



65th Annual Report 2016

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Water & Life

Life as we know it, is made possible by water. The presence of water in the universe is a scientific marvel that, although it is so crucial to our existence, we have not yet been able to understand. As we still push the frontiers of scientific knowledge and research to determine the source of water, we know that because it flows, it provides an efficient way of transferring substances from one cell to another. This is how water, in the early history of the universe, carried the building blocks of life. Similarly, Premier Insurance as a partner to her clients, provides the foundational strength necessary for business to thrive in today's environment.

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VISION STATEMENT

Our vision is to be the first choice company for all stakeholders, while achieving the stature of the market leader in the general insurance industry of Pakistan.





MISSION STATEMENT

Our mission is to be a professionally managed and financially sound, top general insurance company. Premier Insurance strives to work in the interest of all stakeholders including our clients, employees, reinsurers, shareholders and the nation.



CORE VALUES

PROFESSIONALISM

Our clients deserve the best service. Premier Insurance guarantees that it remains Pakistan's first choice insurer by hiring highly competent, intelligent and skilled management to be able to best facilitate our clients' needs.

INTEGRITY

Premier Insurance upholds its integrity by being upright, honest and candid in all its dealings. With integrity, we foster trust by our clients in the company.



EMPATHY

We are in the business of providing security because we understand our clients' apprehension when their valuable assets are at risk. With empathy, we are able to not only provide professional service but personalised service because we understand you.

TRADITION

Premier Insurance is Pakistan's first insurer and we have a long and proud tradition of promptly settling claims and providing exemplary service since 1952. The company was conceived for the service of the nation and till today we stand steadfastly by our founding principles which has helped us develop relationships lasting generations.

COMPANY INFORMATION

Board of Directors

Zahid Bashir (Chairman)
Khalid Bashir
Imran Maqbool
Nadeem Maqbool
Khurram Mazhar
Shams Rafi
Attaullah A. Rasheed

Chief Executive Officer & Managing Director

Mohammed Asif Arif

Chief Financial Officer & Company Secretary

Munawar Salemwala

Audit Committee

Khalid Bashir (Chairman)
Nadeem Maqbool (Member)
Imran Maqbool (Member)
Fariq M. K. Rohilla (Secretary)

Claim Settlement Committee

Attaullah A. Rasheed (Chairman)
Brendan D' Lima (Member)
Muhammad Imran (Member)
Hasan Mustafa (Secretary)

Underwriting Committee

Imran Maqbool (Chairman)
M. K. Baig (Member)
Brendan D' Lima (Member)
Ali Asghar Bhojani (Secretary)

Investment Committee

Zahid Bashir (Chairman)
Nadeem Maqbool (Member)
Shazia Bashir (Secretary)

Reinsurance & Co-Insurance Committee

Khurram Mazhar (Chairman)
Brendan D' Lima (Member)
Kamran Safi Rizvi (Secretary)

Ethics, Human Resource & Remuneration Committee

Nadeem Maqbool (Chairman)
Zahid Bashir (Member)
Attaullah A. Rasheed (Member)
Niina Khan (Secretary)

Risk Management & Compliance Committee

Shams Rafi (Chairman)
Munawar Salemwala (Member)
Brendan D' Lima (Member)
Rao Ali Zeeshan (Member)

Auditors

Deloitte Yousuf Adil, Chartered Accountants

Legal Advisors

Arfin & Company Advocates

Registered & Head Office

5th Floor, State Life Building No.2A
Wallace Road, Karachi-74000, Pakistan.

Phones : (21) 32416331-4

Fax : (21) 32416572

Email : info@pil.com.pk

Website : www.pil.com.pk

Registrar

FAMCO Associates (Pvt) Limited
8-F, Next to Hotel Faran, Nursery, Block-6,
P.E.C.H.S., Shahrah-e-Faisal, Karachi.

Phones : (21) 34380101-2

Fax : (21) 34380106

Email : info.shares@famco.com.pk



OUR JOURNEY

1952 – Zahid Hussain, the 1st Governor of the State Bank of Pakistan brought together leading industrialists of the newly established country realising the need for a Pakistani insurer – a crucial component for a young, burgeoning economy. This event set into motion the conception of Premier Insurance, a company with a vision to serve the nation.

Today, the company remains steadfast by its founding principles. It is a leading insurer listed on the Karachi, Lahore and Islamabad Stock Exchanges having earned numerous Top Companies' Awards. Premier Insurance is a member of the Insurance Association of Pakistan, a member of the Management Association of Pakistan and is licensed by the Securities and Exchange Commission of Pakistan.

Our business spans the country, provides services to clients across all economic sectors and offers products in all classes of general insurance. Premier Insurance employs exceedingly proficient management that enables the company to remain competitive, growing and at the cutting edge of technology.

It is our historical practice of striving to achieve prompt settlement of even the largest claims that has allowed us to build relationships lasting generations, with some of the oldest institutions of Pakistan, and attract new clients seeking to prosper in the modern economy.

With our values firmly anchored in our founders' objective of serving the nation, we are committed to maintaining and forever building upon our tradition of excellence in all that we do.

BOARD OF DIRECTORS



Shams Rafi
Director

Nadeem Maqbool
Director

M. Asif Arif
CEO & MD

Zahid Bashir
Chairman

Premier Insurance is a stalwart of the insurance industry of Pakistan. As the first company created after the independence of Pakistan, the company has for long been a trusted partner for her clients, and an anchor institution that has thrived through the history of this nation.

Boasting a strong balance sheet and maintaining our reputation of trust and reliability, we are confident that the company will continue to be a partner of choice for the leading businesses of Pakistan.



Imran Maqbool
Director

Khurram Mazhar
Director

Khalid Bashir
Director

Attaullah A. Rasheed
Director

With the combined efforts of our new team and the old trusted faces that have been with us through decades, we believe that Premier Insurance will push boundaries and expand business rapidly throughout the nation. Given the positive economic climate, improved security, greater foreign investment and growing middle

class, we feel the company is well-poised to succeed in a revitalised Pakistan. The company will continue to innovate, continue to provide creative solutions to protect our clients from risks and continue to be a model of exemplary service in the years to come. May Premier Insurance and Pakistan prosper always.

Flower & Honey Bee

The process of pollination is one of the most beautiful processes of nature. A flower produces pollen, which is food for the honey bee.

As the bee collects pollen from the flower, it pollinates other flowers in the area, which allows for the formation of seeds. In this manner, the laborious bee, efficient and determined, allows for the flower, beautiful and majestic, to grow.

Similarly, Premier Insurance strives to incorporate both, the values of the bee and the beauty of the flower to service our clients' needs and allow businesses to blossom.



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KEY OPERATING AND FINANCIAL DATA

KEY OPERATING AND FINANCIAL DATA

(Amounts in Rupees '000)

	2016	2015	2014	2013	2012	2011
Paid-up capital	417,893	348,244	302,821	302,821	302,821	302,821
Capital reserves	19,675	19,675	19,675	19,675	19,675	19,675
Revenue reserves	1,084,608	1,240,505	1,205,758	1,231,412	1,458,883	1,515,513
Total reserves	1,104,283	1,260,180	1,225,433	1,251,087	1,478,558	1,535,188
Total equity	1,242,074	1,608,424	1,528,254	1,553,908	1,781,379	1,838,009
Total assets	3,745,154	3,685,412	3,429,982	3,554,297	3,305,859	3,301,649
Premium written	1,115,119	1,405,907	1,355,682	1,239,301	1,069,011	967,866
Net premium	623,366	770,143	694,506	652,924	532,481	462,416
Investment income	258,537	119,300	147,839	166,830	89,854	156,223
Impairment of financial assets	(98,302)	19,553	(2,105)	6,633	(17,284)	(12,775)
Profit / (loss) before taxation	(325,134)	123,424	40,513	(151,981)	(15,725)	90,009
Profit / (loss) after taxation	(330,709)	110,616	34,647	(166,799)	3,934	71,056
Return on equity* (%)	-22%	7.05%	2.25%	-10.00%	0.22%	3.86%
Book value per share** (Rs)	29.7	46.19	50.47	25.66	29.41	30.35
Earnings / (loss) per share** (Rs)	(7.91)	3.18	1.14	(5.51)	0.06	1.17
Cash dividend (%)	-	10%	10%	20%	20%	25%
Stock dividend (Bonus - %)	10%	20%	15%	0%	0%	0%

* Return based on average equity for the year

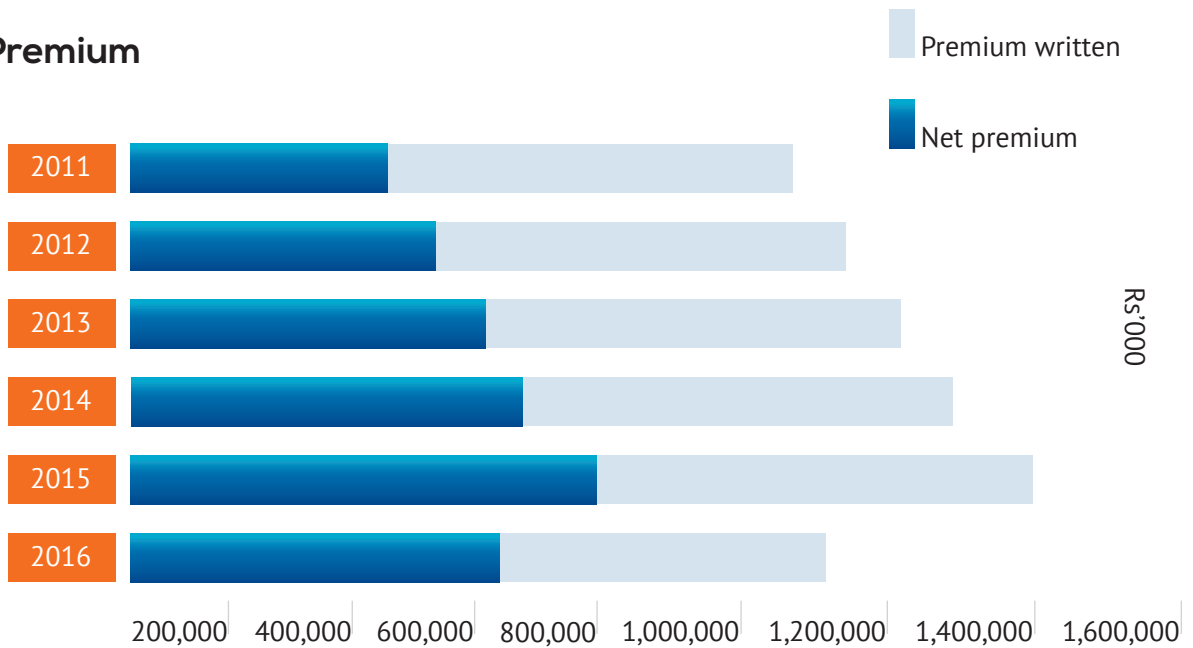
** Book value / earnings based on shares in issue at year end



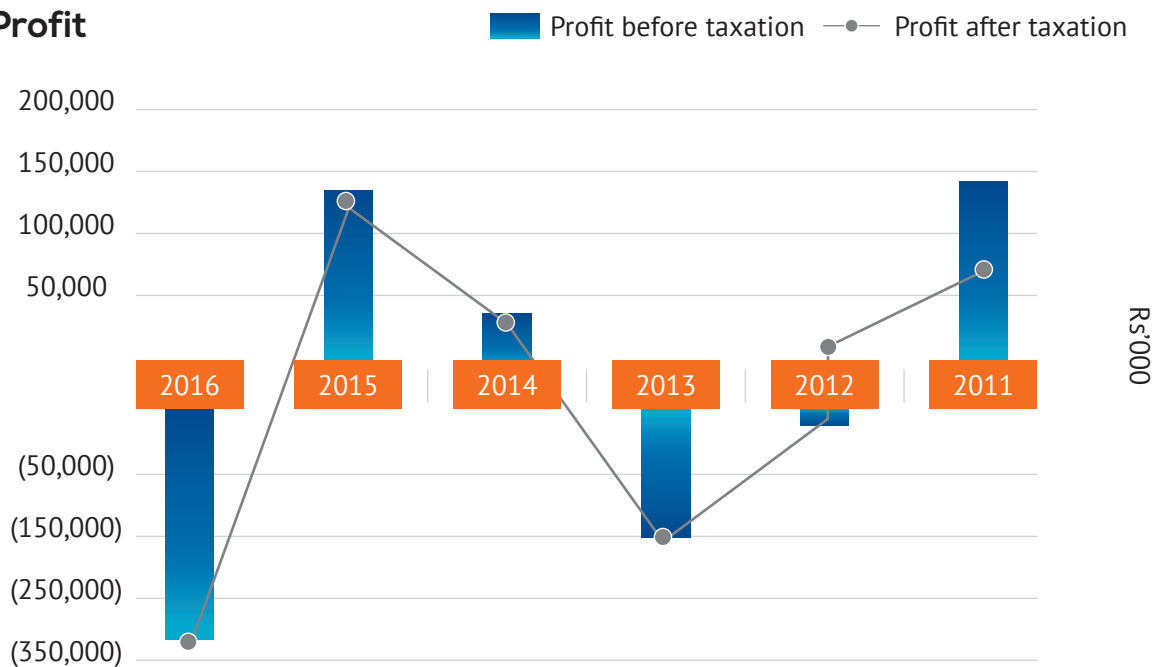
PERFORMANCE AT A GLANCE

PERFORMANCE AT A GLANCE

Premium

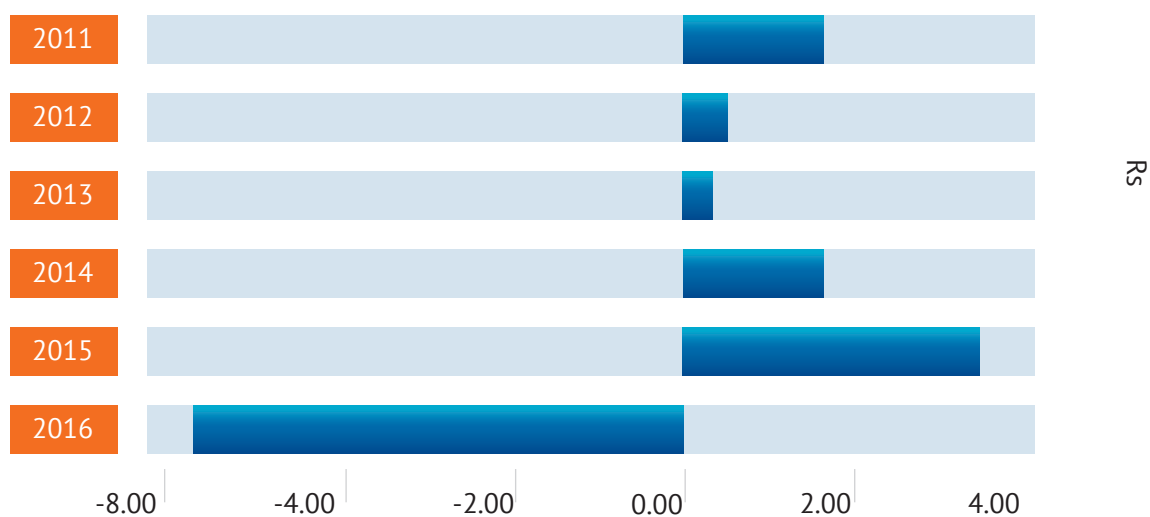


Profit

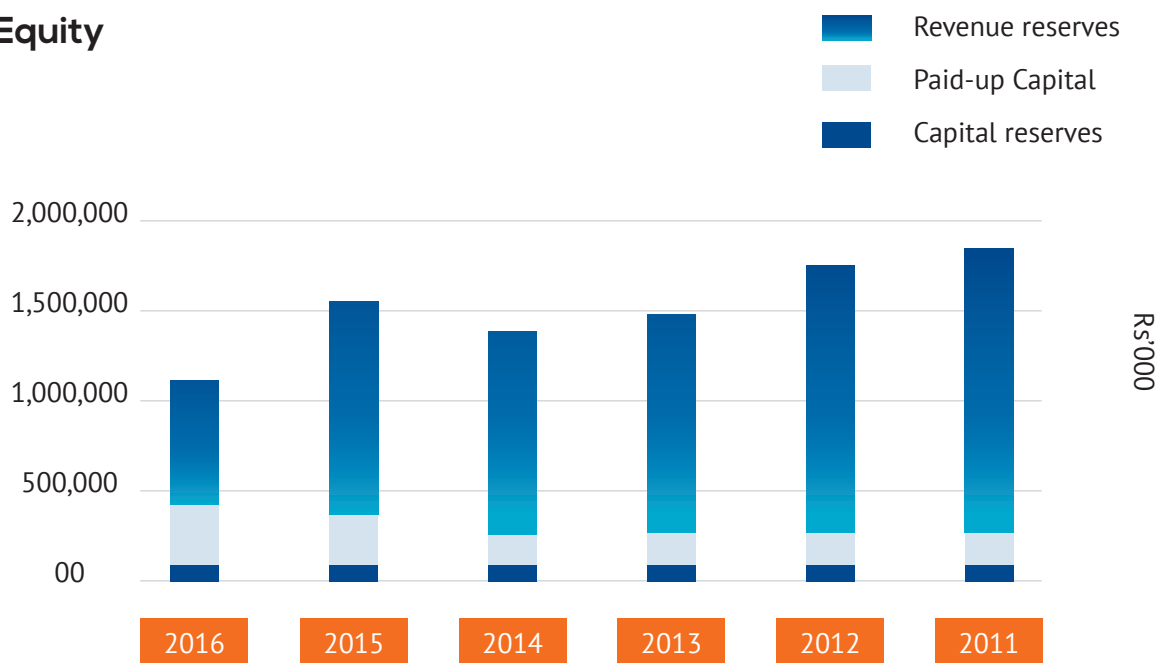


PERFORMANCE AT A GLANCE

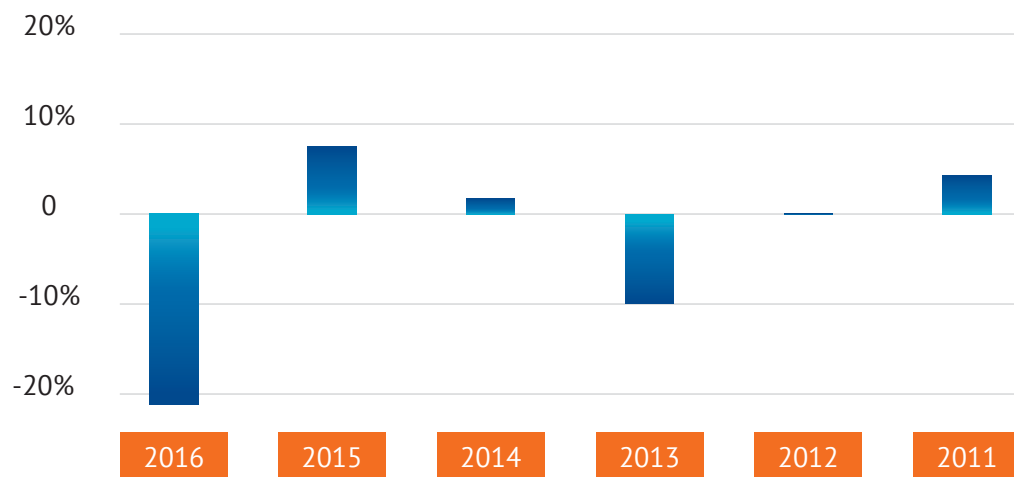
Earning Per Share



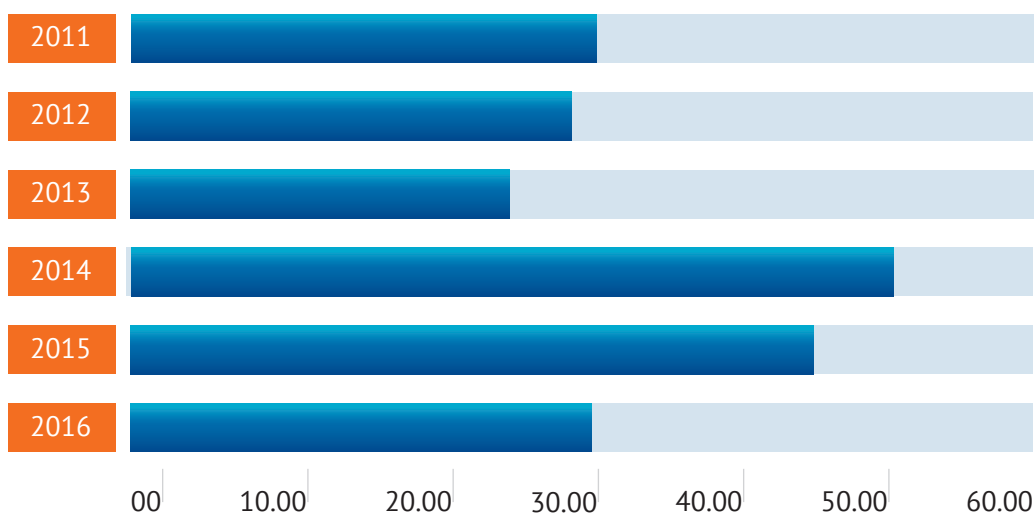
Equity



Return On Equity



Book Value Per Share



Rs



Sail & Wind

When man began to travel by sea, the possibilities for trade and commerce were made limitless. Travel by sea connected people and business like never before. In the earliest ships, there was a sail, which would catch the wind as the wind blew against it. The resultant force would propel the boat in the desired direction.

