Annual Report 2016



PICIC INSURANCE LIMITED



# **Contents**

Company Information	02
Vision and Mission Statements and Core Values	03
Code of Conduct	04
Director's Report	06
Director's Report (Urdu)	17
Key Financial highlights	18
Pattern of Share Holding	19
Statement of Compliance with the Code of Corporate Governance	22
Review Report to the Members on Statement of Compliance with the Best Practices of Code of Corporate Governance	26
Auditors' Report to the Members of PICIC Insurance Limited	28
Financial Statements	30
Balance Sheet Profit and Loss Account	32 33 35 36 38 38
Notice of Annual General Meeting	72
Branch Network	74
Proxy Form (English / Urdu)	



# Company Information

Board of Directors	Mr. Irshad Ali Shaban Ali Kassim (Chairman) Mr. Abu Ahmed Mr. Munawar Ali Kassim Mr. Muzaffar Ali Shah Bukhari Mr. Moiz Ali* Mr. Muhammad Saleem* Ms. Zarmina Khilji* Sheikh Khurram Rehman*
Managing Director / CEO	Mr. Moiz Ali*
Board Audit Committee	Mr. Muzaffar Ali Shah Bukhari (Chairman) Mr. Abu Ahmed Mr. Munawar Ali Kassim
Board Human Resources & Remuneration Committee	Mr. Munawar Ali Kassim (Chairman) Mr. Irshad Ali Shaban Ali Kassim
Acting CFO & Company Secretary	Syed Zaigham Raza
Auditors	Muniff Ziauddin & Co. Chartered Accountants
Legal Advisor	Jameel Khan & Associates
Bankers	Habib Metropolitan Bank Limited NIB Bank Limited Silk Bank Limited Bank Al Habib Limited
Shares Registrar	FAMCO Associates (Pvt.) Ltd. 8-F, Next to Hotel Faran, Nursery Block - 6, P.E.C.H.S. Shahra-e-Faisal Karachi
Registered & Head Office	1204, 12th Floor, Emerald Tower Clifton, Block-5, Karachi - 75600, Pakistan t +92-21-35147651-5 UAN: 11 12 PICIC (111-274-242) f +92-21-35147656 www.picicinsurance.com

(\*Subject to Approval from the SECP.)

### **VISION STATEMENT**

To emerge as a progressive and reliable Insurance company, with expertise in providing Insurance Solutions essential to Risk Management; and pioneering a culture of Insurance awareness to customer.

### **MISSION STATEMENT**

PICIC Insurance shall fully satisfy the needs and expectations of all its stakeholders by:

- Delivering value to customers by creating optimized Risk solutions.
- Providing our employees an environment essential to their career progression.
- Continually provide above average returns to our shareholders.
- Support and develop the Communities in which we live and work.

# CORE VALUES Integrity

We make sure that our business interactions and relations with all the stakeholders are delimited with honesty, loyalty and transparency

### **Excellence**

Our commitment is to persistently strive for better and better, while we keep on building upon our achievements.

### Growth

We define our growth through nurturing and supplementing growth for our stakeholders.

### **Professionalism**

We have a strong commitment to set high bars of quality service standards for our internal and external clients; this will be supported with the pillars of expertise, steadiness, dedication and business acumen



### **Code of Conduct**

### (Statement of Ethics & Business Practice)

1. It is the responsibility of all directors, officers and employees of the company to carry out their assigned duties in compliance with all applicable legal requirements and company policies. Beyond compliance with strictly legal aspects involved, all directors, officers and employees are expected to conduct themselves with honesty, integrity and professionalism in the discharge of their assigned responsibilities. Except as otherwise permitted by company policies, all assets of the company shall be used for legitimate business purposes. All directors, officers and employees shall protect the company assets and ensure their efficient use.

Each director, officer and employee of the company must avoid any activities that could involve, or lead to involvement in any unlawful practice, as well as any actions that may jeopardize or impair the confidence or respect in which the company are held by their customers, regulators and the general public. All directors, officers and employees must comply completely with all applicable law, rules, and regulations.

- 2. The company policy statement regarding conflicts of interest requires all directors, officers and employees to avoid situations in which their personal interests conflict with the interests of the company. Prior to engaging in any conduct or activity that may result in a conflict of interest; the facts and circumstances of the proposed conduct or activity must be disclosed to the company.
- 3. Directors, officers, and employees shall not take for themselves personal opportunities that are discovered through the use of the corporate property, information, or position; shall not use corporate property, information or position for personal gain; and shall not compete with the company. All directors, officer, and employees owe a duty to the company to advance the legitimate business interests of the company.
- 4. Directors, officers, and employees shall endeavor to deal fairly with the company customers, suppliers, competitors, and employees. No one should take unfair advantage through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair dealing practice.
- 5. Directors, officers, and employees frequently have access to confidential information concerning the company, business and the businesses of customers, agents, policyholders and other employees. Safeguarding confidential information is absolutely essential. Confidential information includes, but is not limited to all non-public information that might be of use to competitors, or harmful to the company or its customers, if disclosed. Directors, officers, and employees shall not disclose confidential information except when disclosure is authorized or legally mandated. Directors, officers, and employees shall not access, or use, confidential information unless it is relevant to the performance of their job and they have proper authorization. Except for information routinely provided to industry bureaus and agencies, vendors or other representatives of the Company, in accordance with the Company policies and procedures, no director, officer, or employee may disclose confidential information of any type to anyone, except person within the company who has a clear business need to know.



- 6. Accuracy and reliability in the preparation and maintenance of all books and records is not only mandated by law, it is of critical importance to the company decision making process and to the proper discharge of the company legal, financial and reporting obligations. All business records expenses accounts, vouchers, bills, payroll and services records and other reports must be prepared with care and honestly, and maintained in accordance with the company policy.
- 7. The company is an equal opportunity employer, and does not discriminate against employees or applicants for employment on the basis of race, color, religion, sex, sexual orientation, national origin, age, physical or mental disability. The company complies with all applicable laws and regulations in the hiring, treatment and termination of all employees, and endeavors to maintain a working environment that is conducive to professional growth accomplishment and satisfaction, and free from any type of hostility or harassment.



### **Directors' Report**

The Directors 'of your company are pleased to present the annual report together with the audited financial statements for the year ended December 31, 2016.

#### Message from the Chairman

At first the management of the Company decided for a merger of PICIC Insurance Limited with and into Crescent Star Insurance Limited, subject to all necessary regulatory approvals, but due to change in strategic planning

Now your Company is reviewing option for the merger of Crescent Star Foods (Private) Limited (a subsidiary of Crescent Star Insurance Limited) with and into PICIC Insurance Limited subject to the swap ratio to be worked out and agreed between both managements and members of the respective companies subject, to all legal, corporate, statutory and regulatory compliances and permission of the SECP.

We are confident that once the merger phase, is completed your company can enter into a new phase and a new look. The management is considering all options and working on strategy to turn around the company and recover losses to regain a financial position.

#### **Human Resource developments**

We invest extensively in cultivating and motivating our employees and train them to face market challenges effectively. We provide necessary on job training to employees so that they acquire knowledge and skills needed to accomplish their tasks efficiently. Department Heads impart training to employees / officers. The methods of knowledge and skill transfer, adopted are varied, pragmatic and useful. Classroom lectures are augmented by group discussion and observations.

#### **Corporate Social Responsibility**

PICIC insurance is fully committed to play its role as a responsible corporate citizen and fulfills its responsibility through energy conservation, environment protection and occupational safety and health through restricting unnecessary usage of artificial lighting, implementing to bacco control law and "No Smoking Zone", and providing a safe and healthy work environment. During the year the company supported community development work of Lady Dufferin Hospital and Old Associates of Kinnaird Society.

### **Financial Highlights**

The comparative financial highlights of your Company for the year ended December 31, 2016 are as follows:

Gross Premium Written
Net Premium Revenue
Net Claims including IBNR
Profitfrom underwriting business
Investment Income
(Loss) after Taxation
(Loss) per share (Rupees)

2016	2015		
(Rupees in	thousand)		
(15,375)	402,532		
76,310 (20,209)	220,426 (91,135)		
24,998	71,445		
1,389	3,121		
(24,881)	(9,833)		
(0.71)	(0.28)		



Portfolio mix, in terms of gross premium written in the year 2016 as compared to previous year was as follows:

	201	6	20	15
Line of Business	Amount (Rupees in M)	Portfolio Mix (%)	Amount (Rupees in M)	Portfolio Mix (%)
		- (Rupees i	n thousand)	
Fire and property	(40.6)	263.6	244.9	60.8
Marine, Aviation & transport	13.0	(84.4)	21.2	5.3
Motor	10.2	(66.2)	55.0	13.7
Accident & health	(0.2)	1.2	19.3	4.8
Miscellaneous	2.2	(14.2)	62.1	15.4
Total	(15.4)	100.0	402.5	100.0

#### **Reinsurance Treaties**

The Company has strong reinsurance arrangements with some of the world's leading companies. As risk underwriting capacities for traditional lines of business have remained the same in 2016. Accordingly, the Company is able to underwrite larger risks. We are thankful to all our reinsurers for their unwavering support and continued cooperation.

#### **Insurer Financial Strength Rating**

JCR VIS assigned Insurer Financial Strength Rating to the Company of BBB+' (Triple B Plus), under 'Rating Watch - Developing' status on account of public notice for its prospective merger with Crescent Star Insurance Limited on April 07, 2016.

#### **External Audit**

The auditors M/s. Muniff Ziauddin & Co. Chartered Accountants retire at the conclusion of the Annual General Meeting. Being eligible, they have offered themselves for re-appointment. The Board on the recommendation of the Audit Committee has proposed their re-appointment.

The Auditors in their Auditor's report emphasized on the gap in the solvency requirementduring 2016. Referred in notes 1.2 & 1.3.

#### **Statement of Corporate and Financial Reporting Framework**

The corporate laws, rules and regulations framed thereunder spell out the overall functions of the Board of Directors of the Company. The Board is fully aware of its corporate responsibilities envisaged under the Code of Corporate Governance, prescribed by the Securities and Exchange Commission of Pakistan and adopted by the Stock Exchanges for all listed companies, and is pleased to certify that:

- 1. The financial statements, prepared by the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- 2. The Company has maintained proper books of accounts as required under the Companies Ordinance, 1984.
- 3. The Company has followed consistently appropriate accounting policies in preparation of the financial statements. Changes wherever made, have been adequately disclosed and accounting estimates are on the basis of prudent and reasonable judgment



- 4. Approved Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from, if any, has been adequately disclosed.
- 5. The system of internal control is sound, effectively implemented and monitored. The process of review will continue to strengthen the system for its effective implementation.
- 6. There are no significant doubts upon the Company's ability to continue as a going concern
- 7. The Board of Directors does not recommend any Dividend for the year ended December 31, 2016.
- 8. The Company has followed the best practices of the Code of Corporate Governance and there is no material departure there from.
- 9. Key operating and financial data for last six years is annexed with the report.
- 10. The related parties' transactions are approved or ratified by the Board Audit Committee and the Board of Directors.
- 11. All major decisions relating to the investments / disinvestments of funds, changes in the policies are taken by the Investment Committee / Board of directors.
- 12. Decisions regarding appointment of CEO, CFO & Company Secretary and Head of Internal Audit, and fixing or changing of remuneration are taken and approved by the Board.
- 13. Outstanding taxes and duties are given in the financial statements.

#### **Board of Directors**

The Board of Directors comprises of eightNon-Executive Directors including one independent Director and one Executive Director (MD & Chief Executive Officer).

During the year under review ten meetings were held and attended as follows:

Name	No. of meetings eligible		
attended	to attend during the tenure	No. of meetings	
Mr. Irshad Ali Shaban Ali Kassim (Chairman)	7	6	
Mr. Shahid Ahmad*	7	2	
Mr. Abu Ahmed	7	7	
Mr. Munawar Ali Kassim	7	7	
Mr. Muzaffar Ali Shah Bukhari	7	3	
Mr. Jalees Ahmed Siddiqi (MD & Chief Executive Officer)	7	7	

The Board accepted the resignation of directors, Mr. Shahid Ahmad with effect from May 7, 2016 to fill the casual vacancy thus caused will be appointing new directors within the given 90 days' time limit.

Leave of absence was granted to the directors unable to attend the meeting.

The Board has developed a mechanism to evaluate its own performance by adopting self- evaluation methodology through an agreed questionnaire. The mechanism devised is based on the emerging and leading trends on the functioning of the Board and improving its effectiveness. The evaluation exercise is carried out every year.



Managing Director's performance is monitored and evaluated by the Board against the job description set by the Board.

### **Board Committee Meetings**

Board has constituted various committees at Board level for effective control and operation.

#### **Human Resource and Remuneration Committee**

During the year 2016, two meetings of Human Resource and Remuneration Committee were held and attendance was as follows:

#### Attendance

Mr. Munawar Ali Kassim (Chairman)	1
Mr. Irshad Ali Shaban Ali Kassim	1
Mr. Jalees Ahmed Siddiqi	1

#### **Investment Committee**

During the year 2016, three meetings were held and attendance was as follows:

#### **Attendance**

Mr. Abu Ahmed (Chairman)	2
Mr. Irshad Ali Shaban Ali Kassim	2
Mr. Jalees Ahmed Siddiqi	2
Mr. Afroz Ouraishi	2

### **Underwriting Committee**

During the year 2016, four meetings of Underwriting Committeewere held and attendance was as follows:

#### **Attendance**

Mr. Irshad Ali Shaban Ali Kassim	1
Mr. Afroz Quraishi	1
Mr. Jalees Ahmed Siddigi	1

### **Claims Committee**

During the year 2016, four meetings of claims Committee were held and attendance was as follows:

#### Attendance

Mr. Abu Ahmed	1
Mr. Afroz Quraishi	1
Mr. Jalees Ahmed Siddigi	1

#### Co-Insurance and Re-Insurance Committee

During the year 2016, four meetings of Co-Insurance and Re-Insurance Committeewere held and attendance was as follows:

#### Attendance

Mr. Irshad Ali Shaban Ali Kassim	1
Mr. Afroz Quraishi	1
Mr. Jalees Ahmed Siddigi	1



### Pattern of Shareholding

A statement showing the pattern of shareholding is attached with this report.

#### **Trading of Company's Share**

No trading in the shares of the Company was carried out by the Directors, CEO and Executives (employees with basic salary of Rs.O.5M or above) or their spouses or minor children, if any.

#### Compliance with the Code of Corporate Governance

The requirements of the Code set out by the stock exchanges in their listing regulations, relevant for the year ended December 31, 2016, have been duly complied with. A statement to this effect is annexed with this report.

