



GROWTH
WITH
STRENGTH
STRATGIES
AND
VALUE

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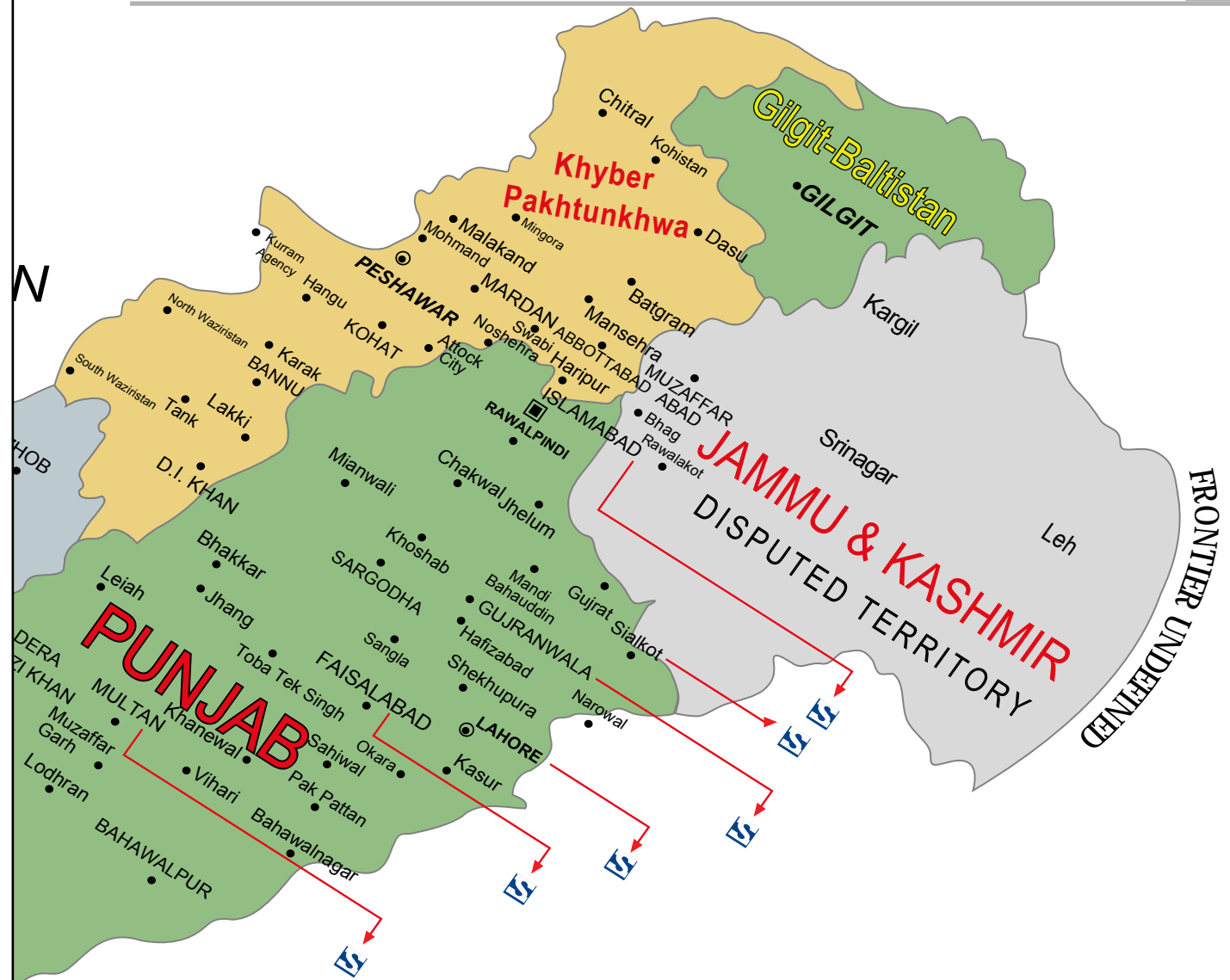
Form of Proxy



SIALKOT BRANCH:
Office No. 1 & 2, First Floor, Taseer Centre,
Kutchery Road, Sialkot.

KARACHI CITY BRANCH:
59-N, Nazar-ul-Islam Road, Block 2, P.E.C.H.S Karachi.

KARACHI MAIN BRANCH:
1st Floor, Karachi Chamber, Hasrat Mohani Road, Off. I.I., Chundrigar Road, Karachi.



GUJRANWALA BRANCH:

Apartment No. 10, 1st Floor, Bhutta Centre Nigar Phattak, G.T Road, Gujranwala

CORPORATE BRANCH:

9-B, 3rd Floor, LDA Flats, Lawrance Road, Lahore.

ISLAMABAD BRANCH:

Office No. 4, First Floor Vip Square, I-8 Markaz, Islamabad.

FAISALABAD BRANCH:

2nd Floor, Regency Plaza, New Civil Lines, Faisalabad.

NEW MULTAN BRANCH:

Business City Plaza, Bosan Road, Multan.

***SGI to become a leader
in insurance through innovation,
competitive advantage,
customer satisfaction
and stakeholder confidence.***



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

To achieve Market dominance through: ||

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

To achieve customer satisfaction through: ||

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

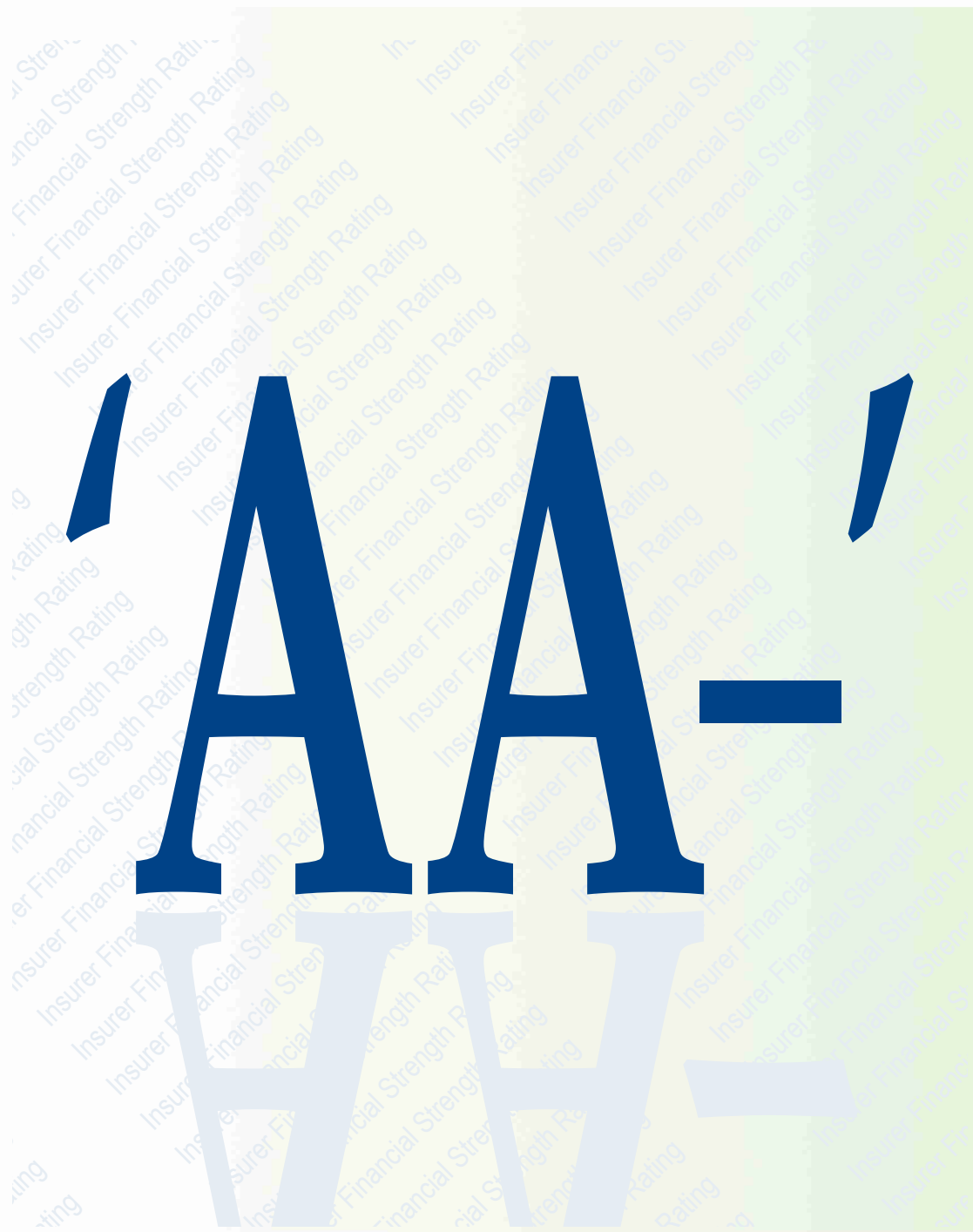
To achieve superior risk underwriting capacity: ||

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

To achieve stakeholders' confidence & continuously improve performance: ||

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





JCR-VIS



Board of Directors

Mian Hassan Mansha
Chairman

Mahmood Akhtar
Director

Badar ul Hassan
Director

Khalid Mahmood Chohan
Company Secretary

Inayat Ullah Niazi
Director

Muhammad Azam
Director

Farrukh Aleem
CEO

External Auditors

A.F. Ferguson & Company
Chartered Accountants

Internal Auditors

S.M. Masood & Co.
Chartered Accountants

Lawyers

Hamid Law Associates

Management

Farrukh Aleem
CEO

Hafiz Khuram Shahzad
CFO

Khalid Mahmood Chohan
Company Secretary

Head Office

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

Audit Committee

Mian Hassan Mansha
Chairman

Inayat Ullah Niazi
Member

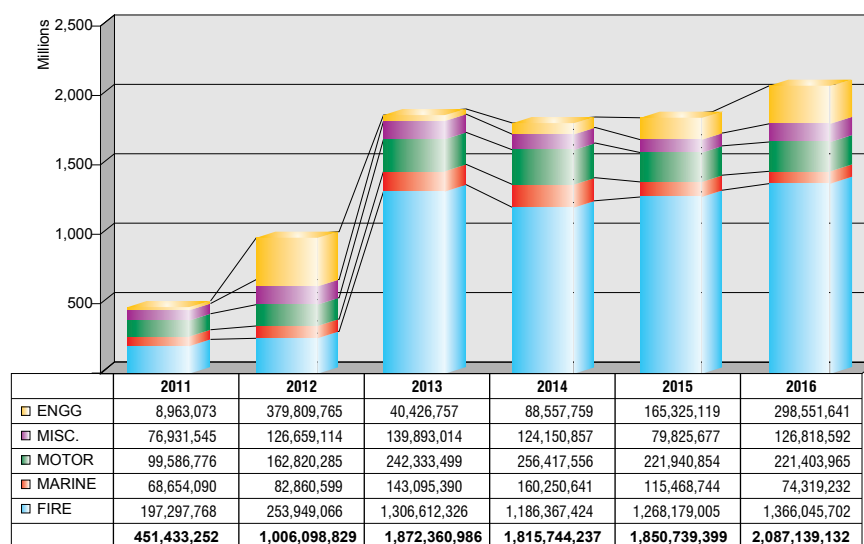
Badar ul Hassan
Member



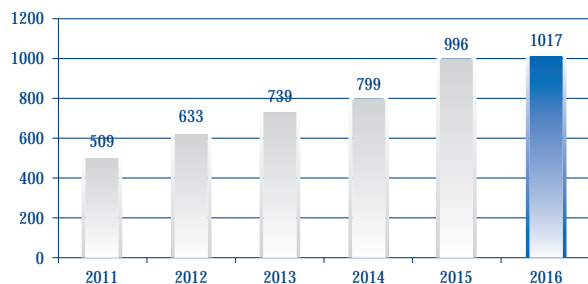
(Rupees in Million)

Description	2016	2015	2014	2013	2012	2011
Gross premium	2,087	1,851	1,816	1,872	1,006	451
Profit after Tax	800	914	897	760	527	389
Profit before Tax	1,186	1,094	971	826	586	457
Investment Income	1,017	996	799	739	633	509
Underwriting Income	271	200	174	177	56	48
Net Revenue	446	441	524	368	198	155
Net Claims	75	125	232	97	70	53
Paid-up Capital	681	681	681	681	681	681
Authorized Share Capital	1,000	1,000	1,000	1,000	1,000	1,000
Underwriting Reserve	1,853	1,931	1,395	1,250	863	347
Investments	9,127	8,348	7,535	7,261	7,273	7,211
Tangible Fixed Assets	107	107	120	110	107	87
Retained Profit	8,881	8,423	7,812	7,225	6,740	6,451

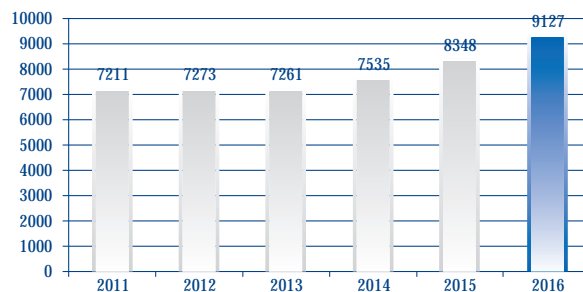
DEPARTMENT WISE PREMIUM GRAPH



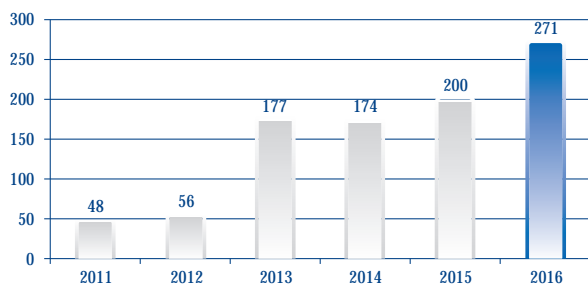
Investment Income



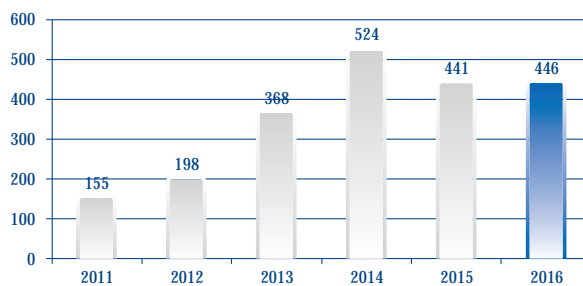
Investment



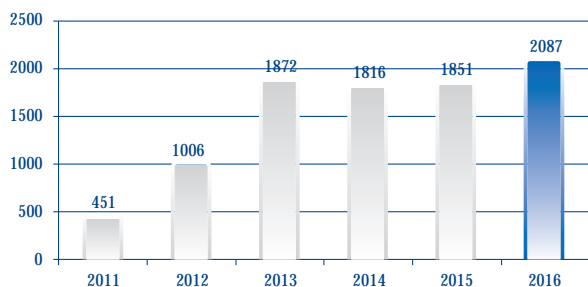
Underwriting Income



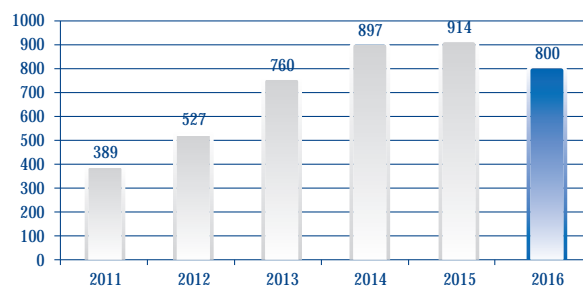
Net Revenue



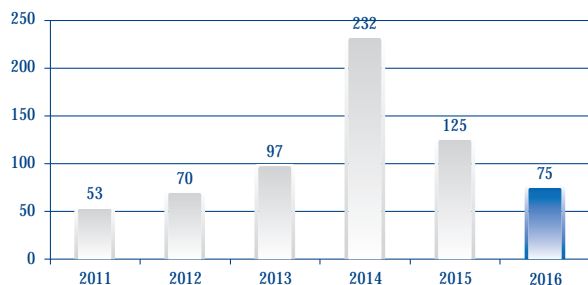
Gross Premium



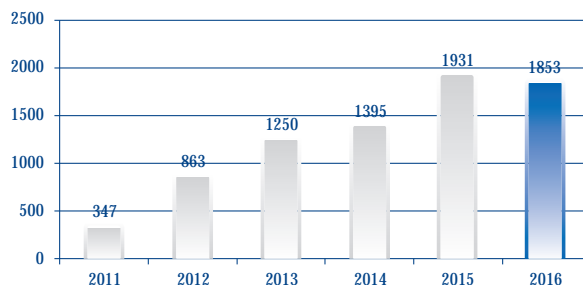
Profit after Tax



Net Claims



Underwriting Reserve



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

Coverage Available.

Loss or damage due to:-

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

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

Standard Fire Perils.

- | | |
|---------|--------------|
| 1) Fire | 2) Lightning |
|---------|--------------|

Allied Perils.

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

Burglary/Theft.

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

Electrical Clauses.

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

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

Business Interruption Insurance (BI)

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



Fire & Allied Perils Insurance

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

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



Marine Cargo Insurance

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

- 1) "ACT ONLY" Liability
- 2) Third Party Liability
- 3) Private & Commercial vehicle comprehensive insurance
- 4) Motor Cycle comprehensive insurance



Motor Insurance

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

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



Engineering & Miscellaneous Insurance

BID BONDS

Bid Bonds are required in connection with the submission of tenders for contracts with private/public owner. The subject is to guarantee that the bidder (Contractor), if awarded the contract, will enter into the contract and furnish the Prescribed Performance Bond. If the contractor is afterwards unable to enter into the contract and to furnish the required Performance Bond, the insurance company is liable to pay the bond amount to the owner.

