,027	43,528	62,555
Financial charges on assets subject to finance lease		-	71,217	71,217	-	218,675	218,675
Advertisement and sales promotion		7,900	911,421	919,321	518,162	1,189,901	1,708,063
Travelling and entertainment		5,294,694	2,448,494	7,743,188	4,896,622	1,838,944	6,735,566
Printing and stationery		1,433,389	1,215,020	2,648,409	1,438,100	1,438,990	2,877,090
Newspaper and periodicals		24,285	15,155	39,440	37,526	20,937	58,463
Fee and subscription		671,747	2,978,561	3,650,308	-	3,762,808	3,762,808
Software maintenance		520,300	-	520,300	-	330,000	330,000
Provision for doubtful premium due but unpaid		-	1,000,000	1,000,000	-	29,169,098	29,169,098
Loss on disposal of fixed assets		-	-	-	-	419,967	419,967
Shariah Advisory		-	464,158	464,158	-	-	-
Exchange loss		-	-	-	-	1,728	1,728
Miscellaneous		3,866,946	120,956	3,987,902	1,261,983	2,089,498	3,351,481
		65,073,593	59,752,131	124,825,724	52,833,284	83,934,352	136,767,636

**22.1** This amount includes Rupees 12.310 million (2016: Rupees 11.899 million) rent expense to Shaheen Foundation, Pakistan Air Force - related party.

### 22.2 Auditors' remuneration

	Note	2017	2016
		Rupees	
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	225,000
Out of pocket expenses		150,000	150,000
		<u>1,150,000</u>	<u>1,150,000</u>

## 23. OTHER INCOME

Gain on sale of fixed assets	5,299,192	-
Exchange gain	16,093	-
Return on saving accounts	1,328,278	922,836
Liabilities written back - no more payable	-	20,082,418
Others	1,048,788	12,051
	<b>7,692,351</b>	<b>21,017,305</b>

## 24. SINDH WORKERS' WELFARE FUND (SWWF)

For the current year	<b>1,516,968</b>	<b>1,425,886</b>
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24.1 This represents the provision for Sindh Workers' Welfare fund under The Sindh Workers' Welfare Fund Act, 2014.

	2017	2016
<b>25. TAXATION</b>	<b>Note</b>	
	----- Rupees -----	
Current	<b>10,458,468</b>	<b>2,645,583</b>
Relationship between tax expense and accounting loss is as follows:		
Profit before taxation	<b>74,331,451</b>	42,781,436
Tax charge at enacted tax rate of 30% (2016: 31%)	<b>22,299,434</b>	13,262,245
Tax effect of expense that are allowable in determining taxable income	<b>(17,256,779)</b>	(8,396,958)
Tax effect of dividend income taxable at normal rate	<b>(159,046)</b>	-
Tax effect of application of minimum tax rate	-	2,645,583
Tax under Section 5A	<b>5,574,859</b>	-
Others	-	(4,865,287)
	<b>10,458,468</b>	<b>2,645,583</b>

25.1 Deferred tax asset on deductible temporary differences amounting to Rupees 21.168 million (2016: Rupees 14.667 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	<b>63,872,983</b>	40,135,853
Weighted average of number of ordinary shares	<b>56,250,000</b>	45,000,000
Earnings per share - Rupees	<b>1.14</b>	0.89

26.1 Diluted earnings / loss per share have not been presented as the Company does not have any convertible instruments as at 31 December 2017 and 31 December 2016 which would have any effect on the profit per share if the option to convert is exercised.

## 27. REMUNERATION TO THE CHIEF EXECUTIVE OFFICER AND EXECUTIVES

	Chief Executive Officer		Executives		Total	Total
	2017	2016	2017	2016	2017	2016
	----- Rupees -----					
Managerial remuneration	4,216,731	3,872,779	13,027,102	9,458,235	17,243,833	13,331,014
Provident fund	176,400	30,000	706,986	158,080	883,386	188,080
	<u>4,393,131</u>	<u>3,902,779</u>	<u>13,734,088</u>	<u>9,616,315</u>	<u>18,127,219</u>	<u>13,519,094</u>
Number of persons	<u>1</u>	<u>1</u>	<u>5</u>	<u>5</u>	<u>6</u>	<u>6</u>