#### Code of Conduct

The Board has adopted a statement of Code of Conduct for directors and employees. Acknowledgment for compliance are obtained and held by the Company.

Certificate of the Directors and Principal Officer under Section 46(6) of the Insurance Ordinance, 2000

### We certify that:

- (a) in our opinion the annual statutory accounts of the Company set out in the forms attached to the statements have been drawn up in accordance with the Ordinance and rules made there under;
- (b) the Company has at all times in the year complied with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency (refer notes to the financial statements note: 1.2) and reinsurance arrangements; and
- (c) as at the date of the statement, the Company continues to be in compliance with the provisions of the Ordinance and the rules made thereunder relating to paid-up-capital, solvency(refer notes to the financial statements note: 1.2) and reinsurance arrangements.

#### Acknowledgement

The Board of Directors would like to express its sincere appreciation to the Company's valued clients, reinsurers, brokers, business partners and other stakeholders. The Board would also like to thank the Securities and Exchange Commission of Pakistan, the Stock Exchanges and the Central Depository Company for their continuedguidance and support. The Company's accomplishments would not have been possible without the dedication and commitment of the Company's motivated & dedicated employees; they deserve special recognition on behalf of the Board.

### Irshad Ali Shaban Ali Kassim

Chairman

Karachi: May 02, 2017



ضابطهاخلاق

بورڈ کے ڈائر یکٹرزاور ملازمین کے لئے ایک ضابطہ اخلاق موجود ہے جس کی تنبیل اور انعقاد کی تصدیق حاصل کی گئی ہیں۔

ڈائر کیٹراور پرنیل آفیسرز کا تصدیق نامہ سیشن (6) 46برائے انشورنس آرڈیننس 2000

ہم اس بات کی تصدیق کرتے ہیں کہ

(الف) ہماری رائے کےمطابق نمپنی کےسالانہ اکاؤنٹس کوایک فارم تشکیل دیا گیاہے وہ آرڈیننس اورضابطہ خلاق کےعین مطابق ہے جودرج ذیل ہیں ؛

(ب) اس تمام سال کے دوران کمپنی نے آرڈیننس اور قواعد کومرتب کیا ہے کی جن کا تعلق اداشدہ سرمایہ، ادائے قرض سے ہے (بحوالہ مالی گوشوارہ کے نوٹس نمبر2.1 اورری انشورنس انتظامات سے متعلق ہے۔

(ج) اس گوشوارے کی تاریخ کے مطابق کمپنی نے آرڈیننس اور قواعد کی قلیل کی ہے جن کا تعلق اداشدہ سرمایہ،ادائے قرض کی صلاحیت (بحوالہ مالی گوشوارہ کے نوٹس نمبر 1.2) اور ری انشورنس انتظامات کے مطابق یا بندی ہے ہے۔

اعتزاف نامه

بوردُ آ ف دُائرَ يكثرزا بني نيك خواهشات كااظهار كرتى اپنے تمام صارفين ،رى انشوررز ، بروكرز ، تجارتى شراكت داروں اور ديگراسٽيك ہولڈرز كا۔

بورڈ سیکوریٹیز اینڈ اینٹر اینٹر اینٹر آف پاکستان،تمام اسٹاک ایمنیخ اورسینٹرل ڈپازیٹری کمپنی کی شکر گزار ہے جن کا کمپنی کو کمل تعاون حاصل رہا۔ کمپنی کے تمام امور کی انجام دہی م ملاز مین کے انتہک محنت اور جدو جہد کے بغیرممکن نہیں تھی لہذاان کی کاوشوں کو بورڈ کی جانب سے خاص طور پرسراہا گیا ہے۔

> ارشادعلی شعبان علی قاسم چیئر مین کراچی20مئی2017



دعویٰ تمینی

اس سال کے دوران دعوی کمیٹی کی جارمیٹنگز کا انعقاد ہواجس کی حاضری مندرجہ ذیل رہی:

حاضري

جناب *ايواحد* 

چناب افروز قريثي 1

جناب جليس احرصد يقي

كوانشورنس اوررى انشورنس تميثي

اس سال کے دوران کوانشورنس اور ری انشورنس کمیٹی کی جارمیٹنگز منعقد ہوئیں جن کی حاضری مندرجہ ذیل رہی:

حاضري

چناب ارشا دعلی شعبان علی قاسم

چناب افروز قریثی

چئاب جليس *احرصد يقي* 1

شير ہولڈنگ کانمونہ

ایک گوشوارہ پیٹرن آف شیر ہولڈنگ اس کے ساتھ منسلک ہے۔

سمپنی کے صص کی تجارت

ہوئی ڈائر کیٹرز CEOاورا مگزیکٹو(وہ ملاز مین جن بنیادی تخواہ 0.5 ملین یااس سے زیادہ ہو) کی جانب سے کمپنی کے ٹیئرز کی کوئی خریدوفروخت نہیں نہ ہی ان کے ہوی بچوں نے کی ہے۔

> کوڈ آ ف کارپوریٹ گورننس (سمپنی کے انتظامی قواعد وضوابط) کی تعمیل سال 2016ء ہے متعلق اسٹاک ایکیچنج کے مطالبے کے مطابق قواعد وضوابط کی فہرست مرتب کروائی جاچکی ہے۔ بیگوشوارہ اس رپورٹ کے ساتھ موجود ہے۔



بورڈ کمیٹی کے اجلاس بورڈ نے موثر کنٹرول اور آپریشنز کو بہتر انداز میں چلانے کے لئے کئی کمیٹیاں تشکیل دی ہیں۔

انسانی وسائل اورمعاوضه کمیٹی اس سال کے دوران انسانی وسائل اورمعاوضه کمیٹی کی میٹنگز ہوئی اوران کی حاضری مندرجہ ذیل رہی:

حاضري

جناب منورعلی قاسم (چیئر مین) جناب ارشادعلی شعبان علی قاسم 1

جناب *جليس احمه صد*لقي

سرماىيكارىميثي

اس سال تین میشنگز منعقد به وئیس ان کی حاضری مندرجه ذیل رہی:

حاضري

جناب ابواحمد (چيئرمين)

جناب ارشاد على شعبان على قاسم

جناب جليس احمر صديقي

جناب افروز قريثي 2

بيميه

اس سال کے بیمہ میٹی کی چارمیٹنگز کا انعقاد ہوا اور ان کی حاضری مندرجہ ذیل رہی:

حاضري

جناب ارشادعلی شعبان علی قاسم

جناب افروز قريثي

جناب جليس احمه صديقي



- 8 کوڈ آف کارپوریٹ گورننس کی پہترین استعالات کوا چھے انداز میں اپنایا گیاہے۔
  - 9۔ قابل ذکر آپریٹنگ اور مالی ڈیٹا چھسال کااس رپورٹ میں شامل ہے۔
- 10 ۔ بورڈ کی آڈٹ کمیٹی سے اور بورڈ آف ڈائر کیٹرز سے یارٹیز ٹرانز کیشنز منظورشدہ ہیں۔
- 11۔ تمام بڑے فیصلے جو کہ بیسے کی سر مابیکاری/ غیرسر مابیکاری، پالیسیوں میں تبدیلی کوانویسٹمنٹ کمیٹی/ پورڈ آف ڈائر یکٹرزکرتے ہیں۔
- 12 سى اى او بى ايف او بمينى سيريرى ، ہيڙ آف انٹرنل آڙٹ کي تقرري وتيديلي اور وظائف کا فيصله انويسٹمنٹ کميٹی/ پورڈ آف ڈائر يکٹرز کرتا ہے۔
  - 13 ۔ واجب الا داشکیسز اور ڈیوٹیاں فنانشل گوشواروں میں ظاہر کردی گئی ہیں۔

### بوردْ آ ف ڈائر یکٹرز

بوردْ آ ف دْائر يكٹرز آٹھنانا بگزيكٹودْائر يكٹرز جس ميںايك خود مختار دْائر يكٹراورايك ايگزيكٹودْائر يكٹر (M D ياچيف ايگزيكٹودْائر يكٹر )پرمشتمل ہيں۔

### اس سال کے دوران دس میٹنگوں کا انعقاد کیا گیاہے:

شرکت کرده اجلاسول کی تعداد	دوران ڈائر یکٹرشپ حاضر ہو سکنے والے اجلاسوں کی تعداد	نام
6	7	چنابارشا دلی شعبان علی قاسم (چیئر م <b>ی</b> ن )
2	7	جناب شابداحمد
7	7	جناب ابواحمه
7	7	جناب منورعلی قاسم
3	7	جناب مظفرعلی شاه بخاری
7	7	جِنابِ جليس احمرصد <sup>ر</sup> قي (ايم ڈي اور چيف ايگزيکٹو آفيسر)

بورڈ نے جناب شاہداحمہ کا ستعفیٰ 7 مئی 2016 سے منظور کر لیا ہے۔اس جگہ کو پر کرنے کے لئے 90 دن کے اندر دوسرے ڈائر یکٹر کی تقرری لازمی ہے۔ ڈائر یکٹرز کی میٹنگ میں غیر حاضری کی رخصت کومنظور کر لیا گیا ہے۔

بورڈ نے خودا پنی کارکردگی کو چیک کرنے کے لئے ایک ذاتی جائزے کامنکیزم تیار کیا ہے جس کے لئے ایک متفقہ سوالنامہ تیار کیا گیا ہے۔اس مکیزم کوموجودہ انجرتے ہوئے اور جدید تقاضوں سے ہم آ ہنگ کرنے کے لئے ایبا طریقہ اختیار کیا گیا ہے جس سے بورڈ اپنی کا کردگی کا جائزہ لے کراس کو بہتر بنا سکتا ہے۔کارکردگی کا بیجائزہ پر ہرسال عمل کیا جاتا ہے۔

کام کی ذمہ داریوں ہے متعلق منیجنگ ڈائریکٹر کی کارکر دگی کامشاہدہ اور جائز ہیورڈ کرتا ہے۔



### بیمه کار (انشورر) کی مالی استخکام کی ریٹنگ

JCR VIS نے مالی استحکام کی ریٹنگ +BBB (ٹربل Bپلس) کو انشوررکو تفویض کردی جو کہ کہ ریٹنگ واج ڈولپمنٹ کی حیثیت سے کر بینٹ اسٹار کے انضام کو 70 ایربل 2016 کو پیلک نوٹس میں شائع کرایا۔

### بيروني آ ڈٹ

موجودہ سالا نہ میٹنگ میں بیرونی آڈیٹرزمیسرزمنیف ضیاءالدین اینڈ کو، چارٹرڈ ا کاونٹنٹس ریٹائر ہورہے ہیں ،لہذاانہوں نے دوبارہ تقرری کے لئے اپنے خدمات پیش کی ہیں۔بورڈ نے ان کی دوبارہ تقرری کوتجویز کیا ہے۔

آ ڈیٹرزنے اپنی رپورٹ میں اس بات پرزور دیا ہے کہ کمپنی کے ادائے قرض کی صلاحیت کے فرق کو دوران سال 2016 کوبطور ریفرنس پیش کیا ہے۔ نوٹ 1.2 اور 1.3 پر رجوع کریں

### کارپوریٹ اسٹیٹمنٹ اور مالی فریم ورک کی رپورٹنگ

موجودہ کارپوریٹ توانین، رولزاورریگولیشن مجموعی طور پر بورڈ آف ڈائریکٹرز کی کارکردگی کوظاہر کرتے ہیں۔ بورڈ اپنی کارپوریٹ ذمہ داریوں سے مکمل طور پر آ آگاہ ہے جوکوڈ آف کارپوریٹ گورنس کے تحت موجود ہیں، جن کا ذکر سیکوریٹیز اینڈ ایمپینے کمیشن آف پاکستان کا تجویز کردہ ہے اوراسٹاک ایکسپینز برائے لسٹڈ کمپینز نے اسے اختیار کیا ہے، اوراس کی تصدیق کی جاتی ہے کہ:

- 1۔ فنانشل سٹیٹمنٹس جو کمپنی نے تیار کئے ہیں ظاہر کرتے ہیں کے اس کے معاملات بالکل صاف تھرے ہیں جس کے نتیجے میں اس کا آپریشن، کیش فلوز اورا یکو پٹی میں تبدیلی ہے۔
  - 2۔ کمپنی نے صحیح طریقے کے پینز آرڈیننس1984 کے تحت بکس آف اکاؤنٹس کو قائم رکھا ہے۔
- 3۔ سیمپنی نے تسلسل کے ساتھ مناسب اکاؤنٹنگ پالیسیوں کی نتمیل کی ہے جو کہ مالی گوشواروں کے لئے تیار کی گئی تھیں۔ اس میں جو بھی تبدیلی کی گئی ہے۔ اس کی نشاندہی مضبوط اور قابل بھروسہ ثبوت کے ساتھ کی گئی ہے۔
- 4۔ منظورشدہ اکاؤنٹنگ قوانین جو کہ پاکستان میں نافذ العمل ہیں ان کو مدنظر رکھتے ہوئے مالی گوشوارے تیار کئے گئے ہیں اوراس میں کسی بھی قسم کی تیدیلی کوموثر انداز میں نشاندہی کی گئی ہے۔
- 5۔ انٹرنل کنٹرول کے لئے منظورشدہ اکا وَ نٹنگ اسٹینڈرڈ زنافذ کئے گئے ہیں اور انہی کے مطابق کام ہور ہاہے۔اس کا جائزہ لینے کاموثر طریقہ استعال کیا جار ہاہے۔
  - 6۔ ان فنانشل المیٹمٹس میں کوئی بڑے شبہات موجود نہیں۔
  - 7۔ بورڈ آف ڈائر کیٹرزنے سال دہمبر2016 کے لئے کسی ڈیوڈ پیڈ کا اعلان نہیں کیا۔



مالی جھلکیاں 31 وسمبر2016 کوختم ہونے والے سال کے لئے آپ کی میٹی کی نقابل مالی جھلکیاں ذیل میں ہیں:

2015	2016	
402,532	(15,375)	مجموعی تحریری پریمیم
220,426	76,310	نىيە پرىمىيم آمدنى
(91,135)	(20,209)	نىيە دغوپى بشمول IBNR
71,445	24,998	نفع برائے کاروبار بیمیہ
3,121	1,389	سر ما پیکاری کی مدمیں آمد نی
(9,833)	(24,881)	بعداز ٹیکس (نقصان)
(0.28)	(0.71)	فی شیئر (نقصان ) (روپوں میں )