MOBILIZATION ADVANCE BOND

Mobilization Advance Bond is required in cases where the obligee (owner) is pre-financing a contract; he may secure the repayment of the advance by means of a bond called Mobilization Advance Bond.

The amount guaranteed should decrease in accordance with the portions of work performed. By this bond, the Insurance Company guaranteed the owner correct utilization of advance.

In case contractor fails to fulfill their obligation and commit default the insurance company will pay the amount to the owner which is outstanding at that time.

PERFORMANCE BOND

Performance bond is required of a contract (After accepting Bid and awarding of contract) to guarantee the full and the due performance of the contract according to plan and specifications. In case the contractor fails, to perform the contract in accordance with the terms and conditions of the contract, the insurance company will be liable to pay the bond amount to the owner on demand.

SUPPLY BONDS

Supply bonds are similar in intent to performance bonds. They are issued for contracts to supply materials, goods, machinery at a specified time and place.



Crop insurance is purchased by agricultural producers, including farmers, ranchers, and others to protect themselves against either the loss of their crops to natural disasters or the loss of revenue due to decline in the prices of agricultural commodities



Crops Insurance

This policy is designed to provide coverage and a cushion against various risks faced by your home and to make your life better and tension free.



Home Insurance

Review Report To The Members

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

23

We have reviewed the enclosed Statement of Compliance with the best practices ('the Statement') contained in the Code of Corporate Governance for Insurers, 2016 ('the Code') for the year ended December 31, 2016 prepared by the Board of Directors of Security General Insurance Company Limited ('the Company') to comply with the Code issued by the Securities and Exchange Commission of Pakistan applicable to non-listed insurance companies.

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

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

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

Lahore.
Dated: March 20, 2017



A.F. Ferguson & Company
Chartered Accountants

Name of Engagement Partner : Muhammad Masood

Statement of Compliance

with the Code of Corporate Governance for Insurers, 2016
for the year ended December 31, 2016

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

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

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

Category	Names
Independent Director	Nil
Executive Directors :	Mr. Farrukh Aleem
Non Executive Directors	Mr.Hassan Mansha
	Mr.Inayat Ullah Niazi
	Mr.Badar UI Hassan
	Mr. Muhammad Azam
	Mr. Mehmood Akhtar

At present there is no independent director among the elected directors. All the directors were elected before the issuance of the Code of Corporate Governance for insurers, 2016. The requirement of independent director will be met at the time of next election of director

2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by a stock exchange.
4. A casual vacancy occurring on the Board on January 31, 2016 was filled up by the directors within 30 days thereof.
5. The Company has prepared a Code of Conduct which has been disseminate among all the directors and employees of the company.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All 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 Chief Executive Officer and the key officers have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven (7) days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company has adopted and complied with all the necessary aspects of internal controls given in the Code.
10. The Management of the company has submitted a booklet to the Board of Directors to consider it as an orientation course for its Directors and to apprise them of their duties and responsibilities. The course booklet also apprised the Director about changes in Code of Corporate Governance for insurers, 2016.
11. The Board has approved appointment of Chief Financial Officer (CFO), including his remuneration and terms and conditions of employment thereof. During the year there was no appointment of Company Secretary.

12. The Directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance for insurers, 2016 and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
14. The Directors, Chief Executive Officer and other executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance for insurers, 2016.
16. The Board has formed the following Management Committees:

Underwriting Committee:

Name of Member	Category
Mr. Farrukh Aleem	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Syed Mehmood Ul Hassan	Member
Mr. Muhammad Yahya Farooq	Member

Claims Settlement Committee:

Name of Member	Category
Mr. Farrukh Aleem	Chairman
Mr. Hafiz Khuram Shahzad	Member
Mr. Imran Sohail	Member

Reinsurance and co-insurance Committee:

Name of Member	Category
Mr. Farrukh Aleem	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Umer Haroon	Member
Mr. Muhammad Haris	Member

Risk Management & Compliance Committee:

Name of Member	Category
Mr. Farrukh Aleem	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Hafiz Khuram Shahzad	Member

17. The Board has formed the following Board Committees:

Ethics, Human Resource and Remuneration Committee:

Name of Member	Category
Mian Hassan Mansha	Chairman
Mr. Badar Ul Hassan	Member
Mr. Farrukh Aleem	Member

Investment Committee :

Name of Member	Category
Mian Hassan Mansha	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Farrukh Aleem	Member
Mr. Hafiz Khuram Shahzad	Member

Nomination Committee:

Name of Member	Category
Mian Hassan Mansha	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Badar UI Hassan	Member

18. The Board has formed an Audit Committee. It comprises of three members, of whom three are non-executive Directors. The Chairman of the committee is a non executive director. The composition of audit committee is as follows:

Audit Committee:

Name of Member	Category
Mian Hassan Mansha	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Badar UI Hassan	Member

19. The meetings of the Committees, except Ethics, Human Resource and Remuneration Committee, were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code of Corporate Governance for Insurers, 2016. The terms of references of the Committees have been formed and advised to the Committees for compliance. No meeting of Risk Management & Compliance Committee and Investment Committee was conducted as they were formed on December 19, 2016.
20. The Board has outsourced the internal audit function to S.M. Masood & Co. Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and their representatives are involved in the internal audit function on a regular basis.
21. The Chief Executive Officer, Chief Financial Officer and Compliance Officer possess such qualification and experience as is required under the Code of Corporate Governance for insurers, 2016. Moreover, the persons heading the underwriting, claim, reinsurance, risk management and grievance function 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. Farrukh Aleem	Chief Executive Officer
Mr. Hafiz Khuram Shahzad	Chief Financial Officer
Mr. Muhammad Asim Rauf Khan	Compliance Officer
Mr. Khalid Mahmood Chohan	Company Secretary
S.M. Masood & Co. Chartered Accountants	Internal Auditors
Mr. Syed Mehmood UI Hassan	Head Of Underwriting
Mr. Imran Sohail	Head of Claims
Mr. Umer Haroon	Head of Reinsurance & Risk Management
Mr. Shafiqe-ur-Rehman	Head of Grievance Function

During the year the Chief Executive Officer (Miss Nabihah Shahnawaz) and Chief Financial Officer (Mr. Farrukh Aleem) resigned and were replaced by Mr. Farrukh Aleem and Mr. Hafiz Khuram Shahzad respectively.

22. The statutory auditors of the insurer 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 programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the insurer and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
23. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
24. The Board ensures that the investment policy of the insurer has been drawn up in accordance with the provisions of the Code of Corporate Governance for insurers, 2016.
25. The Board ensures that the risk management system of the insurer is in place as per the requirements of the Code of Corporate Governance for insurers, 2016.
26. The company has set up a risk management function which carries out its tasks as covered under the Code of Corporate Governance for insurers, 2016.
27. The Board ensures that as part of this risk management system, the insurer gets itself rated from JCR-VIS which is being used by its risk management function and the respective Committee as a risk monitoring tool. The rating assigned by the said rating agency is AA- with stable outlook on June 16, 2016.
28. The Board has set up grievance function which fully complies with the requirement of the Code of Corporate Governance for Insurers, 2016.
29. We confirm that all other material principles contained in the Code of Corporate Governance for insurers, 2016 have been complied with.

On behalf of Board of Directors



Farrukh Aleem
CEO

Dated: March 20, 2017

Notice of Annual General Meeting

Notice is hereby given that Annual General Meeting of the Shareholders of Security General Insurance Company Limited ("the Company") will be held on April 29, 2017 (Saturday) at 12:30 p.m. at SGI House, 18-C/E-1, Gulberg III, Lahore, to transact the following business: -

1. To receive, approve and adopt the audited accounts of the Company for the year ended December 31, 2016 together with the Directors' and Auditors' reports thereon.
2. To approve Final Cash Dividend @ 25% (i.e. Rs. 2.50 Per Share) for the year 2016, as recommended by the Board in addition to 2.50% interim dividend already paid.
3. To appoint Statutory Auditors of the Company for the year 2017 and fix their remuneration.

By order of the Board



Khalid Mahmood Chohan
Company Secretary

LAHORE
Dated: March 20, 2017

NOTES:

1. The Share Transfer Books of the Company will remain closed for entitlement of 25% Final Cash Dividend (i.e Rs. 2.50 per share) from 22-04-2017 to 29-04-2017 (both days inclusive). Transfers received in order at SGI House, 18-C/E-1, Gulberg III, Lahore, upto 1:00 p.m. on 21-04-2017 will be considered in time for entitlement of 25% Final Cash Dividend and attending of Annual General Meeting.
2. A member eligible to attend and vote at this meeting may appoint another member his / her proxy to attend and vote instead of him/her. Proxies in order to be effective must reach the Company's Registered Office not less than 48 hours before the time for holding the meeting.
3. Shareholders are requested to immediately notify the change in address, if any.

INFORMATION U/S 218 OF THE COMPANIES ORDINANCE 1984.

In pursuance of Section 218 of the Companies Ordinance, 1984 the members of Security General Insurance Company Limited ("the Company") are hereby informed that the Board of Directors of the Company in their meeting held on March 20, 2017 has revised the remuneration of Mr. Farrukh Aleem, Chief Executive Officer of the Company from Rs. 425,000/- to Rs. 550,000/- per month with effect from January 2017. There is no change in other terms and conditions of his appointment.

Statement Under Rule 4(2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012

Name of Investee Company	D. G. Khan Cement Co. Ltd.	Nishat Hotels and Properties Limited	Adamjee Insurance Co. Ltd.	Nishat Mills Ltd.	
Total Investment Approved	PKR 500,000,000 (Rupees Five Hundred Million Only) by way of purchase of shares was approved by members in EOGM held on October 31, 2015 for the period of three (3) years.	PKR 500,000,000 (Rupees Five Hundred Million Only) by way of purchase of shares was approved by members in EOGM held on May 16, 2016 for the period of three (3) years.	PKR 500,000,000 (Rupees Five Hundred Million Only) in Nishat Hotels and Properties Limited in the form of working capital loan was approved by members in EOGM held on	PKR 1,218,750,000 (Rupees One Billion Two Hundred Eighteen Million Seven Hundred Fifty Thousand Only) by way of purchase of shares was approved by members in EOGM held on	PKR 500,000,000 (Rupees Five Hundred Million Only) by way of purchase of shares was approved by members in EOGM held on May 16, 2016 for the period of three (3) years.

	December 17, 2016 for the period of three (3) years.	December 17, 2016 for the period of three (3) years.	December 17, 2016 for the period of three (3) years.	December 17, 2016 for the period of three (3) years.	December 17, 2016 for the period of three (3) years.
Amount of Investment Made to date:	Rs. 19.516 Million	Rs. 210.62 Million	Nil	Rs. 106.85 Million	Nil
Reason for not having made complete investment so far where resolution Required to be implemented in Specified time:	Partial investment has been made in investee company. Further investment will be made depending on market conditions at appropriate time.	Partial investment has been made in investee company. Further investment will be made depending on market conditions at appropriate time.	No Loan has been extended after the approval because funds request has not yet been made by the investee company.	Partial investment has been made in investee company. Further investment will be made depending on market conditions at appropriate time.	No investment has been made yet: investment will be made depending on market conditions at appropriate time.
Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company:	At the time of approval, as per then available latest financial statements for the year ended June 30, 2015, the basic Earnings per Share was Rs. 17.40 and Break-up Value per Share was Rs.142.19. As per Latest available financial statements for the half year ended 31 December 2016, the Basic Earnings per share is Rs. 10.28 and Break-up Value per Share is Rs. 167.51.	At the time of approval, as per then available latest financial statements for the year ended December 31, 2015, the basic Loss per Share was Rs. (0.04) and Break-up Value per Share was Rs. 9.87. As per Latest available financial statements for period ended 31 December 2016, the Basic Loss per share is Rs. (0.06) and Break-up Value per Share is Rs. 9.76.	At the time of approval, as per then available latest financial statements for the year ended June 30, 2016, the basic Loss per Share was Rs. (0.05) and Break-up Value per Share was Rs. 9.87. As per Latest available financial statements for period ended 31 December 2016, the Basic Loss per share is Rs. (0.06) and Break-up Value per Share is Rs. 9.76.	At the time of approval, as per then available latest financial statements for the period ended September 30, 2016, the basic Earnings per Share was Rs. 8.11 and Break-up Value per Share was Rs.49.81.	At the time of approval, as per then available latest financial statements for the year ended June 30, 2015, the basic Earnings per Share was Rs. 11.62 and Break-up Value per Share was Rs. 215.56. As per Latest available financial statements for period ended 31 December 2016, the Basic Earnings per share is Rs. 7.25 and Break-up Value per Share is Rs. 266.32.

INVESTORS' EDUCATION

In pursuance of SRO 924(1)/2015 dated September 9th, 2015 issued by the Securities and Exchange Commission of Pakistan (SECP), the following informational message has been reproduced to educate investors:

www.jamapunji.pk



سرمايه كارى سمجهدارى كے ساتھ



Be aware, Be alert, Be safe

Learn about investing at
www.jamapunji.pk

Key features:

-  Licensed Entities Verification
-  Scam meter*
-  Jamapunji games*
-  Tax credit calculator*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered
-  Stock trading simulator (based on live feed from KSE)
-  Knowledge center
-  Risk profiler*
-  Financial calculator
-  Subscription to Alerts (event notifications, corporate and regulatory actions)
-  Jamapunji application for mobile device
-  Online Quizzes



Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

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*Mobile apps are also available for download for android and ios devices

Directors' Report To The Members

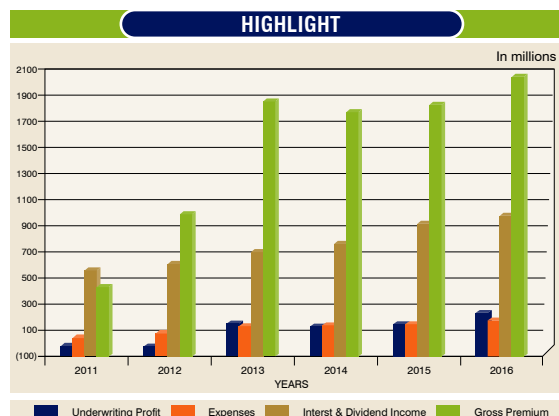
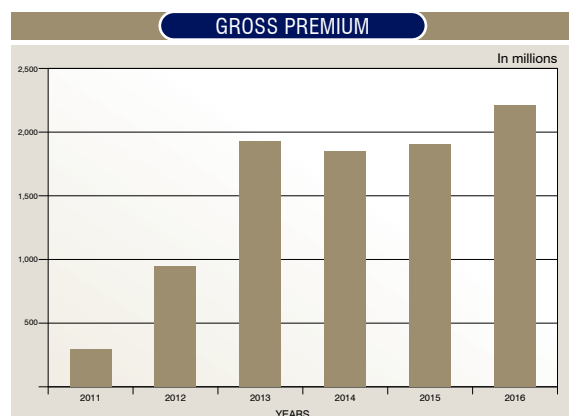
31

On behalf of the Board of Directors of Security General Insurance Company Limited, I am pleased to present the 21st annual report of your company for the year ended December 31, 2016.

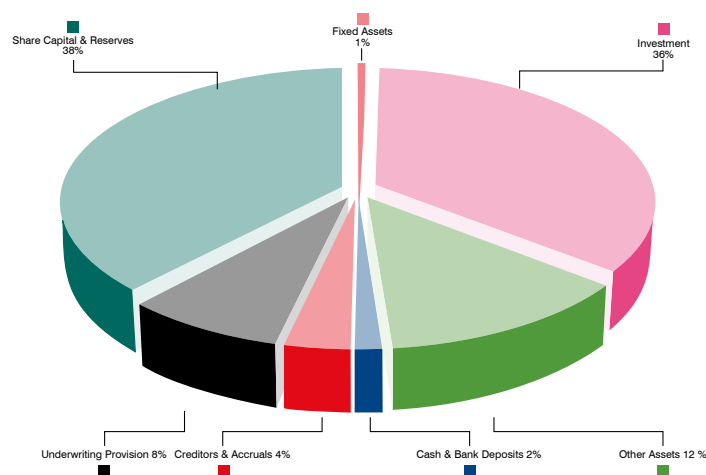
COMPANY'S PERFORMANCE DURING 2016:

SGL underwrote a gross premium of Rs. 2 billion during the year 2016.

	Dec, 2016	Dec, 2015	Increase/(Decrease)
	(Rupees in million)		%
Gross Premium	2,087	1,851	13
Net Premium	446	441	1
Net Commission	26	41	(37)
Net Claims	75	125	(40)
Profit from underwriting business	271	200	36
Other income (not attributable to Investment activities)	22	22	-
Investment income	1,017	996	2
Financial charges	7	4	75
Profit before tax	1,186	1,094	8
Profit after tax	800	914	(12)



ASSETS & LIABILITIES AS AT DECEMBER 31, 2016



UNDERWRITING ACTIVITY:

SGI underwrote a gross premium of Rs. 2 billion during the year 2016. Underwriting profit for the year stands at Rs. 271 million (2015 Rs. 200 million). Underwriting profit bears a percentage of 61% to the net premium revenue.

FIRE & PROPERTY DAMAGE:

Premium written in Fire business has increased as compared to same period during last year by 16%. The underwriting profit from fire business for year ended December 31, 2016 is 69% of the net premium of fire business. Fire and property portfolio represents 80% of the total underwriting portfolio of SGI.