Marine insurance is the oldest form of insurance, and has been around as long as there has been trade by sea. Like the sail to the ship, Premier Insurance protects her clients from the risks in their environment, thus allowing the client to not only survive, but reach their goals with great speed.

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CORPORATE GOVERNANCE

REPORT OF THE DIRECTORS TO THE MEMBERS

The directors are pleased to present the 65th Annual Report of the Company together with the audited financial statements for the year ended December 31, 2016.

Review

(Amounts in Rupees '000)

	2016	2015
Premium written	1,115,119	1,405,907
Net Premium	623,366	770,143
Underwriting result	(432,243)	73,488
Investment income	258,537	140,295
Loss/(profit) before taxation	(325,134)	123,424
Loss/ (profit) after taxation	(330,709)	110,616
Earnings per share	(7.91)	2.65

The financial year 2016 was a challenging year for the Company. During the year, we reported decline in premiums written and underwriting results as compared to the preceding year resulting in a substantial loss for the period. The major challenge that the company has been facing year after year is the increasing competition in the market.

During the year, the investment income has increased significantly from Rs.140.295 million to Rs.258.537 million.

The Company's continuous emphasis on prudent approach in investment has led to this improvement.

The Management of the company will continuously endeavor to improve performance

in the future. The Company's management team is highly motivated and working towards restricting controllable costs and expenses in challenging business and operating environments. The marketing staff has been given challenging and aggressive targets and we are continuing to strengthen the underwriting process. With these efforts and a pragmatic approach, we hope to improve our results in 2017.

The Company has continued to acquire and deepen relationships with customers who meet the company's risk criteria. This approach should enable the Company to improve its financial position.

Window Takaful Operations

This is the first full year of operation of WTO. During the year, the company has reported contribution written amounting to Rs.194.498 million as against Rs. 2.357 million from October to December last year. During the year, Loss before tax from window takaful operations – OPF is Rs.27.549 million as against 5.895 million in 2015 mainly due to increased expense incurred on building the infra-structure of the Company.

Information Technology

The Company continues to invest in technology not only to maintain a competitive edge but also to offer state of the art service to our customers. Some initiatives include Optimization of Data Center, improved network and network security by deploying state of the art firewall

and enhance email security by deploying firewalls and enhanced MIS to improve controls over the operations.

Appropriation of Profit

The loss after tax during this year is Rs.330.709 million despite profit after tax amounting to Rs.110.616 million in 2015. Your directors have recommended an issue of one bonus share for every 10 existing shares (10%) to the shareholders whose names appear in the share register of the Company at close of business on April 19, 2017. The appropriation is as follows

(Amounts in Rupees '000)

Loss after taxation for the year	(330,709)
Other comprehensive loss for the year	(817)
Unappropriated profit brought forward	<u>51,424</u>
	(280,102)

Appropriations:

Transfer from general reserves	104,473
Cash dividend @ 10% (2015)	(34,824)
Bonus shares @ 20% (2015)	(69,649)
Unappropriated profit carried forward	<u>(280,102)</u>

Appropriated as follows:

Proposed bonus shares @ 10% (2016)	41,789
------------------------------------	--------

Credit Rating

Your Company has been rated by JCR-VIS and PACRA. Both companies have assigned rating of A with stable outlook to the Company.

Human Resources

Your Company invests extensively in cultivating and motivating our employees and trains them to face market challenges efficiently. Necessary

training is being provided to the employees so that they have the knowledge and skills needed to accomplish their tasks effectively. The management is of the firm belief that HR is vital for the success of any organization. In today's competitive environment, we foresee an acute shortage of professionals particularly in the insurance industry and realize that it is important to place emphasis on retaining and developing existing staff and implementing effective performance reviews. The Company's continued focus on equal opportunity employment goes a long way in maintaining a pool of employees with knowledge, experience and skills in their respective fields and employees remain the Company's most valuable assets.

Your Company has been accredited with license to train Institute of Chartered Accountants England and Wales (ICAEW) along with Associate Certified Chartered Accountants (ACCA) students. It allows us to train current employees along with enrolling future assets of the Company in a training program.

Entity Objectives

Your Company will continue to lay emphasis on increasing the market share as well as prudent and pragmatic risk management.

Outlook for the Current Year

Our strategy for 2017 is designed to deliver sustainable, profitable growth in a changing and competitive business environment in order to maintain a growing position in the industry. We continue to invest in our people and making Premier a great place to build their career.

The Window Takaful Business would also add to the growth as 2017 would have its second year of operation.

Our success in winning new business and therefore creating growth will give us great confidence that the areas of activity in which we have chosen to operate are the right ones for the company. The prevailing economic and political situation around the country and the soft insurance markets will of course present challenges. We have, however, taken clear and decisive action to develop and grow each of our activities.

Your Company, due to a strong balance sheet, liquidity and above all a competent and pro-active management will be able to explore and write any business that meets its criteria for safe and sustainable growth without compromising our high standards in 2017.

Reinsurance

Your Company continues to enjoy very sound reinsurance and Re-Takaful arrangements which are placed with leading international securities, like SCOR Global P&C, Pakistan Reinsurance Limited, GIC RE, Korean Reinsurance Company, Emirates International, Saudi RE, Swiss Retakaful, Labuan Retakaful, GIC Retakaful and Africa Retakaful all with good ratings.

Related Party Transactions

At each board meeting the Board of Directors approves Company's transactions with Associated Companies / Related parties. All the transactions executed with related parties are on arm's length basis.

Capital Management and Liquidity

The Company maintains a strong capital position. Your Company carefully administers its liquidity to ensure its ability to meet its insurance obligations efficiently. The Company operates and honors its obligations through the

cash flow generated from its core business as well as investment and other income.

Enterprise Risk Management (ERM)

Your Company has recently decided to establish an ERM system overseen by Risk Management Committee to identify and monitor risks associated with various operations of the Company.

Premier is committed to enhancing its overall profitability through optimization of value added activities, while maintaining a strong risk-adjusted capitalization. The Company plans to further strengthen its risk management culture within its processes and decisions.

The Risk Management functions will be overseen by the Risk Management and Compliance Committee who will report on the activities to the Board quarterly.

Corporate Financial Reporting

The Board has taken all necessary steps to comply with the requirements of the Code of Corporate Governance (the Code) included in the listing regulations of the stock exchanges in Pakistan, and is pleased to declare the following as required by the Code:

- The financial statements prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- The Company has maintained proper books of account.
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.

- Approved Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There is no doubt about the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.
- Key operating and financial data for the last six years is annexed with the report.
- The value of investments based on the audited accounts of the Provident Fund as at December 31, 2016 was Rs.40.192million.
- During 2016, five meetings of the Board were held, with at least one in each quarter, and were attended as follows:

Name of director Meetings attended

Mr. Attaullah A Rasheed	5
Mr. Imran Maqbool	5
Mr. Khalid Bashir	5
Mr. Khurram Mazhar	3
Mr. Mohammad Asif Arif (CEO)	5
Mr. Nadeem Maqbool	5
Mr. Zahid Bashir (Chairman)	5
Mr. Shams Rafi	5

Leave of absence was granted to director unable to attend a meeting.

- The directors, executives (employees with annual basic salary of Rs.0.5 million or above), their spouses and minor children, the following transactions in the shares of Company.

- Mr. Mohammad Asif Arif purchased 24,500 Shares
- Mr. Zahid Bashir purchased 58,000 Share

Corporate Social Responsibility

Premier is fully committed to the concept of the Corporate Social Responsibility and fulfills this responsibility by energy conservation, environment protection and occupational safety and health by restricting unnecessary lighting, implementing tobacco control law and "No Smoking Zone" and providing a safe and healthy work environment.

During 2016, the Company contributed Rs. 306.825 million to the nation's treasury in the form of direct, indirect and withholding taxes.

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 the report.

Statement of Ethics and Business Practices

The Board has adopted a Statement of Ethics and Business Practices as Code of Conduct for directors and employees. Acknowledgments for compliance are obtained and held by the Company.

Board Committees

The Audit Committee, comprising non-executive members of the Board, held four meetings during the year. The committee's terms of reference were determined by the Board in accordance with the guidelines provided in the

listing regulations.

The Board constituted Ethics, Human Resource and Remuneration, Underwriting, Claims, Reinsurance and Co-insurance, Investment and Risk Management & Compliance Committees as required under CCG.

Appointment of Auditors

The auditors M/s. Deloitte Yousuf Adil, Chartered Accountants retire at the conclusion of the AGM. Being eligible, they have offered themselves for re-appointment. The Board on the recommendation of the Audit Committee has proposed their re-appointment.

Categories of Members / Pattern of Shareholding

A statement of categories of members and a pattern of shareholding of the Company is annexed.

The directors, CEO, CFO and Company Secretary and their spouses and minor children have no holding other than reported.

Acknowledgement

The directors would like to thank our valued customers for their continued patronage and support and to Securities and Exchange Commission of Pakistan and State Bank of Pakistan for their guidance and assistance.

It is a matter of deep gratification for your Directors to place on record their appreciation of the efforts made by all the Company employees.

On behalf of the Board

Zahid Bashir

Chairman

Karachi: April 7, 2017

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

Premier 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, there is no independent director on board. However, the Company is willing to appoint the same in the ensuing year. At present the Board includes:

Category	Names
Executive Directors	Zahid Bashir
	Muhammad Asif Arif
Non-Executive Directors	Khalid Bashir
	Imran Maqbool
	Nadeem Maqbool
	Shams Rafi
	Khurram Mazhar
	Attaullah A Rasheed

2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies including this Company.

3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company. A DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by a stock exchange.
4. No casual vacancy occurred on the Board during the year.
5. The Company has prepared a "Statement of Ethics and Business Practices" as Code of Conduct, has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the insurer. 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 Chief Executive Officer, other executive directors and the key officers, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda

and working papers, were circulated at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated.

9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company has adopted and complied with all the necessary aspects of internal controls given in the Code.
10. During the year, no orientation course was arranged for the directors as required under the Code of Corporate Governance for Insurers 2016. One of the director is certified under Directors' training program while other directors meet the criteria of eligibility as director in view of 15 years of experience on the Board of listed companies and 14 years of education as required under the Code of Corporate governance.
11. There was no new appointment of Chief Financial Officer (CFO) & Company Secretary or Head of Internal Audit during the year. The terms of the remuneration of the Chief Financial Officer, Company Secretary and Internal Auditor were approved by the Board. However, the company has appointed Head of Internal Audit subsequent to year end on their meeting held on March 21, 2017.
12. The Directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance for Insurers, 2016 and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.

14. The Directors, Chief Executive Officer and other executives do not hold any interest in the shares of the Company other than 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 Board Committees:

Ethics, Human Resource and Remuneration Committee:

Members	Category
Nadeem Maqbool	Chairman - Non-Executive Director
Zahid Bashir	Member - Executive Director
Attaullah A Rasheed	Member – Non-Executive Director
Niina Khan	Secretary – EVP – Head of HR & Administration

Investment Committee:

Members	Category
Zahid Bashir	Chairman - Executive Director
Nadeem Maqbool	Member – Non-Executive Director
Shazia Bashir	Secretary – External Consultant

17. The Board has formed an Audit Committee which comprises of three members, all of whom are non-executive directors including the Chairman of the Committee. The composition of the Audit Committee is as follows:

Audit Committee:

Members	Category
Khalid Bashir	Chairman - Non-Executive Director
Nadeem Maqbool	Member - Non-Executive Director
Imran Maqbool	Member - Non-Executive Director
Fariq M.K. Rohilla	Secretary – Senior VP, Head of Controls & Compliance

18. The Board has formed the following Management Committees:

Underwriting Committee:

Members	Category
Imran Maqbool	Member - Non-Executive Director
M. K. Baig	Member
Brendan D'Lima	Member
Ali Asghar Bhojani	Secretary

Claim Settlement Committee:

Members	Designation	Category
Attaullah A. Rasheed	Non-Executive Director	Chairman
Brendan D'Lima	Deputy Executive Director, Head of Operations & Risk Management	Member
Muhammad Imran	Executive Vice President, Head of Claims	Member
Hasan Mustafa	Senior Vice President - Claims	Secretary

Reinsurance & Co-insurance Committee:

Members	Designation	Category
Khurram Mazhar	Non-Executive Director	Chairman
Brendan D'Lima	Deputy Executive Director, Head of Operations & Risk Management	Member
Kamran Safi Rizvi	Vice President – Reinsurance Department	Secretary

Risk Management & Compliance Committee:

Members	Designation	Category
Shams Rafi	Non-Executive Director	Chairman
Munawar Salemwala	Chief Financial Officer, Corporate Secretary	Member
Brendan D'Lima	Deputy Executive Director, Head of Operations & Risk Management	Member
Rao Ali Zeeshan	Senior Vice President – Head of Internal Audit	Member

19. The meetings of the Committees were held at least once in 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. No meetings of Risk Management & Compliance Committee & Nomination Committee were conducted as these were formed on March 21, 2017.

20. The Board has outsourced the internal audit function to BDO Ebrahim & Co. (Chartered Accountants) who are considerably experienced and qualified for the purpose and are conversant with the policies and procedures of the Company.
21. The Chief Executive Officer, Chief Financial Officer and the Compliance Officer possess such qualification and experience as is required under this Code. Moreover, the persons heading the underwriting, claim, reinsurance, and grievance function possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000):

Name of the Person	Designation
Mohammad Asif Arif	Chief Executive Officer
Iftikhar Gadar	Chief Financial Officer and Corporate Secretary
Fariq M.K Rohilla	Compliance Officer
Rao Ali Zeeshan	Head of Internal Audit
Ali Asghar Bhojani	Head of Underwriting
Muhammad Imran	Head of Claims
Brendan D'Lima	Head of Reinsurance & Head of Grievance Function

22. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000 (Ordinance No, XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses

and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the institute of Chartered Accountants of Pakistan.

23. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
24. The Company has an investment policy, however, the Company will align the policy with the requirements of the new Code of Corporate Governance for Insurers, 2016 within the prescribed timeline.
25. The Company has set up Risk management committee on March 21, 2017 as required under the new Code of Corporate Governance for Insurers, 2016. However, the formulation of tasks of new Risk Management & Compliance function is in progress.
26. The Company has been rated by PACRA and the rating assigned by this rating agency on September 30, 2016 is A with stable outlook.
27. The Company has set up Grievance function on March 21, 2017 in compliance with the requirement of the Code of Corporate Governance for Insurers, 2016.
28. The 'closed period', prior to the announcement of interim / final results and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and stock exchange.

29. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
30. The Company has not obtained any exemption from the Securities and Exchange Commission of Pakistan in respect of any requirement of the Code of Corporate Governance for Insurers, 2016.
31. We confirm that all other material principles contained in this Code have been complied.

By Order of the Board

Date: 7 April 2017

Zahid Bashir

Chairman

Imran Maqbool

Director

Nadeem Maqbool

Director

Mohammed Asif Arif

Chief Executive

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

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

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirement 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 Director's 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 of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

We draw attention to the following;

- Paragraph 1 of the statement which states that currently the Company's Board of Directors do not have any independent director for the reason stated therein;
- Subsequent to year end, the Company could not fulfill the following requirements within the allowed exemption period;

- No orientation courses were arranged for the Board of Directors, as stated in paragraph 10;
- No Risk management system/department/function is established, as stated in paragraph 25; and
- No Grievance function is set up, as stated in paragraph 27.