### سال2016 اوراس کے پچھلے سال کا مجموعی تحریری پریمیم کی مدمیں تقابل درج ذیل ہیں:

2015	2016
2013	2010

پورٹ فولیوکس (%)	مالیت (روپیملین میں )	پورٹ فولیومکس (%)	ماليت (روپيملين ميں )	
60.8	244.9	263.6	(40.6)	آ گاورجائیداد
5.3	21.2	(84.4)	13.0	آ بی، ہوائی اور نقل وحمل
13.7	55.0	66.2	10.2	موٹر
4.8	19.3	1.2	(0.2)	حادثة اورضحت
15.4	62.1	(14.2)	2.2	متفرق
100.0	402.6	100.0	(15.4)	کل

### ری انشورنس کے معاہدے

کمپٹی وٹیا کی بڑی کمپنیوں کے ساتھ مضبوط بنیادوں پر دہری ہیمہ کاری کا اہتمام کرتی ہے۔ جبکہ روایتی بزنس کے زیرتح برصلاحیت (صانت) کے تحت، کوئی اتار چڑھاو نہیں آیااور 2016 میں وہی کاروبار برقر ارر ہالہذا کمپٹی اس قابل ہوگئی وہ مالی اعتبار سے بڑے خطرات کی ضانت دے سکے۔ہم اپنے تمام ری انشورز کے شکر گزار ہیں کہ انہوں نے انتقک طور پرہمیں سپورٹ کیااورہم سے تعاون کیا۔۔



# ڈائز یکٹرز کی رپورٹ

آپ کی کمپنی کے ڈائر کیٹر زسالانہ رپورٹ کے ساتھ آ ڈٹ شدہ مالیاتی گوشوارے پیش کرنے کی مسرے محسوس کررہے ہیں جو کہ سال 31 دیمبر 2016 کو اختیام پذیر یہوا۔

### چیئر مین کی جانب سے پیغام

سب سے پہلے کمپنی کی انتظامیہ نے یہ فیصلہ کیا ہے PICIQ انشورنس لمیٹڈ کوکر سینٹ اسٹار انشورنس لمیٹڈ میں ضم کر دیا جائے جس کے لئے نہ صرف کا میاب حکمت عملی اپنائی جائے بلکہ تمام لازمی منظوریاں بھی حاصل کی جائیں۔

اب آپ کی کمپنی اس بات کا جائزہ لے رہی ہے کہ کر سینٹ اسٹار فوڈز (پرائیویٹ) لمیٹٹر (جو کہ کر سینٹ اسٹار انشورنس لمیٹٹر کا ذیلی ادارہ ہے) PICIG است اسٹار نوڈنس میں ضم کرلیا جائے بشرطیکہ نسبت مبادلہ کا صحیح حساب لگایا جائے اور متعلقہ کمپنیوں کی انتظامیہ اور ممبران SECP کی منظوری اور اجازت سے تمام آئینی، قانونی کارپوریٹ کارروائیاں پوری کریں۔

ہمیں اعتاد ہے کہ جیسے ہی انضام کا مرحلہ کمل ہوجائے گا تو آپ کی کمپنی ایک نئے فیراورا یک اچھے انداز میں آگے بڑھے گی۔انظامیہ تمام آپشنز پرغور کرر ہی ہےاوراس بات پربھی کام کرر ہی ہے کہ کمپنی کے مالی نقصانات کا کسی حد تک ازالہ کیا جاسکے۔

### انسانی وسائل کی ترقی

ہم وسیع پیانے پراپنے ملاز مین کومتحرک رکھنے کے لئے ان کی اس طرح تربیت کرتے ہیں کہ وہ مارکیٹ کے چیلنجز سے کا بہترین انداز میں مقابلہ کرسکیں۔اس کے لئے ہم اپنے ملاز مین کو دوران ملازمت تربیت فراہم کرتے ہیں تا کہ وہ ضروری معلومات اور مہارت تیزی کے ساتھ حاصل کرسکیں۔ ڈپارٹمنٹ کے سر براہان موجودہ ملاز مین/آ فیسرز کوتربیت فراہم کرتے ہیں علم اور مہارت کو متقل کرنے کے لئے ایسے طریقے اختیار کئے جاتے جو بہت زیادہ موثر ہوتے ہیں اور کلاس روم لیکچرز کے بعد باہمی بحث ومباحثہ بھی ہوتا ہے۔

### كار پوريك كى ساجى ذمەداريان

PICIC انشورنس کممل طور پرایک اچھے کار پوریٹ شہری کی حیثیت سے اپنی ذمہ داریاں پوری کاعزم رکھتی ہے، ماحولیات اور دوران کام حفاظت اور صحت کی ذمہ داریاں پوری کرتی ہے، ماحولیات اور دوران کام حفاظت اور صحت کی ذمہ داریاں پوری کرتی ہے تا کہ غیر ضروری مصنوعی لائٹنگک کا استعال، سگریٹ نوشی کی حوصلہ شنی کے لیے کہ کا استعال، سگریٹ نوشی کی حوصلہ شنی کے لیے کہ کیا۔ دوران کمپنی نے کمیوٹی کوسپورٹ کرنے کے لئے لیڈی ڈفرین ہاسپیل اور اولڈا ایسوسی ایٹس آف کیفیارڈ سوسائٹی کو تعاون فراہم کیا۔



# **Key Financial Highlights**

Paid up share Capital
Accumulated (loss)
Investment Income
Return on bank balances
Total Assets
Gross Premiums Written
Net Premium Revenue
Profit / (Loss) from underwriting business
Net Claims
(Loss) / Profit before Taxation
Provision for Taxation
(Loss) / Profit after Taxation
(Loss) / earning per share (in Rupees)

2016	2015	2014	2013	2012	2011
		(Rupees in	thousand)		
350,000	350,000	350,000	350,000	350,000	350,000
(311,789)	(290,856)	(285,962)	(121,395)	(126,373)	(99,302)
848	614	7,423	12,014	13,529	3,441
541	2,507	4,744	13,130	25,899	24,836
335,902	607,184	917,184	925,748	972,350	1,071,579
(15,375)	402,532	508,247	657,294	594,296	694,665
76,310	220,426	292,698	322,505	322,840	224,914
24,998	71,445	(52,580)	37,187	(11,755)	19,981
20,209	91,135	213,119	177,558	211,887	143,668
(24,367)	(9,476)	(130,803)	9,908	(25,819)	8,424
(514)	(357)	(159)	(484)	(660)	3,346
(24,881)	(9,833)	(130,962)	9,424	(26,479)	11,770
(0.71)	(0.28)	(3.74)	0.27	(0.76)	0.34



# Pattern of Shareholding

# As at December 31, 2016

NUMBER OF	NO. OF SHARESHOLDINGS		NUMBER OF
SHAREHOLDERS	FROM	то	SHARES
			,
1,890	1	100	46,244
589	101	500	157,840
211	501	1,000	180,401
466	1,001	5,000	1,217,449
131	5,001	10,000	1,085,860
53	10,001	15,000	691,924
44	15,001	20,000	823,385
42	20,001	25,000	1,000,598
11	25,001	30,000	322,000
10	30,001	35,000	329,251
9	35,001	40,000	353,032
5	40,001	45,000	221,500
4	45,001	50,000	194,505
2	50,001	55,000	103,500
3	55,001	60,000	175,500
3	60,001	65,000	185,722
1	65,001	70,000	65,500
3	70,001	75,000	221,000
1	75,001	80,000	75,500
2	85,000	90,000	172,701
2	90,001	95,000	189,000
1	100,000	105,000	100,000
1	110,000	115,000	110,000
1	140,000	145,000	140,000
1	170,000	175,000	170,000
1	315,001	320,000	315,490
1	800,000	805,000	800,000
1	855,001	860,000	855,790
1	3,895,001	3,900,000	3,895,970
1	20,800,001	20,805,000	20,800,338
3,491			35,000,000



## Pattern of Shareholding Information as required under Code of Corporate Governance

As at December 31, 2016

Shareholder's Category	Number of shareholder	Number of share held
Associated Companies, Undertaking and Related Parties (name wise details)		
KM ENTERPRISES (PVT) LTD	1	20,800,338
Mutual Funds		
GOLDEN ARROW SELECTED STOCKS FUND LTD. ASIAN STOCK FUND LTD. SAFEWAY MUTUAL FUND LIMITED PICIC BENOVELENT FUND-2 PRUDENTIAL STOCKS FUNDS LIMITED.  Directors and their spouse (to be confirmed by company)  Mr. Muzaffar Ali Shah Bukhari Mr. IRSHAD ALI SHABAN ALI KASSIM Mr. MUNAWAR ALI KASSIM	1 1 1 1 1	22 6 19 44 35 500 1,000 1,000
Public Sector Companies and Corporations	2	4,751,760
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	26	12,150
Shareholder Holding five percent or more voting Rights in the Listed Company (name wise details)		
KM ENTERPRISES (PVT) LTD STATE LIFE INSURANCE CORP. OF PAKISTAN	1 1	20,800,338 3,895,970



# Pattern of Shareholding Additional Information

### As at December 31, 2016

Shareholder's Category	Number of Shareholder	Number of Shares	Percentage
Directors, Cheif Executive Officer, and their spouse and minor children			
Mr. Irshad Ali Shaban Ali Kassim	1	1,000	0.00
Mr. Munawar Ali Kassim	1	1,000	0.00
Mr. Muzaffar Ali Shah Bukhari	1	500	0.00
Associated Companies, Undertakings and related Parties			
KM Enterprises (Pvt) Ltd	1	20,800,338	59.43
Banks, Development Financial Institutions, Non Banking Financial Institutions	14	5,445	0.02
Non Banking Financial institutions	14	5,445	0.02
Insurance Companies	9	4,758,226	13.59
Modarabas and Mutual Funds	10	365	0.00
Share holders holding 10%	2	24,696,308	70.56
Individual	3,354	9,060,027	25.89
Others	100	373,099	1.07
Total (excluding : share holders holding 10%)	3,491	35,000,000	100



### 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 (the Code) for the purpose of establishing a framework of good governance, whereby the insurer is managed in compliance with the best practices of corporate governance.

PICIC Insurance Limited (the Company) has applied the principles contained in the Code in the following manner:

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

Category	Name of Directors
Independent Director	Mr. Muzaffar Ali Shan Bukhari
Executive Director	Mr. Jalees Ahmed Siddiqi (CEO)
Non-Executive Directors	Mr. Abu Ahmed
	Mr. Irshad Ali Shaban Ali Kassim
	Mr. Munawar Ali Kassim
	Mr. Abdul Sultan
	Mr. Manzoor Ali Natha
	Mr. Shahnawaz Madhani

The independent director meets the criteria of independence as laid down under the Code.

- 2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
- 3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or being a member of stock exchange has been declared as a defaulter by the stock exchange.
- 4. Casual vacancies occurring on the Board were filled by the directors within 90 days.
- 5. The Company has prepared a"Statement of Ethics and Business Practices"as Code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
- 6. The Company has developed a vision/mission statement, overall corporate strategy and significant policies of theCompany. 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 the CEO, other executive and non-executive directors, have been taken by the board.
- 8. The meetings of the board were presided over by the Chairman and in his absence, by a director elected by the Board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven 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 control given in the Code.
- 10. The Company arranged briefing for its directors to appraise them off their duties and responsibilities.



- 11. There was no new appointment of CFO, Company Secretary and Head of Internal Audit during the year.
- 12. The Directors' Report for this year has been prepared in compliance with the requirements of the Codeand fully describes the salient matters required to be disclosed.
- 13. The financial statements of the Company were duly endorsed byCEO and CFO before approval of the Board.
- 14. The Directors, CEO and executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.
- 15. The company has complied with all the corporate and financial reporting requirements of the Code.
- 16. The Board has formed the following Managementand Board Committees:

#### **Underwriting Committee:**

Names	Category
Mr. Irshad Ali Shaban Ali Kassim	Chairman
Mr. Jalees Ahmed Siddiqi	Member
Mr. Afroz Quraishi	Member

#### **Claim Settlement Committee:**

Names	Category	
Mr. Abu Ahmed	Chairman	
Mr. Jalees Ahmed Siddiqi	Member	
Mr. Afroz Quraishi	Member	

#### **Reinsurance & Coinsurance Committee:**

Names	Category
Mr. Irshad Ali Shaban Ali Kassim	Chairman
Mr. Jalees Ahmed Siddiqi	Member
Mr. Afroz Quraishi	Member

### **Remuneration Committee:**

Names	Category
Mr. Munawar Ali Kassim	Chairman
Mr. Irshad Ali ShabanAli Kassim	Member
Mr. Jalees Ahmed Siddiqi	Member

23



#### **Investment Committee:**

Names	Category
Mr. Abu Ahmed	Chairman
Mr. Irshad Ali Shaban Ali Kassim	Member
Mr. Jalees Ahmed Siddiqi	Member
Mr. Afroz Quraishi	Member

17. The Board has formed an Audit Committee. It presently comprises of three membersout of which two are non-executive and the chairman is an independent director. The Composition of the audit committee is as follows:

Names	Category
Mr. Muzaffar Ali Shah Bukhari	Chairman
Mr. Abu Ahmed	Member
Mr. Munawar Ali Kassim	Member

- 18. The meetings of the committees except Compliance Committee, Ethics, Human Resource and Remuneration Committee and Investment Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by this Code. The terms of references of the Committees have been formed and advised to the Committees for compliance this Code. No meeting of Risk Management & Compliance Committee was conducted as it was formed after the year end.
- 19. The Board has set up an effective internal audit function/ or has outsourced the internal audit function to M/s BDO Ebrahim& Company Chartered Accountant who are consider suitably qualified and experienced for the purpose and are and are conversant with the policies and procedures of the company and they (or their representatives) are involved in the internal audit function on a full basis.
- 20. The Chief Executive Officer, Chief Financial Officer, Compliance Officer, Company Secretary and the Head of Internal Audit possess such qualification and experience as is required under this Code. 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):

Names	Designation		
Jalees Ahmed Siddiqi	Managing Director / CEO		
Afroz Quraishi	CFO / Company Secretary		
Nizar Somani	Head of internal Audit		
Mohammad Abdul Rasheed	Asstt. General Manager		
Haji Ashraf Dhedhi	Asstt. General Manager		

21. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of ethics as adopted by the ICAP.