MARINE AVIATION AND TRANSPORT BUSINESS:

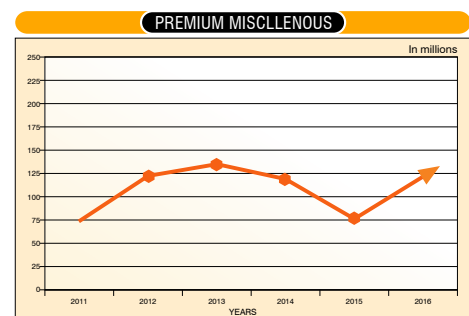
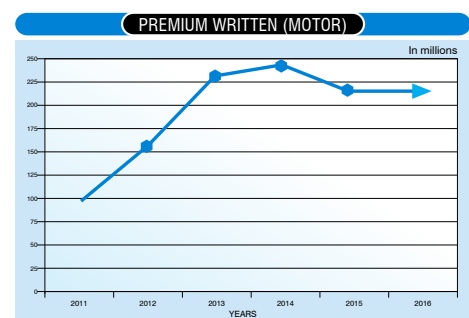
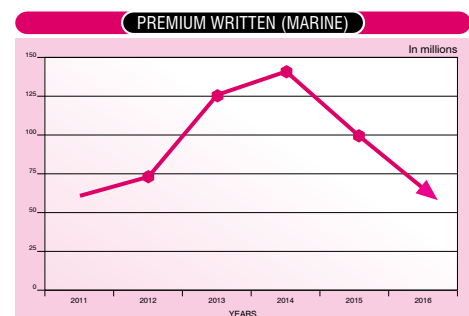
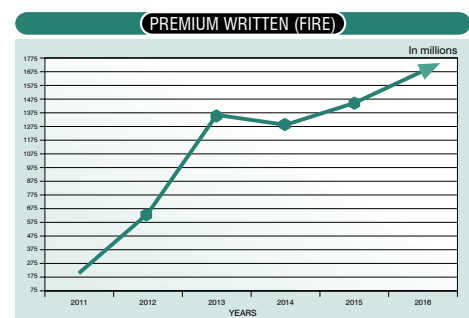
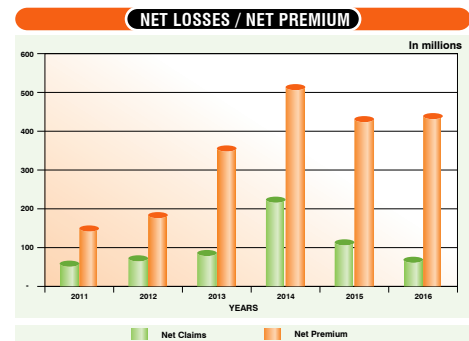
Premium written in marine business has decreased as compared to same period during last year by 36%. The underwriting profit from marine business for year ended December 31, 2016 is 63%. Marine business represents 4% of the total underwriting portfolio of SGI.

MOTOR:

The gross premium from motor business has decreased from Rs. 222 million during the period ended December 31, 2015 to Rs. 221 million during the year ended December 31, 2016. The underwriting profit from motor business for the year ended December 31, 2016 is 50%.

MISCELLANEOUS:

The gross premium from miscellaneous business is increased from 80 million for the year ended December 31, 2015 to 127 million for the year ended December 31, 2016. The underwriting profit from miscellaneous business for the year ended December 31, 2016 is 14%.

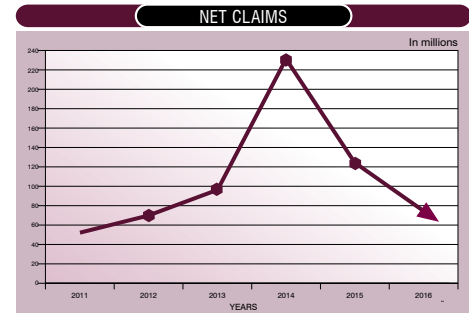


CLAIMS:

The net claims expense has decreased from Rs. 124 million during the year ended December 31, 2015 to Rs. 75 million during the year ended December 31, 2016. Net claims are 17% of net premium (2015 : 28%).

INVESTMENTS:

The market value of our investment portfolio increased from 14 billion to Rs. 17 billion on the December 31, 2016 the Company earned dividend of Rs. 979 million from its investment portfolio (2015: 969 million).



CASH FLOW:

As of December 31, 2016 the net cash flow generated from underwriting activities is positive.

EARNING PER SHARE:

Earnings per share has slightly decreased from Rs. 13.43 during the period ended December 31, 2015 to Rs. 11.75 during the period ended December 31, 2016. The Insurance Industry faced harsh tax regime in the year 2016 owing to change in the tax provisions of insurance companies. Income from all sources of income are now taxed @ 31 %, whereas uptill June 30, 2016 dividend income was taxed at 12.5%.

APPROPRIATIONS:

Directors, in their meeting held on March 20, 2017, have recommended a 25% cash dividend. This is in addition to 25% interm cash dividend paid on the basis of half year results for 2016.

CREDIT RATING:

JCR-VIS Credit Rating Company Ltd., has maintained the Insurer Financial Strength (IFS) Rating of SGI at AA-.

BOARD AUDIT COMMITTEE

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

Mian Hassan Mansha	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Badar ul Hassan	Member

STATUTORY AUDIT:

The auditors have expressed an unqualified opinion on the financial statement of the Company for the year 2016.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

In compliance with the financial reporting fram work of the code of corporate governance the director confirm the following.

- The Financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance 2000 and Companies Ordinance 1984. These statements present fairly the company's state of affair, results of its operations, cash flow and changes in equity.
- Proper books of accounts have been maintained by the company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

34 Directors' Report To The Members

- The international accounting standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.
- Key operating and financial data of last six years is available in the annual report.
- All applicable statutory payments on account of taxes, duties etc were regularly and timely deposited in the Government treasury.
- Value of investment of Provident Fund as at 31st December 2016 stands at Rs. 19,639,160 and investment of gratuity fund as at 31st December 2016 stands at Rs. 17,410,773.
- During the year under review, Seven Board meetings were held, attendance position was as under:

SR#	Name of member	Number of meetings attended
1.	Mian Hassan Mansha (Chairman)	7
2.	Mr. Mahmood Akhtar	7
3.	Mr. Inayat ullah Niazi	6
4.	Mr. Badar Ul Hassan	7
5.	Mr. Muhammad Azam	4
6.	Mr. Farrukh Aleem (Chief Executive Officer)	7

- The aggregate shares held by the Associated Companies are:

1.	Nishat Mills Limited	10,226,244
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- The pattern of share holding is given on page 87 of this report.

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

FUTURE OUTLOOK 2017

Pakistan's macroeconomic indicators are improving and private sector is finding it encouraging to invest in a low interest and low inflation environment.

The China-Pakistan Economic Corridor (CPEC) is a game changer for the region and over the years China has invested in the country in mega projects including power plants. Construction of Gwadar deep sea port is yet another example of this friendship.

Security General areas of focus will remain infrastructure projects, retail and micro insurance.

Going forward, however, we expect uptick in inflation in 2017 and interest rates are also expected to increase. For investment, the Company will adopt a balanced strategy to benefit from equity markets performance along with upward revision in interest rates.

ACKNOWLEDGEMENTS:

The loyalty of our patron clients has enabled us to maintain and improve our market share over a period of time. We are grateful to them for reposing their confidence in us. We acknowledge the support of our shareholders which allows us to improve our sound position in the market. Thanks are due to our reinsurance brokers for their professional assistance and reinsurers for their valued support. Our gratitude and appreciation is also due to SECP for their guidance and cooperation. We acknowledge the professionalism and hard work of our development officers, staff members and executives who helped the Company to achieve its goals.

On behalf of Board of Directors



Farrukh Aleem
CEO

Dated: March 20, 2017

- کمپنی کے اکاؤنٹس باقاعدہ طور پر منعقد کئے گئے ہیں۔
- مالیاتی گوشوارے ترتیب دیتے ہوئے مناسب اکاؤنٹنگ پالیسیوں کو ملحوظ خاطر رکھا گیا ہے، مالیاتی گوشوارے اور اکاؤنٹنگ تخمینے مناسب اور محتاط فیصلوں پر مبنی ہیں۔
- پاکستان میں لاگو بین الاقوامی اکاؤنٹنگ کے معیارات کی مالیاتی گوشواروں کی تیاری میں بیرونی کی گئی ہے اور اگر کوئی اس میں تبدیلی ہے تو مناسب طور پر بیان کی گئی ہے۔
- داخلی کنٹرول کا نظام مستحکم طور پر ترتیب دیا گیا ہے اور موثر طور پر عملدرآمد کے ساتھ اسکی نگرانی بھی کی جاتی ہے۔
- کاروبار کو جاری رکھنے میں کمپنی کی صلاحیت شکوک و شبہات سے بالاتر ہے۔
- کارپوریٹ گورننس کے طریقہ کار سے کوئی قابل اثر انداز انکشاف نہیں کیا گیا۔
- گذشتہ چھ سال کے لئے نمایاں آپریٹنگ اور مالیاتی اعداد و شمار سالانہ رپورٹ میں دستیاب ہے۔
- تمام لاگو قانونی ادائیگیاں جو کہ بحساب ٹیکس، ڈیویڈنڈ وغیرہ باقاعدگی اور وقت کے ساتھ سرکاری خزانہ میں ادا کی گئی ہیں۔
- پروویڈنٹ فنڈ کی سرمایہ کاری کی مالیت 31 دسمبر 2016 پر 19,634,160 روپے پر ہے اور سرمایہ کاری گریجویٹ فنڈ 31 دسمبر 2016 پر 17,410,773 روپے پر ہے۔
- زیر جائزہ سال کے دوران سات بورڈ میٹنگ منعقد ہوئیں حاضری کی پوزیشن مندرجہ ذیل ہے:

1.	میاں حسن منشاء (چیئرمین)	7	4.	جناب بدر الحسن	7
2.	جناب محمود اختر	7	5.	جناب محمد اعظم	4
3.	جناب عنایت اللہ نیازی	6	6.	جناب فرخ علیم (چیف ایگزیکٹو آفیسر)	7

- ایسوسی ایٹ کمپنیز کے حصص درج ذیل ہے:

1 نشاط ملز لمیٹڈ 10,226,244

- پیٹرن آف شیئرز ہولڈنگ رپورٹ کے صفحہ نمبر 87 پر دیا گیا ہے۔

- اختتام سال اور اس رپورٹ کے دستخط ہونے کے دوران کوئی موثر تبدیلی یا وعدہ نہیں ہے ماسوائے ان کے جو Appropriation میں ہے۔

فیوچر آؤٹ لگ 2017

پاکستان میں مائیکرو انٹرنیکس کے اشارے بہتر ہو رہے ہیں۔ اور نجی شعبہ میں سرمایہ کاری کو کم شرح سود اور افراط زر کی کم سطح سے فروغ مل رہا ہے۔ چین، پاکستان اقتصادی راہداری (سی پیک) خطے کا نقشہ بدل دینے والا منصوبہ ہے اور گزشتہ کئی سالوں سے چین پاور پلانٹس سمیت ملک کے کئی اہم منصوبوں میں سرمایہ کاری کر رہا ہے۔ گواڈر سی پورٹ اس دوستی کی ایک اور شاندار مثال ہے۔

سیکیورٹی جنرل کی توجہ کا مرکز انفراسٹرکچر پروجیکٹ ریشیل اور مائیکرو انٹرنیکس کے شعبہ رہیں گے۔

تاہم پیش رفت کرتے ہوئے ہمیں توقع ہے کہ 2017 میں افراط زر اور شرح سود میں اضافہ ہوگا۔ کمپنی سرمایہ کاری کے لئے ایک متوازن حکمت عملی پر عمل کرے گی، تاکہ ایکویٹی مارکیٹ اور شرح سود میں اضافے سے فائدہ اٹھا سکے۔

اظہار تشکر

ہمارے مخلص سرپرست کلائنٹ نے ہمیں اس قابل کیا ہے کہ ہم وقت کے ساتھ ساتھ اپنے مارکیٹ شیئرز میں اضافہ کر سکیں۔ ہم ان کے شکر گزار ہیں کہ انہوں نے ہم پر اعتماد کیا۔ ہم اپنے شیئرز ہولڈرز کے بھی ممنون ہیں کہ ان کی بھرپور معاونت سے ہم اس قابل ہوئے کہ مارکیٹ میں اپنی مستحکم پوزیشن کو برقرار رکھ سکیں۔ ہم اپنے ری انشورر کی قابل قدر معاونت اور ری انشورنس بروکرز کی پیشہ ورانہ مہارت پر بھی ان کے شکر گزار ہیں۔ ہم ایس ای سی پی (SECP) کے تعاون اور رہنمائی پر بھی ان کے بے حد مشکور ہیں۔ ہم اپنے ڈیولپمنٹ آفیسرز، اسٹاف ممبرز، اور ایگزیکٹوز کی انتھک محنت اور پیشہ ورانہ کوششوں کی بھی تعریف کرتے ہیں جن کی مدد سے ہم اپنے اہداف مکمل کر سکے۔

بورڈ آف ڈائریکٹرز کی جانب سے


فرخ علیم
سی ای او

تاریخ: ۲۰ مارچ، ۲۰۱۷



کلیمز

اختتام سال 31 دسمبر 2015 میں نیٹ کلیمز ٹرچہ 124 ملین روپے رہا جو کہ کم ہو کر اختتام سال 31 دسمبر 2016 پر 75 ملین روپے ہو گیا۔ خالص کلیمز 17 فیصد ہے، بلحاظ خالص پر بیم آمدنی کے (2015 میں 28 فیصد)۔

سرمایہ کاری

اختتام سال 31 دسمبر 2016 میں ہمارے سرمایہ کاری کے پورٹ فولیو کی قدر میں 14 ارب روپے سے 17 ارب روپے کا اضافہ ہوا یعنی نے حصص کا منافع (Dividend Income) 979 ملین روپے اپنی سرمایہ کاری کے پورٹ فولیو سے کمایا (2015: 969 ملین روپے)۔

کیش فلو

سال 31 دسمبر 2016 پر خالص کیش فلو جو کہ انڈر رائٹنگ عمل سے پیدا کی گئی مثبت ہے۔

فی حصص آمدنی

فی حصص آمدنی میں بہت تھوڑی سی کمی آئی ہے۔ دوران سال 31 دسمبر 2015 میں یہ 13.43 سے اختتام سال 31 دسمبر 2016 میں 11.75 روپے ہے جو کہ بیم کمپنیوں کے ٹیکس اسٹرکچر میں تبدیلی کے باعث سال 2016 میں بیمہ کی صنعت کو سخت ٹیکس نظام کا سامنا کرنا پڑا آمدن کے تمام ذرائع سے آمدن اب شرح 31 فیصد ٹیکس شدہ ہے جبکہ دسمبر 2015 تک منافع منقسمہ کی آمدن پر 12.5 فیصد ٹیکس ادا کیا جاتا تھا۔

منافع اور فوائد کا مختص کرنا

20 مارچ 2017 کو جو میٹنگ منعقد ہوئی اس میں ڈائریکٹرز نے 25% فیصد نقد منافع برائے حصص کی سفارش کی ہے یہ حصص کا منافع جو کہ نصف سال 2016 میں 25% فیصد ادا کیا گیا کے علاوہ ہے۔

کریڈٹ ریٹنگ

JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے سیورٹی جنرل انشورنس کی مالیاتی طاقت کو-AA پر برقرار رکھا۔

بورڈ آڈٹ کمیٹی

جیسا کہ انشورنس کمپنی کے کوڈ آف کارپوریٹ گورنرز کی ضرورت کے تحت بورڈ آف آڈٹ کمیٹی نے سال کے چاروں سہ ماہی مالیاتی نتائج کا جائزہ لیا۔ دوران سال مندرجہ ذیل افراد اس کے ممبر رہے:

چیرمین	میاں حسن منشاء
ممبر	جناب عنایت اللہ نیازی
ممبر	جناب بدر الحسن

سٹیٹوٹری آڈٹ

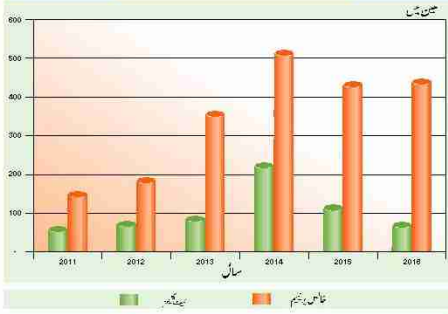
آڈیٹرز نے کمپنی کی سال 2016 کی مالیاتی رپورٹ کو (unqualified) بیان کیا ہے۔

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک

کوڈ آف کارپوریٹ گورننس فریم ورک کے مطابق مالیاتی رپورٹ کے ضمن میں ڈائریکٹر مندرجہ ذیل امور کی تصدیق کرتے ہیں۔

- مالیاتی گوشوارے جو کہ انشورنس آرڈیننس 2000 اور کمپنی آرڈیننس 1984 کے مطابق تیار کیے ہیں اور یہ گوشوارے کاروباری معاملات، آپریشن، نقد بہاؤ اور ایکویٹی میں تبدیلی کی عکاسی کرتے ہیں۔

خالص دوسرا خالص پریمیم



انڈر رائٹنگ عمل

سیکیورٹی جنرل نے دوران سال 2016 میں مجموعی پریمیم 2 ارب روپے کیا ہے۔ منافع انڈر رائٹنگ برائے سال 2016 میں 271 ارب روپے ہے (2015 میں 200 ملین روپے) منافع برائے انڈر رائٹنگ بلحاظ خالص پریمیم آمدنی کا 61 فیصد ہے۔

پریمیم آمدنی



آتشزدگی اور جاسیداد

آتشزدگی کے شعبے میں 16 فیصد اضافہ دیکھنے میں آیا ہے بلحاظ 2015 کے اسی دورانیہ کے منافع آتشزدگی کے شعبہ میں اختتام سال 31 دسمبر 2016 پر 69 فیصد ہے۔ یہ شعبہ سیکیورٹی جنرل کے 80 فیصد مجموعی پریمیم کی نمائندگی کرتا ہے۔