**27.1** 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.

**27.2** 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:-

	2017					
	Fire and property damage	Marine, aviation and transport	Motor	Accident and Health	Miscellaneous	Total
	----- Rupees -----					
Direct	45,226,937	12,686,789	201,273,760	10,385,636	65,708,574	335,281,696
Facultative	-	-	-	-	439,244	439,244
Administrative surcharge	700,458	408,959	4,309,886	10,001	1,773,339	7,202,643
	<u>45,927,395</u>	<u>13,095,748</u>	<u>205,583,646</u>	<u>10,395,637</u>	<u>67,921,157</u>	<u>342,923,583</u>
	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
	<u>47,698,205</u>	<u>11,771,195</u>	<u>210,276,486</u>	<u>7,977,814</u>	<u>61,779,354</u>	<u>339,503,054</u>

**29. SEGMENT REPORTING**

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 2017 and 31 December 2016, 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	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	Rupees											
SEGMENT ASSETS												
Segment assets	83,280,889	54,323,730	20,846,851	23,408,456	480,930,458	230,796,049	24,577,726	108,886,780	113,513,434	43,444,431	723,149,358	460,859,446
Unallocated corporate assets												
Total assets												

**30. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

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.

**30.1 Market risk**

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 cash and investments are denominated.

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

2017								
	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		
<b>Financial assets</b>								
Cash and bank deposits	3 - 6.45	428,493,489	-	-	428,493,489	10,706,553	439,200,042	
Investments	11.5 - 12	50,227,086	-	-	50,227,086	227,333,697	277,560,783	
Premiums due but unpaid		-	-	-	-	147,256,979	147,256,979	
Amounts due from other insurers / reinsurers		-	-	-	-	33,864,511	33,864,511	
Accrued investment income		-	-	-	-	3,895,327	3,895,327	
Reinsurance recoveries against outstanding claims		-	-	-	-	4,309,685	4,309,685	
Advances and security deposits		-	-	-	-	35,698,815	35,698,815	
Other receivables		-	-	-	-	8,082,306	8,082,306	
		478,720,575	-	-	478,720,575	471,147,873	949,868,448	
<b>Financial liabilities</b>								
Provision for outstanding claims		-	-	-	-	114,519,530	114,519,530	
Amounts due to other insurers / reinsurers		-	-	-	-	45,042,659	45,042,659	
Accrued expenses		-	-	-	-	18,806,754	18,806,754	
Agent balances		-	-	-	-	34,840,191	34,840,191	
Other creditors and accruals		-	-	-	-	8,802,235	8,802,235	
Unclaimed dividend		-	-	-	-	398,934	398,934	
Liabilities against assets subject to finance lease	10.55 - 10.99	208,375	-	-	208,375	-	208,375	
		208,375	-	-	208,375	222,410,303	222,618,678	
Interest risk sensitivity gap		478,512,200	-	-	478,512,200	248,737,570	727,249,770	
Cumulative interest risk sensitivity gap		478,512,200	478,512,200	478,512,200				
<b>Off balance sheet item</b>								
Commitments for capital expenditure							-	

2016						
Effective Interest %	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		
per annum	Rupees					
<b>Financial assets</b>						
Cash and bank deposits	208,940,188	-	-	208,940,188	9,315,885	218,256,073
Investments	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
Advance 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
<b>Financial liabilities</b>						
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
Unclaimed dividend	-	-	-	-	398,934	398,934
Liabilities against assets subject to finance lease	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			
<b>Off balance sheet item</b>						
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-----	
<b>31 December 2017</b>	<b>100</b>	<b>4,785,122</b>	<b>3,349,585</b>
	<b>(100)</b>	<b>(4,785,122)</b>	<b>(3,349,585)</b>
31 December 2016	100	2,623,148	1,783,741
	<b>(100)</b>	(2,623,148)	(1,783,741)