Chartered Accountants

Engagement Partner: Mushtaq Ali Hirani

Date: 7 April 2017

Karachi

سوائے ان کے جن کا ذکر کیا گیا ہے۔

بورڈ نے کاروبار کو چلانے کے لئے ایک ضابطہ اخلاق اختیار کیا ہے جس پر تمام ڈائریکٹرز اور عملہ عمل کرنے کا پابند ہے۔ اس پر عمل درآمد کے لئے کمپنی نے پابندی عمل کی تسلیما ت حاصل کی ہیں۔

اظہار تشکر (اعتراف خدمات)

ڈائریکٹر صاحبان اپنے تمام معزز صارفین کا شکریہ ادا کرنا چاہتے ہیں جنہوں نے مسلسل کمپنی کا ساتھ دیا اور سکیورٹیز اینڈ ایکسچینج آف پاکستان اور اسٹیٹ بینک کے رہنما اصولوں کے مطابق عمل کیا۔

یہ انتہائی مسرت کی بات ہے کہ تمام ڈائریکٹرز صاحبان نے ریکارڈ پر کمپنی کے تمام ملازمین کی انتہا ک محنت کو سراہا جن کی وجہ سے کمپنی نے ترقی کے منازل طے کئے اور تسلسل کے ساتھ ترقی کی راہ پر گامزن ہے۔

منجانب بورڈ

زاہد بشیر

چیئرمین

کراچی، اپریل ۷، 2017

بورڈ کمیٹی

آڈٹ کمیٹی بورڈ کے نان ایگزیکٹو ممبران پر مشتمل ہے جس کی سال کے دوران چار میٹنگز مکمل ہو چکی ہیں۔ قواعد کے گوشوارے میں فراہم رہنما اصولوں کے مطابق کمیٹی کے شرائط کا تعین بورڈ کرتا ہے۔

سال کے دوران ضرورت کے مطابق بورڈ افرادی قوت، تنخواہوں، انڈر رائٹنگ دعوے، دوہری بیمہ کاری، مشترکہ بیمہ کاری اور سرمایہ کاری کی کمیٹیاں تشکیل دیتی ہے۔

آڈیٹرز کی تعیناتی

ڈیلاٹ یوسف عادل چارٹرڈ اکاؤنٹ کمپنی اے جی ام کے اختتام پر اس نتیجہ پر پہنچنے کے وہ اہل ہیں اور اپنی خدمات ری اپونٹمنٹ۔ بورڈ نے آڈٹ کمیٹی کی سفارشات پر ان کو دوبارہ تعینات کرنے کی تجویز دی۔

ممبران کی درجہ بندی و حصص شراکت کا طریقہ (نمونہ) منسلک ہے۔

ممبران کی درجہ بندی اور حصص شراکت کا طریقہ ایک اسٹیٹمنٹ کی شکل میں اس رپورٹ کے ساتھ منسلک ہے۔

ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر اور کمپنی سیکریٹری اور ان کی شریک حیات اور نابالغ بچے کا حصص شراکت سے کوئی تعلق نہیں

- کمپنی اکاؤنٹ بکس (کھاتوں کے کتابچوں) کو مناسب طریقے سے برقرار رکھتی ہے۔
- مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیاں اپنائی گئی ہیں اور اکاؤنٹنگ اسٹیٹمیٹ کو مناسب اور بہترین اندازوں کے بنیاد پر بنائے گئے ہیں۔
- مالیاتی گوشواروں کی تیاری میں پاکستان میں نافذ منظور شدہ اکاؤنٹنگ معیارات کی تعمیل کی گئی ہے اور ہر ڈپارچر (انحراف) کو ظاہر کیا گیا ہے۔
- انٹرنیٹ کا سسٹم کنٹرول بہت مضبوط ڈیزائن کیا گیا ہے اور موثر طور پر نافذ کیا گیا ہے اور اس کی نگرانی کی جاتی ہے۔
- ضابطوں کی فہرست کے مطابق کارپوریٹ گورننس کی بہترین پریکٹس سے انحراف نہیں کیا گیا۔
- پچھلے چھ سال کا اہم آپریٹنگ اور مالیاتی ڈیٹا اس رپورٹ کے ساتھ منسلک کیا گیا ہے۔
- دسمبر 31، 2016 میں پروویڈنٹ فنڈ کی آڈیٹ اکاؤنٹس کی سرمایہ کاری کی قدر Rs.40.192 تھی۔
- 2016ء کے دوران بورڈ کی ہر سہ ماہی میں ایک مرتبہ کے حساب سے 4 میٹنگیں منعقد ہوئیں اس میں اس طرح حاضری رہی:
- 5 جناب زاہد بشیر (چیرمین)
- 5 جناب شمس رفیع
- ان ڈائریکٹرز کو غیر حاضری کی رخصت کی منظور کردہ گئی جو کہ حاضر ہونے سے قاصر تھے۔
- وہ ڈائریکٹرز، ایگزیکٹوز (جن کی تنخواہ سالانہ Rs.0.5 ملین یا اس سے زائد ہے) ان کے شریک حیات اور نابالغ بچے کی درج ذیل حصص کے لین دین کی تفصیلات:
- جناب محمد آصف عارف نے 24,500 حصص خریدے
- جناب زاہد بشیر نے 58,000 حصص خریدے

کارپوریٹ کی معاشرتی ذمہ داری

پریمیر کارپوریٹ نے سماجی ذمہ داری کے تصور کو مکمل طور پر پر عزم ہے اور غیر ضروری نظم و نسق، محدود تمباکو نوشی کو کنٹرول کرنے کا قانون (سگریٹ نوشی ممنوع ہے) کے نفاذ سے ایک محفوظ اور صحت مند کام کرنے کا ماحول فراہم کر کے توانائی کے تحفظ اور پیشہ ورانہ حفاظت کی ذمہ داری کو پورا کیا۔

2016

2016 کے دوران کمپنی نے 306,825 ملین روپے براہ راست، بالواسطہ اور دہولڈنگ ٹیکس کی شکل میں قومی خزانے میں اضافہ کیا۔

کارپوریٹ اصولوں کی عملداری کی تعمیل

اسٹاک ایکسچینج کے جاری کردہ قواعد و ضوابط کے مطابق سن 31 دسمبر 2016 تک تمام لین دین کی تفصیلات جاری کی گئی۔ یہ گوشوارے کی شکل میں اس رپورٹ کے ساتھ منسلک ہے۔

کاروبار کے اخلاقی اقدار کا ضابطہ عمل

ڈائریکٹر کا نام	میٹنگز میں شرکت کی تعداد
جناب عطاء اے رشید	5
جناب عمران مقبول	5
جناب خالد بشیر	5
جناب خرم مظہر	3
جناب محمد آصف عارف (CEO)	5
جناب ندیم مقبول	5

حالیہ سال کے لئے دوراندیشی و امکانات

ہمارے کاروبار اور مالیاتی منصوبہ سازی برائے سال 2017 کے لئے دوراندیشی پر محیط اور مستحکم ہیں جس میں حقائق کی تشخیص اور موجودہ معاشی اور سیاسی حالات کو مد نظر رکھا جاتا ہے جو کہ پچھلی رپورٹوں سے ظاہر ہوتا ہے۔

ونڈونکفل کا کاروبار میں 2017 کارکردگی کے لحاظ سے دوسرا سال ہوگا ہوا ہے۔

2016 میں ایسی حکمت عملی اپنائی گئی جس میں بدلتے ہوئے مسابقتی ماحول میں ایک مستحکم، منافع بخش ترقی حاصل ہو اور متعلقہ صنعت میں اپنے ابھرتی ہوئی پوزیشن کو بھی مستحکم کیا جاسکے۔ ہم نے اپنے لوگوں پر سرمایہ کاری کی اور اس کو کیریئر کی ترقی کے لئے بہترین جگہ بنایا۔

کمپنی اعتدال پر محیط، انشورر فنانشل اسٹریٹج (IFS) ریٹنگ "A" (اکیلے A) کی حامل ہے۔ یہ ریٹنگ JCR-VIS نے دی ہے جو کہ ”پالیسی ہولڈر (بیمہ داری) اور معاہدے کی ذمہ داریاں کو نبھانے کی اعلیٰ صلاحیت کی حامل“ ہونے پر دلالت کرتی ہے۔ اس بات کا توقع ہے کہ آپ کی کمپنی 2016 میں اپنی ریٹنگ بہتر بنانے کے اقدامات جاری رکھے گی اور آنے والے سالوں میں مزید ترقی کی توقع ہے۔

آپ کی کمپنی، اپنی طاقتور بلینس شیٹ، سیالیت اور سب سے زیادہ یہ کہ اہلیت اور پیش قدم سے صورتحال پر قابو پانے والی انتظامیہ اس قابل ہوگی جو خطے کی غیر یقینی صورت حال اور دنیاوی معاشی اور سیاسی شورشوں کے باوجود اپنے معیار پر سمجھوتا کئے بغیر ایسی نئی کاروباری جہتوں کو تلاش کریں جو محفوظ اور مستحکم ترقی کی حامل ہوں۔

دوہری بیم کاری (ری انشورنس)

آپ کی کمپنی تسلسل کے ساتھ ایک مضبوط دوہری بیم کاری اور دوہرا تکافل کا انتظام رکھتی جو کہ سرکردہ بین الاقوامی سیکورٹیز سے منسلک ہے جیسا کہ

SCOR گلوبل P&C، پاکستان ری انشورنس لمیٹڈ، GIC RE، کورین ری انشورنس کمپنی، ایمرٹس انٹرنیشنل، سعودی RE، سوئس ری تکافل، لابون ری تکافل، GIC ری تکافل اور افریقہ ری تکافل۔ یہ سب اچھی ساکھ کی حامل ہیں۔

متعلقہ پارٹی ٹرانسکشنز (لین دین)

بورڈ آف ڈائریکٹرز اپنی ہر میٹنگ میں متعلقہ کمپنیز / متعلقہ پارٹیز سے کاروباری لین دین کی منظوری دیتے ہیں۔ یہ تمام لین دین آرمز لینتھ کی بنیاد پر کئے جاتے ہیں۔

سرمائے کا انتظام اور لیکویڈیٹی (سیالیت)

کمپنی ایک مضبوط سرمائے کی حالت کو برقرار رکھے ہوئے ہے۔ آپ کی کمپنی اپنی بیمے کی ذمہ داریوں کو موثر طریقے سے پورا کرنے کے لئے احتیاط کے ساتھ اپنی لیکویڈیٹی کا انتظام کرتی ہے۔ کمپنی اپنی ذمہ داریوں کو کیش فلو (نقدی کا بہاؤ)، اہم کاروباری امور، سرمایہ کاری اور پیداواری آمدنی کے ادا کرتی ہے۔

کارپوریٹ مالیاتی رپورٹنگ

بورڈ کوڈ آف کارپوریٹ گورننس (مستند نظم و ضبط کا ضابطہ) (ضابطہ) کی تعمیل کرنے کے لئے تمام ضروری انتظامات کر چکا ہے۔ جس میں اسٹاک ایکسچینج کے قوانین کی لسٹ شامل ہے اور ضابطے کی ضرورت کی حیثیت سے درج ذیل کا اعلان کرنے میں مسرت محسوس کرتا ہے۔

○ کمپنی کی انتظامیہ نے ایک مالیاتی گوشوارہ تیار کیا ہے جو اپنے موجودہ معاملات، ان کے کام انجام دینے، نقدی کا بہاؤ اور ایکویٹی میں تبدیلی کو مناسب طور پر ظاہر کرتا ہے۔

درج ذیل مختص کیا گیا:

مجوزہ بونس شیئر بمطابق 10%، (2016) 41,789

قرض کی شرح بندی (کریڈٹ ریٹنگ)

آپ کی کمپنی اس سے قبل JCR-VIS سے ریٹنگ حاصل کرتی رہی ہے۔ اس سال PACRA سے بھی ریٹنگ لی ہے۔ دونوں کمپنی نے ہمیں A ریٹنگ دی ہے۔

افراد و وسائل

آپ کی کمپنی اپنے عملے کی ترقی اور ترویج کے لئے بہت سرمایہ خرچ کرتی ہے اور ان کو چیلنجز سے بخوبی مقابلے کرنے کی مہارت پیدا کرنے کا اہتمام کرتی ہے۔ عملے کو ضروری ٹریننگ دی جاتی ہے تاکہ ان میں اپنی ذمہ داریاں بخوبی ادا کرنے کی بہترین صلاحیت اور اہلیت پیدا ہو سکے۔ آپ کی کمپنی ٹریننگ کے لئے انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس انگلینڈ اینڈ ویلز (ICAEW) سے لائسنس یافتہ ہے بشمول ایسوسی اٹڈ چارٹرڈ اکاؤنٹنٹس (ACCA) اسٹوڈنٹس۔ یہ ہمیں موجودہ ایمپلائز کو ٹریننگ کرنے کے قابل بناتی ہے جو کہ مستقبل میں ٹریننگ پروگرامز کے لئے اثاثہ ثابت ہو سکتے ہیں۔

اہم مقاصد

آپ کی کمپنی نے مارکیٹ شیئر میں اضافے ساتھ ہی ساتھ خطرات سے نمٹنے کے لئے دانشمندانہ اور عملی امور پر خاص توجہ دی ہے۔

کیا گیا اور کامیابی سے ہمکنار ہوا۔ بورڈ کے ڈائریکٹران حاصل کردہ کاروباری کامیابیوں سے مطمئن ہیں اور ساتھ ہی کاروباری مسابقتی ماحول میں رہتے ہوئے اخراجات کو قابل برداشت حد تک محدود رکھا گیا ہے۔ اسی طرح کی مثبت سوچ کے ساتھ انڈرائٹنگ اور عمومی دعوں کے اخراجات میں کمی اور سرمایہ کاری میں اضافہ کیا گیا اور امید کی جاتی ہے کہ اس میں مزید بہتری لائی جائے گی۔

منافع کو مختص کرنا

اس سال نقصان بعد از ٹیکس Rs.330.709 ملین روپے رہا باوجود گو پیشہ سال منافع بعد از ٹیکس Rs.110.616 ملین روپے تھا۔ آپ کے ڈائریکٹرز نے دس موجودہ شیئر پر ایک بونس شیئر (20%) ان شیئر ہولڈرز (حصص یافتگان) کو جاری کرنے کی تجویز دی ہے جن کا نام کمپنی کے شیئر رجسٹر میں کاروباری اختتامی تاریخ یعنی مورخہ 17 اپریل 2016 تک موجود تھا۔ تخصیص کی تفصیل درج ذیل ہے:

منافع بعد از ٹیکس برائے سال	(رقم روپے میں '000)
دیگر جامع نقصانات برائے سال	(330,709)
غیر مختص شدہ نقصان جو آگے لایا گیا	(817)
	(51,424)

280,102

تخصیص

عام ریزرو (محفوظ سرمائے) سے منتقلی	104,473
نقد منافع منقسمہ (ڈیویڈنڈ) بحساب 10% (2015)	(34,824)
بونس شیئر بحساب 20% (2015)	69,649
غیر مختص شدہ منافع جو آگے لایا گیا	280,102

ڈائریکٹرز کی رپورٹ ممبران کے لئے:

ڈائریکٹران اختتام سال 31 دسمبر 2016 کے لئے کمپنی کی 65 ویں سالانہ رپورٹ بشمول آڈٹ شدہ مالیاتی گوشواروں پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔

کی قیمت جو 2015 میں Rs 140.295 سے بڑھ کر Rs. 258.537 تک پہنچائی گئی۔ کمپنی کی انتظامیہ کی بھرپور کوشش ہے کہ مستقبل میں کمپنی کی کارکردگی کو بہتر بنایا جائے۔ کمپنی کی انتظامیہ انتہائی حوصلہ افزائی سے کاروبار کے چیلنجز کو قبول کر رہی ہے اور اخراجات کو محدود کرنے کے اصول پر کام جاری ہے۔ مارکیٹنگ کے اسٹاف نے بڑے چیلنگ اہداف دیئے ہیں لیکن انتظامیہ کے نقطہ نگاہ سے 2017 میں ہمارے نتائج میں بہتری کی امید ہے۔

جائزہ

(رقم روپوں میں 000)

2016	2015	
1,115,119	1,405,907	تحریری پریمیئم
623,366	770,143	خالص پریمیئم
(432,243)	73,488	انڈر رائٹنگ (ذمہ داری) نتائج
258,537	140,295	سرمایہ کاری سے منافع
(325,134)	123,424	منافع قبل از ٹیکس
(330,709)	110,616	منافع بعد از ٹیکس
(7.91)	2.65	آمدن فی حصص

ونڈو تکافل آپریشن

یہ ونڈو تکافل آپریشن کے آپریشن کا پہلا سال ہے۔ اس سال کے دوران کمپنی کے شراکت داری کے کھاتوں میں 194,498 ملین روپے ہے جبکہ گزشتہ سال اکتوبر سے دسمبر کے دوران 2.357 ملین تھا۔ اس سال کے دوران، ونڈو تکافل کی کارروائیوں سے نقصان ٹیکس سے پہلے۔ اوپی ایف روپے 27,549 ملین رہا جو کہ کمپنی کے بنیادی ڈھانچہ کی تعمیر کے کاموں پر اخراجات میں اضافہ سے ہوا جو کہ 2015 میں 5,895 ملین روپے تھا۔

انفارمیشن ٹیکنالوجی

کمپنی تسلسل کے ساتھ انفارمیشن ٹیکنالوجی میں سرمایہ کاری کر رہی ہے جس سے نہ صرف مسابقتی تقابل کو برقرار رکھا گیا ہے بلکہ ساتھ ہی ساتھ اپنے کسٹمرز کو جدید ترین سہولیات سے بھی آراستہ کیا گیا۔ روایتی کاروبار کی طرح ونڈو تکافل آپریشن کا کام نہایت کامیابی کے ساتھ جدید خطوط پر شروع

کمپنی کا منافع برائے اختتام سال 31 دسمبر 2016 دوران مدت سرمایہ کاری میں مندی کے رجحان کے باوجود سرمایہ کاری کے منافع میں کافی نقصان ہوا۔ مارکیٹ میں بڑھتی ہوئی رساکشی کی بناء کمپنی نے سال کی مدت میں بڑے مسائل کا سامنا کیا۔

دوران مدت کمپنی نے مستقل مزاجی کے ساتھ دانشمندانہ طریقہ سے انڈر رائٹنگ اور سرمائے استعمال بہتر طور پر کیا اور اس کے نتیجے میں حصص



Mountain & Sky

Pakistan is blessed with the highest and most magnificent mountains in the world. They spread across the northern region of Pakistan in a vast expanse, majestic and inspiring. Their beauty is unparalleled, as they tower above us, proudly kissing the sky.

With our protection, businesses can stand proud, and dream to touch the sky. It is, after all, a Pakistani tradition.

همیشه کلاه

A photograph of a business meeting. Several people's hands are visible, holding pens and pointing at various financial charts and documents spread across a table. The charts include bar graphs and pie charts. A large blue diagonal overlay covers the bottom right portion of the image, containing the title 'FINANCIAL STATEMENTS' and some faint, illegible text from the background document.

FINANCIAL STATEMENTS

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 premium;
- (vii) statement of claims;
- (viii) statement of expenses; and
- (ix) statement of investment income.

of **Premier Insurance Limited** ("the Company") as at **December 31, 2016** together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

- a. proper books of account have been kept by the Company as required by the Insurance

Ordinance, 2000 and the Companies Ordinance, 1984;

- b. the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984 and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- c. the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2016 and of the loss, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with International Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- d. zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of the Ordinance.

The financial statements for the year ended December 31, 2015 were audited by another firm of Chartered Accountants who vide their report dated March 29, 2016 expressed an unmodified opinion on those financial statements.