- 22. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with IFAC guidelines and the auditors haveconfirmed that they have observed IFAC guidelines in this regard.
- 23. The Board ensures that the investment policy of the company has been drawn up in accordance with the provision of the Code of Corporate Governance for Insurers, 2016.
- 24. The Board ensures that the risk Management system of the company is in the place as per the requirements of the Code of Corporate Governance for Insurers, 2016.
- 25. The Board ensures that as part of the risk management system, the Company get itself rated from JCR-VIS which is being used by its management function/department and the respective committee as a risk monitoring tool. The rating assigned by the rating agency on December 22, 2014 is "BBB+".
- 26. The Company has set up Grievance function in compliance with the requirement of the Code of Corporate Governance for Insurers, 2016.
- 27. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange.
- 28. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
- 29. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
- 30. The Company has not obtained any exemption from the Securities and Exchange Commission of Pakistan in respect of the requirement of the Code.
- 31. We confirm that all other material principles enshrined in the Codehave been complied.

For and on behalf of the Board of Directors **PICIC Insurance Limited** 

**Irshad Ali Shaban Ali Kassim** Chairman

Karachi: May 2, 2017



# Review Report to the Members on Statement of Compliance with the Best Practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of PICICInsurance Limited (the Company) for the year ended 31 December 2016 to comply with the requirements of Listing Regulations of the Stock Exchange, where the Company is listed.

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

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

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

Following instances of non-compliance with the requirements of the Code were observed which are not stated in the Statement of Compliance:

Note reference	Description
4	The board did not fulfill a casual vacancy occurring on 07 May 2016 for one of the directors within 90 days.
9	The board has not setup an effective internal control function throughout the year to meet all necessary aspects of internal control given in the code.
10	The Board has not made arrangements to carry out orientation courses on the Code of Corporate Governance for its directors. Furthermore, the directors (excluding exempted directors) have not acquired the mandatory certification of directors training program from the Institutes specified by the SECP.
13	The financial statements of the company were not endorsed by CFO of the company.
18	The board has not setup an effective internal audit function throughout the year.
20	Due to significant reduction of business activity, sizeable number of employees have left the company including, CFO/Company Secretary and Head of Internal Audit, subsequent to the year end.



Note reference	Description
23	The board has not devised investment policy of the Company as per the requirement of the Code of Corporate Governance for the Insurer, 2016.
26	The board has not setup risk management system as per the requirements of the Code of Corporate Governance for Insurer 2016.
28	The board has not setup Grievance function in compliance with the requirement of the Code of Corporate Governance for the Insurer, 2016

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

**MUNIFF ZIAUDDIN & CO** 

KARACHI: CHARTERED ACCOUNTANTS
Dated: May 02, 2017 (Muhammad Moin Khan)



### **Auditors' Report to the Members**

We have audited the annexed financial statements comprising of:

i. balance sheet; ii. profit and loss account;

iii. statement of comprehensive income; iv. statement of changes in equity;

v. statement of cash flows; vi. statement of premiums; vii. statement of claims viii. statement of expenses; and

ix. statement of investment income

of **PICIC Insurance Limited 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 management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Insurance Ordinance2000(XXXIX of 2000) and the CompaniesOrdinance. 1934 (XLVII of1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards 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 opinionand, after due verification, we report that;

- 1. as mentioned in note 1.2 to the financial statements that the admissible assets of the Company as at December 31, 2016 are in excess of the Company's liabilities by Rs. 6.730 million only. Hence, the Company is not meeting the solvency requirement by Rs. 143.270 million as at December 31, 2016. Moreover, as mentioned in note 1.3 to the financial statements, process of 35 million Right shares at par could not be moved forward because of non-availability of underwriters for the issue.On April 07, 2016 PICIC Board, in principle agreed to a merger of the Company with and into Crescent Star Insurance Limited, which is still pending execution.
- 2. the Company has incurred a loss after taxation amounting to Rs.24.881million during the year and its accumulated losses amounted to Rs. 311.789 million as at December 31, 2016. Further, the operating cash flows of the Company are also negative since 2011. These circumstances, along with the inability of the Company to meetthe minimum solvency requirement and sizeable decline in business activities, indicate the material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements have been prepared on a going concern basis however, in our opinion, management's use of the going concern assumption in the financial statements is inappropriate.

### 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) except for the effects of the matters referred to in paragraph 1 and 2, 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) Due to the significance of the matters referred to in paragraphs 1 and 2 above, the financial statements together with the notes thereon do not present fairly, in all material respects, the state of the Company's affairs as at December 31, 2016 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended, in accordance with the approved accounting standards as applicable in Pakistan, and do not 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).

KARACHI:

Dated: May 02, 2017

MUNIFF ZIAUDDIN & CO CHARTERED ACCOUNTANTS (Muhammad Moin Khan)



## **Balance Sheet**

### As at December 31, 2016

	Note	2016	2015	2014
		(Ru	pees in thou	
Share capital and recorves			Restated	Restated
Share capital and reserves Authorised share capital				
[125,000,000 (December 31, 2015: 125,000,000)				
Ordinary shares of Rs.10 each]		1,250,000	1,250,000	500,000
Paid-up share capital				
[35,000,000 (December 31, 2015: 35,000,000)				
Ordinary shares of Rs.10 each]	8	350,000	350,000	350,000
Accumulated losses		(311,789)	(290,856)	(285,962)
		38,211	59,144	64,038
Underwriting provisions				
Provision for outstanding claims (including IBNR)		112,928	141,549	185,953
Provision for unearned premium		16,625	183,932	286,037
Provision for premium deficiency		-	225	7,781
Commission income unearned		4,838 134,391	11,954 337,660	20,380
		154,591	337,000	300,131
Creditors and accruals				
Amounts due to other insurers / reinsurers		118,851	180,343	284,089
Other creditors and accruals	9	33,464	21,029	56,582
Accrued expenses Unclaimed dividend		10,790	8,813	12,129
Unclaimed dividend		195 163,300	210,380	195 352,995
		103,300	210,380	332,993
TOTAL LIABILITIES		297,691	548,040	853,146
TOTAL EQUITY AND LIABILITIES		335,902	607,184	917,184
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**Contingencies and commitments** 

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The annexed notes 1 to 33 form an integral part of these financial statements.



	Note	2016	2015	2014
			pees in thous	
		in the second	Restated	Restated
Cash and bank deposits	11		Restated	restated
Cash and other equivalents	- ''	96	283	236
Current and other accounts		400	30,129	21,197
Deposits maturing within 12 months		-	-	20,000
		496	30,412	41,433
Investments	12	36,387	53,701	75,572
Deferred Taxation	13	2,619	2,619	2,619
Current Assets - Others				
Premiums due but unpaid	14	22,812	88,132	292,421
Amounts due from other insurers /				
reinsurers - unsecured		147,025	173,909	199,834
Accrued profit		-	-	120
Reinsurance recoveries against outstanding claims Taxation - payments less provision		57,218	68,565 25,715	72,172 24,543
Deferred commission expense		26,300 3,494	23,713	18,224
Deferred acquisition costs	15	3,777	25,764	10,224
Prepayments	16	19,995	113,817	170,572
Sundry and other receivables		6,168	7,376	6,820
		283,012	501,498	784,706
Fixed assets	17			
Tangible				
Furniture and fixture		7,763	10,248	7
Office equipment		2,164	3,063	641
Computer equipment		1,820	3,384	1,263
Motor vehicles		1,641	2,228	195
Capital work in progress		-	-	10,557
Intangible			24	101
Computer software		13,388	18,954	191 12,854
		13,300	10,754	14,004
TOTAL ASSETS		335,902	607,184	917,184



# **Profit and Loss Account**

### For the year ended December 31, 2016

•		Fire and	Marine, aviation		Accident		Aggre	egate
	Note	property	and transport	Motor	Accident and health	Miscellaneous	2016	2015
			-	(Ru	pees in tho	usand)		Restated
				,	<b>,</b>			
Revenue account Net premium revenue Net claims Premium deficiency reversal / (exper		31,342 (1,448)	2,506 (2,942)	26,738 (12,645)	5,399 (5,125) 225	10,325 1,951	76,310 (20,209) 225	220,426 (91,135) 7,556
Management expenses Net commission	18	(49,436) (11,485)	15,837 955	12,458 (3,095)	(201) 72	2,630 937	(18,712) (12,616)	(45,972) (19,430)
Underwriting results	-	(31,027)	16,356	23,456	370	15,843	24,998	71,445
Net investment income Return on bank balances Gain on disposal of fixed assets							848 541 298 26,685	614 2,507 771 75,337
General and administrative expenses Financial charges							(51,011) -	(84,397)
Other charges  Loss before tax	20						(41) (24,367)	(416) (9,476)
<b>Taxation</b> - Current - Deferred	21						(514)	(357)
Loss after tax							(514)	(357)
LU33 diter tax							(24,001)	(2,033)
Profit and loss appropriation accoun	t							
Balance at the commencement of ye	ar						(290,856)	(285,962)
Total comprehensive income / (loss)	for the y	rear ear					(20,933)	(4,894)
Closing profit and loss appropriation	accoun	t					(311,789)	(290,856)
Loss per share - basic and diluted (Rupees)	22						(0.71)	(0.28)

The annexed notes 1 to 33 form an integral part of these financial statements.

Irshad Ali Shaban Ali Kassim Chairman Munawar Ali Kassim Director Muzaffar Ali Shah Bukhari Director **Moiz Ali**Managing Director / CEO



# **Statement of Comprehensive Income**

### For the year ended December 31, 2016

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	2016	2015
	(Rupees in	thousand)
Net Loss for the year	(24,881)	(9,833)
Items that will not be reclassified to profit or loss		
Remeasurement of post retirement benefits obligations	3,948	4,939
Total comprehensive loss for the year	(20,933)	(4,894)

The annexed notes 1 to 33 form an integral part of these financial statements.



# **Statement of Changes In Equity**

For the year ended December 31, 2016

	Paid-up share capital (Rup	Accumulated losses ees in thousand)	Total
Balance as at January 01, 2015 - Restated	350,000	(285,962)	64,038
Net loss for the year ended December 31, 2015	-	(9,833)	(9,833)
Other comprehensive income for the year			
- Re-measurement of post retirement benefit obligations	-	4,939	4,939
Balance as at December 31, 2015 - Restated	350,000	(290,856)	59,144
Total comprehensive loss for the year			
Net loss for the year ended December 31, 2016	-	(24,881)	(24,881)
Other comprehensive income for the year			
- Re-measurement of post retirement benefit obligations	-	3,948	3,948
Balance as at December 31, 2016	350,000	(311,789)	38,211

The annexed notes 1 to 33 form an integral part of these financial statements.



# **Statement of Cash Flows**

### For the year ended December 31, 2016

For the year ended December 31, 2016		Restated
ODEDATING ACTIVITIES	2016	2015
OPERATING ACTIVITIES	(Rupees in	thousand)
a) Underwriting activities Premiums received Reinsurance premiums paid Claims paid Reinsurance and other recoveries received Commissions paid Commission received Net cash (used in) / inflow from underwriting activities	49,945 18,824 (80,887) 43,404 (40,223) 4,182 (4,755)	606,821 (270,345) (228,179) 96,247 (99,890) 25,357 130,011
b) Other operating activities Income tax paid General management expenses paid Other operating receipts Other charges Net cash used in other operating activities	(1,099) (44,431) 1,169 (41) (44,402)	(1,529) (154,250) (295) (416) (156,490)
Total cash used in operating activities	(49,157)	(26,479)
INVESTMENT ACTIVITIES  Profit / return received Dividend received Payments for investments Proceeds from redemption of investments Proceeds from disposal of fixed assets Fixed capital expenditure  17 Total cash generated from investing activities	541 2,056 16,106 - 537 1 19,241	2,627 3,928 (18,120) 36,677 837 (10,491)
Net cash used in all activities Cash at the beginning of the year Cash at the end of the year	(29,916) 30,412 496	(11,021) 41,433 30,412
Reconciliation to profit and loss account Operating cash flows Depreciation / amortisation Gain on disposal of fixed assets Investment income Return on bank balances Decrease in assets other than cash Decrease in liabilities Decrease in unearned premium (Loss) after taxation	(49,157) (5,326) 298 848 541 (129,158) 83,402 73,671 (24,881)	(26,479) (4,325) 771 614 2,507 (232,705) 196,617 53,167 (9,833)
Definition of cash  Cash comprises of cash in hand and at banks, stamps in hand and short term placements with banks		
Cash for the purpose of statement of cash flows consists of:		
Cash and other equivalents - cash in hand - stamps in hand	96	- 283
Current and other accounts - current accounts - saving accounts	96 65 335	283 1,076 29,053
Deposits maturing within 12 months	400	30,129
The annexed notes 1 to 33 form an integral part of these financial statements.	496	30,412
and the state of t		

Irshad Ali Shaban Ali Kassim	Munawar Ali Kassim	Muzaffar Ali Shah Bukhari	Moiz Ali
Chairman	Director	Director	Managing Director / CEO



# **Statement of Premiums**

## For the year ended December 31, 2016

## Business underwritten inside Pakistan

	Premiums written	Unearned p reser		Premiums earned	Reinsurance ceded	Prepaid reir premium		Reinsurance expense	Net pre rever	
Class		Opening	Closing			Opening	Closing	J	2016	2015
Direct and facultative					- (Rupees in	thousand)				
1. Fire and property	(40,619)	90,735	(5,990)	56,106	(37,113)	56,413	(5,464)	24,764	31,342	70,203
Marine, aviation and transport	13,012	3,448	199	16,261	11,588	2,351	184	13,755	2,506	9,884
3. Motor	10,236	25,181	2,100	33,317	4,853	2,751	1,025	6,579	26,738	87,150
4. Accident and health	(165)	6,324	4	6,155	11	745	-	756	5,399	42,285
5. Miscellaneous	2,161	58,244	20,312	40,093	2,422	50,609	23,263	29,768	10,325	10,904
Total	(15,375)	183,932	16,625	151,932	(18,239)	112,869	19,008	75,622	76,310	220,426



# **Statement of Claims**

## For the year ended December 31, 2016

## **Business underwritten inside Pakistan**

	Claims paid	Outsta clair		Claims expense	Reinsurance and other	Reinsura other rec in resp outstandir	overies ect of	Reinsurance and other	Net cla expe	
Class		Opening	Closing		recoveries received	Opening	Closing	recoveries revenue	2016	2015
					(Rupees i	n thousand)				
Direct and facultative										
1. Fire and property	28,827	19,618	14,544	23,753	27,614	17,578	12,269	22,305	1,448	8,738
Marine, aviation and transport	13,345	16,710	14,695	11,330	8,781	11,476	11,083	8,388	2,942	2,455
3. Motor	25,637	40,777	25,626	10,486	(82)	2,453	376	-2,159	12,645	35,746
4. Accident and health	5,481	21,880	21,524	5,125	-	-	-	-	5,125	41,067
5. Miscellaneous	7,597	42,564	36,539	1,572	7,091	37,058	33,490	3,523	(1,951)	3,129
Total	80,887	141,549	112,928	52,266	43,404	68,565	57,218	32,057	20,209	91,135



# **Statement of Expenses**

## For the year ended December 31, 2016

## Business underwritten inside Pakistan

	Commission paid or	Defer commi		Net commission	Other management	Underwriting expense	Commission from	Net under expe	
Class	payable	Opening	Closing	expense	expenses	скрепас	reinsurers*	2016	2015
Direct and facultative				(Rup	ees in thou	sand)			
1. Fire and property	(155)	17,069	(23)	16,937	49,436	66,373	5,452	60,921	35,813
Marine, aviation and transport	2,353	567	37	2,883	(15,837)	(12,954)	3,838	(16,792)	4,643
3. Motor	885	2,592	187	3,290	(12,458)	(9,168)	195	(9,363)	38,061
4. Accident and health	(2)	65	-	63	201	264	135	129	5,347
5. Miscellaneous	343	3,691	3,293	741	(2,630)	(1,889)	1,678	(3,567)	6,491
Total	3,424	23,984	3,494	23,914	18,712	42,626	11,298	31,328	90,355

<sup>\*</sup> Commission from reinsurers is arrived after taking impact of opening and closing unearned commission.