### 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 market, money market and TFCs market.

The following table summarizes the Company's other price risk as of 31 December 2017 and 2016. 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-----
<b>31 December 2017</b>	<b>+5%</b>	<b>98,787,762</b>	<b>4,939,388</b>
	<b>- 5%</b>		<b>(4,939,388)</b>
31 December 2016	+5%	130,103,783	6,505,189
	- 5%		(6,505,189)

### 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	2017			2016				
			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			114,519,530	114,519,530	114,519,530	-	109,983,753	109,983,753	-	-
Amounts due to other insurers / reinsurers	4		45,042,659	45,042,659	45,042,659	-	38,431,355	38,431,355	38,431,355	-
Accrued expenses	5		18,806,754	18,806,754	18,806,754	-	11,005,401	11,005,401	11,005,401	-
Agent balances			34,840,191	34,840,191	34,840,191	-	11,378,919	11,378,919	11,378,919	-
Other creditors and accruals			8,802,235	8,802,235	8,802,235	-	1,270,427	1,270,427	1,270,427	-
Unclaimed dividend			398,934	398,934	398,934	-	398,934	398,934	398,934	-
Obligation under finance lease	7		208,375	213,022	213,022	-	1,139,472	1,220,165	1,006,466	213,699
			222,618,678	222,623,325	222,623,325	-	173,608,261	173,688,954	173,475,255	213,699

### 30 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 counter parties in various industries and by continually assessing the credit worthiness of counter parties.

### 30.3 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 segment.

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:

	2017	2016
	----- Rupees -----	
Bank deposits	439,010,478	218,076,398
Investments	50,227,086	54,514,125
Premiums due but unpaid	147,256,979	77,253,692
Amounts due from other insurers / reinsurers	33,864,511	29,619,596
Accrued investment income	3,895,327	2,585,453
Reinsurance recoveries against outstanding claims	4,309,685	5,749,279
Advances, security deposits and other	35,698,815	7,959,788
Other receivables	8,082,306	6,270,883
	<b>722,345,187</b>	<b>402,029,214</b>

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	60,323,267	70,326,318
1 - 2 years	18,009,072	12,905,020
2 - 3 years	7,765,685	6,034,833
Over 3 years	105,757,592	73,325,385
	<b>191,855,616</b>	<b>162,591,556</b>

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

Upto 1 year	49,745,402	3,761,260
1 - 2 years	-	-
2 - 3 years	-	-
Over 3 years	-	-
	<b>49,745,402</b>	<b>3,761,260</b>

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

Bank	Rating	Rating agency	2017	2016
			----- Rupees -----	
Soneri Bank Limited	AA-/A1+	PACRA	150,726,370	152,177,500
Allied Bank Limited	AA+/A1+	PACRA	158,564	953,450
Bank Al Falah Limited	AA+/A1+	PACRA	110,600	111,235
MCB Bank Limited	AAA/A1+	PACRA	843,092	509,059
Faysal Bank Limited	AA/A1+	PACRA	105,077	105,077
Bank Al Habib Limited	AA+/A1+	PACRA	47,859	48,097
JS Bank Limited	AA-/A1+	PACRA	225,157,640	64,171,980
Bank Islami Limited	A+/A1	PACRA	50,172,614	-
The Bank of Punjab	AA/A1+	PACRA	11,688,662	-
			<b>439,010,478</b>	<b>218,076,398</b>

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	2017	2016	2017	2016	2017	2016
	Gross sum insured		Reinsurance		Net exposure of risk	
	----- Rupees -----					
Fire and property damage	37,917,260,011	28,127,340,668	32,546,946,800	24,362,461,767	5,370,313,211	3,764,878,901
Marine and transport	10,754,362,514	9,035,798,915	6,185,526,303	5,558,153,083	4,568,836,211	3,477,645,832
Aviation	570,500,000	525,000,000	523,750,000	498,750,000	46,750,000	26,250,000
Miscellaneous	61,158,723,813	35,217,680,033	2,366,978,853	6,578,591,965	58,791,744,960	28,639,088,068
	110,400,846,338	72,905,819,616	41,623,201,956	36,997,956,815	68,777,644,382	35,907,862,801