Chartered Accountants

Engagement Partner: Mushtaq Ali Hirani

Date: April 7, 2017

Karachi

BALANCE SHEET

As at December 31, 2016

(Amounts in Rupees '000)

	Note	2016	2015
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital and reserves			
75,000,000 ordinary shares of Rs 10 each (2015: 50,000,000 ordinary shares of Rs 10 each)		750,000	500,000
Issued subscribed and paid-up capital 41,789,344 (2015: 34,824,454) ordinary shares of Rs 10 each	6	417,893	348,244
(Accumulated loss)/unappropriated profit		(280,102)	51,424
Reserves	7	1,104,283	1,208,756
Shareholders' Equity		1,242,074	1,608,424
Underwriting provisions			
Provision for outstanding claims (including IBNR)		1,161,637	572,537
Provision for unearned premium		509,562	642,765
Commission income unearned		42,155	27,303
Total underwriting provisions		1,713,354	1,242,605
Deferred liability			
Staff retirement benefits	8	13,441	13,556
Liabilities against assets subject to finance lease			
	9	5,643	3,575
Creditors and accruals			
Current maturity of lease finance	9	3,514	1,027
Amounts due to other insurers / reinsurers		290,824	271,706
Accrued expenses		15,202	26,088
Taxation - provision less payments		54,174	85,818
Other creditors and accruals	10	334,840	403,558
		698,554	788,197
Other liabilities			
Unclaimed dividend		26,235	27,778
Total liabilities of window Takaful Operations - Operator's Fund		45,853	1,277
TOTAL EQUITY AND LIABILITIES	11	3,745,154	3,685,412
CONTINGENCIES AND COMMITMENTS			

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

BALANCE SHEET

As at December 31, 2016

(Amounts in Rupees '000)

	Note	2016	2015
ASSETS			
Cash and bank deposits	12		
Cash and other equivalents		1,039	495
Current and other accounts		416,675	84,302
		417,714	84,797
Investments	13	905,304	1,143,588
Loan - unsecured considered good	14	1,475	1,475
Investment properties	15	25,210	25,249
Other assets			
Premium due but unpaid	16	539,596	822,817
Amounts due from other insurers / reinsurers	17	322,927	391,933
Accrued investment income		1,105	365
Accrued salvage recoveries		15,771	12,909
Reinsurance recoveries against outstanding claims		786,215	465,930
Deferred commission expense		86,921	67,420
Prepayments	18	214,078	305,553
Deposits and other receivables	19	66,029	72,400
		2,032,642	2,139,327
Fixed assets - tangible and intangible	20		
Tangible			
Land and buildings		163,062	154,228
Furniture, fixtures and office equipment		22,783	18,603
Motor vehicles - Owned		51,189	33,656
Motor vehicles - Leased		12,644	4,757
Capital work in progress	21	26,109	26,109
Intangible			
Computer software		6,718	2,309
		282,505	239,662
Total assets of Window Takaful Operations - Operator's Fund (including Qard-e-Hasna)		80,304	51,314
TOTAL ASSETS		3,745,154	3,685,412

Zahid Bashir
Chariman

Imran Maqbool
Director

Nadeem Maqbool
Director

Mohammed Asif Arif
Chief Executive

PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2016

(Amounts in Rupees '000)

	Note	Fire and property damage	Marine, aviation & transport	Motor	Misc.	Treaty	2016 Aggregate	2015 Aggregate
Revenue accounts								
Net premium revenue		125,739	(48,169)	305,393	240,403	-	623,366	770,143
Net claims		(90,985)	(15,461)	(150,327)	(371,539)	-	(628,312)	(363,668)
Management expenses	22	(140,318)	(10,460)	(96,932)	(87,260)	-	(334,970)	(228,943)
Net commission		(19,715)	(11,815)	(38,929)	(21,868)	-	(92,327)	(104,044)
Underwriting result		(125,279)	(85,905)	19,205	(240,264)	-	(432,243)	73,488
Investment income							258,537	140,295
Gain on disposal of fixed assets							7,929	1,307
Rental income							-	4,514
Other income							7,493	-
General and administration expenses	22						(139,301)	(90,285)
Loss before tax from window takaful operations - OPF	23						(27,549)	(5,895)
(Loss) / profit before tax							(325,134)	123,424
Provision for taxation	24						(5,575)	(12,808)
(Loss) / profit after tax							(330,709)	110,616
Profit and loss appropriation account								
								Restated
Balance at commencement of the year							51,424	(59,028)
(Loss) / profit after tax for the year							(330,709)	110,616
Other comprehensive income for the year							(817)	(164)
Transfer from general reserves							104,473	75,705
Cash dividend for 2015 @ Re 1 per share (2014: @ Re 1 per share)							(34,824)	(30,282)
Bonus shares for the year 2015 at 20% (2014: 15%)							(69,649)	(45,423)
(Accumulated loss) / unappropriated profit at the end of the year							(280,102)	51,424
Earnings per share - basic and diluted	25					Rupees	(7.91)	2.65

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

Zahid Bashir
Chariman

Imran Maqbool
Director

Nadeem Maqbool
Director

Mohammed Asif Arif
Chief Executive

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2016

(Amounts in Rupees '000)

	2016	2015
Net (loss) / profit for the year	(330,709)	110,616
Other comprehensive income for the year		
Item not to be re-classified to profit and loss account in subsequent period:	-	-
Remeasurement of defined benefit plan for the year - net of tax	(817)	(164)
Total comprehensive income	<u>(331,526)</u>	<u>110,452</u>

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

Zahid Bashir
Chairman

Imran Maqbool
Director

Nadeem Maqbool
Director

Mohammed Asif Arif
Chief Executive

STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

(Amounts in Rupees '000)

OPERATING CASH FLOWS

2016

2015

(a) Underwriting activities

Premium received	1,398,340	1,215,302
Reinsurance premium paid	(516,255)	(493,475)
Claims paid	(553,164)	(552,292)
Reinsurance and other recoveries received	249,355	150,190
Commissions paid	(234,311)	(167,559)
Commissions received	96,989	54,612
Net cash generated from underwriting activities	440,954	206,778

(b) Other operating activities

Income tax paid	(37,219)	(28,028)
General management expenses paid	(463,233)	(228,943)
Other operating payments	(11,963)	(93,293)
Other income	7,493	-
Advances, deposits and sundry receivables	8,263	(2,308)
Other liabilities and accruals	(28,372)	(2,341)
Net cash used in other operating activities	(525,031)	(354,913)

Total cash used in operating activities

(84,077)

(148,135)

INVESTMENT ACTIVITIES

Investment income received	54,164	46,462
Investments made	(891,078)	(1,214,227)
Proceeds from disposal of investments	1,332,995	1,281,015
Fixed capital expenditure	(63,430)	(11,863)
Proceeds from disposal of fixed assets	20,710	4,893
Rental income received	-	4,920

Total cash generated from investing activities

453,361

111,200

FINANCING ACTIVITIES

Dividends paid	(36,367)	(29,261)
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Total cash used in financing activities

(36,367)

(29,261)

Total cash flow from all activities

332,917

(66,196)

Cash and cash equivalents at beginning of the year

84,797

150,993

Cash and cash equivalents at the end of the year

417,714

84,797

STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

(Amounts in Rupees '000)

	2016	2015
Reconciliation to profit and loss account		
Operating cash flows	(84,077)	(148,135)
Depreciation	(20,155)	(13,263)
Investment income	258,537	140,295
Gain on disposal of fixed assets	7,929	1,307
Other income	7,493	-
Rental income	-	4,514
Loss from window takaful operations	(27,549)	(5,895)
Increase / (decrease) in assets other than cash	(273,175)	276,359
(Increase) / decrease in liabilities	(199,712)	(144,566)
(Loss) / profit after taxation	(330,709)	110,616

Definition of cash

Cash comprises cash in hand, stamps in hand, current and saving accounts and short-term deposits.

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

Cash and other equivalents

Cash	46	56
Stamps in hand	993	439
	1,039	495

Current and other accounts

Current accounts	8,041	5,127
Savings accounts	408,634	79,175
	416,675	84,302

Total cash and cash equivalents

417,714	84,797
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The annexed notes from 1 to 36 form an integral part of these financial statements.

Zahid Bashir
Chariman

Imran Maqbool
Director

Nadeem Maqbool
Director

Mohammed Asif Arif
Chief Executive

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2016

(Amounts in Rupees '000)

	Share capital	Reserves							
		Capital reserves			Revenue reserves				
	Issued, subscribed and paid-up	Reserve for exceptional losses	Devaluation reserve	Reserve for issue of bonus shares	General reserve	Reserve for bad and doubtful debts	Unappropriated profit (accumulated loss)	Total reserves	Total equity
Balance at January 1, 2015	302,821	19,490	185	-	1,264,436	350	(59,028)	1,225,433	1,528,254
Profit for the year ended December 31, 2015	-	-	-	-	-	-	110,616	110,616	110,616
Other comprehensive income	-	-	-	-	-	-	(164)	(164)	(164)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	-	110,452	110,452	110,452
Transfer from general reserve	-	-	-	-	(75,705)	-	75,705	-	-
Cash dividend for the year ended December 31, 2014	-	-	-	-	-	-	(30,282)	(30,282)	(30,282)
Transferred from reserve for issue of bonus shares	-	-	-	45,423	-	-	(45,423)	-	-
Bonus shares issued	45,423	-	-	(45,423)	-	-	-	(45,423)	-
Balance at December 31, 2015	348,244	19,490	185	-	1,188,731	350	51,424	1,260,180	1,608,424
Loss for the year ended December 31, 2016	-	-	-	-	-	-	(330,709)	(330,709)	(330,709)
Other comprehensive income	-	-	-	-	-	-	(817)	(817)	(817)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	-	(331,526)	(331,526)	(331,526)
Transfer from general reserve	-	-	-	-	(34,824)	-	34,824	-	-
Cash dividend for the year ended December 31, 2015	-	-	-	-	-	-	(34,824)	(34,824)	(34,824)
Transferred from reserve for issue of bonus shares	-	-	-	69,649	(69,649)	-	-	-	-
Bonus shares issued	69,649	-	-	(69,649)	-	-	-	(69,649)	-
Balance as at December 31, 2016	417,893	19,490	185	-	1,084,258	350	(280,102)	824,181	1,242,074

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

Zahid Bashir
Chariman

Imran Maqbool
Director

Nadeem Maqbool
Director

Mohammed Asif Arif
Chief Executive

STATEMENT OF PREMIUM

For the year ended December 31, 2016

(Amounts in Rupees '000)

Business underwritten inside Pakistan

										2016	2015
	Class	Premium written	Unearned premium reserve		Premium earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	Net premium revenue
			Opening	Closing			Opening	Closing			
Direct and											
Facultative 1	Fire and property damage	467,122	269,283	237,562	498,843	369,344	183,260	179,500	373,104	125,739	201,277
2	Marine, aviation and transport	34,821	38,504	13,650	59,675	80,092	34,461	6,709	107,844	(48,169)	152,309
		-	-	-	-	-	-	-	-	-	-
3	Motor	322,688	146,713	156,689	312,712	5,708	2,827	1,216	7,319	305,393	266,020
		-	-	-	-	-	-	-	-	-	-
4	Miscellaneous	290,488	188,265	101,661	377,092	80,229	82,921	26,461	136,689	240,403	150,537
		-	-	-	-	-	-	-	-	-	-
	Total	1,115,119	642,765	509,562	1,248,322	535,373	303,469	213,886	624,956	623,366	770,143
Treaty	5 Proportional	-	-	-	-	-	-	-	-	-	-
	Grand Total	1,115,119	642,765	509,562	1,248,322	535,373	303,469	213,886	624,956	623,366	770,143

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

Zahid Bashir
Chairman

Imran Maqbool
Director

Nadeem Maqbool
Director

Mohammed Asif Arif
Chief Executive

STATEMENT OF CLAIMS

For the year ended December 31, 2016

(Amounts in Rupees '000)

Business underwritten inside Pakistan

										2016	2015
	Class	Claims paid	Outstanding claims Opening	Outstanding claims Closing	Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims Opening	Reinsurance and other recoveries in respect of outstanding claims Closing	Reinsurance and other recoveries revenue	Net claims expense	Net claims expense
Direct and											
Facultative 1	Fire and property damage	154,659	171,690	129,523	112,492	50,667	126,904	97,744	21,507	90,985	64,563
	2 Marine, aviation and transport	58,672	194,229	455,507	319,950	50,993	194,100	447,596	304,489	15,461	1,751
	3 Motor	131,965	22,132	41,166	150,999	784	432	320	672	150,327	152,709
	4 Miscellaneous	194,550	184,486	535,441	545,505	77,905	144,494	240,555	173,966	371,539	144,645
	Total	539,846	572,537	1,161,637	1,128,946	180,349	465,930	786,215	500,634	628,312	363,668
Treaty	5 Proportional	-	-	-	-	-	-	-	-	-	-
	Grand Total	539,846	572,537	1,161,637	1,128,946	180,349	465,930	786,215	500,634	628,312	363,668

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

Zahid Bashir
Chairman

Imran Maqbool
Director

Nadeem Maqbool
Director

Mohammed Asif Arif
Chief Executive

STATEMENT OF EXPENSES

For the year ended December 31, 2016

(Amounts in Rupees '000)

Business underwritten inside Pakistan

									2016	2015
	Class	Commission paid or payable	Opening deferred commission	Opening deferred commission	Net commission expense	Other management expenses	Underwriting expenses	Commission from reinsurers	Net underwriting expense	Net underwriting expense
Direct and										
Facultative 1	Fire and property damage	88,823	17,824	44,205	62,442	140,318	202,760	42,727	160,033	108,319
2	Marine, aviation and transport	26,463	3,506	2,685	27,284	10,460	37,744	15,469	22,275	55,111
3	Motor	39,089	18,937	18,793	39,233	96,932	136,165	304	135,861	114,699
4	Miscellaneous	39,591	27,152	21,238	45,505	87,260	132,765	23,637	109,128	54,858
	Total	193,966	67,419	86,921	174,464	334,970	509,434	82,137	427,297	332,987
Treaty 5	Proportional	-	-	-	-	-	-	-	-	-
	Grand Total	193,966	67,419	86,921	174,464	334,970	509,434	82,137	427,297	332,987

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

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

Zahid Bashir
Chairman

Imran Maqbool
Director

Nadeem Maqbool
Director

Mohammed Asif Arif
Chief Executive

STATEMENT OF INVESTMENT INCOME

For the year ended December 31, 2016

(Amounts in Rupees '000)

	2016	2015
Income from non-trading investments		
Return on bank deposits	11,116	8,622
Available for sale		
Dividend income	47,000	39,480
Gain on sale of investments- net	203,633	75,001
	250,633	114,481
Reversal of provision for impairment - Available for sale investment- net	-	19,553
Investment management expenses	(3,212)	(2,361)
Net investment income	258,537	140,295

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

Zahid Bashir
Chairman

Imran Maqbool
Director

Nadeem Maqbool
Director

Mohammed Asif Arif
Chief Executive

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

1. STATUS AND NATURE OF BUSINESS

Premier Insurance Limited (the Company) was incorporated as a public limited company in Pakistan in May 1952 and is engaged in general insurance business. The shares of the Company are listed on the Pakistan Stock Exchange. The registered office of the Company is situated at 5th Floor, State Life Building No. 2A, Wallace Road, Karachi. The Company has been allowed to work as Window Takaful Operator on October 02, 2015 by Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations in Pakistan.

2. BASIS OF PRESENTATION

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

The financial statements are prepared and presented in Pakistani Rupees, which is the Company's functional and presentation currency.

3. STATEMENT OF COMPLIANCE

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

From October 2015, the Company has been granted permission by the Securities and Exchange Commission (SECP) of Pakistan to transact Window Takaful Operations. In accordance with the requirements of the Takaful Rules 2012, read with SECP Circular 25 of 2015 dated July 9, 2015, the assets, liabilities and profit and loss of the Operator Fund of the General Takaful operations of the Company have been presented as a single line item in the balance sheet and profit and loss account of the Company respectively.

Further, a separate set of financial statements of the General Takaful operations has been annexed to these financial statements as per the requirements of the Takaful Rules 2012.

The SECP has allowed the insurance companies to defer the application of International Accounting Standard 39 (IAS-39), Financial Instruments: Recognition and Measurement, in respect of valuation of "available for sale investments". Accordingly, the requirements of IAS-39, to the extent allowed by the SECP as aforesaid, have not been considered in the preparation of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

3.2 Adoption of new standards, amendments and interpretations of existing standards

3.2.1 Accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2016

The following amendments to published approved accounting standards are effective from January 1, 2016. These amendments are, either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

- Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations: Clarification regarding changes in the method of disposal of an asset.
- Amendments to IFRS 7 - Financial Instruments - Disclosures: Disclosure requirements for servicing arrangements on continuing involvement in transferred financial assets.
- Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities and IAS 28 (Revised 2011) - Investments in Associates and Joint Ventures: Application of consolidation exception
- Amendments to IFRS 11 - Joint Arrangements: Accounting for acquisitions of an interest in a joint operation
- Amendments to IAS 1 - Presentation of Financial Statements: Amendments resulting from the disclosure initiative
- Amendments to IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture: Bringing bearer plants in scope of IAS 16.
- Amendments to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets: Clarification on acceptable methods of depreciation and amortization.
- Amendments to IAS 19 - Employee Benefits: Clarification that the same currency bonds be used to determine the discount rate in which benefits are to be paid.
- Amendments to IAS 27 (Revised 2011) - Separate Financial Statements: Use of equity method to account for investments in subsidiaries, joint ventures and associates in separate financial statements.
- Amendments to IAS 34 - Interim Financial Reporting: Clarification related to certain disclosures, i.e., if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

3.2.2 New accounting standards, interpretations and amendments that are not yet effective

The following amendments to approved accounting standards are effective for accounting periods, beginning on or after the date mentioned against each of them. These amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

	"Effective from annual periods beginning on or after"
- Amendments to IFRS 2 - Share-based Payment: Clarification of the classification and measurement of share-based payment transactions	January 01, 2018
- Amendments to IAS 7 - Statement of Cash Flows: Amendments as result of the disclosure initiative	January 01, 2017
- Amendments to IAS 12 - Income Taxes: Recognition of deferred tax assets for unrealized losses	January 01, 2017
- Amendments to IAS 40 - Investment Property: Clarification on transfers of property to or from investment property.	January 01, 2018
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration: Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases

4. BASIS OF MEASUREMENT

4.1 These financial statements have been prepared under the historical cost convention, except that obligations under employee benefits are measured at present value.

These financials have been prepared on accrual basis of accounting except for information in the statement of cash flows.

4.2 Use of critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to use certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continuously evaluated and are based on historical experience and expectation of future events that are believed to be reasonable under the circumstances.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised. The areas where required assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- a. Provision for outstanding claims including claims incurred but not reported [IBNR] (Note 5.6)
- b. Provision for premium deficiency reserves (Note 5.9)
- c. Reinsurance recoveries against outstanding claims (Note 5.7)
- d. Provision against premium due but unpaid (Note 5.4)
- e. Useful life of depreciable / amortizable assets (Note 5.15)
- f. Impairment of assets (Note 5.13.3 & 5.15)
- g. Staff retirement benefits (Note 5.11)
- h. Provision for income taxes (Note 5.12)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Insurance contracts

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

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

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

These contracts are provided to individuals as well as commercial organizations with various tenures according to the nature and terms of the contract and the needs of the insured.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

Reinsurance Company Limited (PRCL).