## **Statement of Investment Income**

For the year ended December 31, 2016

Income from non trac	ling investments
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## Held to maturity

Return on government securities

Loss on sale of investments

## At fair value through profit or loss

Net unrealised loss on revaluation of investments

Dividend income

Investment related expenses

## Net investment income

2016	2015
(Rupees in	thousand)
-	3,038
(547)	(928)
(547)	2,110
(405)	(5,256)
2,056	3,928 (1,328)
1,651	(1,328)
1,104	782
(256)	(168)
848	614



## **Notes to and Forming Part of the Financial Statements**

## For the year ended December 31, 2016

#### 1. STATUS AND NATURE OF BUSINESS

- 1.1 PICIC Insurance Limited (the Company) was incorporated on April 23, 2004 under the Companies Ordinance, 1984 as a public limited company and registered as a non-life insurance company by the Securities and Exchange Commission of Pakistan (SECP) under the Insurance Ordinance, 2000. The company is a subsidiary of KM Enterprises (Pvt) Ltd. It is engaged in providing all classes of non-life insurance business. The Company is listed on the Pakistan Stock Exchange Limited. The registered office of the Company is situated at 1204, 12th floor, Emerald Tower, Clifton Block 5, Karachi. The Company operates with 2 (2015: 5) branches in Pakistan.
- 1.2 In accordance with the requirements of the Insurance Ordinance, 2000 and as mentioned in the Securities and Exchange Commission (Insurance) Rules, 2002 "Rules" (amended vide SRO 16(1)/2012 dated January 09, 2012), the minimum solvency requirement (i.e excess of admissible assets over liabilities) is Rs 150 million. The Company is not meeting the minimum solvency requirement as at December 31, 2016 as the admissible assets of the Company as at that date are in excess of the Company's liabilities by Rs. 6.730 million only.
- 1.3 Further, the Company has incurred a loss after taxation of Rs. 24.881 million during the current year and its accumulated losses as at December 31, 2016 amounted to Rs 311.789 million resulting in net equity of Rs 38.211 million as at December 31, 2016. Further, the operating cash flows of the Company are also negative since 2011. These circumstances, together with the non-compliance of minimum solvency requirement as mentioned in note 1.2 above, indicate existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

On April 07, 2016 PICIC Board, in principle agreed to a merger of PICIC Insurance Limited with, and into, Crescent Star Insurance Limited, subject to all necessary regulatory approvals, including that of the Securities & Exchange Commission of Pakistan, Competition Commission of Pakistan and other relevent authorities.

On the instructions of the High Court of Pakistan the company held the Extra Ordinary General Meeting on August 29, 2016 for seeking members approval for the SWAP ratio of 1:4. which were duly approved.

This follows the earlier process, initiated in September 2015 for 35 million Right shares at par, which could not move forward because of non-availability of Underwriters for the issue. However, SECP vide letter No. ID/PRDD/026-APPROVALS/2016/3760 dated January 21, 2016, based on Board decision of January 13, 2016 to go for rights at a discount, had also allowed to apply to the Commission for sanctioning the issuance of right shares at a discount of Rs.5 per share.

#### 2. BASIS OF PRESENTATION

- 2.1 These financial statements have been prepared on the format issued by the SECP through SEC (Insurance) Rules, 2002 vide SRO 938 dated December 12, 2002.
- 2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2016 but are considered not be to relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.



# 2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2017, but are considered not to be relevant or will not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

#### 3. STATEMENT OF COMPLIANCE

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

The SECP has allowed the insurance companies to defer the application of International Accounting Standard (IAS) -39 "Financial Instruments: Recognition and Measurement" in respect of valuation of investments classified as available-for-sale. However, the Company has no investments in available-for-sale category as of the balance sheet date.

#### 4. ACCOUNTING CONVENTION

These financial statements have been prepared under the historical cost convention except for investments which are carried at fair value and at present value respectively.

#### 5. SIGNIFICANT ACCOUNTING POLICIES

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

#### 5.2 Premium

Premium received / receivable under a policy is recognised as written from the date of attachment of the policy to which it relates. Premium income under a policy is recognised over the period of insurance as a difference between the total premium written and provision for unearned premium as mentioned in note 5.4.2 to these financial statements.

Premium income also includes administrative surcharge that represents documentation and other charges recovered by the Company from policy holders in respect of policies issued.

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

#### 5.3 Reinsurance ceded

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 insurance business being reinsured.



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 contracts.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire.

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

#### 5.4 Underwriting provisions

Underwriting provisions in respect of the insurance contracts entered into by the Company are accounted for as under:

## 5.4.1 Provision for outstanding claims

The liability in respect of outstanding claims is based on the estimates of the claims intimated or assessed before the end of the accounting year. In addition, conforming to the requirements of the SEC (Insurance) Rules, 2002, a provision is made on an estimated basis for the claims which may have been incurred in the current reporting period but have not been reported to the Company as of the balance sheet date (IBNR), after taking into consideration the expected recoveries and settlement costs. Any difference between the provision at the balance sheet date and settlements in the following years is included in the financial statements of that year.

IBNR for health and personal accident is determined and recognised in accordance with valuation carried out by an appointed actuary.

#### 5.4.2 Provision for unearned premium

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage and is recognised as a liability by the Company. This liability is calculated as follows:

- For marine cargo business, as a ratio of unexpired period to the total period of policy applied on the gross premium of the individual policies; and
- For other classes / line of business, by applying 1/24th method as allowed by the SEC (Insurance) Rules. 2002.

## 5.4.3 Premium deficiency reserve

The Company is required as per SEC (Insurance) Rules, 2002, to maintain a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability for claims and other expenses expected to be incurred after the balance sheet date in respect of unexpired policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve is recorded as an expense / income in profit and loss account for the year.



For this purpose, loss ratios for each class are estimated on historical claim development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. Further, actuarial valuation has been carried out to determine the amount of premium deficiency reserve in respect of accident and health insurance.

#### 5.4.4 Unearned commission income

Commission income and other forms of revenue (apart from recoveries) from reinsurers are deferred and recognised as a liability and are recognised in the profit and loss account as revenue in accordance with the pattern of recognition of related insurance premiums.

#### 5.5 Other creditors and accruals

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and / or services received, whether or not billed to the Company.

#### 5.6 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, 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 regularly reviewed and adjusted to reflect the current estimate.

## 5.7 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, deposits with banks, stamps in hand and short term investments.

#### 5.8 Financial assets

#### 5.8.1 Classification

The Company classifies its financial assets into the following categories: 'at fair value through profit or loss', 'available for sale', 'held to maturity' and 'loans and receivables'. The classification is determined at initial recognition and depends on the purpose for which the financial assets were acquired.

#### At fair value through profit or loss

A financial asset is classified in the 'financial assets at fair value through profit or loss' category at inception if it is acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking, or if so designated by the management.

#### Available for sale

These are non-derivative financial assets, which are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or changes in price.

#### Held to maturity

These are non-derivative financial assets with fixed or determinable payments and fixed maturity, in respect of which the Company has the positive intention and ability to hold to maturity.



#### Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

#### 5.8.2 Initial recognition and measurement

Investments other than those categorised into 'financial assets at fair value through profit or loss' category are initially recognised at fair value which includes transaction costs which are directly attributable to the acquisition of the securities. Investments classified as 'financial assets at fair value through profit or loss' are initially recognised at fair value and transaction costs are expensed in the profit and loss account. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the settlement date.

#### 5.8.3 Subsequent measurement

Investments classified as 'financial assets at fair value through profit or loss' are subsequently measured at their fair values and gains and losses arising from changes in fair value are included in the profit and loss account. Available for sale investments are subsequently measured at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002. In case of quoted equity securities, the market value is determined by using Stock Exchange quotations at the balance sheet date. However, in case of Government securities the market value is determined using rates announced by the Financial Market Association. Investments classified as held to maturity are subsequently measured at amortised cost less any impairment losses, taking into account any discount or premium on acquisition by using the effective interest rate method.

#### 5.8.4 Impairment against financial assets

The Company assesses at each balance sheet date whether there is an objective evidence that the financial asset or a group of financial assets is impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss, - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss account, as the case may be, is taken to the profit and loss account. For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash outflows, discounted at the original effective interest rate.

## 5.8.5 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

## 5.9 Reinsurance recoveries against outstanding claims

These are recognised as assets at the same time as the claims which gives rise to the right of recovery are recognised as liabilities and are measured at the amount expected to be recovered after considering an impairment in relation thereto.

## 5.10 Deferred commission expense

Commission incurred in obtaining and recording policies of insurance and re-insurance are deferred and recognised as an asset on acquisition of the related policies. Accordingly, these costs are charged to the profit and loss account as an expense based on the pattern of recognition of related premium revenue.



#### 5.11 Prepaid reinsurance

Reinsurance expense is recognised evenly in the period of indemnity. The portion of reinsurance contribution not recognised as an expense is shown as a prepayment.

#### 5.12 Sundry receivables

These are recognised at cost, which is the fair value of the consideration receivable less impairment, if any.

#### 5.13 Fixed assets

#### **Owned assets**

These are stated at cost less accumulated depreciation and accumulated impairment losses if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenditure are charged to the profit and loss account during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date. Depreciation is charged on additions from the date the asset is available for use and depreciation on disposals is charged till the date of disposal.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses on disposal, if any, of assets are included in income currently.

#### Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method over the estimated useful lives. The useful lives and amortisation method are reviewed and adjusted, if appropriate, at each reporting date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment losses, if any.

#### 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 tangible fixed assets.

#### **Impairment**

The carrying values of the Company's fixed assets are reviewed at each financial year end for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account.

## 5.14 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.



#### 5.15 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of ownership of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities is recognised in the profit and loss account of the current period.

#### 5.16 Off-setting of financial assets and financial liabilities

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

#### 5.17 Revenue recognition

- Premium income under a policy is recognised over the period of insurance from the date of inception of the policy to which it relates till its expiry in case of marine cargo business whereas for all other cases of premium income is recognised as a difference between total premium written and provision for unearned premium using 1/24th method as mentioned in note 5.4.2 to these financial statements.
- Commission income is being taken to the profit and loss account, on a time proportionate basis, in accordance with the pattern of recognition of reinsurance premium to which they relate.
- Administrative surcharge recovered by the Company from policy holders is included in income currently.
- Return on bank balances and government securities is recognised on an accrual basis.
- Dividend income is recognised when the right to receive the dividend is established.
- Gain / loss on sale / redemption of investments is included in the profit and loss account in the period of sale / redemption.
- Income from held to maturity investment is recognised on time proportion basis taking into account the effective yield on the investment. The difference between the redemption and the purchase price of the held to maturity investment is amortised and taken to the profit and loss account over the term of the investment.

#### 5.18 Taxation

#### Current

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account rebates and tax credits available, if any.

#### **Deferred**

Deferred tax is recognised using the balance sheet liability method on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses and unused tax credits to the extent that it is probable that the taxable profits will be available against which these can be utilised.

The carrying amount of the deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.



#### 5.19 Staff retirement benefits

#### 5.19.1 Defined contribution plan

The Company operates an approved provident fund scheme for its permanent employees who have completed the minimum qualifying period of service. Equal monthly contributions to the fund are made both by the Company and employees at the rate of 10% of the basic salary.

#### 5.19.2 Defined benefit plan - approved gratuity fund

All employees of the Company, who have completed the minimum qualifying period of service, participate in an approved funded defined gratuity plan. Contributions to the fund are made based on actuarial recommendations. The most recent actuarial valuation was carried out for the year ended August 15, 2016 using the Projected Unit Credit Method. 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.

#### 5.19.3 Compensated absences

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

#### 5.20 Premiums due but unpaid

These are recognised at cost, which is the fair value of the consideration receivable, less provision for impairment, if any.

#### 5.21 Amount due from / to other insurers / reinsurers

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

#### 5.22 Management expenses

These are allocated to various classes of business in proportion to the respective gross premium written for the year.

## 5.23 Dividends and appropriations to reserves

Dividends and appropriations to reserves are recorded in the period in which these are approved.

#### 5.24 Foreign currencies transactions

Foreign currency transactions are translated into Pakistani Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Exchange gains or losses are included in income currently.

#### 5.25 Earnings / loss per share

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



#### 6. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

	Noce
Underwriting provisions	5.4
Classification of investments and its impairment	5.8 & 12
Reinsurance recoveries against outstanding claims	5.9
Deferred acquisition costs	5.10 & 18
Useful lives of assets and methods of depreciation	5.13 & 17
Deferred taxation	5.18 & 13
Staff retirement benefits	5.19 & 8.1

#### 7. CHANGES IN ACCOUNTING POLICIES

During the year the company has changed its accounting policy regarding deferring of expenses.

The impacts of retrospective application of change in accounting policy are:

No	ote	2016	2015
Effect on balance sheet		(Rupees in	thousand)
Accumulated loss			
Accumulated loss As periviously stated Effect of changes in accounting policy	(	280,289)	(250,442)
-For the year 2014 -For the year 2015		(35,520) 24,953	(35,520) -
		290,856)	(285,962)
<b>Deferred acquisition costs</b> As periviously stated Effect of changes in accounting policy		10,567	35,520
-For the year 2014 -For the year 2015		(35,520) 24,953	(35,520) -
		-	-
Effect on profit and loss (Decrease) / Increase in administrative expenses		(24,953)	35,520

## 8. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2016	2015		2016	2015
(Number o	f shares)		(Rupees ir	thousand)
35,000,000	35,000,000	Ordinary shares of Rs. 10 each issued as fully paid in cash	350,000	350,000

9.