### 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	2017	2016
	Assumed net loss ratio (%)	
Fire and property	20.40%	-27.20%
Marine, aviation and transport	18.65%	15.85%
Motor	28.08%	33.34%
Accident and health	47.40%	107.27%
Miscellaneous	8.77%	10.94%

### 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 Profit / (Loss)		Shareholders' equity	
	2017	2016	2017	2016
	Rupees			
<b>10% increase in loss</b>				
Fire and property damage	(936,801)	1,297,432	(655,761)	895,228
Marine, aviation and transport	(244,194)	(186,609)	(170,936)	(128,760)
Motor	(5,771,892)	(7,010,352)	(4,040,325)	(4,837,143)
Accident and health	(492,720)	(855,774)	(344,904)	(590,484)
Miscellaneous	(595,568)	(675,894)	(416,898)	(466,367)
	<b>(8,041,175)</b>	<b>(7,431,197)</b>	<b>(5,628,822)</b>	<b>(5,127,526)</b>

#### 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 & Prior	2013	2014	2015	2016	2017	Total
	Rupees						
<b>Estimate of ultimate claims cost:</b>							
At the end of accident year	220,324,501	394,404,621	167,473,208	136,769,153	99,667,040	96,418,496	1,115,057,019
One year later	217,985,601	387,075,025	205,292,016	137,533,120	93,678,082	-	1,041,563,844
Two years later	205,819,214	381,594,275	180,050,178	135,796,735	-	-	903,260,402
Three years later	202,060,016	378,729,534	179,338,329	-	-	-	760,127,879
Four years later	209,930,470	378,511,829	-	-	-	-	588,442,299
Five years later	223,214,559	-	-	-	-	-	223,214,559
<b>Estimate of cumulative claims</b>	223,214,559	378,511,829	179,338,329	135,796,735	93,678,082	96,418,496	1,106,958,030
<b>Less: cumulative payments to date</b>	204,629,264	360,755,231	164,239,413	127,574,695	82,868,179	56,537,394	996,604,176
<b>Liability recognised</b>	18,585,295	17,756,598	15,098,916	8,222,040	10,809,903	39,881,102	110,353,854

## 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	2017	2016
				Rupees	
A- or above including Pakistan Reinsurance Company Limited	30,875,841	-	23,939,093	54,814,934	26,933,256
BBB	2,988,670	4,309,685	-	7,298,355	33,456,472
Others	-	-	-	-	-
	<b>33,864,511</b>	<b>4,309,685</b>	<b>23,939,093</b>	<b>62,113,289</b>	<b>60,389,728</b>

### 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 SRO No. 828/(I)/15 dated 18 August 2015 required the minimum paid up capital for Non-life Insurance Companies to be raised to Rs. 500 million by 31 December 2017. The Company is in compliance with the requirements of the aforesaid notification. During the year end the Company has issued shares other than right issue and the subscription amount has been received by the Company.

### 34. FAIR VALUE OF FINANCIAL AND NON-FINANCIAL INVESTMENTS

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:

	2017		
	Fair value measurement using		
	Level - 1	Level - 2	Level - 3
<b>Financial Investments</b>			
- Available for sale investments	98,451,525	-	-
- Held-for-trading investments	336,237		
<b>Non - Financial Investments</b>			
- Investment properties	-	149,087,820	-

Available-for-sale investments are stated at lower of cost or market value in accordance with the requirements of the SEC (Insurance) Rules, 2002 as disclosed in note 2.5.3 to these financial statements. Held-for-trading investments are stated at quoted market prices. 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:

	2017	2016
	----- Rupees -----	
Size of the fund - Net assets	<b>8,900,139</b>	5,537,620
Cost of the investment made	<b>8,863,234</b>	5,495,333
Percentage of the investment made	<b>99.59%</b>	99.24%
Fair value of the investment made	<b>8,863,234</b>	5,795,333

The breakup of fair value of the investment is:

	2017		2016	
	Rupees	%	Rupees	%
Bank balances	<b>8,826,329</b>	<b>99.58%</b>	4,411,248	76.12%
Loans to members	<b>36,905</b>	<b>0.42%</b>	1,384,085	23.88%
	<b>8,863,234</b>		<b>5,795,333</b>	