The Company neither issues investment contracts nor does it issue insurance contracts with discretionary participation features (DPF).

5.2 Premium

Premium written, including administrative surcharge, under a policy is recognized from the date of issuance of the policy to which it relates. Premium on facultative reinsurance accepted is reflected in the financial statements along with direct premium.

5.3 Unexpired risk and premium

The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the Company. This liability is calculated by applying the 1/24 method as specified in the SEC (Insurance) Rules, 2002.

The related deferred portion of reinsurance premium is recognized as a prepayment calculated by using, the 1/24 method.

5.4 Receivables and payables related to insurance contracts

Receivables and payables relating to insurance contracts are recognized when due. These include premium, due but unpaid and claims payable to insurance contract holders.

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

5.5 Reinsurance contracts held

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 premium is accounted for in the same period as the related premium for the direct or accepted reinsurance 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 contracts.

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

5.6 Claims

General insurance claims include all claims occurring during the year, whether reported

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

or not, including external claims handling costs that are directly related to the processing and settlement of claims, reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

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

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

Upto previous year the provision for IBNR was accounted for based on the management's best estimate which takes into account the past trends at the reporting date (except exceptional losses) to arrive at liability for IBNR.

5.7 Reinsurance recoveries against outstanding claims

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

5.8 Commissions

Commission expense and other acquisition costs are charged to the profit and loss account at the time the policies are accepted. Commission income from reinsurers is recognized on a quarterly basis as per terms and conditions agreed with the reinsurers. These are deferred and brought to account as expense or income in accordance with the pattern of recognition of the premium to which they relate.

5.9 Premium deficiency reserve

The SEC (Insurance) Rules, 2002 require a premium deficiency reserve to be maintained, if required.

The Company determines adequacy of liability of premium deficiency by carrying out analysis of its loss ratio of expired periods. For this purpose average loss ratio of last three years inclusive of claim settlement cost but excluding major exceptional claims are taken into consideration to determine ultimate loss ratio to be applied on unearned premium.

The management considers that no additional reserve is required to be maintained to meet expected future liability, after reinsurance, from claims and other expenses, expected to

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

be incurred after the balance sheet date in respect of policies, in all classes of business, in force at the balance sheet date. In management's opinion, the amount carried for unearned premium is sufficient to meet this requirement.

5.10 Creditors, accruals and provisions

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

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

5.11 Staff retirement benefits

Defined benefits plan

The Company operates an unfunded gratuity scheme covering all eligible employees. Provision is made on the basis of actuarial valuation carried out as at December 31, 2016 in accordance with IAS-19, Employee Benefits.

Compensated absences are accounted for in the year in which the absences are earned based on actuarial valuation.

Actuarial gains or losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service cost, gains or losses on settlements and interest expense.

Defined contribution plan

The Company contributes to a recognized provident fund scheme which covers all eligible employees. Equal contributions are made to the fund by the Company and the eligible employees under the scheme at the rate of 10% of basic salary.

5.12 Taxation

Current

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

Deferred

Provision for deferred tax is made using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose. Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

5.13 Investments

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs, except for investment at fair value through profit and loss in which case transaction costs are charged to 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 accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investment. Subsequently, these are recognized and classified as follows:

5.13.1 At fair value through profit or loss - held for trading

- a. These are classified as 'at fair value through profit or loss' if (a) acquired or incurred principally for the purpose of selling or re-purchasing in the near term; (b) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking; or (c) a derivative (except for a derivative that is a designated and effective hedging instrument).
- b. Upon initial recognition these are designated by the Company as 'at fair value through profit or loss' except for equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. At subsequent reporting dates, these investments are measured at fair value and any gains and losses arising from the changes in fair value are included in the profit and loss account for the period in which they arise.

5.13.2 Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity other than at fair value through profit or loss, available for sale and loans and receivables.

Held to maturity investments are subsequently measured at amortized cost using the effective interest method.

Gain or loss is also recognized in profit and loss account when held to maturity investments are derecognized or impaired, and through the amortization process.

5.13.3 Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not (a) loans and receivables, (b) held to maturity investments, or (c) financial assets at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

Quoted investments are initially recognized at cost inclusive of transaction costs.

Unquoted investments are recorded at cost less impairment, if any.

Available for sale investments are subsequently measured at a lower of cost and market value (market value on an individual investment basis being taken as lower if the fall is other than temporary) in accordance with the Rules. Any resultant gain or loss is taken to profit and loss account in accordance with S.R.O. 938 issued by the SECP dated December 12, 2002. This treatment, in contravention to requirements of IAS 39, Financial Instruments: Recognition and Measurement, is in line with the Rules.

Under the requirements of IAS 39, Financial Instruments: Recognition and Measurement, the investments of the Company would have been higher by 136 million (2015: Rs 142.9 million) and the corresponding amount would have been reflected in the equity by the same amount.

Unquoted investments are carried at cost less impairment in value, if any. Investments other than shares are stated at their principal amounts less provision for amounts considered doubtful.

Impairment

The carrying amounts of the investments are reviewed to determine whether there is any indication of impairment. If such indication exists the investments recoverable amount is estimated. An impairment loss is recognized wherever the carrying amount of the investment exceeds its recoverable amount. Impairment losses are recognized in the profit and loss account.

De-recognition

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

5.14 Investment properties

Investment properties are accounted for under the cost model in accordance with IAS 40: Investment Property and S.R.O. 938 issued by the SECP on December 12, 2002.

- Land is stated at cost.
- Buildings are depreciated by applying the Reducing balance method from the date of purchase to the date of disposal at the rate of 5%.

Subsequent capital expenditure on existing properties and gains or losses on disposals are accounted for in the same manner as for tangible fixed assets.

5.15 Fixed assets - tangible and intangible

These are stated at cost less accumulated depreciation / amortization and impairment, if any. Depreciation / amortization is charged to income applying the reducing balance method from the dates of available to use to disposal.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

Rates of depreciation:

• Land and buildings	5%
• Computer equipment	30%
• Office equipment, furniture & fixtures	10%
• Motor vehicles	20%
• Computer software	30%

Normal repairs and maintenance are charged to profit and loss account as and when incurred; major renewals and replacements are capitalized.

Gain or loss on disposal of fixed assets is taken to profit and loss account.

Assets acquired under finance lease are initially recorded at the lower of present value of minimum lease payments under the lease agreement and the fair value of the leased assets. The related obligation under finance lease less financial charges allocated to future periods is shown as a liability. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Leased assets are depreciated on the same basis as owned assets.

Capital work in progress

Capital work in progress is stated at cost. Transfers are made to operating assets when the assets are available for use.

Impairment

The carrying amounts of fixed assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the related assets are written down to the estimated recoverable amount and the impairment loss is charged to profit and loss account.

5.16 Revenue recognition

Underwriting result

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

Dividend income

Dividend income is recognized when the right to receive such dividend is established.

Gain / loss on disposal of investments

Gain / loss on disposal of investments is taken to the profit and loss account on transaction date.

Return on bank accounts and term finances

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

Return on bank accounts, Term Finance Certificates and government securities are accounted for on accrual basis.

Income from investment properties

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

5.17 Proposed dividend

Dividend distributions (including stock dividend) are recognized as a liability in the period in which the dividends are approved.

5.18 Expenses of management

Expenses of management are allocated to classes of business as appear equitable to management.

5.19 Foreign currency translation

Transactions in foreign currencies are translated into reporting currency at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling on the balance sheet date. Non-monetary assets and liabilities are translated using exchanges rates that existed when the values were determined. Exchange differences are included in the profit and loss account currently.

5.20 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of statement of cash flows, cash and cash equivalents consist of cash in hand, stamps in hand, current and saving accounts and short term deposits.

5.21 Segment reporting

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

The Company's business segments are reported according to the nature of cover provided.

The perils covered under fire and property insurance include losses caused by fire, riot and strike, explosion, earthquake, atmospheric disturbance, aircraft damage, flood, electric fluctuation and impact.

Marine insurance covers cargo risk, war risk and damages occurring in inland transit.

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

Miscellaneous insurance includes cover against burglary, loss of cash in safe and cash in transit, personal accident, money, engineering losses and other coverage.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

Financing, investment and income taxes are managed on an overall basis and are therefore, not allocated to any segment. The accounting policies of operating segment are the same as those described in the summary of significant accounting policies.

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

5.22 Financial instruments

Financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. All financial assets and financial liabilities are initially measured at cost which is the fair value of the consideration given and received respectively including transaction cost. These financial assets and liabilities are subsequently measured at fair value or cost, as the case maybe. Any gains or losses on de-recognition of financial assets and financial liabilities are taken to the profit and loss account.

5.23 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability are offset and the net amount reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.24 Earnings per share

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

5.25 Zakat

Zakat deductible compulsorily under the Zakat and Ushr Ordinance, 1980 is accounted for in the year of deduction.

6. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

6.1 Authorised

2016	2015		2016	2015
Number of shares			(Rupees in '000)	
<u>75,000,000</u>	<u>50,000,000</u>	Ordinary share of Rs. 10 each/-	<u>750,000</u>	<u>500,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

6.2 Issued, subscribed and paid-up

200,000	200,000	Ordinary share of Rs. 10 each fully paid in cash	2,000	2,000
		Ordinary share of Rs. 10 each issued as fully paid bonus shares		
34,624,454	30,082,134	As at January, 01	346,244	300,821
6,964,890	4,542,320	Issued during the year	69,649	45,423
41,589,344	34,624,454		415,893	346,244
41,789,344	34,824,454		417,893	348,244

6.3 Reconciliation of number of ordinary shares of Rs. 10/- each

	Note	2016	2015
		Number of Shares	
At beginning of the year		348,244	302,821
Add : Bonus shares issued during the year	6.4	69,649	45,423
At end of the year		417,893	348,244

6.4 The Board of Directors in its meeting held on March 29, 2016 announced a bonus issue of 20% (69,649 shares), which was distributed out of reserves. The distribution was approved by the shareholders in the Annual General Meeting held on April 27, 2016.

As at December 31, 2016, the number of shares held by the associated undertakings were 10,571,443 (2015: 10,344,590) of Rs. 10 per share.

7 RESERVES

	Note	2016	2015
		(Rupees in '000)	
Capital Reserves			
Reserves for exceptional losses	7.1	19,490	19,490
Devaluation reserves	7.2	185	185
		19,675	19,675
Revenue reserve			
General reserve	7.3	1,084,258	1,188,731
Reserve for bad and doubtful reserve		350	350
		1,084,608	1,189,081
		1,104,283	1,208,756

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

7.1 This reserve was created at 10% of premium income net of reinsurance till the year 1978 in terms of the repealed Income Tax Act, 1922.

7.2 Consequent upon the devaluation of the Pakistani Rupee in 1972, security deposit with the Government of Lebanon and balances with overseas banks were converted at the new rates of exchange. This resulted in an increase in value which was transferred to capital reserve in the year 1973.

7.3 General reserve

	Note	2016 (Rupees in '000)	2015
Balance at the beginning of the year		1,188,731	1,264,436
Transfer to profit and loss account		(104,473)	(75,705)
Balance at the end of the year		<u>1,084,258</u>	<u>1,188,731</u>

8. STAFF RETIREMENT BENEFITS

Gratuity	8.1	5,371	3,944
Employee compensated absences		8,070	9,612
		<u>13,441</u>	<u>13,556</u>

8.1 Liability in balance sheet

Present value of defined benefit obligation	8.2	5,371	3,944
Fair value of plan assets		-	-
		<u>5,371</u>	<u>3,944</u>

8.2 Movement in the net liability recognized in the balance sheet

Opening net liability		3,944	18,652
Expense for the year	8.3	1,490	1,175
		<u>5,434</u>	<u>19,827</u>
Premeasurement chargeable in other comprehensive income	8.5	817	164
Payments during the year		(880)	(16,047)
Closing net liability		<u>5,371</u>	<u>3,944</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

8.3 Expense recognized in the profit and loss account

Current service cost	1,135	59
Interest cost	355	1,116
	<u>1,490</u>	<u>1,175</u>

8.4 Reconciliation of the present value of the defined benefit obligations

Present value of obligation as at January 1	3,944	18,652
Current service cost	1,135	59
Interest costs	355	1,116
Benefit paid	(880)	(16,047)
Experience adjustment	817	164
Present value of obligation as at December 31	<u>5,371</u>	<u>3,944</u>

8.5 Total remeasurements chargeable in other comprehensive income

Premeasurement of plan obligation		
Experience adjustments	817	164
	<u>817</u>	<u>164</u>
Returns on plan assets, excluding interest income	-	-
	<u>817</u>	<u>164</u>

8.6 Maturity profile of defined benefit obligation

Average duration of the defined benefit obligation is:	5 Years	6 Years
--	---------	---------

8.7 The estimated expenses to be charged to profit and loss account for the year 2017 is Rs.1.685 Million.

8.8 Sensitivity analysis on significant actuarial assumptions: Actuarial Liability

Base	5,371	3,944
Discount Rate +100 bps	4,996	3,617
Discount Rate -100 bps	5,531	4,051
Salary Increase +100 bps	5,353	3,867
Salary Increase -100 bps	5,154	3,783

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

8.9 Historical data of gratuity scheme

	2016	2015	2014	2013	2012
Present value of defined benefits obligations	5,371	3,944	18,652	18,063	14,375
Experience adjustment arising on plan liabilities	(817)	(164)	263	(667)	389

8.10 Movement in the net liability recognized in the balance sheet

	Note	2016 (Rupees in '000)	2015
Opening net liability		9,612	13,694
Expense for the year	8.11	1,367	1,585
		10,979	15,279
Payment during the year		(2,909)	(5,667)
Closing net liability		8,070	9,612

8.11 Expense recognized in the profit and loss account

Current service cost	1,008	530
Past service cost	(572)	-
Interest cost	725	877
Net actuarial gain recognized in the year	206	178
	1,367	1,585

8.12 Historical data of leave encashment scheme

	2016	2015	2014	2013	2012
Present value of defined benefits obligations	8,070	9,612	13,694	13,086	14,014
Experience adjustment arising on plan liabilities	205	178	(110)	28	(1,538)

8.13 Principal Actuarial Assumptions

Following are important actuarial assumptions used in the benefits valuation

Discount Rate	8%	9%
Expected rate of increase in salary	7%	8%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2016	2015
	(Rupees in '000)	
Minimum lease payments		
upto one year	4,227	1,279
More than one year but less than five years	5,972	3,827
	10,199	5,106
Less: financial charges not yet due		
upto one year	607	252
More than one year but less than five years	435	252
	1,042	504
Present value of minimum lease payments	9,157	4,602
Payable within one year	(3,514)	(1,027)
Payable after one year but less than five years	5,643	3,575

The total lease rentals due under the lease agreement are payable in equal ranging from monthly installments till January 2019. Taxes, repairs and insurance costs are to be borne by the Company. Financing rate ranging from 6% to 8% per annum has been used as the discounting factor. Purchase option can be exercised by the Company, paying 20% of the leased amount of respective vehicles

10. OTHER CREDITORS AND ACCRUALS

	Note	2016	2015
		(Rupees in '000)	
Commissions payable		263,625	303,971
Federal excise duty & sales tax		8,859	27,567
Federal insurance fee		219	1,947
Workers' welfare fund (WWF)	10.1	-	9,701
Deposits and margins		4,803	5,217
Payable against investments		-	22,545
Others	10.2 & 10.3	57,334	32,610
		334,840	403,558

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

- 10.1** During the year, the Supreme Court of Pakistan (SCP) passed a judgement declaring the insertion of amendments introduced in the Finance Acts pertaining to Workers Welfare Fund Ordinance, 1971, as unlawful and thereby striking down such amendments. Pursuant to the SCP Judgement, the Company reversed the entire provision held for WWF as at year ended December 31, 2015, amounting to Rs. 9.7 million, as the Company is of the view that there is no basis to maintain such provision.
- 10.2** This includes provision for rent amounting to Rs 14 million (2015: 14 million) against which the Company is in litigation with the landlord. The possibility of the eventual beneficiary being other than the Company is considered remote by the Company's legal advisor. However, the Company has made a provision of the disputed amount as a matter of prudence.
- 10.3** This includes outstanding claims in respect of which cheques aggregating to Rs 7.8 million (2015: Rs 6 million) have been issued by the Company for claim settlement but the same have not been encashed by the claimant. The following is the ageing as required by SECP's circular 11 of 2014 dated May 19, 2014:

	2016	2015
	(Rupees in '000)	
More than 6 months	7,850	6,005
1 to 6 months	2,523	539

AGE-WISE BREAKUP						
	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months	Total
Claims not encashed						
2016	2,523	1,306	1,249	3,293	2,002	10,373
2015	539	910	2,513	1,121	1,461	6,544

11. CONTINGENCIES AND COMMITMENTS

	2016	2015
	(Rupees in '000)	
11.1 Commitment for capital expenditure	15,038	15,038

- 11.2** During the year, the Company received a show cause notice dated April 26, 2016 from Sindh Revenue Board (SRB) on account of not charging and paying Sindh sales taxes amounting Rs. 188,801,961 for services received from foreign reinsurance companies from 2011 to 2014. The Company is of the view that the said amendment was imposed in the Sindh Sales Tax on Services Act, 2011 in the year 2014 that was prospective in nature and can not be made basis for recovery of the said sales tax for the above mentioned period and accordingly the Company filed an appeal against the said notice in the Sindh High Court and obtained a stay against the said notice.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

Currently the matter is pending adjudication and no provision has been made in these financial statements as the Company believes that, based on the advice of its legal council, that the matter will be decided in its favour.