	Note	2016	2015
		(Rupees in	thousand)
OTHER CREDITORS AND ACCRUALS			
Commission payable		12,804	14,410
Sales tax / Federal excise duty payable		2,293	(2,692)
Federal insurance fee payable		168	54
Security deposits		3,423	3,423
Compensated absences		27	1,124
Defined benefit plan - approved gratuity fund	9.1	-	(937)
Others		14,749	5,647
		33,464	21,029

#### 9.1 Defined benefit plan - approved gratuity fund

#### 9.1.1 Salient features

The Company offers an approved gratuity fund for all employees. Annual contributions are made to the fund on the basis of actuarial recommendations. The gratuity is governed under the Trust Act, 1882, Trust Deed and Rules of the Fund, Companies Ordinance, 1984, the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002. With effect from August 15, 2016 the Company has curtailed off the Gratuity benefits with the consent of the employees.

The Company faces the following risks on account of the gratuity fund:

#### Final salary risks

The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

## Asset volatility

Most assets are invested in risk free investments. However, investments in shares are subject to adverse fluctuation as a result of changes in market prices.

#### **Discount rate fluctuation**

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plan's bond holdings.

## Investment risks

The risk of the investment underperforming and not being sufficient to meet the liabilities. The risk is mitigated by closely monitoring the performance of investment.



## Risk of insufficiency of assets

This is managed by making regular contribution to the Fund as advised by the actuary.

The benefits under the gratuity scheme are payable on retirement at the age of sixty years, resignation or earlier cessation of service. The benefit is equal to one month's last basic salary drawn for each year of eligible service. The minimum qualifying period for eligibility under the plan is five years of continuous service.

#### 9.1.2 Valuation results

Actuarial valuation is carried out every year and the latest valuation was carried out as at August 15, 2015 due to termination of the scheme. The information provided in notes 9.1.3 to 9.1.5 has been obtained from the actuarial valuation carried out as at December 31, 2015. The following significant assumptions have been used for valuation of this scheme:

Valuation discount rate Salary increase rate Expected return on plan assets

Aug-15 2016	Jun-30 2016	Dec-31 2015
	(%)	
9%	9%	10.00
8%	8%	9.00
9%	9%	10.00

## 9.1.3 Reconciliation of payable to approved gratuity fund

Present value of defined benefit obligation Fair value of plan assets

#### 9.1.4 Movement in net liability / (assets) recognized

Obligation at the beginning of the year Charge to profit and loss account Other comprehensive income Contribution to the fund during the year Closing balance

## 9.1.5 (Income) / charge for defined benefit plan

Current service cost Interest cost Settlement (gain) / loss

#### 9.1.6 Actual return on plan assets

Expected return on assets Actuarial loss

Aug-15 2016	Jun-30 2016	Dec-31 2015
(Rı	pees in thousa	nd)
,	'	•
10,313 (14,929) (4,616)	10,207 (14,929) (4,722)	17,389 (18,326) (937)
(4,722) - 106 -	(937) 163 (3,948)	1,795 4,002 (4,939) (1,795)
(4,616)	(4,722)	(937)
- - - -	1,371 (47) (1,161) 163	4,168 (166) - 4,002
- - -	822 (457) 365	2,015 (613) 1,402



#### 10. CONTINGENCIES AND COMMITMENTS

#### 10.1 Contingencies

The tax assessment of the Company has been finalised upto and including the tax year 2013. The tax returns filed are to be taken as deemed assessment in terms of Section 120 of the Income Tax Ordinance, 2001. However, while finalising the tax audit for the tax year 2007, the Taxation Officer had disallowed certain expenses claimed by the Company and increased the tax charge by Rs. 3.128 million. The Company has contested the amended order by filing an appeal before the Commissioner Inland Revenue (Appeals) which has been decided whereby substantial relief has been allowed. However, a second appeal has been filed before the Appellate Tribunal Inland Revenue for the remaining disallowed amount which is pending adjudication. Further, while finalising the tax audit for the tax year 2008, the Taxation Officer had charged minimum taxation on gross receipts of the Company and increased the tax charge by Rs. 1.51 million. The Company has contested the amended order by filing an appeal before the Commissioner Inland Revenue (Appeals) which is pending adjudication. The management, based on the advice of its tax advisor, is confident of a favourable outcome in both cases and, accordingly, no provision in this respect has been made in these financial statements.

During the year ended 2009, the Taxation Officer had passed an order along with notice of demand under section 161/205 of the Income Tax Ordinance, 2001, on alleged default of non-deduction of withholding tax on payments of insurance premium to non-resident reinsurer for the tax year 2009. The tax authorities had filed a writ petition against the Company along with other insurance companies in the High Court of Sindh. The petition has been dismissed by the Court and favorable outcome has been given in favor of the Company along with other insurance companies. The Company had also filed an appeal with the Commissioner Income Tax Appeals which is pending adjudication, to date. The tax impact of the above amounts to Rs 5.48 million against which no provision has been made in these financial statements, as the Company is confident of a favorable outcome.

#### 10.2 Commitments

There were no commitment as at the balance sheet date.

		Note	2016	2015
			(Rupees in	thousand)
11.	CASH AND BANK DEPOSITS			
	Cash and other equivalents - cash in hand			<u>-</u>
	- stamps in hand		96	283
	Current and other accounts		96	283
	- current accounts		65	1,076
	- saving accounts	11.1	335	29,053
			400	30,129
			496	30,412

**11.1** The balances in savings accounts carry mark-up at 3.75% per annum (2015: 4.00% per annum).



		Note	2016	2015 <b>thousand)</b>
12.	INVESTMENTS		(Kupees III	tilousaliu)
	<b>Designated at fair value through profit and loss account</b> Mutual funds	12.1 & 12.3	36,387	41,039
	Listed shares	12.2	-	12,662
	Held to maturity Government securities		36,387	53,701

## 12.1 Mutual funds

2016	2015	No. 11 Control	2016	2015
(NO. 0	f Units)	Name of Entity	(Rupees II	n thousand)
-	65,587	Golden Arrow Selected Stocks Fund Limited- closed end fund	-	630
-	36,087	PICIC Cash Fund - open end fund	<u>-</u>	3,732 4,362

## 12.2 Listed shares

2016	2015		2016	2015
(No. of	shares)	Name of Entity	(Rupees in	thousand)
-	11,343	Arif Habib Corporation Limited	-	580
-	2,812	Fatima Fertilizer Company Limited	-	126
-	22,959	Glaxo SmithKline Limited	-	5,051
-	16,105	Habib Bank Limited	-	3,223
-	7,320	MCB Bank Limited	-	1,587
-	15,812	National Bank of Pakistan	-	854
-	10,000	Nishat Mills Limited	-	949
-	-	Oil and Gas Development Company Limited	-	-
-	-	Pakistan Petroleum Limited	-	-
-	-	Shell Pakistan Limited	-	-
-	1,031	Aisha Steel Mills Limited	-	9
-	5,000	Adamjee Insurance Company Limited	-	283
			-	12,662



#### 12.3 Mutual Funds

The mutual fund investments includes Rs.36.7 million invested during the year in Pakistan Income Fund and deposited with the State Bank of Pakistan in compliance with the requirement of section 29 of the insurance ordinance 2000.

#### 13. DEFERRED TAXATION

The Company has an aggregate amount of Rs 289.617 million (2015: Rs 270.747 million) in respect of tax losses as at December 31, 2016 and deferred tax assets amounting to Rs 83.864 million is available to the Company. The management carries out periodic assessment to assess the benefit of these losses whether the Company would be able to set off the profits earned in future years against these losses. Although the Company is expected to acquire new business which will result in increase in taxable profits in future years, but the determination of future taxable profit is most sensitive to certain key assumptions such as gross premium written, reinsurance ceded, net claim expenses, investment returns, net commission expense and related expenses. Any significant change in the key assumptions may have a significant effect on the realisibility of the deferred tax asset. Considering these factors along with the uncertainty regarding the timing and extent of future taxable profits against which such benefits can be utilized, the management has adopted a prudent approach and has not recognized further deferred tax asset during the current year. The amount of deferred tax asset recognised as at December 31, 2016 amounted to Rs. 2.619 million (2015: Rs 2.619 million).

	Not	е	2016	2015
			(Rupees in	thousand)
14.	PREMIUMS DUE BUT UNPAID - UNSECURED			
	Considerational		22.042	00.42.4
	Considered good 14.1		22,812	88,134
	Considered doubtful		21,696	21,696
			44,508	109,830
	Provision for doubtful recovery 14.2		(21,696)	(21,696)
			22,812	88,134
				1

- 14.1 This includes an amount of Rs 2.483 million (2015: Rs 2.113 million) due from related parties.
- **14.2** The movement of provision for doubtful recovery is as follows:

	Note	2016	2015
		(Rupees ir	thousand)
Opening balance Charge for the year	19	21,696	17,460 4,236
Write off during the year Closing balance		21,696	21,696



## 15. DEFERRED ACQUISITION COSTS

The company has discontinued the practice of recognizing deferred acquisition cost as assets in balance sheet from June 30, 2016.

Note

2016	2015
(Rupees in	thousand)
19,008	112.869
987	948
19,995	113,817

## 16. PREPAYMENTS

Prepaid reinsurance premium ceded Others

## 17. FIXED ASSETS

						2016						
			Cost				Accumulated	depreciation /	<sup>/</sup> amortization		Written down value	
Description	At the beginning of the year	Additions	Disposals	Transfer	At the end of the year	At the beginning of the year	Charge for the year	Disposals	Transfer	At the end of the year	At the end of the year	Rate
					(Rı	pees in thous	and)					- %
Tangible - Owned												
Furniture and fixture	14,172	-	(825)	-	13,347	3,924	2,485	(825)		5,584	7,763	20
Office equipment	6,798	-	(2,080)		4,718	3,735	785	(1,966)		2,554	2,164	20
Computer equipment	10,367		(210)		10,157	6,983	1,534	(180)		8,337	1,820	33.33
Motor vehicles	2,636		(251)		2,385	408	492	(156)		744	1,641	20
	33,973		(3,366)		30,607	15,050	5,296	(3,127)		17,219	13,388	
Tangible - Under												
Musharakah agreement												
Motor vehicles	-					-	-					20
	33,973	-	(3,366)		30,607	15,050	5,296	(3,127)		17,219	13,388	
Intangible												
Computer software	5,178	-	-	-	5,178	5,147	31	-	-	5,178	-	33.33
Total	39,151	-	(3,366)	-	35,785	20,197	5,327	(3,127)	-	22,397	13,388	



						2015						
	Cost Accumulated depreciation / amortization						Written down value					
Description	At the beginning of the year	Additions	Disposals	Transfer	At the end of the year	At the beginning of the year	Charge for the year	Disposals	Transfer	At the end of the year	At the end of the year	Rate
					(Ru	pees in thous	and)					%
Tangible - Owned												
Furniture and fixture	6,063	12,375	(4,266)		14,172	6,056	2,134	(4,266)	-	3,924	10,248	20
Office equipment	4,207	3,323	(732)		6,798	3,566	835	(666)		3,735	3,063	20
Computer equipment	8,541	3,045	(1,219)		10,367	7,278	924	(1,219)	-	6,983	3,384	33.33
Motor vehicles	372	2,300	(36)	-	2,636	177	267	(36)	-	408	2,228	20
	19,183	21,043	(6,253)	-	33,973	17,077	4,160	(6,187)	-	15,050	18,923	
Tangible - Under Musharakah agreement												
Motor vehicles	-	-	-	-	-	-	-	-	-	-	-	20
	19,183	21,043	(6,253)	-	33,973	17,077	4,160	(6,187)	-	15,050	18,923	
Intangible												
Computer software	5,178	-	-	-	5,178	4,987	160	-	-	5,147	31	33.33
Total	24,361	21,043	(6,253)	-	39,151	22,064	4,320	(6,187)	-	20,197	18,954	

17.1 The depreciation / amortisation charge for the year has been allocated as follows:

	Note	2016 (Rupees in	2015 thousand)
Management expenses General and administrative expenses	18 19	3,707 1,619 5,326	3,141 1,184 4,325

- 17.2 Cost of fully depreciated fixed assets that are still in the Company's use, as at December 31, 2016, amounted to Rs 13.747 million (2015: Rs 14.190 million).
- 17.3 Disposals of fixed assets during the year having written down value of more than Rs. 50,000 NIL:



Note	2016	2015
	(Rupees in	thousand)
18. MANAGEMENT EXPENSES		
Salaries, wages and other benefits 18.1	5,739	20,423
Rent, rates and taxes	6,227	8,328
Depreciation / amortisation 17.1	3,707	3,141
Utilities	1,117	1,710
Travelling and conveyance	62	854
Printing and stationery	83	824
Vehicle running expenses	558	5,141
Communication	673	1,359
Survey fee	38	202
Health business expense	508	3,990
Others		
	18,712	45,972
Add: Opening deferred acquisition costs		
	18,712	45,972
Less: Closing deferred acquisition costs		
	18,712	45,972

**18.1** This includes an amount of NIL (2015: Rs. 1.205 million) in respect of staff retirement benefits.

## 19. GENERAL AND ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits	19.1	32,574	50,756
Rent, rates and taxes		1,443	2,666
Depreciation / amortisation	17.1	1,619	1,184
Utilities		467	501
Repairs and maintenance		2,787	4,283
Legal and professional charges		5,039	6,569
Travelling and conveyance		381	384
Printing and stationery		649	707
Entertainment		196	420
General office expenses		523	3,301
Vehicle running expenses		278	304
Advertisement		515	4,039
Computer charges		538	2,125
Communication		358	446
Provision against premium due but unpaid		-	4,236
Books and periodicals		487	651
Auditors' remuneration	19.2	515	515
Others		2,642	1,310
		51,011	84,397

19.1 This includes an amount of NIL (2015: Rs. 5.327 million) in respect of staff retirement benefits.



	Note	2016	2015
19.2	Auditors' remuneration	(Rupees in	thousand)
	Audit fee	250	250
	Half yearly review Regulatory return and CCG	100 50	100 50
	Out of pocket expenses	<u>115</u> 515	<u>115</u> 515
20	OTHER CHARGES		
20.	OTHER CHARGES		
	Contribution to Workers' Welfare Fund Exchange loss	-	- 46
	Bank charges	41	370
		41	416_

#### 21. TAXATION

- 21.1 Current tax charge has only been recorded in respect of dividend income which has been treated as a separate block of income. The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as the Company has incurred loss during the year and has accumulated losses in respect of prior periods.
- 21.2 Under section 114 of the Income Tax Ordinance, 2001 (Ordinance), the Company has filed the returns of income for the tax years from 2005 to 2016 on due dates. These returns were deemed completed under the provisions of the prevailing income tax law as applicable in Pakistan during the relevant accounting years except as explained in note 9 to these financial statements.