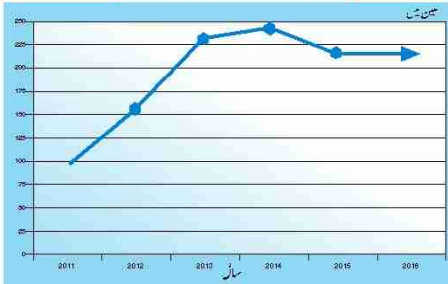
پریمیم جہاز رانی



جہاز رانی، ہوا بازی اور نقل و حمل

موازنہ برائے پچھلے سال کے جہاز رانی میں 36 فیصد کمی آئی ہے جہاز رانی کا انڈر رائٹنگ منافع اختتام سال 31 دسمبر 2016 میں 63 فیصد رہا۔ سیکیورٹی جنرل کے جہاز رانی کا کاروبار مجموعی پریمیم کے 4 فیصد کی نمائندگی کرتا ہے۔

پریمیم موٹر



موٹر

موٹر کے مجموعی پریمیم میں دوران سال 31 دسمبر 2015 سے اختتام سال 31 دسمبر 2016 تک 222 ملین روپے سے 221 ملین روپے کمی آئی ہے۔ موٹر کے کاروبار کا انڈر رائٹنگ منافع 50% فیصد ہے۔

متفرق کاروبار



متفرق

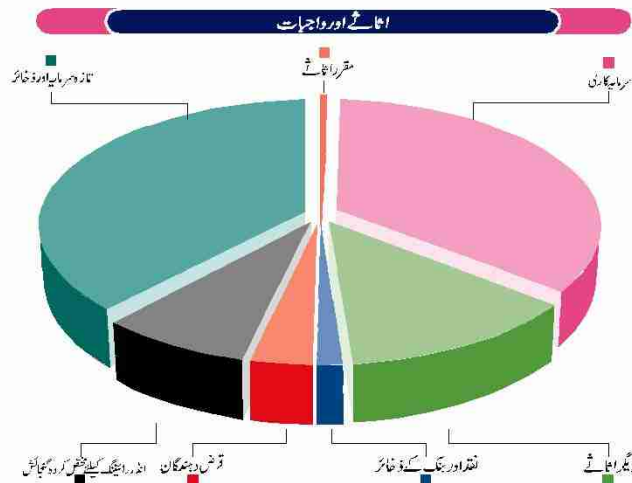
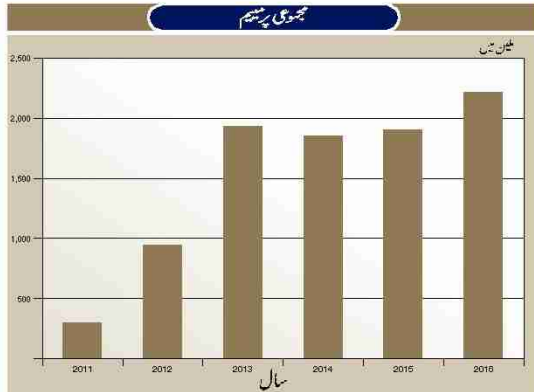
متفرق کاروبار کے مجموعی پریمیم میں اضافہ 80 ملین اختتام سال 31 دسمبر 2015 سے 127 ملین اختتام سال 31 دسمبر 2016 ہوا ہے جو کہ اختتام سال 31 دسمبر 2016 پر انڈر رائٹنگ منافع 14 فیصد ہے۔

سیکیورٹی جنرل انشورنس کے بورڈ آف ڈائریکٹرز کی جانب سے اکیسویں سالانہ رپورٹ برائے اختتام سال 31 دسمبر 2016 پیش کرتے ہوئے مجھے خوشی ہو رہی ہے۔

کمپنی کی کارکردگی دوران سال 2016

سیکیورٹی جنرل نے دوران سال 2016 مجموعی پریمیم 2 ارب روپے تحریر کیا ہے۔

کمی / اضافہ %	سال دسمبر 2015 روپیہ ملین	سال دسمبر 2016 روپیہ ملین	
13	1,851	2,087	مجموعی پریمیم
1	441	446	خالص پریمیم آمدنی
(37)	41	26	خالص کمیشن
(40)	125	75	خالص کلیئر
36	200	271	منافع انڈر رائٹنگ کاروبار
-	22	22	دوسری آمدنی (سرمایہ کاری کی سرگرمیوں سے منسوب نہیں)
2	996	1,017	سرمایہ کاری آمدنی
75	4	7	مالیاتی خرچہ
8	1,094	1,186	قبل از ٹیکس منافع
(12)	914	800	بعد از ٹیکس منافع



We have audited the annexed financial statements comprising of:

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

of Security General Insurance Company Limited ('the company') as at December 31, 2016 together with the notes forming part thereof for the year then ended.

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

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

In our opinion:

- (a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- (c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2016 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended, in accordance with approved Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- (d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Lahore,
Dated: March 20, 2017



A.F. Ferguson & Company
Chartered Accountants
Name of Engagement Partner : Muhammad Masood

	Note	December 31, 2016 Rupees	December 31, 2015 Rupees
Share capital and reserves			
Authorised share capital 100,000,000 (2015: 100,000,000) ordinary shares of Rs 10 each		1,000,000,000	<u>1,000,000,000</u>
Issued, subscribed and paid up share capital 68,062,500 (2015: 68,062,500) ordinary shares of Rs 10 each	5	680,625,000	680,625,000
General reserves		2,000,000	2,000,000
Retained earnings		8,880,612,468	8,422,541,988
		9,563,237,468	9,105,166,988
Underwriting provisions			
Provision for outstanding claims [including IBNR]	6	893,348,200	1,058,323,321
Provision for unearned premium		959,220,535	872,964,005
Commission income unearned		52,233,161	49,953,025
Total underwriting provisions		1,904,801,896	1,981,240,351
Deferred liabilities			
Staff retirement benefits	7	5,016,555	829,108
Creditors and accruals			
Amounts due to other insurers/reinsurers		777,755,507	626,345,562
Accrued expenses		24,417,089	23,290,735
Taxation - provisions less payments		58,853,864	-
Other creditors and accruals	8	154,060,669	172,139,773
		1,015,087,129	821,776,070
Borrowings			
Finances under mark-up arrangements - secured	9	100,000,000	95,037,685
Total liabilities		3,024,905,580	2,898,883,214
Total equity and liabilities		12,588,143,048	<u>12,004,050,202</u>
Contingencies and commitments			
	10		

The annexed notes 1 to 35 form an integral part of these financial statements.

Hasan Mansha
Chairman

Imran I
Director

	Note	December 31, 2016 Rupees	December 31, 2015 Rupees
Cash and bank deposits			
Cash and other equivalents	11	11,242	111,000
Current and other accounts	12	386,171,422	198,124,450
Deposits maturing within 12 months	13	50,350,000	150,350,000
		436,532,664	348,585,450
Investments	14	9,126,921,677	8,347,692,217
Deferred taxation	15	23,517,000	29,455,759
Current assets - Others			
Premiums due but unpaid - unsecured	16	789,657,074	861,957,016
Amounts due from other insurers/reinsurers - unsecured	17	542,488,964	539,839,410
Salvage recoveries accrued		4,963,000	-
Accrued investment income		3,243,277	2,863,922
Reinsurance recoveries against outstanding claims		753,612,279	920,859,856
Deferred commission expense		65,223,056	73,867,182
Prepayments	18	720,742,486	700,488,353
Taxation-payments less provision		-	60,424,178
Sundry receivables	19	13,780,691	10,542,409
		2,893,710,827	3,170,842,326
Fixed assets			
Tangible and intangible			
Freehold land		22,671,528	22,671,528
Leasehold improvements		900,067	1,000,074
Buildings		24,263,445	26,959,383
Computer equipment		3,470,665	3,345,679
Furniture and fixtures		4,580,521	4,007,737
Motor vehicles		42,228,180	42,467,977
Office equipment		5,231,093	5,415,125
Capital work in progress - tangible		937,770	-
Capital work in progress - intangible		3,177,611	1,606,947
		107,460,880	107,474,450
Total assets		12,588,143,048	12,004,050,202



Director



Principal & Chief Executive Officer

Profit and Loss Account

for the year ended December 31, 2016

Note	Fire and property damage	Marine, aviation and transport	Motor	Others including miscellaneous	December 31, 2016	December 31, 2015
R u p e e s						
Revenue account						
	284,079,223	22,633,638	110,433,736	28,535,562	445,682,159	441,229,698
	(7,802,189)	(3,166,095)	(43,118,420)	(20,617,063)	(74,703,767)	(124,531,224)
21	(58,482,504)	(3,743,517)	(7,433,340)	(5,155,139)	(74,814,500)	(75,514,074)
	(20,399,823)	(1,418,794)	(4,800,070)	1,114,745	(25,503,942)	(41,425,411)
Underwriting result						
	197,394,707	14,305,232	55,081,906	3,878,105	270,659,950	199,758,989
					1,016,531,578	996,485,872
					22,489,295	21,810,495
22					(7,140,372)	(4,193,649)
23					4,165,042	1,462,673
24					(120,426,863)	(121,110,490)
					915,618,680	894,454,901
					1,186,278,630	1,094,213,890
25					(386,699,038)	(180,441,038)
					799,579,592	913,772,852
Profit and loss appropriation account						
Balance at commencement of the year						
					8,422,541,988	7,812,062,644
					799,579,592	913,772,852
					(1,196,612)	2,987,742
					(170,156,250)	(136,125,000)
					(170,156,250)	(170,156,250)
Balance unappropriated profit at the end of the year						
					8,880,612,468	8,422,541,988

The annexed notes 1 to 35 form an integral part of these financial statements.

Hasan Mansha

Chairman

Imran

Director

[Signature]

Director

[Signature]

Principal & Chief Executive Officer

Statement of Other Comprehensive Income

for the year ended December 31, 2016

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	Year ended December 31	
	2016 Rupees	2015 Rupees
Profit for the year	799,579,592	913,772,852
Other comprehensive (loss) / income for the year		
<i>Items that may be reclassified subsequently to profit or loss</i>	-	-
<i>Items that will not be subsequently reclassified to profit or loss:</i>		
Remeasurement of staff retirement benefits-net	(1,196,612)	2,987,742
Total comprehensive income for the year	798,382,980	916,760,594

The annexed notes 1 to 35 form an integral part of these financial statements.

Haseem Mansoor
Chairman

[Signature]
Director

[Signature]
Director

[Signature]
Principal & Chief Executive Officer

Statement of Changes in Equity

for the year ended December 31, 2016

	Share capital	Revenue reserve		Total
		General reserve	Retained earnings	
R u p e e s				
Balance as at December 31, 2014	680,625,000	2,000,000	7,812,062,644	8,494,687,644
Profit after taxation for the year	-	-	913,772,852	913,772,852
Other comprehensive income	-	-	2,987,742	2,987,742
Total comprehensive income for the year	-	-	916,760,594	916,760,594
Transactions with owners, recognised directly in equity				
Final dividend for the year 2014 at the rate of Rs 2 (20%) per share	-	-	(136,125,000)	(136,125,000)
Interim dividend for the year 2015 at the rate of Rs 2.5 (25%) per share	-	-	(170,156,250)	(170,156,250)
	-	-	(306,281,250)	(306,281,250)
Balance as at December 31, 2015	680,625,000	2,000,000	8,422,541,988	9,105,166,988
Profit after taxation for the year	-	-	799,579,592	799,579,592
Other comprehensive loss	-	-	(1,196,612)	(1,196,612)
Total comprehensive income for the year	-	-	798,382,980	798,382,980
Transactions with owners, recognised directly in equity				
Final dividend for the year ended 2015 at the rate of Rs 2.5 (25%) per share	-	-	(170,156,250)	(170,156,250)
Interim dividend for the year ended 2016 at the rate of Rs 2.5 (25%) per share	-	-	(170,156,250)	(170,156,250)
	-	-	(340,312,500)	(340,312,500)
Balance as at December 31, 2016	680,625,000	2,000,000	8,880,612,468	9,563,237,468

The annexed notes 1 to 35 form an integral part of these financial statements.

Hasan Mansha

Chairman

[Signature]

Director

[Signature]

Director

[Signature]

Principal & Chief Executive Officer

Cash Flow Statement

for the year ended December 31, 2016

45

	Note	December 31, 2016 Rupees	December 31, 2015 Rupees
Operating cash flows			
Underwriting activities			
Premiums received		2,180,130,522	1,746,295,188
Reinsurance premiums paid		(1,489,096,339)	(1,781,162,609)
Claims paid		(2,406,081,479)	(1,274,537,981)
Reinsurance and other recoveries received		2,341,209,804	1,196,061,016
Commissions paid		(161,549,619)	(169,216,586)
Commissions received		126,042,483	122,539,601
Other underwriting payments		(8,642,425)	(42,476,098)
Other underwriting receipts		15,097,211	12,802,568
Net cash generated from / (used in) underwriting activities		597,110,158	(189,694,901)
Other operating activities			
Income tax paid		(261,482,237)	(179,365,273)
General and management expenses paid		(149,534,893)	(109,005,024)
Net cash used in other operating activities		(411,017,130)	(288,370,297)
Total cash generated from / (used in) operating activities		186,093,028	(478,065,198)
Investment activities			
Profit / return received		29,953,801	35,195,877
Dividends received		979,474,280	968,971,381
Payments for purchase of investments		(1,405,115,086)	(1,823,225,274)
Proceeds from disposal of investments		655,685,622	1,031,554,813
Fixed capital expenditure		(16,402,568)	(17,750,077)
Proceeds from disposal of fixed assets		2,455,024	11,535,391
Total cash generated from investing activities		246,051,073	206,282,111
Financing activities			
Dividends paid		(340,312,500)	(306,281,250)
Financial charges paid		(8,846,702)	(5,192,386)
Total cash used in financing activities		(349,159,202)	(311,473,636)
Net cash generated from / (used in) all activities		82,984,899	(583,256,723)
Cash at the beginning of the year		253,547,765	836,804,488
Cash at the end of the year	26.1	336,532,664	253,547,765

Reconciliation of operating cash flows to profit and loss account is given in note 26 to the financial statements.

The annexed notes 1 to 35 form an integral part of these financial statements.

Hasan Mansha

Chairman

[Signature]

Director

[Signature]

Director

[Signature]

Principal & Chief Executive Officer

Statement of Premiums

for the year ended December 31, 2016

Business underwritten inside Pakistan

Direct and facultative	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Other income	December	December
		Opening	Closing			31, 2016	31, 2015				
Net premium revenue											
R u p e e s											
Class											
Fire and property damage	1,664,597,343	711,773,710	785,627,485	1,590,743,568	1,342,804,087	586,738,695	619,175,090	1,310,367,692	3,703,347	284,079,223	269,083,133
Marine, aviation and transport	74,319,232	27,772,001	10,119,853	91,971,380	53,041,737	27,181,621	8,253,427	71,969,931	2,632,189	22,633,638	36,641,367
Motor	221,403,965	103,066,114	104,646,411	219,823,668	94,092,390	63,106,001	44,544,155	112,654,236	3,264,304	110,433,736	120,225,102
Miscellaneous	126,818,592	30,352,180	58,826,786	98,343,986	100,199,946	21,710,575	46,604,726	75,305,795	5,497,371	28,535,562	15,280,096
Total	2,087,139,132	872,964,005	959,220,535	2,000,882,602	1,590,138,160	698,736,892	718,577,398	1,570,297,654	15,097,211	445,682,159	441,229,698
Treaty	-	-	-	-	-	-	-	-	-	-	-
Grand total	2,087,139,132	872,964,005	959,220,535	2,000,882,602	1,590,138,160	698,736,892	718,577,398	1,570,297,654	15,097,211	445,682,159	441,229,698

Note: Other income includes administrative surcharge of Rs 10,133,607 (2015: Rs 10,662,140) earned on insurance policies issued by the company.

The annexed notes 1 to 35 form an integral part of these financial statements.

Hasan Mansha

Chairman

[Signature]

Director

[Signature]

Director

[Signature]

Principal & Chief Executive Officer

Statement of Claims

for the year ended December 31, 2016

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Business underwritten inside Pakistan

Direct and facultative	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	December 31, 2016	December 31, 2015
		Opening	Closing			Opening	Closing			
R u p e e s										
Class										
Fire and property damage	2,247,917,614	766,708,808	582,162,113	2,063,370,919	2,234,256,244	700,993,613	522,306,099	2,055,568,730	7,802,189	54,636,783
Marine, aviation and transport	26,631,910	56,615,145	36,755,650	6,772,415	19,445,214	33,935,628	18,096,734	3,606,320	3,166,095	16,372,882
Motor	111,506,846	91,270,167	74,735,447	94,972,126	73,336,635	55,248,535	33,765,606	51,853,706	43,118,420	42,066,664
Miscellaneous	24,988,109	143,729,201	199,694,990	80,953,898	11,575,075	130,682,080	179,443,840	60,336,835	20,617,063	11,454,895
Total	2,411,044,479	1,058,323,321	893,348,200	2,246,069,358	2,338,613,168	920,859,856	753,612,279	2,171,365,591	74,703,767	124,531,224
Treaty	-	-	-	-	-	-	-	-	-	-
Grand total	2,411,044,479	1,058,323,321	893,348,200	2,246,069,358	2,338,613,168	920,859,856	753,612,279	2,171,365,591	74,703,767	124,531,224

The annexed notes 1 to 35 form an integral part of these financial statements.

Haseem Mansoor
Chairman

[Signature]
Director

[Signature]
Director

[Signature]
Principal & Chief Executive Officer

Statement of Expenses

for the year ended December 31, 2016

Business underwritten inside Pakistan

Direct and facultative	Commissions paid or payable	Deferred commission		Net commission expenses	Other management expenses	Under-writing expenses	Commissions from reinsurers	December	December
		Opening	Closing					31, 2016	31, 2015
								Net underwriting expense	
R u p e e s									
					Refer note 21	Refer note below			
Class									
Fire and property damage	86,011,107	52,414,943	44,303,701	94,122,349	58,482,504	152,604,853	73,722,526	78,882,327	85,681,182
Marine, aviation and transport	16,539,353	4,163,456	2,209,233	18,493,576	3,743,517	22,237,093	17,074,782	5,162,311	11,965,097
Motor	24,513,340	13,686,477	11,876,484	26,323,333	7,433,340	33,756,673	21,523,263	12,233,410	18,082,391
Miscellaneous	13,558,363	3,602,306	6,833,638	10,327,031	5,155,139	15,482,170	11,441,776	4,040,394	1,210,815
Total	140,622,163	73,867,182	65,223,056	149,266,289	74,814,500	224,080,789	123,762,347	100,318,442	116,939,485
Treaty	-	-	-	-	-	-	-	-	-
Grand total	140,622,163	73,867,182	65,223,056	149,266,289	74,814,500	224,080,789	123,762,347	100,318,442	116,939,485

Note: Commission from reinsurers is arrived at after taking into account the impact of opening and closing unearned commission.