12. CASH AND BANK

	Note	2016	2015
		(Rupees in '000)	
Cash and other equivalents			
Cash in hand		46	56
Stamps in hand		993	439
		1,039	495
Current and other accounts			
- Current accounts		8,041	5,127
- Savings accounts	12.1	408,634	79,175
		416,675	84,302
Deposit maturing within twelve months			
Deposits		5,246	5,246
Less: impairment		(5,246)	(5,246)
		-	-
		<u>417,714</u>	<u>84,797</u>

12.1. The rate of return on saving accounts by various banks range from 4% to 6% per annum (2015: 5% to 5.75% per annum).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

13. INVESTMENTS

	Note	2016 (Rupees in '000)	2015
Related Parties			
Quoted Shares (market value of Rs. 211.1 million [2015: Rs. 172.4])	13.1	157,575	42,320
Unquoted shares	13.2	118,983	118,983
		276,558	161,303
Others			
Quoted Shares (market value of Rs. 665.3 million [2015: Rs 504.1])	13.3	599,484	528,616
Mutual funds (market value of Rs. 50.1 million [2015: Rs. 489.5 million])	13.4	29,524	453,931
		629,008	982,547
Less: impairment	13.5	(262)	(262)
		905,304	1,143,588

13.1 Quoted - Related parties

Number of Shares/cer- tificates/ units		Name of entity	% of Equity held	2016	2015
2016	2015			(Rupees in `000)	
Quoted - Related parties					
200,000	200,000	Crescent Cotton Mills Limited	0.94%	1,050	1,050
191,700	-	Crescent Steel & Allied Products Limited	0.25%	25,140	-
2,790,500	1,542,000	First Equity Modaraba	5.32%	13,475	7,312
53,125	53,125	Shakarganj Mills Limited (8.5% cumulative preference shares redeemable after 5 years of issue, convertible after every financial year of investee)	0.05%	526	526
399,000	399,000	Shams Textile Mills Limited	4.62%	6,694	6,693
966,143	874,320	Suraj Cotton Mills Limited	3.67%	93,832	15,649
755,985	427,500	The Crescent Textile Mills Limited	0.94%	16,858	11,090
				157,575	42,320
		Market value as at December 31		211,076	172,443

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

13.2 Unquoted - Related parties

Number of Shares/ certificates/ units		Name of entity	% of Equity held		
2016	2015			2016	2015
				(Amount in Rupees '000)	
Unquoted - Related parties					
400,000	400,000	Crescent Powertec break up value of Rs.436.82 (2015: Rs.407.55) per share as per audited financial statements for the year ended June 30, 2016	8%	4,000	4,000
9,407,275	9,407,275	Novelty Enterprises (Private) Limited Break up value of Rs. 9.94 per share as per audited financial statements for the year ended June 30, 2016	16.67%	114,983	114,983
				118,983	118,983

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

13.3 Quoted - Others

Number of Shares/ certificates/ units		Name of entity	2016	2015
2016	2015		2016	2015
Quoted - Others			(Rupees in '000)	
96,700	23,700	Allied Bank Limited	8,847	2,376
17,000	30,000	Adamjee Insurance Company Limited	962	1,750
104,500	-	Amreli Steels Limited	5,887	-
2,500	4,000	Attock Refinery Limited	877	807
7,500	-	Bestway Cement Limited	1,385	-
85,180	45,580	Cherat Cement Company Limited	14,427	3,055
86,400	101,500	D.G.Khan Cement Company Limited	16,562	14,514
210,000	-	Dewan Cement Limited	7,579	-
104,500	-	Dolmen City REIT	1,153	-
88,935	75,835	Engro Corporation Limited	27,000	22,393
351,333	141,333	Engro Fertilizers Limited	26,153	11,724
266,500	213,500	Fatima Fertilizer Company Limited	9,148	7,395
396,500	310,000	Fauji Cement Company Limited	13,021	8,688
423,038	428,038	Fauji Fertilizer Bin Qasim Limited	20,418	20,472
487,389	253,589	Fauji Fertilizer Company Limited	59,108	32,845
591,250	318,750	Faysal Bank Limited	11,417	5,210
-	25,000	Fecto Cement company Limited	-	1,931
24,980	19,980	GlaxoSmithKline Pakistan Limited	4,643	2,398
19,100	30,400	Habib Bank Limited	3,999	6,392
25,000	25,000	Habib Metropolitan Bank Limited	915	915
-	15,000	Hascal Petroleum Limited	-	2,479
10,000	10,000	IGI Insurance Limited	2,654	2,654
385,000	450,000	K-Electric Limited	2,847	3,306
130,470	155,970	Kot Addu Power Company Limited	9,866	10,899
500,000	525,000	Lotte Chemical Pakistan Limited	4,634	4,866
7,150	62,900	Lucky Cement Limited	5,761	32,496
209,290	90,990	MCB Bank Limited	47,391	22,646
68,500	15,000	Mughal Iron & Steel Industries Limited	5,250	1,072
-	15,000	National Bank of Pakistan	-	883
98,611	120,011	National Refinery Limited	48,109	36,265
7,150	7,150	Netsol Technologies Limited	233	233
100,000	-	NIB Bank Limited	260	-
51,000	336,000	Nishat Chunian Limited	2,388	15,729
365,000	260,000	Nishat Chunian Power Limited	13,517	7,940
128,200	25,800	Nishat Mills Limited	18,190	2,900
398,000	325,000	Nishat Power Limited	14,376	10,426
135,400	209,600	Oil & Gas Development Company Limited	18,085	28,058
195,000	75,000	Pak Electron Limited	14,487	6,233
14,400	14,100	Pak Suzuki Motor Company Limited	6,108	5,956
-	150,000	Pakcem Limited	-	2,769
140,000	140,000	Pakgen Power Limited	3,223	3,224
46,550	105,150	Pakistan Oilfields Limited	22,562	35,352
180,520	262,420	Pakistan Petroleum Limited	29,401	44,627
116,299	241,299	Pakistan Reinsurance Company Limited	3,841	7,968
105,525	127,125	Pakistan State Oil Company Limited	41,489	44,559
360,000	355,000	Pakistan Telecommunication Company Limited	7,356	6,931
108,977	258,977	PICIC Growth Fund	1,544	3,668

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

Number of Shares/ certificates/ units		Name of entity		
2016	2015		2016	2015
Quoted - Others			(Rupees in `000)	
-	23,717	PICIC Investment Fund	-	90
82,100	35,000	Pioneer Cement Limited	10,048	3,219
250	19,650	Shell Pakistan Limited	53	4,184
70,000	10,000	Sui Northern Gas Pipelines Limited	5,339	198
175,000	105,000	Sui Southern Gas Company Limited	6,593	4,557
36,000	56,000	Systems Limited	1,775	2,827
75,300	64,000	The Hub Power Company Limited	7,440	4,976
3,317	3,317	Tri-Pack Films Limited	535	535
55,000	122,600	United Bank Limited	10,628	21,026
			599,484	528,616
			665,353	504,056

Market value as at December 31

13.4 Mutual funds (unit trust) - Others

Number of Shares/ certificates/ units		Name of entity		
2016	2015		2016	2015
Mutual funds (unit trust) - Others			(Rupees in `000)	
-	12,958,016	ABL Government Securities Fund - B	-	130,000
-	1,092,337	First Habib Cash Fund (face value Rs. 100 per unit)	-	110,000
-	1,087,510	HBL Money Market Fund (face value Rs. 100 per unit)	-	110,000
-	1,440,667	MCB Pakistan Sovereign Fund	-	76,442
913,015	875,105	Pakistan Income Fund (face value Rs.50 per unit)	29,524	27,489
			29,524	453,931
			50,097	489,546

Market value as at December 31

13.5 Impairment

Number of Shares/ certificates/ units		Name of entity	% of Equity held		
2016	2015			2016	2015
				(Rupees in `000)	
		Opening balance		262	19,815
		Reversal for the year		-	(19,553)
		Closing balance		262	262

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

13.6 Investments in mutual funds include Rs 29.5 million (2015: Rs 27.5 million) placed as statutory deposit with the State Bank of Pakistan (market value: Rs 50.1 million [2015: 48.4 million]).

14. LOAN - UNSECURED CONSIDERED GOOD

The company has provided an unsecured interest free loan to Novelty Enterprises (Private) Limited for the purpose of real estate development. The company has 16.67% equity stake in Novelty Enterprises (Private) Limited.

15. INVESTMENT PROPERTIES

Particulars	2016						Written Down value at December 31, 2016	Depreciation rate
	'COST			'ACCUMULATED DEPRECIATION				
	As at January 01, 2016	Additions / (disposals)	As at December 31, 2016	As at January 01, 2016	Charge for the year	As at December 31, 2016		
	(Rupees in '000)							%
Land	24,475	-	24,475	-	-	-	24,475	-
Building	1,360	-	1,360	586	39	625	735	5
	25,835	-	25,835	586	39	625	25,210	

The market value of the investment properties at December 31, 2016 as per valuation carried out by professional valuers is Rs 86.9 million.

Particulars	2015							Written Down value at December 31, 2015	Depreciation rate
	'COST'			'ACCUMULATED DEPRECIATION'					
	As at January 01, 2015	Additions / (disposals)	As at Decem- ber 31, 2015	As at January 01, 2015	Charge for the year	As at Decem- ber 31, 2015			
	(Rupees in `000)								%
Land	45,032	-	24,475	-	-	-	24,475	-	
		(20,557)							
Building	11,928	-	1,360	3,137	406	586	774	5	
		(10,568)			(2,957)				
	56,960	-	25,835	3,137	406	586	25,249		
		(31,125)			(2,957)				

The market value of the investment properties at December 31, 2015 as per valuation carried out by professional valuers is Rs 86.9 million.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

16. PREMIUM DUE BUT UNPAID- unsecured

	Note	2016	2015
		(Rupees in `000)	
Considered good		539,596	822,817
Considered doubtful		76,000	-
		615,596	822,817
Provision for doubtful balances	16.1	(76,000)	-
		<u>539,596</u>	<u>822,817</u>

16.1 Provision for doubtful balances

Opening balance	-	156,127
Charge for the year	87,151	-
Write-off	(11,151)	(156,127)
Closing balance	<u>76,000</u>	<u>-</u>

17. AMOUNT DUE FROM OTHER INSURERS/REINSURERS

Considered good		322,927	391,933
Considered doubtful		11,151	-
		334,078	391,933
Provision for doubtful balances	17.1	(11,151)	-
		<u>322,927</u>	<u>391,933</u>

17.1 Provision for doubtful balances

Opening balance	-	177,939
Charge for the year	11,151	-
Write-off	-	(177,939)
Closing balance	<u>11,151</u>	<u>-</u>

18. PREPAYMENTS

Prepaid premium to insurers/reinsurers	213,886	303,469
Prepaid rent	192	1,869
Others	-	215
	<u>214,078</u>	<u>305,553</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

19. DEPOSITS, ADVANCES AND OTHER RECEIVABLES

	Note	2016	2015
		(Rupees in '000)	
Deposits	19.1	58,226	33,572
Investment proceeds receivable		-	30,145
Other receivables		7,803	8,683
		<u>66,029</u>	<u>72,400</u>

19.1 These include Rs 24 million (2015: 24 million) deposited under a court order in respect of a claim where the possibility of the eventual beneficiary being other than the Company is considered remote by the Company's legal advisor.

20. FIXED ASSETS - TANGIBLE AND INTANGIBLE

Particulars	2016									
	Cost				'Depreciation/Amortization					
	As at January 01, 2016	Additions / (disposals) / transfers	Adjustments (Note 20.2)	As at December 31, 2016	As at January 01, 2016	"Charge for the year / (deletion) / transfers"	Adjustments (Note 20.2)	As at December 31, 2016	Written Down value as at December 31, 2016	Depreciation rate on written down value
	(Rupees in '000)									%
Tangible										
Land and buildings (Office premises)	165,706	9,857	-	175,563	11,478	1,023	-	12,501	163,062	5
Computer equipment	14,805	6,464	-	21,269	12,537	2,292	-	14,829	6,439	30
Office equipment	13,008	237	-	13,245	7,376	577	-	7,953	5,292	10
Furniture and fixtures	23,971	1,562	-	25,533	13,268	1,213	-	14,481	11,052	10
Motor vehicles - owned	103,504	18,193	12,312	114,822	69,849	6,549	1,856	63,635	51,189	20
	-	*9,995	-	-	-	*1,782	-	-	-	
	-	(29,182)	-	-	-	(16,401)	-	-	-	
Motor vehicles - leased	4,762	20,428	-	15,195	5	4,329	-	2,552	12,644	20
	-	*(9,995)	-	-	-	*(1,782)	-	-	-	
	<u>325,756</u>	<u>56,741</u>	<u>12,312</u>	<u>365,627</u>	<u>114,513</u>	<u>15,983</u>	<u>1,856</u>	<u>115,951</u>	<u>249,676</u>	
	<u>-</u>	<u>(29,182)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,401)</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Intangible										
Computer software	11,733	6,689	-	18,422	9,424	2,280	-	11,704	6,718	30
	<u>337,489</u>	<u>63,430</u>	<u>12,312</u>	<u>384,049</u>	<u>123,937</u>	<u>18,263</u>	<u>1,856</u>	<u>127,655</u>	<u>256,394</u>	
	<u>-</u>	<u>(29,182)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,401)</u>	<u>-</u>	<u>-</u>	<u>-</u>	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

Particulars	2015									
	Cost			Depreciation/Amortization						
	As at January 01, 2015	Additions / (disposals) / transfers	Adjustments	As at December 31, 2015	As at January 01, 2015	"Charge for the year / (deletion) / transfers"	Adjustments	As at December 31, 2015	Written Down value as at December 31, 2015	Depreciation rate on written down value
	(Rupees in '000)									%
Tangible										
Land and buildings	165,706	-	-	165,706	10,752	726	-	11,478	154,228	5
(Office premises)										
Computer equipment	14,601	204	-	14,805	11,574	963	-	12,537	2,268	30
Office equipment	11,834	1,174	-	13,008	6,837	539	-	7,376	5,632	10
Furniture and fixtures	23,971	-	-	23,971	12,079	1,189	-	13,268	10,703	10
Motor vehicles - owned	110,863	4,998	-	103,504	69,756	8,863	-	69,848	33,656	20
		(12,357)				(8,771)				
Motor vehicles - leased	-	4,762	-	4,762	-	5	-	5	4,757	20
	326,975	11,138	-	25,756	110,998	12,285	-	114,512	211,244	
	-	(12,357)	-	-	-	(8,771)	-	-	-	
Intangible										
Computer software	11,008	725		11,733	8,446	978		9,424	2,309	30
	337,983	11,863	-	337,489	119,444	13,263	-	123,936	213,553	
	-	(12,357)	-	-	-	(8,771)	-	-	-	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

20.1 Disposal of fixed assets

		Cost	Accumulated Depreciation	Book Value	Disposal Proceed	Gain	Mode of Disposal	Disposal to, Location
(Rupees in `000)								
Mercedes Benz - S35L	SU-009	11,467	4,132	7,335	8,500	1,165	Tender	Asif Bashir, Lahore
Honda Civic	FY-388	2,154	427	1,727	1,900	173	Tender	Mehar Un Nisa, Islamabad
Honda Civic	AAK-867	1,676	323	1,353	1,633	282	Tender	Maqsood Ahmed, Lahore
Honda Civic	LEC-16-2155	1,527	297	1,230	1,450	220	Tender	Mr. Zeeshan Jamil, Lahore
Toyota Land Cruiser Parado	BD-1185	5,064	4,616	448	3,182	2,734	Tender	Shahjahan Khan, Karachi
Honda City	LEA-7436	1,258	989	269	1,070	801	Tender	Arshed Sheikh, Rawalpindi
Honda Civic - VTI	AQY-326	1,548	1,315	232	700	468	Tender	M. Yousuf, Karachi
Toyota Corolla	LZN-7201	969	898	71	700	629	Settlement	Amjad Abbas, Lahore
Various	Various (Having written down value below Rs. 50,000)	3,518	3,404	114	1,573	1,459	Tender	Various
Total		29,182	16,401	12,778	20,708	7,929		
2015		12,357	8,771	3,586	4,893	1,307		

20.2 During the year, the Company identified few motor vehicles appearing in salvage recoveries amounting to Rs. 12.3 million which were in use of the employees of the Company. Since it was not practically possible to identify the exact date and period in which most of these vehicles started to and became available for use of the employees of the Company, the adjustment relating to these were booked in the current year's financial statements in order to rectify the effect of this error as per the requirements of International Accounting Standard - 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and resultantly the depreciation expense has been accounted for accordingly.

21. CAPITAL WORK IN PROGRESS

	Note	2016	2015
This represents property acquisition and renovation cost.	21.1	26,109	26,109

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

21.1 Market rate of this property as assessed at December 31, 2016 is Rs. 56 million. (2015: 56 million).

22. MANAGEMENT EXPENSES

	Note	2016	2015
		(Rupees in `000)	
Underwriting Expenses			
Salaries, wages and benefits		186,649	121,885
Bonus, retirement and other benefits		2,670	12,760
Rent, rates and taxes		7,523	4,582
Communication		8,516	7,384
Fuel and power		8,750	18,788
Tracking devices		26,220	4,146
Insurance		7,513	2,882
Printing and stationary		8,510	5,868
Travelling and entertainment		13,471	13,069
Repairs and maintenance		16,719	21,579
Legal and professional		8,590	2,354
Salvage recoveries written off	22.2	18,115	-
Advertisement		4,284	3,938
Other		17,440	22,468
		334,970	241,703
General and administrative expenses			
Depreciation and amortization		20,155	13,263
Provision for doubtful balances		98,302	-
(Reversal) / provision of workers welfare fund	10.1	(9,701)	2,519
Donations		-	12,000
Auditor's remuneration	22.1	1,137	881
Other	22.3	29,408	48,862
		139,301	77,525
		474,271	319,228

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

22.1 Auditors' Remuneration

	2016	2015
	(Rupees in '000)	
Audit Fee	423	423
Fee for review of financial statements	88	88
Certification fee	426	191
Out of pocket expenses	200	179
	<u>1,137</u>	<u>881</u>

22.2 As fully explained in note 20.2 to the financial statements, the Company undertook a detailed reconciliation exercise to rectify the inappropriate salvage appearing in the books and resultantly written off salvage amounting to Rs.18.115 million for which no recovery is expected.

22.3 This includes reversal of long outstanding commission payable of Rs. 85.69 million. It mainly relates to policies, the premium of which has been written off due to non-collection in previous years.

23. TAKAFUL OPERATIONS - OPF

Wakala fee	32,948	42
Commission expenses	(10,754)	(4,744)
Management expenses	(52,693)	(19)
Investment income	5,057	176
General and administrative expenses	(2,107)	(1,350)
Loss before tax	<u>(27,549)</u>	<u>(5,895)</u>

24. TAXATION

Current	29,542	16,598
Prior	(23,967)	(3,790)
	<u>5,575</u>	<u>12,808</u>

The Company has filed return of total income for the tax year 2016 which is deemed to have been assessed under the Income Tax Ordinance, 2001 unless selected by the taxation authority for audit purpose.

Return is filed up to the tax year 2015 in final tax regime under section 169 of Income Tax Ordinance, 2001 whereby tax is calculated on the basis of turnover.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

25. EARNINGS PER SHARE – basic and diluted

	2016	2015 Restated
(Loss) / profit after tax for the period	(330,709)	110,616
Weighted average number of shares	417,893	417,893
Basic earnings per share of Rs 10 each – Rupees	(7.91)	2.65

No figure for diluted earnings per share has been presented as the company as not issued any instrument which would dilute its basic (loss)/earnings per share when exercised.

26. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	(Rupees in '000)							
	Chief Executive		Directors		Executives		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Managerial remuneration	11,440	7,000	16,973	13,338	44,086	30,088	72,499	50,426
Retirement benefit	1,392	717	-	-	9,671	1,973	11,063	2,690
Housing and utilities	432	-	2,116	2,025	9,896	14,776	12,444	16,801
Bonus	2,000	-	-	-	4,463	5,087	6,463	5,087
Meeting fees	-	-	1,114	915	-	-	1,114	915
Others	-	3,726	-	3,952	2,290	17,034	2,290	24,712
	15,264	11,443	20,203	20,230	70,406	68,958	105,873	100,631
Number of Persons	1	1	7	7	50	38	58	

27. SEGMENT REPORTING

The following presents segment revenue and profit information for the years ended December 31, 2016 and December 31, 2015 and estimated information regarding certain assets and liabilities as at December 31, 2016 and December 31, 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

(Rupees in '000)

	Fire and property damages		Marine, aviation & transport		Motor		Miscellaneous		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Premium earned	498,843	502,895	59,675	297,571	312,712	272,418	377,092	286,116	1,248,322	1,359,000
Segment results	(125,279)	28,395	(85,905)	95,447	19,205	(1,388)	(240,264)	(48,966)	(432,243)	73,488
Investment income									258,537	140,295
Gain on disposal of fixed assets									7,929	1,307
Other income									7,493	4,514
General and administration expenses									(139,301)	(90,285)
									134,658	55,831
Loss of window takaful operations									(27,549)	(5,895)
(Loss) before tax									(325,134)	123,424
Provision for taxation - net									(5,575)	(12,808)
Profit after tax									(330,709)	110,616
Segment assets	689,365	753,201	484,416	480,456	274,486	275,433	517,049	555,389	1,965,316	2,064,479
Unallocated corporate assets									1,779,838	1,620,933
Consolidated total assets									3,745,154	3,685,412
Segment liabilities	522,273	547,033	479,425	290,621	282,146	222,870	720,334	453,787	2,004,178	1,514,311
Unallocated corporate liabilities									498,902	562,677
Consolidated total liabilities									2,503,080	2,076,988
Capital expenditure	25,347	4,153	3,032	2,420	15,890	2,352	17,600	2,938	63,430	11,863
Depreciation/Amortization	8,054	4,643	963	2,706	5,049	2,630	6,088	3,284	20,155	13,263

28. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

28.1 Financial risk management objectives and policies

The Company is exposed to a variety of financial risks: market risk, yield/mark-up rate risk, foreign currency risk, credit risk and liquidity risk that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends. The Company's overall risk management programme focuses on the unpredictability of

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework and is responsible for developing risk management policies and its monitoring.

28.1.1 Market risk

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

Primarily, the Company's equity investments are exposed to market risk. Market risk is limited by diversification of the portfolio and active monitoring of capital markets

The table below summarizes the Company's equity price risk as of December 31, 2016 and 2015 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse in Company's equity investment portfolio because of the nature of equity markets.

(Rupees in '000)

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in price	Hypothetical increase / (decrease) in shareholder's equity	Hypothetical increase / (decrease) in profit / (loss) before tax
December 31, 2016	925,100	10% increase	1,017,610	63,832	92,510
		10% decrease	832,590	(63,832)	(92,510)
December 31, 2015	675,115	10% increase	742,627	67,512	67,512
		10% decrease	607,604	(67,512)	(67,512)

NOTES TO THE FINANCIAL STATEMENTS

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28.1.2 Yield / mark-up rate risk

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

	2016							
	Exposed to yield / mark-up risk				Not exposed to yield (mark-up rate risk)			
	Effective yield / mark-up rate %	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
Financial assets								
Cash and bank deposits	4-5	408,634	-	408,634	8,041	-	8,041	416,675
Investments	-	-	-	-	905,304	-	905,304	905,304
Premium due but unpaid	-	-	-	-	539,596	-	539,596	539,596
Amount due from other insurers / reinsurers	-	-	-	-	322,927	-	322,927	322,927
Accrued investment income	-	-	-	-	1,105	-	1,105	1,105
Accrued salvage recoveries	-	-	-	-	15,771	-	15,771	15,771
Reinsurance recoveries	-	-	-	-	786,215	-	786,215	786,215
Deposits & other receivables	-	-	-	-	66,029	-	66,029	66,029
		408,634	-	408,634	2,644,988	-	2,644,988	3,053,622
Financial liabilities								
Provision for outstanding claims	-	-	-	-	1,161,635	-	1,161,635	1,161,635
Liabilities against assets subject to finance lease	9	3,514	5,643	9,157	-	-	-	9,157
Amount due to other insurers / reinsurers	-	-	-	-	290,824	-	290,824	290,824
Accrued expenses	-	-	-	-	15,202	-	15,202	15,202
Other creditors and accruals	-	-	-	-	334,840	-	334,840	334,840
Dividend payable	-	-	-	-	26,235	-	26,235	26,235
		3,514	5,643	9,157	1,828,736	-	1,819,658	1,837,893
Total yield / mark-up rate risk sensitivity gap 2016		405,120	5,643	399,477	816,252	-	816,252	1,215,729

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

	2015						
	Exposed to yield / mark-up risk				Not exposed to yield (mark-up rate risk)		
	Effective yield / mark-up rate %	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total
Financial assets							
Cash and bank deposits	5 - 5.75	84,302	-	84,302	-	-	-
Investments	-	-	-	-	1,143,588	-	1,143,588
Premium due but unpaid	-	-	-	-	822,817	-	822,817
Amount due from other insurers / reinsurers	-	-	-	-	391,933	-	391,933
Accrued investment income	-	-	-	-	365	-	365
Accrued salvage recoveries	-	-	-	-	12,909	-	12,909
Reinsurance recoveries	-	-	-	-	465,930	-	465,930
Deposits & other receivables	-	-	-	-	72,400	-	72,400
		84,302	-	84,302	2,909,942	-	2,909,942
Financial liabilities							
Provision for outstanding claims	-	-	-	-	572,537	-	572,537
Liabilities against assets subject to finance lease	8.5	1,027	3,575	4,602	-	-	-
Amount due to other insurers / reinsurers	-	-	-	-	271,706	-	271,706
Accrued expenses	-	-	-	-	26,088	-	26,088
Other creditors and accruals	-	-	-	-	403,558	-	403,558
Dividend payable	-	-	-	-	27,778	-	27,778
		1,027	3,575	4,602	1,301,667	-	1,301,667
Total yield / mark-up rate risk sensitivity gap 2016		83,275	-3,575	79,700	1,608,275	0	1,608,275

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

(Rupees in '000)

	Increase / decrease in basis points	Effect on profit before tax	Effect on equity
December 31, 2016	100	11,116	7,670
	(100)	(11,116)	(7,670)
December 31, 2015	100	6,542	4,252
	(100)	(6,542)	(4,252)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

28.1.3 Foreign currency risk

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

28.1.4 Credit risk and concentration of credit risk

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of counterparties.

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

	2016	2015
	(Rupees in '000)	
Bank deposits	416,675	84,302
Investments in mutual funds	29,524	453,931
Premium due but unpaid - net of provision	539,596	822,817
Amount due from other insurers / reinsurers - net of provision	322,927	391,933
Accrued investment income	1,105	365
Reinsurance recoveries against outstanding claim	786,215	465,930
Deposits & other receivables	66,029	78,332
	<u>2,162,071</u>	<u>2,297,610</u>

General provision is made for receivables according to the Company's policies. The remaining past due balances were not impaired as they relate to a number of policy holders and other insurers / reinsurers for whom there is no history of default.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

	2016	2015
	(Rupees in `000)	
The age analysis of receivables is as follows:		
Upto 1 year	525,943	716,236
1 -2 years	89,653	106,581
2 - 3 years	-	-
Over 3 years	-	-
	<u>615,596</u>	<u>822,817</u>
Considered impaired	<u>(76,000)</u>	<u>-</u>

The credit quality of the Company's bank balances are considered good with reference to external credit ratings

The credit quality of amount due from other insurers and reinsurers (gross of provision held) can be assessed with reference to ratings as follows:

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Other reinsurance asset	2016	2015
	(Rupees in `000)				
A or above (including PRCL)	314,995	741,305	201,668	1,257,968	952,831
BBB	6,212	40,863	11,117	58,192	97,195
Others	1,720	4,047	1,101	6,868	111,306
Total	<u>322,927</u>	<u>786,215</u>	<u>213,886</u>	<u>1,323,028</u>	<u>1,161,332</u>

28.1.5 Liquidity risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

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	2016			
	Within one year	Over one year to five years	Over five years	Total
Financial liabilities				
Provision for outstanding claims	1,161,637	-	-	1,161,637
Liabilities against assets subject to fiancé lease	3,514	5,643	-	9,157
Amount due to other insurers / reinsurers	290,824	-	-	290,824
Accrued expense	15,202	-	-	15,202
Other creditors and accruals	334,840	-	-	334,840
Unclaimed dividend	26,235	-	-	26,235
	<u>1,832,252</u>	<u>5,643</u>	<u>-</u>	<u>1,837,895</u>

	2015			
	Within one year	Over one year to five years	Over five years	Total
Financial liabilities				
Provision for outstanding claims	572,537	-	-	572,537
Liabilities against assets subject to fiancé lease	1,027	3,575	-	4,602
Amount due to other insurers / reinsurers	271,706	-	-	271,706
Accrued expense	26,088	-	-	26,088
Other creditors and accruals	403,558	-	-	403,558
Unclaimed dividend	27,778	-	-	27,778
	<u>1,302,694</u>	<u>3,575</u>	<u>-</u>	<u>1,306,269</u>

NOTES TO THE FINANCIAL STATEMENTS

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28.2 Insurance risk

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

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

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

Frequency and severity of claims

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

The Company's class wise major risk exposure is as follows:

	2016 Maximum Gross Risk Exposure	2015 Maximum Gross Risk Exposure
Fire and property	18,067,360	17,340,954
Marine, aviation and transport	458,230	61,800,000
Motor	20,000	10,000
Miscellaneous	840,000	200,000

The reinsurance arrangements against major risk exposures include excess of loss, surplus arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on Company's net retentions.

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For the year ended December 31, 2016

Uncertainty in the estimation of future claims payment

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

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

There are several variable factors which affect the amount and timing of recognized claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognized amount. Similarly, the provision for claims incurred but not reported is based on historic reporting pattern of the claims; hence, actual amount of incurred but not reported claims may differ from the amount estimated.

Key assumptions

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

The assumed net of reinsurance loss ratios for each class of business is as follows:

Class	Assumed Net Loss Ratio	Assumed Net Loss Ratio
	2016	2015
Fire and property	47%	47%
Marine, aviation and transport	4%	20%
Motor	47%	51%
Miscellaneous	70%	91%

NOTES TO THE FINANCIAL STATEMENTS

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Sensitivity analysis

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company makes various assumptions and uses techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The Company considers that the liability for insurance claims recognized in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

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

	Pre tax profit		Shareholders' equity	
	2016	2015	2016	2015
10% increase in loss	(62,831)	(36,367)	(43,354)	(23,639)
10% decrease in loss	62,831	36,367	43,354	23,639

Claims development

The development of claims against insurance contracts issued is not disclosed as uncertainty about the amount and timing of claim settlement is usually resolved within one year.

28.3 Reinsurance arrangements

Keeping in view the maximum exposure in respect of key zone aggregates, both proportional and non-proportional reinsurance arrangements are in place to protect the net account in case of a catastrophe. Apart from the adequate event limit, any loss over and above the said limit would be recovered from the non-proportional treaty which is considered adequate by the Company. In compliance with the regulatory requirements, there insurance arrangements are duly submitted to the SEC.

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The risk by type of contract is summarized below:

	Gross exposure		Net exposure	
	2016	2015	2016	2015
Fire and property	361,218,149	343,363,279	292,157,960.45	120,063,640
Marine, aviation and transport	322,363,862	328,274,443	15,577,645.48	244,151,762
Motor	18,402,337	14,075,392	18,320,439.96	6,945,663
Miscellaneous	110,483,121	870,761,307	75,249,151.32	323,940,470
	<u>812,467,469</u>	<u>1,556,474,421</u>	<u>401,305,197</u>	<u>695,101,535</u>

28.4 Geographical concentration of insurance risk

To optimize benefits from the principle of averages and law of large numbers, geographical spread of risk is of extreme importance. There are number of parameters which are significant in assessing the accumulation of risks with reference to the geographical location. Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the location, occupation and coverage of the insureds.

The ability to manage catastrophic risk is tied to managing the density of risk within a particular area. For catastrophic aggregates, we have utilized precise geographic CRESTA (Catastrophe Risk Evaluating and Standardizing Target Accumulations) codes with reference to the accumulation of sums insured in force at any particular location against natural perils. It provides a way to better visualize the risk exposures so the Company determines the appropriate amount of reinsurance coverage to protect the business portfolio.

29. Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern meet the regulatory solvency and paid up capital requirements so that it can be continue to provide returns for shareholders and benefits for other stakeholders.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

Currently the Company has a paid up capital of Rs. 417 million against the minimum required capital of Rs. 400 million set by the SECP for the year ended December 31, 2016. SECP has prescribed Minimum Paid-up Capital requirement vide SRO 828 required capital for non-life insurer has to gradually increase as per given schedule.

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"June 30, 2016"	December 31, 2016	June 30, 2017	December 31, 2017
Rupees in million			
350	400	450	500

In addition, the Company is also required to maintain minimum solvency in accordance with the rules and regulations set by the SECP which are fully met by the Company.

30 Fair value of financial instruments

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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	2016		
	Fair value measurement using		
	Level 1	Level 2	Level 3
Investment properties	-	86,915	-
Available for sale of investments	926,500		118,983
	926,500	86,915	118,983

	2015		
	Fair value measurement using		
	Level 1	Level 2	Level 3
Investment properties	-	86,915	-
Available for sale of investments quoted	993,601	-	256,602
	-	86,915	256,602

31. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated companies, entities under common control, entities with common directors, major shareholders, directors, key management personnel and funded employee retirement benefit schemes.

Transactions and balances with related parties, other than remuneration to the chief executive, directors and executives under the terms of employment and employee retirement benefits, disclosed in notes 8 and 26, are as follows:

	2016	2015
Associated undertakings		
Premium written	132,892	122,677
Claims paid	52,348	34,708
Dividend received	6,202	7,261
Dividend paid	8,810	3,273
Others		
Premium written	810	805
Claims paid	-	20
Dividend paid	1,595	1,412

NOTES TO THE FINANCIAL STATEMENTS

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Meeting fees	1,114	915
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Year-end balances

Associated undertakings		
Claims outstanding	9,535	88,380
Premium receivable	181,758	243,083

Others

Premium receivable	374	605
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Transactions with related parties are in the normal course of business at rates and terms consistent with the market. Other related party transactions such as those relating to key management personnel and retirement plans are in accordance with terms of employment and Company policy.

32. DEFINED CONTRIBUTION PLAN

32.1 Provident Fund Trust

	Unaudited 2016	Audited 2015
	(Rupees in `000)	
Size of the fund	58,621	42,163
Cost of investment made	40,192	35,192
Percentage of investments made (based on fair value)	95%	93%
Fair value of investments	55,722	39,297

32.2 Investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose. The break-up of investments is as follows:

Breakup of investments

Listed securities / mutual funds	46,863	32,897
Government securities	8,859	6,400
Other debt instruments	-	-
	<u>55,722</u>	<u>39,297</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

33. NUMBER OF EMPLOYEES

The Company employed 252 (2015: 251) employees at the end of the year.

34. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on April 07, 2017 has announced a bonus issue of 10% (2015: 20%), which will be distributed out of the reserves. This distribution will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2016 do not include the effect of transfer from reserve to bonus issue of shares amounting to Rs. 41,789.

35. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 7 April 2017 by the directors of the Company.

36. GENERAL

36.1 The comparative information has been reclassified, rearranged or additionally restated in these financial statements, wherever necessary, to facilitate comparative and to confirm with changes in presentation in the current year. However there were no material reclassification / restatements to report.

36.2 There is no individual class of business within the category of 'miscellaneous', where the gross premium of the class of business is 10% or more of the gross premium revenue of the company.

36.3 All amounts have been rounded to the nearest thousand Rupees.

Zahid Bashir
Chairman

Imran Maqbool
Director

Nadeem Maqbool
Director








Mohammed Asif Arif
Chief Executive



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FINANCIAL STATEMENTS (WINDOW TAKAFUL)



INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS AND SHARIAH ADVISOR OF THE PREMIER INSURANCE LIMITED – WINDOW TAKAFUL OPERATIONS (THE OPERATOR) IN RESPECT OF OPERATOR’S COMPLIANCE WITH THE SHARIAH RULES AND PRINCIPLES

We have performed an independent assurance engagement (Shariah Compliance Audit) of **PREMIER INSURANCE LIMITED – WINDOW TAKAFUL OPERATIONS** (the Operator) to ensure that the Operator has complied with the Shariah rules and principles as prescribed by the Shariah Advisor of the Operator and the Takaful Rules 2012, during the year ended **December 31, 2016**.

2. Management’s Responsibility for Shariah Compliance

It is the responsibility of the Operator to ensure that the financial arrangements, contracts, products and transactions entered into by the Operator Waqf Fund (the Waqf) with participants, other financial institutions and stakeholders are, in substance and in their legal form, in compliance with the requirements of Shariah rules and principles as determined by the Shariah Advisor and the Takaful Rules, 2012.

3. Our Responsibility

- 3.1** Our responsibility in connection with this engagement is to express an opinion, based on the procedures performed on a sample basis, whether these financial arrangements, contracts, products and transactions are in compliance with the requirements of the Shariah rules and principles as prescribed by the Operator’s Shariah Advisor and the Takaful Rules, 2012.
- 3.2** The procedures selected by us for the engagement depended on our judgment, including the assessment of the risks of material non-compliance with the said Shariah rules and principles. In making those risk assessments, we considered such internal control procedures as were relevant to the Operator’s compliance with Shariah rules and principles. Our engagement was, however, not intended for expressing opinion on the effectiveness of the Company’s internal controls for purposes of compliance with the Shariah rules and principles.
- 3.3** We believe that the evidence we have obtained through performing our procedures on a sample basis were sufficient and appropriate to provide a basis for our opinion.
- 3.4** During the course of our assignment, we came across certain matters that have been brought to the attention of the Shariah Advisor and the management of the Operator. We were informed by management that in the opinion of their Shariah Advisor such matters have no materially adverse impact on Shariah compliance. In addition, interpretation and conclusion of the Shariah Advisor of the Operator is considered final for the purpose of interpretation of the Shariah matters mentioned in the Takaful Rules, 2012.

4. Framework for the Engagement

We have conducted our engagement in accordance with International Standard for Assurance Engagements 3000 (ISAE 3000) issued by the International Auditing and Assurance Standards Advisor of the International Federation of Accountants. This Standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance regarding the subject-matter i.e. the Operator's compliance with the Shariah rules and principles as determined by the Shariah Advisor and the Takaful Rules, 2012.

5. Basis for qualified opinion

We observed following non-compliances with the provisions of Takaful Rules, 2012 and requirements of the Shariah rules and principles;

- a) We were unable to determine whether the Shariah Advisor of the Operator has expressed his satisfaction on the overall shariah compliance of the window takaful operations;
- b) during the year, all the expenses of the Operator's fund (OPF) were paid through the bank account of Participants' Takaful Fund (PTF) and salaries of some of the takaful staff were processed through the conventional operations; and
- c) one of the retakaful arrangement relating to window takaful operations was approved by the Shariah Advisor of the Operator subsequent to year end.