Above disclosure is based on unaudited financial statements of the provident fund for the year ended 31 December 2017. The investments out of the provident fund have been made in accordance with the provisions of section 227 of the repealed 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:

		2017	2016
		----- Rupees -----	
<i>Transactions and balances with associated companies</i>	<b>Note</b>		
<i>Insurance premium</i>			
Balance at beginning of the year		<b>3,761,260</b>	1,379,000
Gross insurance premium written (including government levies, administrative surcharge and policy stamps)		<b>75,931,760</b>	73,223,589
Received / Adjusted during the year		<b>(29,947,618)</b>	(70,841,329)
Balance at end of the year	<b>13.1</b>	<b>49,745,402</b>	3,761,260

		2017	2016
		----- Rupees -----	
<i>Insurance claim expense</i>			
Outstanding claims at beginning of the year		2,958,116	763,076
Gross claim expense for the year		4,538,129	3,471,759
Claims paid during the year		(6,587,572)	(1,276,719)
Outstanding claims at end of the year	36.1	908,673	2,958,116
<i>Other transactions during the year with associated companies</i>			
Rental expense	22.1	12,309,711	11,898,723
Advertisement expenses		919,321	1,093,865
<i>Other balances with associated companies</i>			
Rent paid in advance		-	1,164,845
Commission payable		14,031,814	-
Security deposits	16.1	2,517,537	2,321,937
Rent payable		6,933,051	-
<i>Transactions during the year with other related parties (key management personnel)</i>			
Contribution to the Provident Fund	36.3	2,337,789	1,022,494
Remuneration of key management personnel	36.4	18,127,219	13,519,094
<i>Balances with other related parties (key management personnel)</i>			
Payable to the Provident Fund	6	102,356	-
<b>36.1 Outstanding claims - related parties</b>			
Hawk Advertising		25,000	-
Shaheen Complex		100,000	125,000
Shaheen Air Port Services (SAPS)		635,000	190,000
Shaheen Foundation, PAF		125,673	2,620,116
Shaheen Knitwear		15,000	15,000
Shaheen Air International		8,000	8,000
		908,673	2,958,116

**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.

	2017	2016
<b>37. EMPLOYEE</b>		
Number of employees as on 31 December	<b>110</b>	<b>115</b>
Average number of employees as on 31 December	<b>115</b>	<b>120</b>

**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 March 29, 2018.

Air Marshal Muhammad Jamshed  
Khan (Retd.) - Chairman

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

Mr. Aamir Shahzad Mughal  
Director

Mr. Nisar Ahmed Almani  
Chief Financial Officer

Mr. Sohel N. Kidwai  
Chief Executive Officer

## PATTERN OF SHARE HOLDING HELD BY THE SHARE HOLDERS AS AT 31ST DECEMBER, 2017

No. of Shareholders	Shares Holding From	To	Total Shares Held
224	1	100	3,899
119	101	500	41,999
99	501	1,000	83,316
195	1,001	5,000	471,190
46	5,001	10,000	357,431
23	10,001	15,000	296,087
14	15,001	20,000	264,000
11	20,001	25,000	266,000
7	25,001	30,000	201,000
5	30,001	35,000	162,360
2	35,001	40,000	77,000
1	40,001	45,000	41,500
5	45,001	50,000	247,500
1	50,001	55,000	53,500
1	60,001	65,000	60,500
1	65,001	70,000	69,000
1	70,001	75,000	74,000
1	75,001	80,000	80,000
2	80,001	85,000	167,000
1	90,001	95,000	92,500
4	95,001	100,000	395,500
1	100,001	105,000	104,500
1	115,001	120,000	120,000
1	130,001	135,000	135,000
1	155,001	160,000	158,037
1	165,001	170,000	169,500
1	220,001	225,000	225,000
1	330,001	335,000	332,000
1	335,001	340,000	340,000
1	525,001	530,000	529,000
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	6,345,001	6,350,000	6,345,296
1	41,565,001	41,570,000	41,565,422
777			60,000,000