The annexed notes 1 to 35 form an integral part of these financial statements.

Hasan Mansha

Chairman

[Signature]

Director

[Signature]

Director

[Signature]

Principal & Chief Executive Officer

Statement of Investment Income

for the year ended December 31, 2016

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	December 31, 2016 Rupees	December 31, 2015 Rupees
Income from non-trading investments		
Held-to-maturity		
Return on Government securities	8,940,000	8,723,172
Add : Amortization of discount / premium relative to par	402,225	507,658
	9,342,225	9,230,830
Available-for-sale		
- Dividend income		
Dividend income from related parties	27,860,786	27,630,186
Dividend income from others	951,613,494	941,341,195
	979,474,280	968,971,381
Gain on sale of available-for-sale investments	9,702,145	55,287,276
Provision for impairment in value of investments		
Less: Reversal / (Provision for) of impairment in available-for-sale investments	19,695,625	(35,075,195)
Less: Investment related expenses	(1,682,697)	(1,928,420)
Net investment income	1,016,531,578	996,485,872

The annexed notes 1 to 35 form an integral part of these financial statements.


Chairman


Director


Director


Principal & Chief Executive Officer

1. Legal status and nature of business

Security General Insurance Company Limited (the 'company'), is an unquoted public limited company, incorporated in Pakistan, on May 13, 1996 under the Companies Ordinance, 1984. The company has 8 branches in Pakistan (2015: 8). The company is engaged in providing non-life general insurance services in spheres of fire, marine, motor and miscellaneous. The registered office and the principal place of business is situated at SGI House, 18-C/E1, Gulberg III, Lahore.

2. Basis of presentation and statement of compliance

2.1 Basis of presentation

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

2.2 Statement of compliance

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

The SECP has allowed insurance companies to defer the application of International Accounting Standard (IAS) - 39 'Financial Instruments: Recognition and Measurement' in respect of 'available-for-sale' investments until suitable amendments have been made in the laws. Accordingly, the requirements of IAS-39, to the extent allowed by SECP, have not been considered in the preparation of these financial statements. The effect of such departure from the requirements of IAS - 39 is disclosed in note 4.10.

2.3 Initial application of standards, amendments or an interpretation to existing standards

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

2.3.1 Standards, amendments and interpretations to approved accounting standards that are effective in the current year

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on or after January 01, 2016 but are considered not to be relevant or to have any significant effect on the company's operations and are, therefore, not detailed in these financial statements.

2.3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the company's accounting periods beginning on or after January 01, 2017 or later periods, but are considered not to be relevant or to have any significant effect on the company's operations and are, therefore, not detailed in these financial statements and the company has not early adopted them.

	Effective date (accounting periods beginning on or after)
Amendments to IAS 7, 'Statement of cash flows' on disclosure initiative	January 01, 2017
Amendments to IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealised losses	January 01, 2017
Standards under consideration of the relevant committee of the Institute of Chartered Accountants of Pakistan	
IFRS 9 'Financial Instruments'	January 01, 2018
IFRS 15 'Revenue from contracts with customers'	January 01, 2018
Amendments to IFRS 15, 'Revenue from contracts with customers' on gross versus net revenue presentation	January 01, 2018
IFRS 16 'Leases'	January 01, 2019

The company will apply these standards/amendments from their respective effective dates and has yet to assess the impact of these amendments on its financial statements.

3. Basis of measurement

These financial statements have been prepared under the historical cost convention except that certain investments are stated at lower of cost and market value and the obligations under certain employee benefits that are measured at present value. Accrual basis of accounting has been used except for cash flow statements.

3.1 Critical accounting judgements and estimates

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

- a) Premium deficiency reserve (liability adequacy test) (note 4.2.2)
- b) Provision for outstanding claims including, incurred but not reported claims (IBNR) (note 4.3.1)
- c) Provision for taxation and deferred tax (note 4.11 and note 25)
- d) Provision for doubtful receivables (note 4.6, note 16 and note 17)
- e) Useful lives and residual values of fixed assets (note 4.14 and note 20)
- f) Defined benefit plan (note 4.15.2)
- g) Classification of investments and its impairment (note 4.10)

4. Summary of significant accounting policies

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

4.1 Insurance contracts

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

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

- Fire and property damage insurance contracts generally cover the policy holders against damages caused by one or more of the following: fire, earthquake, riot and strike, explosion, atmospheric disturbance, flood, burglary, etc. according to the terms and conditions of the policy.
- Marine, aviation and transport insurance contracts generally provide cover against one or more of the following: cargo risk, war risk and damages occurring during transit between the points of origin and final destination according to the terms and conditions of the policy.
- Motor insurance contracts provide indemnity against one or more of the following: total or partial loss of vehicle, third party loss and other comprehensive car coverage, etc. according to the terms and conditions of the policy.
- All other insurances like crop, cash in hand, cash in transit, personal accident, infidelity, public liabilities, livestock, travel, bankers and other financial institutions packages, product liabilities, professional indemnity, mobilization and performance bonds, workers compensation etc. are included under miscellaneous insurance cover.

In addition to direct insurance, the company also participates in risks under co-insurance contracts from other companies and also accepts risks through re-insurance inward by way of facultative acceptance on case to case basis provided such risks are within the underwriting policies of the company. The nature of risk undertaken in these contracts is consistent with those stated above, in direct and other lead insurance contracts.

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

4.2 Unexpired insurance risk

4.2.1 Provision for unearned premium

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

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

- for contracts of 12 months tenure, company maintains provision for unearned premium net of reinsurances by applying 1 / 24th method as stipulated in SEC (Insurance) Rules, 2002 for non life insurance companies.
- for marine insurance contracts, company maintains provision for unearned premium net of reinsurances by applying 1 / 6th method consistent with 1 / 24th method as stipulated in SEC (Insurance) Rules, 2002 for non life insurance companies.
- for contracts having tenure of more than 12 months, company maintains provision for unearned premium net of reinsurances relating to the unexpired period of coverage at the reporting date.

4.2.2 Premium deficiency reserve (liability adequacy test)

The company is required as per SEC (Insurance) Rules, 2002 to maintain a provision in respect of premium deficiency for each class of business. 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 movement in the reserve is to be charged to the profit and loss account and forms part of underwriting results.

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

	Loss ratios based on current estimates of known claims	
	2016	2015
Fire and property damage	14%	12%
Marine, aviation and transport	28%	25%
Motor	43%	44%
Miscellaneous	31%	22%

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

4.3 Claims

Claims are charged to income as incurred based on estimated liability for compensation owed under the insurance contracts. It includes claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.

4.3.1 Provision for outstanding claims (including IBNR)

A liability for outstanding claims is recognised in respect of all claims incurred up to the balance sheet date which is measured at the undiscounted value of expected future payments. Provision for outstanding claims include amounts in relation to claims reported but not settled, claims incurred but not reported (IBNR) and expected claims settlement costs.

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

4.3.2 Claims reported but not settled

Provision for liability in respect of claims reported but not settled at the balance sheet date is made on the basis of individual case estimates. The case estimates are based on the assessed amounts of individual losses and where loss

assessments have not been carried out, the estimates are established in light of currently available information, past experience of similar claims and in some cases in relation to the sums insured. Case estimates are reviewed periodically to ensure that the recognised outstanding claim amounts are adequate to cover expected future payments including expected claims settlement costs and are updated as and when new information becomes available.

4.3.3 Claims incurred but not reported (IBNR)

The provision for claims incurred but not reported (IBNR) is made at the balance sheet date. In accordance with SECP Circular no. 9 of 2016, "SEC guidelines for estimation of Incurred but not Reported claim reserve, 2016", the company has changed its method of estimation of IBNR. The company now takes actuarial advice for the determination of IBNR claims. IBNR claim have been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level. As per the actuary, no further provision for IBNR is required in these financial statements.

Up to the previous year the provision for IBNR had been recognized after taking into account the five years average of past claims that were incurred but not reported at the respective balance sheet dates and the ratio of such claims to outstanding claims of past five years had been applied to outstanding claims except exceptional losses to arrive at liability for IBNR for that year.

The provision for IBNR has been carried out separately for each class of business. Had the method for estimating IBNR claims, not been changed, the provision for claims and reinsurance recoveries against outstanding claims would have been greater by Rs 20 million and Rs 17 million respectively and the profit for the year would have been lower by Rs. 3 million.

4.4 Reinsurance contracts

Insurance contracts entered into by the company with reinsurers for compensation of losses suffered on insurance contracts issued are reinsurance contracts. These reinsurance contracts include both facultative and treaty arrangement contracts.

The company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured.

Reinsurance premium is recognised as an expense at the time the reinsurance is ceded. Commission on reinsurance cessions are recognised in accordance with the policy of recognising premium revenue.

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

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

The movement in reinsurance assets and their credit rating for the year ended December 31, 2016 is referred to in note 18.1 and note 31.2 (a) to the financial statements, respectively.

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

Amounts due from other insurers / reinsurers / agents are carried at cost less provision for impairment. Cost represents

the fair value of the consideration to be paid / received in future for the services received / rendered.

Amounts due to other insurers / reinsurers / agents are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Reinsurance assets and liabilities are derecognized when the contractual rights are extinguished or expired.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the reinsurance policies and are in accordance with the related reinsurance contract. Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contracts are not offset against expenses or income from related insurance assets.

The company assesses its reinsurance assets for impairment on the reporting date. If there is an objective evidence that there insurance asset is impaired, the company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit and loss account.

4.6 Provision for doubtful receivables

Receivables under insurance contracts are recognized when due, at the fair value of the consideration receivable less provision for doubtful receivables, if any, provision for impairment of premium receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to original terms of receivable. Receivables are also analyzed as per their ageing and accordingly provision is maintained on a systematic basis. The provision is made while taking into consideration expected recoveries, if any.

4.7 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 future for goods and services received, whether or not billed to the company.

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

4.8 Borrowings

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

4.9 Cash and cash equivalents

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

4.10 Investments

All investments are initially recognized at cost being their fair value of the consideration given and include any transaction

costs except for held for trading in which case transaction costs are charged to profit and loss account. All purchases and sales of investments that require delivery within the 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 investment. Investments made by the company are classified for the purpose of measurement into following categories:

Held-to-maturity

Investments with fixed maturity, that the management has the intent and ability to hold till maturity are classified as held-to-maturity and are initially recognized at cost being the fair value of consideration given and include transaction costs.

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

In case of fixed income securities redeemable at a given date where the cost is different from the redemption value, such difference is amortized uniformly over the period between the acquisition date and the date of maturity in determining 'cost' at which these investments are stated as per the requirements of the SEC (Insurance) Rules, 2002.

Available-for-sale

Available-for-sale investments are those non-derivative investments that are designated as available-for-sale or are not classified in any other category. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity. The company follows trade date accounting for 'regular way purchase and sale' of investments.

Investments classified as available-for-sale are initially measured at cost, being the fair value of consideration given and include transaction costs. Subsequent to initial recognition at cost, these are stated at the lower of cost and market value (market value being taken as lower if the fall is other than temporary), in accordance with the requirements of S.R.O. 938 issued by the SECP in December 2002. The company uses latest Stock Exchange quotations in an active market to determine the market value of its listed investments and the company uses appropriate valuation techniques to estimate the fair value of the unquoted investments. The fair / market value of mutual fund units is determined as per the rates announced by the Mutual Funds Association of Pakistan (MUFAP).

A fall in market value is treated as other than temporary if there is a significant or prolonged decline in fair value of security 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 prices.

Provision for impairment in the value of available-for-sale investments is made after considering objective evidence of impairment, if any, in their value. Impairment of unquoted investments is computed by reference to net assets of the investee on the basis of the latest available audited / unaudited financial statements. Impairment losses are taken to profit and loss account.

This policy of stating available-for-sale investments at lower of cost and market value is not in compliance with IAS 39, which states that investments available-for-sale, at subsequent reporting dates should be measured at fair value. The market value of available-for-sale investments as at December 31, 2016 is Rs. 16,004,567,449 (2015: 13,852,266,392). Had the company complied with IAS 39 - Financial Instruments: Recognition and Measurement, the carrying value of investments as at December 31, 2016 would have been greater by Rs. 7,662,921,695.

4.11 Taxation

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law

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

Deferred

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

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

4.12 Reinsurance recoveries against outstanding claims

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

4.13 Prepaid reinsurance expense

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

4.14 Fixed assets - tangible and intangible

(a) Tangible

Owned fixed assets except for freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Depreciation on all operating fixed assets is charged to profit on a reducing balance method at the rates stated in note 20.1 to the financial statements, so as to write off the historical cost of an asset over its estimated useful life.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted, if impact on depreciation is significant. The management has reviewed assets' residual value and their useful life as at December 31, 2016 and is of the view that there exists no condition to indicate any impairment losses as at that date.

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

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

The carrying values of operating fixed assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

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

(b) Intangible

Software development cost are only capitalized to the extent that future economic benefits are expected to flow to the entity. Intangible assets with finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets with indefinite useful lives are stated at cost less impairment losses, if any.

(c) Capital work in progress

Capital work in progress is stated at cost less any impairment in value. It consists of advances made to suppliers in respect of operating fixed assets.

4.15 Staff retirement benefits

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

4.15.1 Defined contribution plan

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

4.15.2 Defined benefit plan

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

The latest actuarial evaluation was carried out as at December 31, 2016 using the "Projected Unit Credit Method" based on the following assumptions;

	<u>2016</u>	<u>2015</u>
- Discount rate	10.00%	10.00%
- Expected rate of increase in salary	9.50%	9.00%
- Average duration of the defined benefit plan	12 years	12 years

Amounts arising as a result of 'Remeasurements', representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost are recognised in the balance sheet immediately, with a charge or credit to 'Other Comprehensive Income' in the periods in which they occur.

4.16 Financial instruments

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

Financial instruments carried in the balance sheet include cash and bank, deposits, salvage recoveries accrued, investments, premiums due but unpaid, amounts due from other insurers / reinsurers, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other insurers / reinsurers, other creditors and accruals and accrued expenses and finances under mark-up arrangements. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.17 Revenue recognition

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

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

Where the pattern of incidence of risk varies over the period of the policy, premium is recognised as revenue in accordance with the pattern of the incidence of risk. Where premiums for a policy are payable in instalments, full premium for the duration of the policy is recognised as written at the inception of the policy and related assets set up for premiums receivable at a later date. Premiums are stated gross of commission payable to intermediaries and exclusive of taxes and duties levied on premiums. The portion of premium written relating to the unexpired period of coverage is recognised as unearned premium by the company. This liability is calculated by applying the method as specified in the SEC (Insurance) Rules, 2002.

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

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

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

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

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

4.18 Commission expense

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

4.19 Management expenses

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

4.20 Borrowing costs

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

other charges are recognised in profit and loss account.

4.21 Foreign currencies

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

All exchange gains and losses are included in income.

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

4.22 Commission on reinsurance premium

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

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

4.23 Premiums due but unpaid / premiums received in advance

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

4.24 Administrative surcharge

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

4.25 Offsetting of financial assets and financial liabilities

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

4.26 Impairment

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

The carrying amount of non financial assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such asset is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

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

4.27 Segment reporting

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

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

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

Financing, administrative costs, investment and income taxes are managed on an overall basis and are therefore, not allocated to any segment.

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

4.28 Dividend and appropriations to reserves

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

4.29 Share capital

Ordinary shares are classified as equity and recognised at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

5. Issued, subscribed and paid up share capital

2016 (Number of shares)	2015		2016 Rupees	2015 Rupees
7,446,030	7,446,030	Ordinary shares of Rs. 10 each fully paid in cash	74,460,300	74,460,300
60,616,470	60,616,470	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	606,164,700	606,164,700
68,062,500	68,062,500		680,625,000	680,625,000

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

5.1 Name of associated undertaking

	Note	2016 (Number of shares)	2015
Nishat Mills Limited	5.2	10,226,244	10,226,244

5.2 This undertaking is associated by virtue of common directorship.

6. Provision for outstanding claims [including IBNR] includes Rs. 95,928,055 (2015: Rs. 263,360,150) due to related parties.

7. Staff retirement benefits

7.1 The amounts recognized in balance sheet are as follows:

	Note	2016 Rupees	2015 Rupees
Present value of defined benefit obligations	7.2	22,427,328	20,635,228
Fair value of plan assets	7.3	(17,410,773)	(19,806,120)
Net payable to defined benefit plan		5,016,555	829,108
Opening balance of payable		829,108	4,710,895
Expense recognised		2,990,835	3,816,850
Contributions to the fund during the year		-	(4,710,895)
Recognition in other comprehensive income - net		1,196,612	(2,987,742)
Closing balance of payable		5,016,555	829,108

7.2 Movement in the present value of defined benefit obligations is as follows:

Present value of obligations as at January 01	20,635,228	20,148,184
Current service cost	2,907,924	3,551,862
Interest cost	1,858,656	2,145,096
Benefits paid	(4,097,333)	(2,161,333)
Experience adjustments - net	1,122,853	(3,048,581)
Present value of defined benefit obligations as at December 31	22,427,328	20,635,228

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

Fair value of plan assets as at January 01	19,806,120	15,437,289
Contribution made to the fund during the year	-	4,710,895
Interest income on plan assets	1,775,745	1,880,108
Benefits paid	(4,097,333)	(2,161,333)
Return on plan assets, excluding interest income	(73,759)	(60,839)
Fair value of plan assets as at December 31	17,410,773	19,806,120

7.4 Composition of plan assets

Pakistan Investment Bonds	14,745,392	14,797,470
Cash at bank	2,665,381	5,008,650
Fair value of plan assets as at December 31	17,410,773	19,806,120

7.5 Charge for the year

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

	2016 Rupees	2015 Rupees
Current service cost	2,907,924	3,551,862
Interest cost	1,858,656	2,145,096
Expected return on plan assets	(1,775,745)	(1,880,108)
	2,990,835	3,816,850

7.6 Recognition in other comprehensive income

The following amounts have been recognized in other comprehensive income:

Experience adjustments - net	1,196,612	(2,987,742)
	1,196,612	(2,987,742)

7.7 Sensitivity analysis

Year end sensitivity analysis (± 100 bps) on present value of defined benefit obligations is as follows:

	Discount rate+ 100bps	Discount rate- 100bps	Salary increase rate+100bps	Salary increase rate-100bps
	20,007,232	25,281,605	25,323,356	19,928,866

7.8 The company expects to pay Rs. 5,016,555 in contributions to defined benefit plan during the year ending December 31, 2017.