## 22. LOSS PER SHARE - basic and diluted

Basic loss per share are calculated by dividing the net (loss) / profit for the year by the weighted average number of shares as at the year end as follows:

	2016	2015
	(Rupees ir	thousand)
	•	
(Loss) after tax for the year	(24,881)	(9,833)
	(Number ir	thousand)
Weighted average number of shares of Rs 10 each	35,000	35,000
	(Ru	pee)
Basic (loss) per share of Rs 10 each	(0.71)	(0.28)

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



#### REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES 23.

23.1 Aggregate amounts charged in the financial statements for remuneration, including all benefits to the Chief Executive Officer, Director and Executives of the Company are as follows:

	2016				2015	
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rup	ees in thou	sand)	(Rup	oees in thou	sand)
Fee for attending Board meetings* Managerial remuneration Leave fare assistance Utilities Medical expenses Others	6,240 - 352 142 - 6,734	370 - - - - - - - 370	13,713 - - 326 - 14,039	6,421 - 195 83 - 6,699	730 - - - - - - 730	20,599 - - 479 - 21,078
Number of persons	<u> </u>	4		1	4	14

The current Chief Executive Officer is also provided Company maintained car

#### 24. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of associated entities having directors in common, major shareholders, directors, post employment benefit plan and key management personnel. The transactions with related parties and balances with them as at year end, other than remuneration of key management personnel (which is disclosed in note 22.1) are as follows:

Note	2016	2015
	(Rupees in	thousand)
Transactions		
Premium written	1,577	3,152
Claims paid	4,370	150
Contribution for staff provident fund	-	2,530
Contribution to gratuity fund	-	1,795
Charge in respect of gratuity fund	-	4,002
Proceeds from sale of fixed assets 17.3	-	-
Balances outstanding at year end		
Payable to gratuity fund	-	937
Premiums due but unpaid	2,483	2,113



#### 25. SEGMENT REPORTING

- **25.1** The Company's business is organised and managed separately according to the nature of services provided with the following segments:
  - Fire and property insurance provides coverage against damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and other related perils.
  - Marine, aviation and transport insurance provides coverage against cargo risk, war risk, damages occurring in inland transit and other related perils.
  - Motor insurance provides comprehensive car coverage, indemnity against third party loss and other related coverage.
  - Accident and health insurance provides coverage against personal accident, hospitalization and other medical benefits.
  - Miscellaneous insurance provides coverage against burglary, loss of cash in safe and cash in transit, engineering losses, travel, credit and suretyship insurance and other coverage.

## 25.2 Segment results

	2016					
	Fire and property damage	Marine, aviation and transport	Motor	Accident and Health	Miscellaneous	Total
			(Rupees ir	thousand)-		
Net premium revenue	31,342	2,506	26,738	5,399	10,325	76,310
Net claims	(1,448)	(2,942)	(12,645)	(5,125)	1,951	(20,209)
Management expenses	(49,436)	15,837	12,458	(201)	2,630	(18,712)
Net commission	(11,485)	955	(3,095)	72	937	(12,616)
Segment results	(31,027)	16,356	23,456	145	15,843	24,773
_						
Net investment income						848
Return on bank balances						541
Gain on disposal of fixed assets						298
					_	26,460
General and administrative expenses						(51,011)
Financial charges						-
Other charges						(41)
Loss before taxation						(24,592)
					=	

59



	2015					
	Fire and property damage	Marine, aviation and transport	Motor	Accident and Health	Miscellaneous	Total
			(Rupees ir	n thousand)-		
Net premium revenue Net claims Management expenses Net commission Segment results	70,203 (8,738) (17,490) (18,323) 25,652	9,884 (2,455) (6,407) 1,764 2,786	87,150 (35,746) (30,933) (7,128) 13,343	42,285 (41,067) (5,870) 523 (4,129)	10,904 (3,129) (10,225) 3,734 1,284	220,426 (91,135) (70,925) (19,430) 38,936
Net investment income Return on bank balances Gain on disposal of fixed assets Other income						614 2,507 771 - 42,828
General and administrative expenses Financial charges Other charges Profit before taxation						(84,397) - (416) (41,985)

## 25.3 Other information - Statement of Assets and Liabilities

Segment assets
Unallocated assets
Consolidated total assets
Segment liabilities
Unallocated liabilities
Consolidated total liabilities

		2	016		
Fire and property damage	Marine, aviation and transport	Motor	Accident and Health	Miscellaneous	Total
		(Rupees i	n thousand)		
97,576	46,830	73,945	5,266	118,144	341,761
-	-	-	-	-	86,345
-	-	-	-	-	428,106
130,496	24,613	37,116	22,826	121,434	336,485
-	-	-	-	-	31,645
					368,130

	2015					
	Fire and property damage	Marine, aviation and transport	Motor	Accident and Health	Miscellaneous	Total
			(Rupees ii	n thousand)-		
Segment assets	187,067	50,118	81,600	6,439	152,802	478,026
Unallocated assets	-	-	-	-	-	139,725
Consolidated total assets	-	-	-	-	-	617,751
Segment liabilities	232,295	29,877	75,348	29,502	165,391	532,413
Unallocated liabilities	-	-	-	-	-	15,627
Consolidated total liabilities						548,040

26.



	2016	2015
	(Rupees in	thousand)
FINANCIAL INSTRUMENTS BY CATEGORY	·	
Financial assets and financial liabilities		
Financial assets		
Loans and receivables - amortisation		
Cash and bank deposits		
Cash and other equivalents	96	283
Current and other accounts	400	30,129
Deposits maturing within 12 months	_	_
	496	30,412
Current assets - others	22.042	00.422
Premiums due but unpaid Amounts due from other insurers / reinsurers	22,812	88,132
	147,025	173,909
Reinsurance recoveries against outstanding claims Sundry and other receivables	57,218 5,918	68,565 7,172
Sulfully alla other receivables	232,973	337,778
	232,973	37,776
Investments		
-At fair value through profit or loss	36,387	53,701
-Held to maturity	-	-
,	36,387	53,701
	269,856	421,891
Financial Liabilities		
Amortised cost		
Provision for outstanding claims (including IBNR)	112,928	141,549
Amounts due to other insurers / reinsurers	118,851	180,343
Accrued expenses	10,790	8,813
Unclaimed dividend	195	195
Obligation under musharakah agreement Other creditors and accruals	20.492	22.046
Other Creditors and accrudis	30,182 272,946	22,846 353,746



#### 27. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The carrying values of all financial assets and financial liabilities reflected in the financial statements approximate their fair values.

The different level by valuation method of financial instruments have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	2016			
	Level 1	Level 2	Level 3	Total
Financial content designated at fairmal catherens the confit and an	(R	upees in	thousan	d)
Financial assets designated at fair value through profit or loss - Equity securities	36,387	-	-	36,387
		20	15	
	Level 1	Level 2	Level 3	Total
Financial accets designated at fair value through profit or loss	(R	upees in	thousan	d)
Financial assets designated at fair value through profit or loss - Equity securities	53,701	-	-	53,701

#### 28. RISK MANAGEMENT

## 28.1 Risk management framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives. Key management recognises the critical importance of having efficient and effective risk management systems in place. The Board of Directors of the Company supervises the overall risk management approach within the Company. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board to Executive Management Committees and senior managers.



#### 28.2 Insurance risks

The Company mainly issues the following types of insurance contracts:

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

These contracts are normally one year insurance contracts except marine contracts which are generally for a period of 3 to 6 months.

## 28.2.1 Frequency and severity of claims

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or timing thereof, differ from expectations. This is influenced by frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

## 28.2.2 Reinsurance Arrangements

Such risk exposure is mitigated by diversification across a large portfolio of insurance contracts and careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Strict claim review policies to assess all new and ongoing claims and regular detailed review of claims handling procedures are also put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future development.

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

The Company's class wise risk exposure (based on maximum loss coverage in a single policy) is as follows:

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

	2016	
Maximum sum insured	Reinsurance cover	Highest net liability
(Ru	pees in thous	and)
436,360	416,360	20,000
390,162	369,841	20,321
6,000	4,000	2,000
5,500	4,950	550
121,875	118,828	3,047
959,897	913,979	45,918

2015

	sum insured	cover	liability
	(Rup	pees in thousa	and)
Fire and property	29,443,532	29,149,097	294,435
Marine, aviation and transport	6,250,000	4,107,143	2,142,857
Motor	18,500	16,500	2,000
Accident and health	1,193	-	1,193
Miscellaneous	15,662,217	15,623,073	39,143
	51,375,441	48,895,813	2,479,628



The table below sets out the concentration of insurance contract liabilities by type of contract:

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

	2016	
Gross	Gross	Net liabilities
liabilities	assets	/ (assets)
(Rupe	ees in thous	and)
130,496	97,576	32,920
24,613	46,830	(22,217)
37,116	73,945	(36,829)
22,826	5,266	17,560
121,434	118,144	3,290
336,485	341,761	(5,276)

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

	2015	
Gross liabilities	Gross assets	Net liabilities / (assets)
(Rupe	es in thous	and)
232,295	187,067	45,228
29,877	50,118	(20,241)
75,348	81,600	(6,252)
29,502	6,439	23,063
165,391	152,802	12,589
532,413	478,026	54,387

#### 28.2.3 Uncertainty in the estimation of future claims payment

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

An estimated amount of the claim is recorded immediately on intimation to the Company. The estimation of the amount is based on the amount notified by the policy holder, management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. For the estimation of provision of claims incurred but not reported (IBNR), the Company uses historical experience factor based on analysis of the past years claim reporting pattern.

There are several variable factors which affect the amount and timing of recognized claim liabilities. However, the management considers that uncertainty about the amount and timing of claim payments is generally resolved within a year. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from recognized amounts.

#### 28.2.4 Key assumptions

The principal assumption underlying the liability estimation of IBNR and premium deficiency reserve is that the Company's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc.

#### 28.2.5 Sensitivities

As the Company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below:



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

Effect of 10% in clai		Effect of 10% in cla	
Profit and Loss account	Equity	Profit and Loss account	Equity
	(Rupees in	thousand)	
(145) (294) (1,265) (513) ————————————————————————————————————	(145) (294) (1,265) (513) 195 (2,022)	145 294 1,265 513 (195) 2,022	145 294 1,265 513 (195) 2,022

The above effects before tax, have been calculated on the assumption that increase / decrease in net claims expense pertains to individual segment in isolation.

## 28.3 Financial risk

#### (i) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and market prices.

## (a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest / mark-up rate risk in respect of the following:

					2016			
		Intere	Interest / mark-up bearing		Non-inte	erest / mark-uj	p bearing	
	Interest Rates	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
				(Rupe	es in thous	a n d )		
Financial assets								
Cash and bank deposits	3.75%	335	-	335	161	-	161	496
Investments		-	-	-	36,387	-	36,387	36,387
Premium due but unpaid		-	-	-	22,812	-	22,812	22,812
Amount due from other insurers / reinsure	ers	-	-	-	147,025	-	147,025	147,025
Reinsurance recoveries against outstandin	g claims	-	-	-	57,218	-	57,218	57,218
Sundry and other receivables		-	-	-	-	5,918	5,918	5,918
		335	-	335	263,603	5,918	269,521	269,856
Financial liabilities								
Provision for outstanding claims (including		-	-	-	112,928	-	112,928	112,928
Amounts due to other insurers / reinsurers	5	-	-	-	118,851	-	118,851	118,851
Other creditors and accruals		-	-	-	30,182	-	30,182	30,182
Accrued expenses		-	-	-	10,790	-	10,790	10,790
Unclaimed dividend		-	-	-	195	-	195	195
		-	-	-	272,946	-	272,946	272,946
		335	-	335	(9,343)	5,918	(3,425)	(3,090)



					2015			
		Intere	st / mark-up b	earing	Non-inte	erest / mark-up	bearing	
	Interest Rates	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
Financial assets				(Rupe	ees in thou	s a n d )		
	70/ 0.50/	20.052		20.052	4.250		4.250	20.442
Cash and bank deposits	7% - 9.5%	29,053	-	29,053	1,359	-	1,359	30,412
Investments	9.96%	-	-	-	53,701	-	53,701	53,701
Premium due but unpaid		-	-	-	88,132	-	88,132	88,132
Amount due from other insurers / re	einsurers	-	-	-	173,909	-	173,909	173,909
Accrued interest		-	-	-	-	-	-	-
Reinsurance recoveries against outst	tanding claims	-	-	-	68,565	-	68,565	68,565
Sundry and other receivables	, and the second	-	-	-	-	7,172	7,172	7,172
		29,053	-	29,053	385,666	7,172	392,838	421,891
Financial liabilities								
Provision for outstanding claims (inc	luding IBNR)	-	-	-	141,549	-	141,549	141,549
Amounts due to other insurers / rein	nsurers	-	-	-	180,343	-	180,343	180,343
Other creditors and accruals		-	-	-	22,846	-	22,846	22,846
Accrued expenses		-	-	-	8,813	-	8,813	8,813
Unclaimed dividend		-	-	-	195	-	195	195
		-	-	-	353,746	-	353,746	353,746
		29,053		29,053	31,920	7,172	39,092	68,145

#### Sensitivity analysis

The Company is exposed to interest risk in respect of saving bank deposits, borrowings under musharakah agreement, investments in term deposit receipts. For cash flow sensitivity analysis of variable and fixed rate instruments a hypothetical change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all variables remain constant.

	Increase	nd Loss Decrease thousand)
As at December 31, 2016 Cash flow sensitivity - financial assets	290	(290)
As at December 31, 2015 Cash flow sensitivity - financial assets	290	(290)

## (b) Foreign currency risk

Currency risk is the risk that the value of a financial asset or liability will fluctuate due to changes in foreign currency rates. Foreign exchange risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As of the balance sheet date, the Company does not have material assets or liabilities which are exposed to foreign currency risk.



#### (c) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company manages its exposure to such risks by maintaining a diversified portfolio of investments.

The Company has investments in quoted equity securities amounting to Rs. 36.387 million (2015: Rs. 53.701 million) as at December 31, 2016 which have been carried at fair value. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the reporting date. Market prices are subject to fluctuation which may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

## (ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. To guard against the risk, the Company maintains balance of cash and other equivalents and readily marketable securities. The maturity profile of assets and liabilities are also monitored to ensure adequate liquidity is maintained. All financial liabilities of the Company are short term in nature.