## CATEGORIES OF SHARE HOLDERS AS REQUIREQ UNDER (CCG) AS ON 31 ST DECEMBER,2017

NAME	Holding	%AGE
Directors, Chief Executive Officers, and their spouse and minor childern	3,000	0.0050%
Associated Companies, undertakings and related parties.	44,065,422	73.4424%
NIT and ICP	0	0.0000%
Banks Development Financial Institutions, Non Banking Financial Institutions.	0	0.0000%
Insurance Companies	0	0.0000%
Modarabas and Mutual Funds	1,000	0.0017%
Shareholders holding 10% or more	47,910,718	79.8512%
General Public		
a. Local	4,645,031	7.7417%
b. Foreign	0	0.0000%
Others (to be specified)		
Foreign Companies	6,345,296	10.5755%
Joint Stock Companies	4,940,251	8.2338%

## NAME OF SHAREHOLDERS 10% OR MORE OF TOTAL CAPITAL AS ON 31 ST DECEMBER,2017

Name	Holding	%AGE
SHAHEEN FOUNDATION PAF	41,565,422	69.2757%
THE HOLLARD COMPANY LIMITED (CDC)	6,345,296	10.5755%
	<b>47,910,718</b>	<b>79.8505%</b>

## INFORMATION AS REQUIRED UNDER CODE OF CORPORATE GOVERNANCE CATEGORIES OF SHAREHOLDER AS AT DECEMBER 31,2017

Name	Holding	%AGE
<b><u>DIRECTORS, CEO THEIR SPOUSES &amp; MINOR CHILDREN</u></b>		
AIR MARSHAL MUHAMMAD JAMSHED KHAN (RETD.)	500	0.0008%
AIR VICE MARSHAL SYED RAZI UL HASSAN NAWAB (RETD.)	500	0.0008%
AIR COMMODORE ZAFAR YASIN (RETD.)	500	0.0008%
MR. AAMIR SHAHZAD MUGHAL	500	0.0008%
AIR COMMODORE JAMSHED IQBAL (RETD.)	500	0.0008%
GROUP CAPTAIN JAVED AKHTER KHAN (RETD.)	500	0.0008%
	<b>3,000</b>	<b>0.0050%</b>

<b><u>ASSOCIATED COMPANIES</u></b>	41,565,422	69.2757%
SHAHEEN FOUNDATION PAF	2,500,000	4.1667%
CENTRAL NON PUBLIC FUND. PAF	44,065,422	73.4424%

## 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 Annual General Meeting of  
the Company to be held on Friday, April 27, 2018 at 11.30 a.m. at the Head Office of Shaheen Airport  
Services (SAPS) situated at SAPS Complex, Malir Avenue, JIAP, Karachi and at any adjournment thereof.

Signed this \_\_\_\_\_ day of, \_\_\_\_\_ 2018.

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 \_\_\_\_\_ کے / کا \_\_\_\_\_  
 بحیثیت رکن شاہین انشورنس کمپنی لمیٹڈ اور حاصل حصص، \_\_\_\_\_ بمطابق شیئرز رجسٹرڈ فوئیو نمبر \_\_\_\_\_ اور / یا سی  
 ڈی سی پرائیویٹ (شرکت) آئی ڈی نمبر \_\_\_\_\_ اور اکاؤنٹ (کھاتہ) سب اکاؤنٹ (ذیلی کھاتہ) نمبر \_\_\_\_\_  
 محترم / محترمہ \_\_\_\_\_ کے / کا \_\_\_\_\_  
 کو اپنے / ہمارے ایما پر بروز جمعہ مورخہ 27 اپریل، 2018، بوقت صبح 11:30 بجے کو بمقام ہیڈ آفس شاہین انشورنس پورٹ سرومز (سپس) واقع سپس کمپلیکس ملیر  
 ایونیو، 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  
 (پراسی) مقرر کرتا ہوں / کرتے ہیں۔  
 آج بروز \_\_\_\_\_ بتاریخ \_\_\_\_\_ 2018 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: \_\_\_\_\_