7.9 5 year data on the deficit of defined benefit plan is as follows:

	2016 Rupees	2015 Rupees	2014 Rupees	2013 Rupees	2012 Rupees
Present value of defined benefit obligations	22,427,328	20,635,228	20,148,184	12,690,814	8,198,453
Fair value of plan assets	(17,410,773)	(19,806,120)	(15,437,289)	(6,392,397)	(5,519,310)
Deficit	5,016,555	829,108	4,710,895	6,298,417	2,679,143

7.10 Experience adjustment

	2016	2015	2014	2013	2012
Experience adjustments on defined benefit obligations	-5%	15%	-17%	-21%	0%
Experience adjustments on plan assets	0%	0%	-1%	-3%	0%

8. Other creditors and accruals

	Note	2016 Rupees	2015 Rupees
Cash margin		19,036,353	19,780,595
Agents commission payable		111,092,897	128,422,267
Mark-up accrued on finances under mark-up arrangements		907,380	931,999
Federal insurance fee payable	8.1	450,729	404,786
Federal excise duty/ sales tax payable	8.1	6,425,158	6,203,762
Withholding taxes payable		641,563	1,990,578
Payable to Employees' Provident Fund	8.2	-	-
Others		15,506,589	14,405,786
		154,060,669	172,139,773

8.1 Government duties outstanding at the reporting date on account of Federal insurance fee, Federal excise duty and sales tax were paid after December 31, 2016 within the stipulated time period allowed by the relevant laws.

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8.2 The details of investment made by the Provident Fund:

	2016 Rupees	2015 Rupees
i) Size of the Fund - total assets	28,514,944	26,947,496
ii) Cost of investments	19,500,000	21,500,000
iii) Fair value of investments	19,639,160	21,669,925
iv) Percentage of investments made	69%	80%

8.2.1 Investments have been made in Pakistan Investment Bond's having cost of Rs. 19,500,000 (2015: Rs. 21,500,000)

8.2.2 The figures as at December 31, 2016 and December 31, 2015 are based on un-audited financial statements of the Provident Fund. The investments of the Provident Fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

9. Finances under mark-up arrangements - secured

	Note	2016 Rupees	2015 Rupees
Running finances	9.1	-	95,037,685
Short term finances		100,000,000	-
	9.2	100,000,000	95,037,685

9.1 Running finances - secured

Short term running finance facility is available from Habib bank Limited ('HBL') under mark-up arrangements amount to Rs. 200,000,000 (2015: Rs. 100,000,000). Running finance facility is available at mark-up rate of three month Karachi Inter Bank Offered Rate (KIBOR) plus 1.5% per annum, payable quarterly, on the balance outstanding. The mark-up charged during the year on the outstanding balances ranges from 7.48% to 8.42% per annum (2015: 8.60% to 9.99%). The facility will expire on May 31, 2017. Running finances is secured against a pledge on shares of Adamjee Insurance Company Limited held by the company.

9.2 Short term finances- secured

Short term finance facility amount to Rs. 100,000,000 (2015: Rs. Nil) is available from HBL under mark-up arrangements as a sub limit to running finance facility. Short term finance facility is available at mark-up rate of average of 1-month KIBOR plus 0.6% per annum, payable monthly. The mark-up rate charged during the year on the outstanding balance ranges from 6.81% to 6.86% (2015: Nil) per annum. Short term finances are secured against a pledge on shares of Adamjee Insurance Company Limited held by the company.

10. Contingencies and commitments

10.1 Contingencies

10.1.1 The company is contingently liable for Rs. 7,491,451 (2015: Rs. 7,741,451) on account of claims lodged against the company but not acknowledged as debts. The management, based on advice of the legal counsels, is confident that the outcome of the cases is likely to be in favor of the company.

10.1.2 Guarantees issued by a commercial bank on behalf of the company amount to Rs. 643,650 (2015: Rs. 776,700).

10.2 Commitments

The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	2016 Rupees	2015 Rupees
Not later than one year	3,284,621	916,000
Later than one year and not later than five years	1,411,740	132,000
Later than five years	-	-
	4,696,361	1,048,000

11. Cash and other equivalent	Note	2016 Rupees	2015 Rupees
Cash in hand		11,242	111,000
12. Current and other accounts			
Current accounts		26,466,939	18,280,343
Saving accounts	12.1	359,704,483	179,844,107
		386,171,422	198,124,450
12.1 The rate of return on saving accounts from various banks ranges from 2.82% to 4.25% per annum (2015: 4.22% to 7.30% per annum) depending on the size of average deposits.			
13. Deposits maturing within 12 months	Note	2016 Rupees	2015 Rupees
Cash deposit with the State Bank of Pakistan		350,000	350,000
Term deposit receipts with banks	13.1	50,000,000	150,000,000
		50,350,000	150,350,000
13.1 The rate of return on term deposit certificates issued by various banks ranges from 3.85% to 7.00% (2015: 5.66% to 7.00%) per annum, depending on tenure. This term deposit certificate has maturity upto January 2017.			
14. Investments	Note	2016 Rupees	2015 Rupees
The investments comprise:			
Available-for-sale	14.1	9,052,265,754	8,275,678,615
Held-to-maturity	14.2	74,655,923	72,013,602
		9,126,921,677	8,347,692,217
14.1 Available-for-sale			
In related parties			
Listed securities	14.1.1	201,135,273	201,135,273
Unlisted securities	14.1.2	710,620,000	500,000,000
		911,755,273	701,135,273
Others			
Listed securities	14.1.3	7,580,792,479	7,344,223,115
Mutual funds	14.1.4	578,848,410	269,146,260
Less: Provision for impairment in the value of investments	14.3	(19,130,408)	(38,826,033)
		8,140,510,481	7,574,543,342
		9,052,265,754	8,275,678,615
14.1.1 Listed securities			
DG Khan Cement Company Limited			
228,500 (2015: 228,500) ordinary shares of Rs. 10 each		19,515,542	19,515,542
Equity held: 0.05% (2015: 0.05%)			
Market value Rs. 50.665 million (2015: Rs. 33.724 million)		19,515,542	19,515,542

	Note	2016 Rupees	2015 Rupees
Pak Gen Power Limited			
6,407,796 (2015: 6,407,796) ordinary shares of Rs. 10 each	14.1.1.1	88,899,557	88,899,557
Equity held: 1.72% (2015: 1.72%)			
Market value Rs. 171.537 million (2015: Rs. 188.581 million)		88,899,557	88,899,557
Lalpir Power Limited			
6,837,097 (2015: 6,837,097) ordinary shares of Rs. 10 each	14.1.1.1	92,720,174	92,720,174
Equity held: 1.80% (2015: 1.80%)			
Market value Rs. 165.458 million (2015: Rs. 203.335 million)		92,720,174	92,720,174
		201,135,273	201,135,273

14.1.1.1 The investments include 500 shares of Pakgen Power Limited and 550 shares of Lalpir Power Limited held in the name of nominee director of the company.

14.1.2 Unlisted securities

	Note	2016 Rupees	2015 Rupees
Nishat Hotels and Properties Limited			
71,062,000 (2015: 50,000,000) ordinary shares of Rs. 10 each		710,620,000	500,000,000
Equity held: 7.4% (2015: 6.25%)		710,620,000	500,000,000

Others

14.1.3 Listed securities

Adamjee Insurance Company Limited			
22,815,587 (2015: 18,630,087) ordinary shares of Rs. 10 each	14.1.3.1	815,626,421	579,057,057
Equity held: 6.52% (2015: 5.32%)			
Market value Rs. 1,691.548 million (2015: Rs. 1,052.786 million)		815,626,421	579,057,057
MCB Bank Limited			
55,508,176 (2015: 55,508,176) ordinary shares of Rs. 10 each	14.1.3.2	6,658,245,500	6,658,245,500
Equity held: 4.99% (2015: 4.99%)			
Market value Rs. 13,200.954 million (2015: Rs. 12,036.948 million)		6,658,245,500	6,658,245,500
Kohinoor Energy Limited			
30,000 (2015: 30,000) ordinary shares of Rs. 10 each		577,600	577,600
Equity held: 0.02% (2015: 0.02%)			
Market value Rs. 1.290 million (2015: Rs. 1.290 million)		577,600	577,600
United Bank Limited			
70,413 (2015: 70,413) ordinary shares of Rs. 10 each		11,125,700	11,125,700
Equity held: 0.01% (2015: 0.01%)			
Market value Rs. 16.822 million (2015: Rs. 10.910 million)		11,125,700	11,125,700
Pakistan Petroleum Limited			
434,782 (2015: 434,782) ordinary shares of Rs. 10 each	14.3	95,217,258	95,217,258
Equity held: 2.21% (2015: 2.21%)			
Market value Rs. 81.817 million (2015: Rs. 52.961 million)		95,217,258	95,217,258
		7,580,792,479	7,344,223,115

14.1.3.1 3,500,000 shares (2015: 3,500,000 shares) of Adamjee Insurance Company Limited are pledged with banks as referred to in note 9.1 & 9.2 to the financial statements.

14.1.3.2 The company holds 4.99% shareholding in MCB Bank Limited. In order that the company is not considered as a sponsor of MCB Bank Limited, the company had filed a writ petition in the Honourable Lahore High Court in 2010, Lahore to declare null and void the State Bank of Pakistan's BPRD Circular No 4 dated May 22, 2008 which requires a person(s) holding 5% or more of sponsor shares, acquired individually or in concert with his family members, group companies, subsidiaries and affiliates / associates, of a bank to be placed in a blocked account with Central Depository Company (CDC). The court has suspended the operation of the impugned circular and reserved its judgment after hearing the case. The management is confident that the outflow of financial resources as a result of the eventual outcome of the above matter is unlikely

14.1.4 Mutual funds

	Note	2016 Rupees	2015 Rupees
JS Large Capital Fund 53,565 (2015: 53,565) units of Rs. 100 par value each		460,000	460,000
Market value Rs. 7.915 million (2015: Rs. 5.471 million)		460,000	460,000
MCB Arif Habib Asset Allocation Fund 3,561,882 (2015: 3,454,562) units of Rs. 100 par value each		277,842,804	268,686,260
Market value Rs. 315.848 million (2015: Rs. 265.989 million)		277,842,804	268,686,260
MCB Arif Habib Cash Management Optimizer Fund 2,920,940 (2015: 3,454,562) units of Rs. 100 par value each		300,545,606	-
Market value Rs. 300.712 million (2015: Nil)		300,545,606	-
		578,848,410	269,146,260

14.2 Held-to-maturity - Government securities

12% Pakistan Investment Bonds of the Government of Pakistan. 4 bonds of face value of Rs. 2,000,000 each, 1 bond of face value of Rs. 62,000,000 and 1 bond of face value of Rs. 5,000,000 (2015: 3 bonds of face value of Rs. 2,000,000 each, 1 bond of face value of Rs. 62,000,000 and 1 bond of face value of Rs 5,000,000) market value as at December 31, 2016 Rs. 74.518 million (2015: Rs. 72.354 million)	14.2.1	74,655,923	72,013,602
		74,655,923	72,013,602

14.2.1 Maturity dates of Pakistan Investment Bonds fall between August 2018 and July 2022.

14.2.1.1 The Pakistan Investment Bonds are placed as statutory deposit with State Bank of Pakistan in accordance with the requirements of Clause (a) of sub-section 2 of section 29 of Insurance Ordinance, 2000.

14.3 Reconciliation of provision for impairment in the value of investments

	Note	2016 Rupees	2015 Rupees
Balance as at 01 January		38,826,033	3,750,838
Impairment for the year		-	35,075,195
Reversal of impairment for the year		(19,695,625)	-
Balance as at 31 December	14.3.1	19,130,408	38,826,033

14.3.1 This represents provision for impairment in the shares of Pakistan Petroleum Limited.

15. Deferred taxation

Opening balance as on January 1 (Debited) / credited to profit and loss account		29,455,759 (5,938,759)	26,416,683 3,039,076
Closing balance as on December 31		23,517,000	29,455,759
Debit / (credit) balance arising from:			
Accelerated tax depreciation		(3,415,433)	(3,601,403)
Provisions for doubtful receivables		21,193,310	13,798,796
Provision for impairment in available-for-sale investment		5,739,123	-
Minimum tax		-	19,258,366
Deferred tax asset		23,517,000	29,455,759

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16. Premiums due but unpaid - unsecured	Note	2016 Rupees	2015 Rupees
Considered good	16.1	789,657,074	861,957,016
Considered doubtful		45,786,891	25,671,058
		835,443,965	887,628,074
Less: Provision for doubtful receivables	16.2	(45,786,891)	(25,671,058)
		789,657,074	861,957,016

16.1 This includes due from related parties as follows:

DG Khan Cement Company Limited		13,719,979	5,365,191
Lalpir Power Limited		250,995,236	250,986,012
Nishat Dairy (Private) Limited		13,181	5,315
Nishat Hospitality (Private) Limited		-	2,000
Nishat Hotels and Properties Limited		2,029,537	816,847
Nishat Mills Limited		2,694,550	2,315,245
Nishat Power Limited		94,637,803	94,628,184
Nishat Spinning (Private) Limited		46,085	46,085
Pakgen Power Limited		259,612,112	260,165,157
Nishat Developers (Private) Limited		6,090	5,395
Nishat Linen (Private) Limited		245,785	90,599
Nishat Paper Product Company Limited		86,346	25,176
Nishat Agriculture Farming (Private) Limited		44,086	-
Nishat Commodities (Private) Limited		273,512	-
Pakistan Aviators & Aviation (Private) Limited		10,207	-
		624,414,509	614,451,206

Age analysis of the amounts due from related parties is as follows :

	1 Year Rupees	More than 1 Year Rupees	2016 Rupees	2015 Rupees
DG Khan Cement Company Limited	13,718,054	1,925	13,719,979	5,365,191
Lalpir Power Limited	250,995,236	-	250,995,236	250,986,012
Nishat Dairy (Private) Limited	-	13,181	13,181	5,315
Nishat Hospitality (Private) Limited	-	-	-	2,000
Nishat Hotels and Properties Limited	1,963,265	66,272	2,029,537	816,847
Nishat Mills Limited	2,694,550	-	2,694,550	2,315,245
Nishat Power Limited	94,636,661	1,142	94,637,803	94,628,184
Nishat Spinning (Private) Limited	-	46,085	46,085	46,085
Pakgen Power Limited	259,612,112	-	259,612,112	260,165,157
Nishat Developers (Private) Limited	-	6,090	6,090	5,395
Nishat Linen (Private) Limited	193,148	52,637	245,785	90,599
Nishat Paper Product Company Limited	13,775	72,571	86,346	25,176
Nishat Agriculture Farming (Private) Limited	44,086	-	44,086	-
Nishat Commodities (Private) Limited	273,512	-	273,512	-
Pakistan Aviators & Aviation (Private) Limited	10,207	-	10,207	-
	624,154,606	259,903	624,414,509	614,451,206
16.2 Provision for doubtful receivables				
		Note	2016 Rupees	2015 Rupees
Balance as at January 1			25,671,058	17,419,232
Provision made during the year		24	20,115,833	8,251,826
Balance as at December 31			45,786,891	25,671,058

17. Amounts due from other insurers / reinsurers - unsecured	Note	2016 Rupees	2015 Rupees
Amounts due from other insurers / reinsurers - unsecured			
- Considered good		542,488,964	539,839,410
- Considered doubtful		24,857,478	20,324,928
		567,346,442	560,164,338
Less: Provision for doubtful receivables	17.1	(24,857,478)	(20,324,928)
		542,488,964	539,839,410
17.1 Provision for doubtful receivables			
Balance as at January 1		20,324,928	13,103,886
Provision made during the year	24	4,532,550	7,221,042
Balance as at December 31		24,857,478	20,324,928
18. Prepayments			
Prepaid reinsurance premium ceded	18.1	718,577,398	698,736,892
Prepaid rent		890,800	220,000
Others		1,274,288	1,531,461
		720,742,486	700,488,353
18.1 Movement in prepaid reinsurance premium ceded			
As at January 1		698,736,892	659,373,568
Reinsurance premium ceded during the year		1,590,138,160	1,476,979,584
Reinsurance expense for the year		(1,570,297,654)	(1,437,616,260)
As at December 31		718,577,398	698,736,892
19. Sundry receivables			
Advances to employees - considered good	19.1	878,940	1,279,319
Accrued return on deposits and other accounts		2,939,470	1,920,506
Other receivables - considered good		6,600,883	5,109,877
Security deposits - considered good		3,361,398	2,232,707
		13,780,691	10,542,409
19.1 This includes advances given to executives amounting to Rs. 114,000 (2015: Rs. 149,542).			
20. Fixed assets - tangible and intangible			
	Note		
Operating assets - tangibles	20.1	103,345,499	105,867,503
Capital work-in-progress - tangibles	20.2	937,770	-
Capital work-in-progress - intangible	20.3	3,177,611	1,606,947
		107,460,880	107,474,450