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date on an undiscounted cash flow basis.

Provision for outstanding claims
Amounts due to other insurers / reinsurers
Other creditors and accruals
Accrued expenses
Unclaimed dividend

	2016						
Carrying amount	Upto one year	More than one year					
	(Rupees in	thousand)					
112,928	112,928	112,928	-				
118,851	118,851	118,851	-				
30,182	30,182	30,182	-				
10,790	10,790	10,790	-				
195	195	195	-				
272,946	272,946	272,946	-				



	2015				
	Carrying amount	Contractual cash flow	Upto one year	More than one year	
		···- (Rupees in	thousand)		
Provision for outstanding claims	141,549	141,549	141,549	-	
Amounts due to other insurers / reinsurers	180,343	180,343	180,343	-	
Other creditors and accruals	22,846	22,846	22,846	-	
Accrued expenses	8,813	8,813	8,813	-	
Unclaimed dividend	195	195	195	-	
	353,746	353,746	353,746		

#### (iii) Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Credit risk also arises in respect of reinsurance contracts as 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 ceded to the extent that the reinsurance operator fails to meet the obligation under the reinsurance arrangements. The Company attempts to control credit risk by monitoring credit exposures and continually assessing the credit worthiness of counterparties. The table below analyses the Company's maximum exposure to credit risk:

<ul> <li>Bank deposits</li> </ul>	*
-----------------------------------	---

- Premiums due but unpaid\*\*
- Amounts due from other insurers / reinsurers\*\*\*
- Reinsurance recoveries against outstanding claims\*\*\*
- Sundry and other receivables

2016	2015
(Rupees in	thousand)
400	30,129
22,812	88,134
147,025	173,909
57,218	68,565
5,918	7,172
233,373	367,909
	l ———

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

	Rating Short Term Long Term		Rating Agency	2016	2015 <b>thousand)</b>
	311011111111	20116 101111	/ (Serie)	(Rupees II	i tiiousaiiu)
Bank deposits					
NIB Bank Limited	A1+	AA-	PACRA	5	7
Habib Metropolitan Bank Limited (including Term Deposit Receipts)	A1+	AA+	PACRA	330	29.047
Silk Bank Limited	A-2	A-	JCR VIS	7	4
Bank Al Habib Limited	A1+	AA+	PACRA	58	1,071
				400	30,129



\*\* The age analysis of premiums due but unpaid is as follows:

Upto 1 year 1 - 2 years Over 2 years

2016	2015
(Rupees in	thousand)
1,719	25,463
7,361	53,359
35,427	31,008
44,507	109,830

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial assets subject to credit risk is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

\*\*\* An analysis of all reinsurance assets recognised by the rating of the entity from which it is due is as follows:

Ra	tiı	ng	

A or above BBB Other

2016			
Amount due from reinsurers	Amount due from Co-insurers	Reinsurance recoveries against outstanding claims	
(Rupees in thousand)			
21,030	111,295	57,070	
3,539	2,452	148	
-			
24,569	113,747	57,218	

	2015	
Amount due from reinsurers	Amount due from Co-insurers	Reinsurance recoveries against outstanding claims
/-		

----- (Rupees in thousand) -----

## Rating

A or above BBB Other

42,432	131,477	68,564
-	-	-
862	2,452	52
41,570	129,025	68,512

#### 28.4 Capital management

Capital requirements applicable to the Company are set and regulated by the SECP. These requirements are put in place to ensure sufficient paid up capital and solvency margins. The Company manages its capital requirement by assessing its capital structure against the required capital level on a regular basis. Currently, the Company has a paid-up capital of Rs 350 million against the minimum required paid-up capital of Rs 300 million set by the SECP for non-life insurance companies through issue of Circular No. 3 dated April 10, 2007 for the year ended December 31, 2016.



In accordance with the requirements of the Insurance Ordinance, 2000 and as mentioned in the Securities and Exchange Commission (Insurance) Rules, 2002 "Rules" (amended vide SRO 16(1)/2012 dated January 09, 2012), the minimum solvency requirement (i.e excess of admissible assets over liabilities) is Rs 150 million. The admissible assets of the Company as at December 31, 2016 are in excess of the Company's liabilities by Rs 6.730 million. Hence, the Company is not meeting the required minimum solvency requirement by Rs 143.270 million as at December 31, 2016. On April 7, 2016 PICIC Board, in principle agreed to a merger of PICIC Insurance Limited with and into Crescent Star Insurance Limited, subject to all nesessary regulatory approvals, including that of the Securities & Exchange Commission of Pakistan, Competiton Commission of Pakistan and other relevent authorities.

#### 29 PROVIDENT FUND RELATED DISCLOSURES

The following information is based on the latest financial statements of the Fund for the year ended December 31:

Size of the fund - Total assets

Cost of investments made

Percentage of investments made

Fair value of investments

**29.1** The break-up of fair value of investments is as follows:

2016	2015
(Rupees in Unaudited	thousand) Audited
-	16,675
-	20,144
-	121%
-	20,144

2016 (Rupees in thousand)	%	2015 (Rupees in thousand)	%
	-	20,144	100%

**29.2** With effect from August 15, 2016 the Company has curtailed off the Provident fund with the consent of the employees.

#### 30 NUMBER OF EMPLOYEES

TDR certificates

The total average number of employees during the year and as at December 31, 2016 and 2015 respectively are as follows:

Average number of employees during the year

Number of employees as at December 31,

2016	2015		
(No of employees)			
31	62		
16	46		



#### 31. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on May 02, 2017 by the Board of Directors of the Company.

#### 32. GENERAL

**32.1** Figures in these financial statements have been rounded off to the nearest thousand rupee.

## 33. CORRESPONDING FIGURES

Corresponding figures have been reclassified, wherever necessary, to facilitate comparisons. No significant reclassification / restatement was made during the current year.

Irshad Ali Shaban Ali KassimMunawar Ali KassimMuzaffar Ali Shah BukhariMoiz AliChairmanDirectorDirectorManaging Director / CEO



## **Notice of Annual General Meeting**

Notice is hereby given that the Thirteenth (13th) Annual General Meeting of the Company will be held at the Institute of Chartered Accountants of Pakistan (ICAP) Auditorium, Chartered Accountants Avenue, Near Teen Talwar, Clifton, Karachi on Wednesday, May 31, 2017 at 11.00 AM to transact the following business:

#### **Ordinary Business:**

- 1. To confirm the Minutes of the Extra Ordinary General Meeting held on August 29, 2016.
- 2. To receive, consider and adopt the Audited Financial Statements for the year ended December 31, 2016 together with Directors' Report and Auditors' Report thereon.
- 3. To appoint Auditors of the Company for the year ending December 31, 2017 and to fix their remuneration.

#### **Special Business:**

4. To approve transmission of annual audited financial statements, auditor's report and directors report etc. (the "annual audited accounts") to the Company's shareholders through CD/DVD/USB at their registered address as allowed by the Securities and Exchange Commission of Pakistan via S.R.O No. 470(I)/2016 dated May 31, 2016:

"RESOLVED THAT as notified by the Securities and Exchange Commission of Pakistan via S.R.O No. 470(l)/2016 dated May 31, 2016 transmission of annual audited financial statements, auditor's report and directors report etc. (the "annual audited accounts") to the Company's shareholders at their registered addresses in soft copies in the form of CD/DVD/USB instead of transmitting the annual audited accounts in hardcopy, be and is hereby approved."

#### Other Business:

5. Any other matter with the permission of Chair.

A Statement of Material Facts under section 160 (1) (b) of the Companies Ordinance, 1984 relating to said Special Business is given hereunder.

By Order of the Board

Irshad Ali Shaban Ali Kassim Chairman

Karachi: May 10, 2017

A statement under Section 160 (1) (b) of the Companies Ordinance, 1984 setting forth all material facts concerning the Resolutions contained in item no. 4 of the Notice which will be considered for adoption at the Meeting and the same will be annexed to this Notice of Meeting being sent to Members.

#### Notes:

- A member entitled to attend and vote at the General Meeting is entitled to appoint another member as a proxy to attend and vote in respect of him. Form of proxy must be deposited at the Company's Registered Office not later than 48 hours before the time appointed for the meeting.
- CDC Account holders are advised to follow the following guidelines of the Securities and Exchange Commission of Pakistan.



## A. For attending the meeting:

- (i) In case of individuals, the account holder and or sub-account holder and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- (ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

#### B. For appointing proxies:

- i. In case of individuals, the account holder and or sub-account holder and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
- ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv. The proxy shall produce his original CNIC or original passport at the time of the meeting.
- v. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
- 3. The Share Transfer Books of the Company will be closed from May 24, 2017 to May 31, 2017 (both days inclusive). Transfers received in order by our Share Registrar, FAMCO Associates (Pvt) Limited, 8-F, next to Hotel Faran, Nursery Block 6, P.E.C.H.S Shahrah-e-Faisal, Karachi, Pakistan at the close of business on May 23, 2017 will be considered in time to attend and vote at the meeting.
- 4. Members are requested to notify / submit the following, in case of book entry securities in CDC to respective CDC participants and in case of physical shares, to the Company's Share Registrar, if not earlier provided / notified:-

## a. Change in their addresses;

- b. Valid and legible photocopies of Computerized National Identity card (CNIC) for Individuals and National Tax Number (NTN) both for individual & corporate entities; and
- c. Consent to receive Annual Financial Statements through e-mail. The Securities & Exchange Commission of Pakistan through its Notification SRO 787(1)2014 of September 8, 2014 has allowed companies to circulate Audited Financial Statements along with Notice of Annual General Meeting to its members through e-mail.
  - Members who wish to avail this facility can give their consent to Company Secretary at email address: www.picicinsurance.com
- 5. Audited Accounts of the Company for the year ended December 31, 2016 are available on the Company's website: www.picicinsurance.com.



# **Branch Network**

Karachi Export Processing

**Zone Branch** Plot # N-2, Sector B-III, Landhi Industrial

Area Extension, Mehran Highway, Karachi

Tel: 021-35130702 Fax: 021-35130701

**Karachi Office** Suit No. E-1, Executive Floor, Glass Tower,

Main Clifton Road, Karachi Tel: 021-35654764, 35639712



# Proxy Form

**Annual General Meeting** 

	O			
I/V	Ve			
of _			being a n	nember of PICIC Insurance Limited
and	holder of			Ordinary shares as per
Reg	gistered Folio No			and
/ or	CDC Participant I.D. No		_ Sub-Account No _	
CNI	C No	or Passpo	ort No	
Her	eby appoint		of	who
is a	lso a member of the comp	oany, Folio No		or failing
him	n / her	(	of	as my
Ger Cha	neral Meeting of the Con	npany to be held on Wedne kistan (ICAP) Auditorium, Cha	sday, May 31, 2017	y / our behalf at the 13th Annual ' at 11:00 a.m. at the Institute of Avenue, Near Teen Talwar, Clifton,
Sigi	ned this	day of	2017.	
1.	Witness:			
	Signature			
	Name			
	Address		Rupee Five	1 ' 1
			Cia	Revenue Stamp
2.	Witness:		Sig	nature of Shareholder
	Signature			
	Name			
	Address			

#### Notes:

- 1. This form of Proxy, duly completed, must be deposited at the Company's Registered Office at 1204, 12th Floor, Emerald Towers, Clifton, Block-5, Karachi not later than 48 hours before the time appointed for the meeting.
- 2. CDC Shareholders and their Proxies are each requested to attach attested photocopy of their Computerized National Identity Card (CNIC) or Passport with this proxy form before submission to the Company.
- 3. CDC Shareholders or their Proxies are requested to bring with them their Original Computerized National Identity Card or Passport along with the Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.



# فارم برائے قائم مقام امتبادل

	سالا نهاجلاس عامه
	میں انہم
) قائم مقام <i>ا</i> متبادل مقرر کرتا ہوں ا کرتے ہیں۔	PICICانشورنس لمیٹڈ کے ممبر ہونے کے ناطحا پنا/اپنے مندرجہ ذیل
	نام(جناب المحترمه ا
	~~~
	اوران کی غیرموجودگی میں جناب/محترمہ
ں جنرل میٹنگ میں شرکت کریں گے، جو بروز بدھ31 مئی2017 کو یوقت11:00	
I) ، چارٹیڈا کا فٹس ایو نیو،نز دتین تلوار بکلفٹن کرا چی میں منعقد ہوگی ۔	بِحِصْحِ آ ڈیٹوریم انسٹیوٹ آف چارٹرڈا کاونٹس آف پاکستان(CAP
کود شخط ہوئے۔	ال دستاويز پر مورخه2017
1-w, • ,	<b>گواهان:</b> 
ر بو نیواسٹیمپ	(1) دستخط
	ئام:
شیئر ہولڈرر کے دستخط	; ; ; ; ; ; ; ; ; ; ; ; ; ; ; ; ; ; ;
یا (بولدریے درط شیئر ہولڈر کا فولیونمبر:	CNIC يا پاسپور <i>ٽ ٽمبر</i>
ـــــــــــــــــــــــــــــــــــــ	
شریک ہونے والے کا Dانمبر	(2) دستخط
اورسبا کاونٹ نمبر	<u></u> :رُ
	CNIC يا پاسپور <i>ث نمبر</i>

نوت: بیاک مقام / متبادل فارم ممل کر کے میٹنگ کی تاری سے 48 گھٹے پہلے تک میٹی کے رجٹر اربمقام 12،1204 ویں منزل ، امرلڈٹا ور ، کلفٹن ، بلاک 5 کراچی کوجمع کروائیں۔

CDC شیئر ہولڈراوران کے قائم مقام اجانشین ہرایک سے گزارش ہے کہاسپنے کمپوٹرائز ڈقو می شناختی کارڈ CNIC) یا پاسپورٹ کی فوٹو کا پی اس فارم کے ساتھ کمپنی میں جمع کروائیں۔

CDC شیئر ہولڈریان کے قائم مقام سے گزارش ہے کہا پنے اصلی کمپوٹرائز ڈ شناختی کارڈیا پاسپورٹ ہمراہ شرکت کا انمبراورا پناا کاونٹ نمبر سالانہ جزل میٹنگ میں شرکت کے لئے آتے ہوئے ساتھ لائیں تا کہان کی شناخت میں آسانی ہو۔



## **PICIC Insurance Limited**

Registered & Head Office

1204, 12th Floor, Emerald Towers, Clifton, Block-5, Karachi - 75600, Pakistan.

UAN: 11 12 PICIC (111-274-242) Landline: +92 21 35147651-5

Fax: +92 21 35147656 www.picicinsurance.com