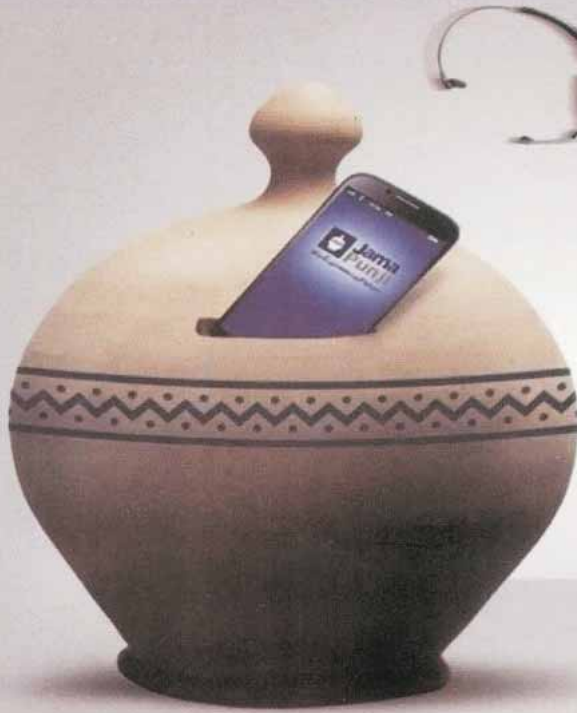
۲۔ دستخط: \_\_\_\_\_  
 نام: \_\_\_\_\_  
 پتہ: \_\_\_\_\_  
 کمپیوٹرائزڈ شناختی کارڈ یا پاسپورٹ نمبر: \_\_\_\_\_

نوٹ

- ۱۔ اس فارم کو پُر اور دستخط کر کے ممبر، پراسی (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 (پراسی فارم) کو اصل شناختی کارڈ / پاسپورٹ اجلاس کے وقت پیش کرنا ہوگا۔
- ۲۔ کسی بھی شخص کو مختار (پراسی) مقرر نہیں کیا جاسکتا الا یہ کہ وہ کمپنی کا رکن ہو۔
- ۳۔ کارپوریٹ ادارہ ہونے کی صورت میں مختار نامہ (پراسی 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 (پراسی فارم) کے ہمراہ اپنے کمپیوٹرائزڈ شناختی کارڈ / پاسپورٹ کی مصدقہ نقول بھی جمع کرائیں۔



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## SHAHEEN INSURANCE COMPANY LTD.

### Head Office:

10th Floor, Shaheen Complex,

M.R. Kayani Road, Karachi - 74200

Tel : (9221) 32630370-75 (06 Lines), 32213950-51 (02 Lines)

Fax : (9221) 32626674 UAN : 111 765 111

E-mail : info@shaheeninsurance.com

Website : www.shaheeninsurance.com

### CHAIRMAN'S REVIEW

It indeed gives me immense pleasure to present the Annual Report of the Company for the year ended December 31, 2017.

Shaheen Insurance Company Limited continued to perform strongly during the current year, as all its performance indicators exhibited stability and positive trends despite stiff competition and challenging business environment. Company posted Profit after tax of Rs 63.87 Million during 2017 against Rs 40.14 Million during 2016 translating into EPS of Rs 1.14 per share for the year 2017 – one of the highest in the history of the company.

I am pleased to report that the performance of the Board of Directors' (BoD) of the Company during the year under review has been impressive, and that the BoD has provided the desired leadership to navigate the company through challenging times and making it stable. Board set Company's strategic objectives, and continued to monitor it on regular basis throughout the year while upholding company's vision, mission and core values. To exercise an effective oversight, Board has formed subcommittees along with defined mandate which continue to perform satisfactorily. Further, Air Vice Marshal Syed Razi Ul Hassan Nawab (Retd.), a senior non-executive director of the company has been assigned the responsibility of assisting the company to strengthen its business development in the financial hub of Pakistan i.e. Karachi.

Keeping in view the financial position of the company and motivation of employees and the Board, I am hopeful that the company will rise to next level.

I would like to place on record my appreciation for the employees for their hard work and dedication, and would like to thank our valued customers, reinsurers, shareholders and regulators for their confidence and trust.

**Air Marshal Muhammad Jamshed Khan (Retd.)**  
Chairman

March 29, 2018