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20.1 Operating assets - tangibles	Freehold land Rupees	Leasehold improvement Rupees	Building Rupees	Computer equipment Rupees	Furniture and fixtures Rupees	Motor vehicles Rupees	Tracker Rupees	office equipment Rupees	Total Rupees
Year ended December 31, 2016									
Opening net book value	22,671,528	1,000,074	26,959,383	3,345,679	4,007,737	42,467,977	-	5,415,125	105,867,503
Additions (at cost)	-	-	-	866,844	1,053,042	11,236,331	-	737,917	13,894,134
Disposals (at NBV)	-	-	-	(163,529)	-	(2,241,482)	-	(16,326)	(2,421,337)
Depreciation charge for the year	-	(100,007)	(2,695,938)	(578,329)	(480,258)	(9,234,646)	-	(905,623)	(13,994,801)
Net book value as at December 31, 2016	22,671,528	900,067	24,263,445	3,470,665	4,580,521	42,228,180	-	5,231,093	103,345,499
At December 31, 2016									
Cost	22,671,528	1,695,635	62,655,929	6,028,397	8,596,767	76,909,492	12,246,301	15,286,699	206,090,748
Accumulated depreciation	-	(795,568)	(38,392,484)	(2,557,732)	(4,016,246)	(34,681,312)	(12,246,301)	(10,055,606)	(102,745,249)
Net book value as at December 31, 2016	22,671,528	900,067	24,263,445	3,470,665	4,580,521	42,228,180	-	5,231,093	103,345,499
Year ended December 31, 2015									
Opening net book value	22,671,528	2,171,531	27,422,496	4,077,008	4,766,632	46,733,244	5,740,991	6,559,505	120,142,935
Additions (at cost)	-	-	2,279,762	188,600	112,056	13,679,695	-	410,597	16,670,710
Disposals (at NBV)	-	(970,772)	-	(315,236)	(394,587)	(7,854,722)	-	(537,455)	(10,072,772)
Depreciation charge for the year	-	(200,685)	(2,742,875)	(604,693)	(476,364)	(10,090,240)	(5,740,991)	(1,017,522)	(20,873,370)
Net book value as at December 31, 2015	22,671,528	1,000,074	26,959,383	3,345,679	4,007,737	42,467,977	-	5,415,125	105,867,503
At December 31, 2015									
Cost	22,671,528	1,695,635	62,655,929	5,777,378	7,543,725	71,305,182	12,246,301	14,570,782	198,466,460
Accumulated depreciation	-	(695,561)	(35,696,546)	(2,431,699)	(3,535,988)	(28,837,205)	(12,246,301)	(9,155,657)	(92,598,957)
Net book value as at December 31, 2015	22,671,528	1,000,074	26,959,383	3,345,679	4,007,737	42,467,977	-	5,415,125	105,867,503
Depreciation rates (%)	-	10	10	15	10	20	20	15	

20.1.1 The assets disposed off during the year comprise computer equipment, motor vehicles and office equipment of which the original cost was Rs. 615,825, Rs. 5,631,060 and Rs. 22,000 and accumulated depreciation was Rs. 452,296, Rs. 3,389,578 and Rs. 5,675 hence, the book value was Rs. 163,529, Rs. 2,241,482 and Rs. 16,326 respectively.

20.1.2 Allocation of depreciation

	Note	2016 Rupees	2015 Rupees
Management expenses	21	8,230,601	9,783,556
General and administration expenses	24	5,764,200	11,089,814
		13,994,801	20,873,370

20.2 This represents advance to supplier against purchase of operating assets.

20.3 This represents capital expenditure in respect of development of new IT software.

21. Management expenses	Note	2016 Rupees	2015 Rupees
Salaries, wages and benefits	21.1	42,512,493	42,091,843
Rent, rates, taxes and utilities		4,028,923	4,614,755
Communications		1,691,404	2,007,314
Printing and stationery		744,730	602,800
Travelling and entertainment		1,431,037	1,321,381
Car maintenance and fuel expenses		5,954,208	6,108,816
Depreciation on operating assets	20.1.2	8,230,601	9,783,556
Repairs and maintenance		853,906	994,179
Service charges charged by co-insurers		7,898,184	5,454,442
Charges for vehicle tracking devices		228,590	1,050,068
Other expenses		1,240,424	1,484,920
		74,814,500	75,514,074

21.1 Included in salaries, wages and benefits are Rs. 1,536,279 (2015: Rs. 1,572,762) in respect of Employees' Provident Fund contribution by the company and Rs. 882,463 (2015: Rs. 1,126,183) in respect of gratuity fund.

22. Financial charges	Note	2016 Rupees	2015 Rupees
Mark-up on short term borrowings from banks		5,756,227	2,113,421
Bank charges		1,251,096	2,080,228
Exchange loss		133,049	-
		7,140,372	4,193,649
23. Other income			
Gain on sale of fixed assets		33,687	1,462,673
Liabilities written back		4,131,355	-
		4,165,042	1,462,673
24. General and administration expenses			
Salaries, wages and benefits	24.1	58,332,111	57,165,089
Repair and maintenance		2,346,399	856,551
Legal and professional charges		9,586,030	14,934,780
Travelling and entertainment		1,538,119	2,865,714
Depreciation on operating assets	20.1.2	5,764,200	11,089,814
Rent, rates, taxes and utilities		2,570,547	2,220,878
Communication		1,238,557	1,399,788
Printing and stationery		2,561,303	2,617,275
Insurance		1,644,941	1,488,494
Car maintenance and fuel expenses		3,583,550	3,892,158
Provision for doubtful receivables	16.1 & 17.1	24,648,383	15,472,868
Donations		-	1,176
Fees and subscription		4,573,921	4,438,202
Other expenses		2,038,802	2,667,703
		120,426,863	121,110,490

24.1 Included in salaries, wages and benefits are Rs. 2,306,117 (2015: Rs. 2,361,955) in respect of Employees' Provident Fund contribution by the company and Rs. 2,108,372 (2015: Rs. 2,690,667) in respect of the gratuity fund.

25. Provision for taxation	Note	2016 Rupees	2015 Rupees
Current			
For the year		346,616,158	126,698,611
Prior years	25.1	34,144,121	56,781,503
		380,760,279	183,480,114
Deferred tax	15	5,938,759	(3,039,076)
		386,699,038	180,441,038

25.1 It includes Rs. 34,566,193 (2015: Rs. 23,863,933) super tax at the rate of 3% on income for the year ended 31 December 2015 (Tax Year 2016) imposed by the Federal Government vide Finance Act 2016. This tax has been levied for financing the rehabilitation of internally displaced persons affected by the ongoing war on terror. Accordingly, provisions for super tax have been made for the prior year.

25.2 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate:

	2016 %	2015 %
Applicable tax rate	31.00	32.00
Effect of:		
- income chargeable to tax at a reduced rate	-	(18.46)
- prior year tax	(0.04)	3.01
- super tax	2.91	2.18
- permanent difference	-	(1.03)
- change in tax rate and others	(1.27)	(1.21)
Effective tax rate	32.60	16.49

26. Reconciliation to profit and loss account

	2016 Rupees	2015 Rupees
Operating cash outflows	186,093,028	(478,065,198)
Depreciation expense	(13,994,801)	(20,873,370)
Financial charges expense	(7,140,372)	(4,193,649)
Profit on disposal of fixed assets	33,687	1,462,673
(Decrease) / increase in assets other than cash	(335,293,587)	702,943,813
Decrease / (increase) in liabilities other than borrowings	30,490,214	(319,090,265)
Others		
- (Increase) / decrease in provision for unearned premium	(86,256,530)	15,357,161
- (Increase) / decrease in commission income unearned	(2,280,136)	32,577,472
- Income on saving and other deposits and other income	18,357,940	21,810,495
- Investment income	998,518,650	1,033,489,487
- Decrease in provision for commission expense deferred	(8,644,126)	(36,570,572)
- Reversal / (Provision for) of impairment in available-for-sale investments	19,695,625	(35,075,195)
	799,579,592	913,772,852

26.1 Cash at the end of the year

For the purposes of cash flow statement cash includes:

Cash and other equivalent	11,242	111,000
Current and other accounts	386,171,422	198,124,450
Deposits maturing within 12 months	50,350,000	150,350,000
Finances under mark-up arrangements - secured	(100,000,000)	(95,037,685)
	336,532,664	253,547,765

27. Remuneration of Chief Executives, Directors and Executives

27.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the directors, Chief Executive and executives of the company are as follows:

	Directors		Chief Executive		Executive	
	2016 Rupees	2015 Rupees	2016 Rupees	2015 Rupees	2016 Rupees	2015 Rupees
Short term employee benefits						
Managerial remuneration	-	-	5,225,000	6,600,000	20,350,154	17,708,688
Bonus	-	-	2,500,000	1,500,000	5,399,001	4,427,172
Leave encashment	-	-	434,789	550,000	1,520,233	1,475,724
Contribution to Provident Fund	-	-	348,333	440,000	1,356,677	1,180,579
Gratuity	-	-	328,706	457,624	1,161,669	983,816
Medical expenses	-	-	66,651	200,990	1,224,671	931,402
Reimbursable expenses	-	-	211,978	224,955	3,663,885	3,315,329
	-	-	9,115,457	9,973,569	34,676,290	30,022,710
Number of persons	5	5	1	1	16	12

27.2 The company provides company maintained cars to the Chief Executive Officer and some of the executives of the company, in accordance with the policy of the company.

27.3 No fee was paid to any of the directors for attending the board meetings.

28. Transactions with related parties

The related parties comprise associated undertakings by virtue of common directorship, other related group companies, directors of the company and employee retirement benefits funds. The company in the normal course of business carries out transactions with various related parties. Amounts due to and from related parties are disclosed in note 6 and 16.1 respectively. Remuneration of directors and key management personnel is disclosed in note 27. Other significant transactions with related parties are as follows:

	2016 Rupees	2015 Rupees
i) Related parties Transactions		
Premium underwritten	738,531,985	668,217,592
Claims paid	1,103,095,874	495,150,632
Dividend received	27,860,786	27,630,186
Dividend paid	96,388,075	86,393,576
Payment in respect of services	383,543	343,926
ii) Employees' funds Transactions		
Charge in respect of gratuity fund	2,990,835	3,816,850
Charge in respect of provident fund	3,842,396	3,934,717
Contribution to gratuity fund	-	4,710,895
Contribution to provident fund	7,684,792	7,869,434
Balances		
Payable to gratuity fund	5,016,555	829,108
Payable to provident fund	-	-

29. Segment Reporting

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

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

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

Other information	Fire and property damage		Marine, aviation and Transport		Motor		Miscellaneous		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	Rupees		Rupees		Rupees		Rupees		Rupees	
Corporate segment assets	<u>1,872,565,625</u>	<u>2,054,805,807</u>	<u>62,214,986</u>	<u>164,302,449</u>	<u>134,328,349</u>	<u>171,936,116</u>	<u>288,942,927</u>	<u>194,812,885</u>	<u>2,358,051,887</u>	2,585,857,257
Unallocated corporate assets									<u>10,230,091,161</u>	9,418,192,945
Consolidated total assets									<u>12,588,143,048</u>	12,004,050,202
Corporate segment liabilities	<u>1,411,941,929</u>	<u>1,521,811,239</u>	<u>52,674,027</u>	<u>89,721,411</u>	<u>192,672,647</u>	<u>211,047,256</u>	<u>293,548,646</u>	<u>205,583,869</u>	<u>1,950,837,249</u>	2,028,163,775
Unallocated corporate liabilities									<u>1,074,068,331</u>	870,719,439
Consolidated total liabilities									<u>3,024,905,580</u>	2,898,883,214

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

30. Maturity analysis of financial assets and liabilities

	2016						Total Rupees
	Interest/mark up bearing			Non-Interest/mark up bearing			
	Maturity upto one year Rupees	Maturity after one year Rupees	Sub total Rupees	Maturity upto one year Rupees	Maturity after one year Rupees	Sub total Rupees	
Financial assets							
On balance sheet							
Cash and other equivalent	-	-	-	11,242	-	11,242	11,242
Current and other accounts	359,704,483	-	359,704,483	26,466,939	-	26,466,939	386,171,422
Deposits maturing within 12 months	50,000,000	-	50,000,000	350,000	-	350,000	50,350,000
Investments	-	74,655,923	74,655,923	9,052,265,754	-	9,052,265,754	9,126,921,677
Premiums due but unpaid - unsecured	-	-	-	789,657,074	-	789,657,074	789,657,074
Amounts due from other insurers/reinsurers - unsecured	-	-	-	542,488,964	-	542,488,964	542,488,964
Accrued investment income	-	-	-	3,243,277	-	3,243,277	3,243,277
Salvage recoveries accrued	-	-	-	4,963,000	-	4,963,000	4,963,000
Reinsurance recoveries against outstanding claims	-	-	-	753,612,279	-	753,612,279	753,612,279
Sundry receivables	-	-	-	13,780,691	-	13,780,691	13,780,691
	409,704,483	74,655,923	484,360,406	11,186,839,220	-	11,186,839,220	11,671,199,626
Off balance sheet							
	-	-	-	-	-	-	-
Total	409,704,483	74,655,923	484,360,406	11,186,839,220	-	11,186,839,220	11,671,199,626
Financial liabilities							
On balance sheet							
Provision for outstanding claims [including IBNR]	-	-	-	893,348,200	-	893,348,200	893,348,200
Amounts due to other insurers/reinsurers	-	-	-	777,755,507	-	777,755,507	777,755,507
Accrued expenses	-	-	-	24,417,089	-	24,417,089	24,417,089
Other creditors and accruals	-	-	-	154,060,669	-	154,060,669	154,060,669
Finances under mark-up arrangements - secured	100,000,000	-	100,000,000	-	-	-	100,000,000
	100,000,000	-	100,000,000	1,849,581,465	-	1,849,581,465	1,949,581,465
Off balance sheet							
Guarantees	-	-	-	643,650	-	643,650	643,650
Contingencies	-	-	-	7,491,451	-	7,491,451	7,491,451
	-	-	-	8,135,101	-	8,135,101	8,135,101
Total	100,000,000	-	100,000,000	1,857,716,566	-	1,857,716,566	1,957,716,566
On balance sheet gap	309,704,483	74,655,923	384,360,406	9,337,257,755	-	9,337,257,755	9,721,618,161
Off balance sheet gap	-	-	-	(8,135,101)	-	(8,135,101)	(8,135,101)

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

30. Maturity analysis of financial assets and liabilities (cont'd)

	2015						Total Rupees
	Interest/mark up bearing			Non-Interest/mark up bearing			
	Maturity upto one year Rupees	Maturity after one year Rupees	Sub total Rupees	Maturity upto one year Rupees	Maturity after one year Rupees	Sub total Rupees	
Financial assets							
On balance sheet							
Cash and other equivalents	-	-	-	111,000	-	111,000	111,000
Current and other accounts	179,844,107	-	179,844,107	18,280,343	-	18,280,343	198,124,450
Deposits maturing within 12 months	150,000,000	-	150,000,000	350,000	-	350,000	150,350,000
Investments	-	72,013,602	72,013,602	8,275,678,615	-	8,275,678,615	8,347,692,217
Premiums due but unpaid - unsecured	-	-	-	861,957,016	-	861,957,016	861,957,016
Amounts due from other insurers/reinsurers - unsecured	-	-	-	539,839,410	-	539,839,410	539,839,410
Accrued investment income	-	-	-	2,863,922	-	2,863,922	2,863,922
Reinsurance recoveries against outstanding claims	-	-	-	920,859,856	-	920,859,856	920,859,856
Sundry receivables	-	-	-	10,542,409	-	10,542,409	10,542,409
	329,844,107	72,013,602	401,857,709	10,630,482,571	-	10,630,482,571	11,032,340,280
Off balance sheet							
	-	-	-	-	-	-	-
Total	329,844,107	72,013,602	401,857,709	10,630,482,571	-	10,630,482,571	11,032,340,280
Financial liabilities							
On balance sheet							
Provision for outstanding claims [including IBNR]	-	-	-	1,058,323,321	-	1,058,323,321	1,058,323,321
Amounts due to other insurers/reinsurers	-	-	-	626,345,562	-	626,345,562	626,345,562
Accrued expenses	-	-	-	23,290,735	-	23,290,735	23,290,735
Other creditors and accruals	-	-	-	172,139,773	-	172,139,773	172,139,773
Finances under mark-up arrangements - secured	95,037,685	-	95,037,685	-	-	-	95,037,685
	95,037,685	-	95,037,685	1,880,099,391	-	1,880,099,391	1,975,137,076
Off balance sheet							
Guarantees	-	-	-	776,700	-	776,700	776,700
Contingencies	-	-	-	7,741,451	-	7,741,451	7,741,451
	-	-	-	8,518,151	-	8,518,151	8,518,151
Total	95,037,685	-	95,037,685	1,888,617,542	-	1,888,617,542	1,983,655,227
On balance sheet gap	234,806,422	72,013,602	306,820,024	8,750,383,180	-	8,750,383,180	9,057,203,204
Off balance sheet gap	-	-	-	(8,518,151)	-	(8,518,151)	(8,518,151)

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

31. Management of insurance and financial risk

31.1 Insurance risk

The principal risk the company faces under insurance contracts is the possibility that the insured event occurs, the uncertainty of the amount of the resulting claims i.e. the frequency and severity of claims and that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The objective of the company is to ensure that sufficient reserves are available to cover these liabilities.

The company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy aims to minimise insurance risks with a balanced mix and spread of business classes and by observing underwriting guidelines and limits. The company underwrites mainly fire, marine, motor and other miscellaneous business. These classes of insurance are generally regarded as short term insurance contracts where claims are normally intimated and settled within a short time span. This helps to mitigate the insurance risk.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. For large risks, particularly in property segment of business, risk inspections are carried out before accepting the risks. Similarly, in case of large risks, annual renewals are also preceded by on-site surveys. Where needed, risk mitigation measures are identified and communicated to the clients to improve the risk to an acceptable level.

Reinsurance arrangements in place include treaty and facultative arrangements, on proportional and non-proportional basis and also include catastrophe cover. The effect of such reinsurance arrangements is that the company may not suffer ultimate net insurance losses beyond the company's risk appetite in any one year.

The company's arrangement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor the operations of the company are substantially dependent upon any single reinsurance contract. The company obtains reinsurance cover only from companies with sound financial health.

31.1.1 Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like political violence, environmental and economical, atmospheric disturbances, natural disasters, concentration of risks, civil riots etc. The company manages these risk through the measures described above. The company has limited its exposure to catastrophic and riot events by use of reinsurance arrangements.

31.1.2 Concentration of insurance risk

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

	Gross aggregate exposure		Maximum Reinsurance Cover		Net	
	2016	2015	2016	2015	2016	2015
	Rupees		Rupees		Rupees	
Fire and property damage	408,423,010,951	285,401,040,977	377,669,566,673	256,097,779,527	30,753,444,278	29,303,261,450
Marine, aviation and transport	62,867,740,055	42,518,020,031	40,213,498,484	24,959,845,335	22,654,241,571	17,558,174,696
Motor	8,966,453,994	7,464,458,969	2,578,983,109	4,107,676,116	6,387,470,885	3,356,782,853
Miscellaneous	7,143,633,929	6,186,015,874	5,650,274,903	4,993,541,360	1,493,359,026	1,192,474,514
	487,400,838,929	341,569,535,851	426,112,323,169	290,158,842,338	61,288,515,760	51,410,693,513

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

	Gross claims paid		Reinsurance recoveries		Net	
	2016	2015	2016	2015	2016	2015
	Rupees		Rupees		Rupees	
Fire and property damage	2,247,917,614	1,068,643,341	2,234,256,244	1,047,913,124	13,661,370	20,730,217
Marine, aviation and transport	26,631,910	86,328,023	19,445,214	78,990,934	7,186,696	7,337,089
Motor	111,506,846	98,054,064	73,336,635	61,145,400	38,170,211	36,908,664
Miscellaneous	24,988,109	21,512,553	11,575,075	15,836,867	13,413,034	5,675,686
	2,411,044,479	1,274,537,981	2,338,613,168	1,203,886,325	72,431,311	70,651,656

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

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

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

31.1.3 Reinsurance risk

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

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

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

31.1.4 Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the balance sheet date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the balance sheet date. The details of estimation of outstanding claims (including IBNR) are given under note 4.3.2.

31.1.5 Process used to decide on assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the company, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of balance sheet date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

31.1.6 Sensitivity analysis

The company believes that the claim liabilities under insurance contracts outstanding at the year end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The company enters into short term insurance contracts, therefore, it does not assume any significant impact of changes in market conditions on unexpired risks. The risks associated with the insurance contracts are complex and subject to a number of variables which complicate the quantitative sensitivity analysis. However, some results of sensitivity testing are set out below, showing the impact on profit before tax (net of reinsurance) and shareholders' equity:

Particulars	Profit before taxation		Share holders' equity	
	2016 Rupees	2015 Rupees	2016 Rupees	2015 Rupees
Effect of 10% increase / (decrease) in amount of claims:				
Fire and property damage	780,219	5,463,678	538,351	3,715,301
Marine, aviation and transport	316,610	1,637,288	218,461	1,113,356
Motor	4,311,842	4,206,666	2,975,171	2,860,533
Miscellaneous	2,061,706	1,145,490	1,422,577	778,933
	7,470,377	12,453,122	5,154,560	8,468,123

31.1.7 Claims development

The table below shows the development of claims over the years. This disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. All amounts are presented in gross numbers before reinsurance.

Reporting year	2012	2013	2014	2015	2016	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Estimate of ultimate claims costs:						
- At the end of reporting year	231,793,491	406,858,760	823,008,526	1,781,426,094	421,179,859	-
- One year later	240,973,373	355,314,598	871,258,218	3,656,854,401	-	-
- Two years later	219,544,503	352,968,254	827,355,442	-	-	-
- Three years later	218,269,821	348,297,090	-	-	-	-
- Four years later	217,495,026	-	-	-	-	-
Current estimate of cumulative claims	217,495,026	348,297,090	827,355,442	3,656,854,401	421,179,859	5,471,181,818
Cumulative payments to date	196,597,760	314,157,568	624,232,218	3,416,907,266	82,647,625	4,634,542,437
Liability recognized in balance sheet	20,897,266	34,139,522	203,123,224	239,947,135	338,532,234	836,639,381
Liability reserve prior to 2012						56,708,819
Total liability in balance sheet						893,348,200

31.2 Financial risk

The company's activities expose it to a variety of financial risks, including the effects of changes in market interest rates such as KIBOR, credit and liquidity risk associated with various financial assets and liabilities, respectively, as referred to in note 30 and cash flow risk associated with accrued interests in respect of borrowings as referred to in note 9 to the financial statements.

The Board of Directors has overall responsibility for establishment and oversight of the companies risk management framework. There are management committees for developing and monitoring the risk management policies.

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

Financial risk factors

(a) Credit risk and concentration of credit risk

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

Concentration of credit risk occurs when a number of counter parties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The company's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits the company's exposure to credit risk through

monitoring of client's exposure and review and conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sector segments.

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

Financial Assets	2016 Rupees	2015 Rupees
Bank balances and deposits	436,521,422	348,474,450
Investments	9,126,921,677	8,347,692,217
Premiums due but unpaid - unsecured	789,657,074	861,957,016
Amount due from other insurers / reinsurers - unsecured	542,488,964	539,839,410
Accrued investment income	3,243,277	2,863,922
Reinsurance recoveries against outstanding claims	753,612,279	920,859,856
Salvage recoveries accrued	4,963,000	-
Sundry receivables	13,780,691	10,542,409
	11,671,188,384	11,032,229,280

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

	2016 Rupees	2015 Rupees
- Upto one year	1,051,554,649	1,129,934,196
- Past one but less than three years	179,150,707	230,123,925
- Over three but less than five years	82,002,540	29,279,862
- More than five years	19,438,142	12,458,443
	1,332,146,038	1,401,796,426

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

Rating	Amount due from reinsurers Rupees	Reinsurance recoveries against outstanding claims Rupees	Other reinsurance assets Rupees	2016 Rupees	2015 Rupees
A and Above (Including Pakistan Reinsurance Company Limited)	273,017,441	494,143,328	109,018,676	-	665,021,313
A-	9,688,577	21,565,250	12,761,165	44,014,992	75,637,156
BBB	375,848	5,475,308	-	5,851,156	7,639,641
Others	21,000,494	232,428,393	596,797,557	850,226,444	1,134,664,804
	304,082,360	753,612,279	718,577,398	900,092,592	1,882,962,914

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

	Rating		Agency	Rating	
	Short Term	Long term		2016	2015
Current and other accounts				Rupees	Rupees
Albaraka Islamic Bank Limited	A1	A	PACRA	35,452	31,720
Allied Bank Limited	A1+	AA+	PACRA	34,881	34,881
Askari Bank Limited	A- 1+	AA	JCR-VIS	513,523	1,155,500
Bank Alfalah Limited	A1+	AA	PACRA	8,913,735	4,183,874
Dubai Islamic Bank Limited	A- 1	A+	JCR-VIS	18,070,888	17,673,389
Faysal Bank Limited	A1+	AA	PACRA	1,941,798	1,798,977
Habib Bank Limited	A- 1+	AAA	JCR-VIS	1,452,705	946,198
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	8,415,603	10,315,728
JS Bank Limited	A1+	AA-	PACRA	27,080	211,864
MCB Bank Limited	A1+	AAA	PACRA	310,407,554	158,861,652
MCB Islamic Bank Limited	A1	A	PACRA	28,589,420	-
Silk Bank Limited	A- 2	A-	JCR-VIS	211,050	211,050
Soneri Bank Limited	A1+	AA-	PACRA	7,344	7,215
Summit Bank Limited	A- 1	A	JCR-VIS	111,425	106,319
United Bank Limited	A-1+	AA+	JCR-VIS	7,438,964	2,586,083
				386,171,422	198,124,450

	Rating		Rating Agency	Rating	
	Short Term	Long term		2016	2015
Deposits maturing within 12 months				Rupees	Rupees
Allied Bank Limited	A1+	AA+	PACRA	-	100,000,000
Askari Bank Limited	A- 1+	AA	JCR-VIS	-	50,000,000
Askari Bank Limited	A- 1+	AA	JCR-VIS	50,000,000	-
State Bank of Pakistan		Not Available		350,000	350,000
				50,350,000	150,350,000

(b) Liquidity risk

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

The company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At December 31, 2016, the company had Rs. 200,000,000 (2015: Rs. 100,000,000) of available borrowing limits from financial institutions and Rs. 386,171,422 (2015: Rs. 198,235,450) of cash and bank balances.

The table below provides the maturity analysis of the Company's liabilities as at balance sheet date. All liabilities are presented on a contractual cash flow basis except for the provision of outstanding claims (including IBNR), which are presented with their expected cash flows.

Financial Liabilities	2016			
	Carrying amount	Less than one year	One to five years	More than five years
	R u p e e s			
Provision for outstanding claims [including IBNR]	893,348,200	893,348,200	-	-
Amounts due to other insurers/reinsurers	777,755,507	777,755,507	-	-
Accrued expenses	24,417,089	24,417,089	-	-
Other creditors and accruals	154,060,669	154,060,669	-	-
Finances under mark-up arrangements - secured	100,000,000	100,000,000	-	-
	1,949,581,465	1,949,581,465	-	-

Financial Liabilities	2015			
	Carrying amount	Less than one year	One to five years	More than five years
 Rupees			
Provision for outstanding claims [including IBNR]	1,058,323,321	1,058,323,321	-	-
Amounts due to other insurers/reinsurers	626,345,562	626,345,562	-	-
Accrued expenses	23,290,735	23,290,735	-	-
Other creditors and accruals	172,139,773	172,139,773	-	-
Finances under mark-up arrangements - secured	95,037,685	95,037,685	-	-
	1,975,137,076	1,880,099,391	-	-

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of change in market prices such as interest rates, foreign exchange rates and equity prices.

The company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in Government securities, equity and term finance certificates markets. In addition, the company actively monitors the key factors that affect the underlying value of these securities.

(i) Interest rate risk

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

Fixed rate instruments	2016 Effective interest rate	2015 interest rate	2016 Rupees	2015 Rupees
Financial assets				
Term deposit receipts with banks	5.4%	6.3%	50,000,000	150,000,000
Bank balances - saving accounts	3.5%	5.8%	359,704,483	179,844,107
Investments - Government securities	12.0%	12.0%	75,000,000	73,000,000
Total exposure			484,704,483	402,844,107
Financial liabilities				
Variable rate instruments				
Finances under mark-up arrangements - secured	7.9%	9.3%	100,000,000	95,037,685
Total exposure			100,000,000	95,037,685

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates on finances under mark-up arrangements, at the balance sheet date, fluctuate by 1% higher / lower with all the other variables held constant, profit before taxation for the year would have been lower / higher by Rs.

728,636 (2015: 327,847) and shareholders equity would have been lower / higher by Rs. 502,759 (2015: 222,936), mainly as a result of higher / lower interest expense on floating rate borrowings.

(ii) Other price risk

Other price risk is the risk that the fair value or 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 equity investments amounting to Rs. 8,341,645,754 (2015: Rs. 7,775,678,615) are susceptible to market price risk arising from uncertainty about the future value of investment securities. The company limits market risk by diversifying its equity investment portfolio and by actively monitoring the developments in equity and money markets.

If all equity investments, other than unlisted securities, are measured at fair values as required by IAS 39, 'Financial Instruments: Recognition and Measurement', a 10% hypothetical increase / decrease in fair value would increase / decrease the value of investments by Rs. 1,310,075,295 (2015: Rs. 1,385,226,639).

(iii) Currency risk

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

(d) Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide return for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The company's objective when managing capital are:

- to be in compliance with the paid-up capital requirement set by the SECP. The company's current paid-up capital is in excess of the limit prescribed by the SECP vide SRO 828(I)2015.
- In addition, the company is also required to maintain minimum solvency in accordance with the rules and regulations set by the SECP which are fully met by the company.
- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain strong ratings and provide an adequate return to shareholders.
- to ensure a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The company manages the capital structure in context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debts.

31.3 Fair value estimation

IFRS 13 defines fair value as an exit price. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

	2016		2015	
	Fair value measurement using			
	Level 1 Rupees	Level 2 Rupees	Level 1 Rupees	Level 2 Rupees
Available-for-sale investments	16,004,567,449	710,620,000	13,852,266,392	500,000,000

32. Number of persons employed

	2016	2015
Number of persons employed as at December 31	137	118
Average number of persons employed during the year	128	128

33. Date of authorization for issue

These financial statements were authorized for issue on March 20, 2017 by the Board of Directors of the company.

34. Event after the balance sheet date

The Board of Directors have proposed a final dividend for the year ended December 31, 2016 of Rs. 2.5 per share (2015: Rs. 2.5 per share), amounting to Rs. 170,156,250 (2015: Rs. 170,156,250) at their meeting held on March 20, 2017 for approval of the members at the Annual General Meeting to be held on April 29, 2017.

35. Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison.


Chairman


Director


Director


Principal & Chief Executive Officer

Disclosure of Categories of Shareholding

as at December 31, 2016

Description	# of Shareholders	Shares Held	Percentage
Directors, CEO & thier spouse & minor children			
Mian Hassan Mansha (Director)	1	9,049,371	13.30
Mr. Muhammad Azam (Director)	1	500	-
Mr. Inayat Ullah Niazi (Director)	1	500	-
Mr. Badar ul Hassan (Director)	1	500	-
Mr. Mehmood Akhtar (Director)	1	500	-
Associated companies, Undertakings & Related parties"			
Nishat Mills Ltd.	1	10,226,244	15.02
NIT and ICP			
	-	-	-
Public Sector Companies & Corporations			
	-	-	-
Executives			
	-	-	-
"Banks, Development Financial Institutions, Non-Banking Financial Institution.			
Insurance Companies	1	12,401,871	18.22
	2	10,138,412	14.90
Modarabas and Mutual Funds"			
	-	-	-
General Public			
a. Local	-	-	-
b. Foreign	-	-	-
Others			
a - Joint stock companies	2	3,043,121	4.46
b - All others	6	23,201,481	34.1
Total	17	68,062,500	100.00

Shareholders Holding Five Percent or more Voting Interest:-

	# of Shareholders	Shares Held	Percentage
1. Allied Bank Limited	1	12,401,871	18.22
2. Nishat Mills Limited	1	10,226,244	15.02
3. Adamjee Insurance Co. Ltd	1	9,681,374	14.22
4. Mian Hassan Mansha	1	9,049,371	13.30
5. Mian Umer Mansha	1	9,049,371	13.30
6. Mian Raza Mansha	1	8,133,467	11.95
7. Mrs. Naz Mansha	1	5,101,740	7.50

ASSOCIATED COMPANY:

Nishat Mills Limited	1	10,226,244	15.02
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Pattern of Share Holding

as at December 31, 2016

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No. of Shareholders	From	Shareholding To	Total Shares held
6	1	500	3,000
1	455001	460000	457,038
1	640001	645000	643,667
1	915001	920000	915,903
1	2395001	2400000	2,399,454
1	5100001	5105000	5,101,740
1	8130001	8135000	8,133,467
2	9045001	9050000	18,098,742
1	9680001	9685000	9,681,374
1	10225001	10230000	10,226,244
1	12400001	12405000	12,401,871
17			68,062,500

Classification of Shares by Categories

as at December 31, 2016

Categories of Members	Number	Shares held	Percentage
Individuals	11	32,252,852	47.39
Investment Companies	0	0	0.00
Insurance Companies	2	10,138,412	14.90
Joint Stock Companies	3	13,269,365	19.50
Financial Institutions	1	12,401,871	18.22
Modaraba Companies	0	0	0.00
Foreign Investors	0	0	0.00
Others	0	0	0.00
Total	17	68,062,500	100.00

FORM OF PROXY

Security General Insurance Company Limited

I _____

of _____

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

of _____

also a Shareholder of the said company, to be my proxy and to vote for me at the annual general meeting of the Company to be held on the 29th day of April, 2017 and at any time adjournment thereof in the same manner as I myself would vote if personally present at such meeting.

As witness my hand in this day of _____ 2017.

Signature _____

Address _____

Folio/ CDC No. _____

witness:

Name _____

Address _____

CNIC. No _____

Signature _____

Security General Insurance Company Limited



پراکسی فارم

سکیورٹی جنرل انشورنس کمپنی لمیٹڈ

میں-----
محشیت ممبر سکیورٹی جنرل انشورنس کمپنی لمیٹڈ میرے پاس----- عام حصص رکھتے ہیں
بذریعہ فولیو اسی ڈی سی اکاؤنٹ نمبر----- کو بطور پراکسی مقرر کرتا ہوں / کرتی ہوں یا بصورت دیگر
----- کو جو ضلع----- سے ہے اور ممبر بذریعہ فولیو نمبر / سی ڈی سی اکاؤنٹ نمبر----- بھی
ہے کو پراکسی مقرر کرتا ہوں / کرتے ہیں وہ میری غیر حاضری میں کمپنی کے سالانہ عام اجلاس میں جو بتاریخ-----
منعقد ہو رہا ہے اس میں اور اس کے کسی ملتوی شدہ اجلاس میں شرکت کرے اور ووٹ ڈالے۔

میرے / ہمارے دستخط بتاریخ----- 2017

فولیو نمبر / سی ڈی سی-----

گواہ:

نام:-----

پتہ:-----

شناختی کارڈ نمبر:-----

دستخط:-----