6. Our Opinion

In our opinion, except for the matters stated in paragraph (a) to (c) above, based on the sample selected, the financial arrangements, contracts, products and transactions entered into by the Operator and the Waqf, as the case may be, for the year ended December 31, 2016, are in compliance with the requirements of the Shariah rules and principles as prescribed by the Shariah Advisor and the Takaful Rules, 2012 in all material respects.

Chartered Accountants

Date: April 7, 2017

Karachi

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:

- (i) balance sheet;
- (ii) profit and loss account;
- (iii) statement of comprehensive income;
- (iv) statement of changes in fund;
- (v) statement of cash flows;
- (vi) statement of contributions;
- (vii) statement of claims;
- (viii) statement of expenses of operator's fund;
- (ix) statement of expenses of participants' takaful fund; and
- (x) statement of investment income.

of **Premier Insurance Limited – Window Takaful Operations** (the Operator) as at **December 31, 2016** together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

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

The financial statements for the year ended December 31, 2015 were audited by another firm of Chartered Accountants who vide their report dated March 29, 2016 expressed an unmodified opinion on those financial statements.

Chartered Accountants

Engagement Partner: Mushtaq Ali Hirani

Date: 7 April 2017

Karachi

BALANCE SHEET

As at December 31, 2016

(Amounts in Rupees '000)

	Note		2016	2015
		Operator's Fund (OPF)	Participants' Takaful Fund (PTF)	Aggregate
			Aggregate	Aggregate
FUNDS AND LIABILITIES				
Operator's fund				
Statutory fund		50,000	-	50,000
Qard-e-hasna contributed to PTF		(5,500)	-	(5,500)
Accumulated loss		(33,444)	-	(33,444)
		11,056	11,056	44,105
Waqf / Participants' takaful fund				
Ceded money		-	500	500
Qard-e-hasna contributed by OPF		-	5,500	5,500
Accumulated deficit		-	(5,180)	(5,180)
		-	820	148
Underwriting provisions				
Provision for outstanding claims (including IBNR)		-	24,051	24,051
Provision for unearned contribution		-	102,612	102,612
Unearned retakaful rebate		-	4,656	4,656
Total underwriting provisions		-	131,319	131,319
Creditors and accruals				
Amounts due to other takaful / retakaful operators		-	21,445	21,445
Unearned wakala fees		35,939	-	35,939
Wakala fee payable		-	12,142	12,142
Payable to Premier Insurance Limited		17,895	-	17,895
Other creditors and accruals	6	9,914	1,934	11,848
		63,748	35,521	99,269
TOTAL FUND AND LIABILITIES		74,804	167,660	242,464

The annexed notes from 1 to 21 form an integral part of these financial statements.

BALANCE SHEET

As at December 31, 2016

(Amounts in Rupees '000)

	Note	Operator's Fund (OPF)	Participants' Takaful Fund (PTF)	2016 Aggregate	2015 Aggregate
ASSETS					
Cash and bank deposits					
	7				
Cash and other equivalents		-	24	24	144
Current and other accounts		357	27,525	27,882	7,046
		357	27,549	27,906	7,190
Investments					
	8	48,342	-	48,342	45,000
Other assets					
Contribution due but unpaid	9	-	20,047	20,047	639
Amounts due from other takaful / retakaful operators	10	-	57,751	57,751	223
Wakala fee receivable		12,142	-	12,142	825
Deferred wakala fee		-	35,939	35,939	783
Deferred commission expense		10,634	-	10,634	325
Retakaful recoveries against outstanding claims		-	2,877	2,877	-
Prepayments	11	30	22,904	22,934	1,843
Accrued profit		-	55	55	-
Deposits and other receivables	12	261	538	799	-
		23,067	140,111	163,178	4,638
Fixed assets	13	3,038	-	3,038	-
TOTAL ASSETS		74,804	167,660	242,464	56,828

Zahid Bashir
Chairman

Imran Maqbool
Director

Nadeem Maqbool
Director

Mohammed Asif Arif
Chief Executive

PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2016

(Amounts in Rupees '000)

	Note	For the year ended December 31, 2016					2016	2015
		Fire and property damage	Marine, aviation & transport	Motor	Misc.	Treaty	Aggregate	Aggregate
PTF revenue accounts								
Net contribution revenue		2,846	2,608	46,442	12,850	-	64,746	20
Wakala expense		(7,040)	(3,907)	(16,836)	(5,165)	-	(32,948)	(42)
Direct expense	14	(1,059)	(350)	(3,478)	(670)	-	(5,557)	(348)
Net claims		(3,262)	(381)	(21,735)	(11,920)	-	(37,298)	-
Rebate from re-takaful operations		3,663	1,960	170	436	-	6,229	18
Underwriting result		<u>(4,852)</u>	<u>(70)</u>	<u>4,563</u>	<u>(4,469)</u>	<u>-</u>	<u>(4,828)</u>	<u>(352)</u>
Deficit for the period							<u>(4,828)</u>	<u>(352)</u>
Accumulated deficit								
Balance at the beginning of the year							(352)	-
Profit for the year							(4,828)	(352)
Balance at the end of the year							<u>(5,180)</u>	<u>(352)</u>
Operator's revenue accounts								
Wakala fee		7,040	3,907	16,836	5,165	-	32,948	42
Commission expenses		(3,898)	(2,088)	(3,493)	(1,275)	-	(10,754)	(19)
Management expenses	15	(10,041)	(3,319)	(32,990)	(6,343)	-	(52,693)	(4,744)
		<u>(6,899)</u>	<u>(1,500)</u>	<u>(19,647)</u>	<u>(2,453)</u>	<u>-</u>	<u>(30,499)</u>	<u>(4,721)</u>
Investment income							5,057	176
General and administration expenses	15						(2,107)	(1,350)
Loss for the year							<u>(27,549)</u>	<u>(5,895)</u>
Accumulated loss								
Balance at the beginning of the year							(5,895)	-
Loss for the year							(27,549)	(5,895)
Balance at the end of the year							<u>(33,444)</u>	<u>(5,895)</u>

The annexed notes from 1 to 21 form an integral part of these financial statements.

Zahid Bashir
Chariman

Imran Maqbool
Director

Nadeem Maqbool
Director

Mohammed Asif Arif
Chief Executive

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2016

(Amounts in Rupees '000)

	2016	2015
OPERATORS' FUND		
Loss for the year	(27,549)	(5,895)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>(27,549)</u>	<u>(5,895)</u>

The annexed notes from 1 to 21 form an integral part of these financial statements.

Zahid Bashir
Chairman

Imran Maqbool
Director

Nadeem Maqbool
Director

Mohammed Asif Arif
Chief Executive

STATEMENT OF CHANGES IN FUND

For the year ended December 31, 2016

(Amounts in Rupees '000)

	Operator's Fund			
	Statutory fund	Qard-e-hasna	Accumulated loss	Total
Balance at January 01, 2015	-	-	-	-
Contribution made during the period	50,000	-	-	50,000
Loss for the period from October 31, 2015 to December 31, 2015	-	-	(5,895)	(5,895)
Balance as at December 31, 2015	50,000	-	(5,895)	44,105
Allocation between Funds				
Loss for the year	-	-	(27,549)	(27,549)
Qard-e-hasna contributed to PTF	-	(5,500)	-	(5,500)
Balance as at December 31, 2016	50,000	(5,500)	(33,444)	11,056

	Participants' Fund			
	Cede Money	Qard-e-hasna	Accumulated Deficit	Total
Cede money	500	-	-	500
Deficit for the period from October 31, 2015 to December 31, 2015	-	-	(352)	(352)
Balance as at December 31, 2015	500	-	(352)	148
Loss for the year	-	-	(4,828)	(4,828)
Qard-e-hasna contributed by OPF	-	5,500	-	5,500
Balance as at December 31, 2016	500	5,500	(5,180)	820

The annexed notes from 1 to 21 form an integral part of these financial statements.

Zahid Bashir
Chariman

Imran Maqbool
Director

Nadeem Maqbool
Director

Mohammed Asif Arif
Chief Executive

STATEMENT OF CONTRIBUTION

For the year ended December 31, 2016

(Amounts in Rupees '000)

Business underwritten inside Pakistan

For the year ended December 31, 2016									2016	2015
	Contribution written	Unearned Contribution reserve		Contribution earned	Retakaful and other recoveries received	Prepaid re-takaful contribution		Re-takaful expense	Net Contribution revenue	Net Contribution revenue
		Opening	Closing			Opening	Closing			
Direct and Facultative										
Fire and property										
1 damage	37,064	1,409	18,368	20,105	33,821	1,194	17,756	17,259	2,846	9
Marine, aviation										
2 & transport	12,251	146	1,233	11,164	9,469	127	1,039	8,556	2,608	3
3 Motor	121,771	621	74,290	48,102	2,528	498	1,366	1,660	46,442	6
4 Miscellaneous	23,412	61	8,721	14,752	4,620	25	2,743	1,902	12,850	2
Total	194,498	2,237	102,612	94,123	50,438	1,843	22,904	29,377	64,746	20
Treaty 5 Proportional	-	-	-	-	-	-	-	-	-	-
Grand Total	194,498	2,237	102,612	94,123	50,438	1,843	22,904	29,377	64,746	20

The annexed notes from 1 to 21 form an integral part of these financial statements.

Zahid Bashir
Chairman

Imran Maqbool
Director

Nadeem Maqbool
Director

Mohammed Asif Arif
Chief Executive

STATEMENT OF CLAIMS

For the year ended December 31, 2016

(Amounts in Rupees '000)

Business underwritten inside Pakistan

For the year ended December 31, 2016									2016	2015
	Claims paid	Outstanding claims		Claims expense	Retakaful and other recoveries received	Retakaful and other recoveries in respect of outstanding claims		Retakaful and other recoveries revenue	Net claims expense	Net claims expense
		Opening	Closing			Opening	Closing			
Direct and Facultative										
Fire and property										
1 damage	36,844	-	614	37,458	33,942	-	254	34,196	3,262	-
Marine, aviation										
2 & transport	31	-	2,223	2,254	28	-	1,845	1,873	381	-
3 Motor	9,325	-	12,415	21,740	-	-	5	5	21,735	-
4 Miscellaneous	3,912	-	8,799	12,711	18	-	773	790	11,920	-
Total	50,112	-	24,051	74,163	33,988	-	2,877	36,865	37,298	-
Treaty 5 Proportional	-	-	-	-	-	-	-	-	-	-
Grand Total	50,112	-	24,049	74,160	33,988	-	2,877	36,865	37,298	-

The annexed notes from 1 to 21 form an integral part of these financial statements.

Zahid Bashir
Chariman

Imran Maqbool
Director

Nadeem Maqbool
Director

Mohammed Asif Arif
Chief Executive

STATEMENT OF EXPENSES - OPF

For the year ended December 31, 2016

(Amounts in Rupees '000)

Business underwritten inside Pakistan

	For the year ended December 31, 2016					2016	2015
	Commission paid or payable	Deferred commission Opening	Deferred commission Closing	Net commission expense	Management expenses	Net OPF expense	Net OPF expense
Direct and Facultative							
1 Fire and property damage	7,124	265	3,491	3,899	10,041	13,939	2,211
2 Marine, aviation & transport	2,287	28	227	2,088	3,319	5,407	923
3 Motor	9,544	29	6,080	3,493	32,990	36,483	1,263
4 Miscellaneous	2,108	3	836	1,275	6,343	7,618	366
Total	21,063	325	10,634	10,754	52,693	63,447	4,763
Treaty 5 Proportional	-	-	-	-	-	-	-
Grand Total	21,063	325	10,634	10,754	52,693	63,447	4,763

The annexed notes from 1 to 21 form an integral part of these financial statements.

Zahid Bashir
Chairman

Imran Maqbool
Director

Nadeem Maqbool
Director

Mohammed Asif Arif
Chief Executive

STATEMENT OF EXPENSES - PTF

For the year ended December 31, 2016

(Amounts in Rupees '000)

Business underwritten inside Pakistan

	For the year ended December 31, 2016						2016	2015
	Gross wakala fee	Deferred wakala fee		Net expense	PTF direct expenses	Rebate from re-takaful operations	Net PTF expense	Net PTF expense
		Opening	Closing					
Direct and Facultative								
1 Fire and property damage	12,982	493	6,435	7,040	1,059	3,663	4,436	171
2 Marine, aviation & transport	4,288	51	432	3,907	350	1,960	2,297	71
3 Motor	42,620	218	26,002	16,836	3,478	170	20,144	102
4 Miscellaneous	8,214	21	3,070	5,165	670	436	5,399	28
Total	68,104	783	35,939	32,948	5,557	6,229	32,276	372
Treaty 5 Proportional	-	-	-	-	-	-	-	-
Grand Total	68,104	783	35,939	32,948	5,557	6,229	32,276	372

Note: Commission from retakaful operators is arrived at after taking the impact of opening and closing unearned commission.

The annexed notes from 1 to 21 form an integral part of these financial statements.

Zahid Bashir
Chariman

Imran Maqbool
Director

Nadeem Maqbool
Director

Mohammed Asif Arif
Chief Executive

STATEMENT OF INVESTMENT INCOME

For the year ended December 31, 2016

(Amounts in Rupees '000)

	2016	2015
OPERATORS' FUND		
Return on bank deposits	601	176
Dividend income	4,456	-
Investment income	<u>5,057</u>	<u>176</u>

The annexed notes from 1 to 21 form an integral part of these financial statements.

Zahid Bashir
Chairman

Imran Maqbool
Director

Nadeem Maqbool
Director

Mohammed Asif Arif
Chief Executive

STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

(Amounts in Rupees '000)

			2016	2015
	Operator's Fund	Participants' Fund	Aggregate	Aggregate
OPERATING CASH FLOWS				
(a) Takaful activities				
Contribution received	-	175,090	175,090	1,495
Re-takaful contributions paid	-	(30,614)	(30,614)	(322)
Claims paid	-	(50,112)	(50,112)	-
Re-insurance recoveries	-	33,988	33,988	-
(Commissions paid) / re-takaful rebate received	(13,153)	10,581	(2,572)	322
Wakala fees received	56,787	-	56,787	-
Wakala fees paid	-	(56,787)	(56,787)	-
Net cash generated from underwriting activities	43,634	82,146	125,780	1,495
(b) Other operating activities				
General and administration expenses paid	(41,338)	(4,595)	(45,933)	(5,092)
Other operating payments	(2,936)	-	(2,936)	(1,350)
Amounts due from other takaful / retakaful operators	-	(57,528)	(57,528)	-
Other liabilities and accruals	3,065	-	3,065	6,461
Qard-e-hasna contributions	(5,500)	5,500	-	-
Net cash (used in) / generated from other operating activities	(46,709)	(56,623)	(103,332)	19
Total cash (used in) / generated from operating activities	(3,075)	25,523	22,448	1,514
INVESTMENT ACTIVITIES				
Investment income received	5,057	-	5,057	176
Additions to fixed assets	(3,447)	-	(3,447)	-
Investments made	(3,342)	-	(3,342)	(45,000)
Total cash flow generated from investing activities	(1,732)	-	(1,732)	(44,824)
FINANCING ACTIVITIES				
Contribution to the Operators' Fund	-	-	-	50,000
Cede money	-	-	-	500
Total cash generated from financing activities	-	-	-	50,500
Total cash (used in) / generated from all activities	(4,807)	25,523	20,716	7,190
Cash and cash equivalents at beginning of the period	5,164	2,026	7,190	-
Cash and cash equivalents at the end of the period	357	27,549	27,906	7,190

STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

(Amounts in Rupees '000)

			2016	2015
	Operator's Fund	Participants' Fund	Aggregate	Aggregate
Reconciliation to profit and loss account				
Operating cash flows	(3,075)	25,523	22,448	1,514
Depreciation	(409)	-	(409)	-
Investment income	5,057	-	5,057	176
Increase in assets other than cash	21,917	136,623	158,540	3,030
Decrease in liabilities	(56,539)	(161,474)	(218,013)	(10,967)
Qard-e-hasna contributions	5,500	(5,500)	-	-
Loss for the period	(27,549)	(4,828)	(32,377)	(6,247)
Attributed to				
Operators' Fund	(27,549)	-	(27,549)	(5,895)
Participant's Takaful Fund	-	(4,828)	(4,828)	(352)
	(27,549)	(4,828)	(32,377)	(6,247)
Definition of cash				
Cash comprises cash in hand, stamps in hand, current and saving accounts and short-term deposits.				
Cash for the purpose of the statement of cash flows consists of:				
Cash and other equivalents				
Cash	-	24	24	144
Current and other accounts				
Current and savings accounts	357	27,525	27,882	7,046
Total cash and cash equivalents	357	27,549	27,906	7,190

The annexed notes from 1 to 21 form an integral part of these financial statements.

Zahid Bashir
Chariman

Imran Maqbool
Director

Nadeem Maqbool
Director

Mohammed Asif Arif
Chief Executive

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

1. STATUS AND NATURE OF BUSINESS

Premier Insurance Limited (the Operator) has been authorized to undertake Window Takaful Operations (WTO) on October 2, 2015 by Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations in Pakistan.

For the purpose of carrying on the Takaful business, the Operator has formed a Waqf (Participants' Takaful Fund (PTF)) on October 31, 2015 under the Waqf Deed with a Cede money of Rs. 500,000. The Waqf Deed and PTF Policies (Waqf Rules) govern the relationship of Operator, Waqf and Participants for management of Takaful operations, investment of Waqf and Operator's Fund as approved by the Shariah Advisor of the Operator. The accounts of the Waqf are maintained by the Operator in a manner that the assets and liabilities of Waqf remain separately identifiable. The financial statements of the Operator are prepared such that the financial position and results from the operations of Waqf and the Operator are shown separately.

2. BASIS OF PRESENTATION

These financial statements have been prepared on the format of financial statements issued by the Securities and Exchange Commission of Pakistan (SECP) through Securities and Exchange Commission (Insurance) Rules, 2002 [SEC(Insurance) Rules, 2002] and SECP Circular No.25 of 2015 dated July 9, 2015 with appropriate modifications based on the advice of the Shariah Board of the Company.

The financial statements are prepared and presented in Pakistani Rupees, which is the functional and presentation currency. These financial statements reflect the financial position and results of operations of both the Operator and PTF in a manner that the assets, liabilities, revenue and expenses of the Operator and PTF remain separately identifiable.

3. STATEMENT OF COMPLIANCE

3.1 These financial statements of WTO have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984 and the requirements of Insurance Ordinance, 2000, SEC (Insurance) Rules, 2002, Takaful Rules, 2012, the Companies Ordinance, 1984 and directives issued by the SECP. Wherever the requirements of Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002, Takaful Rules, 2012 or directives issued by the SECP differ with the requirements of IFRS / IFAS, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002, Takaful Rules, 2012 shall prevail.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

3.2 Adoption of new standards, amendments and interpretations of existing standards

3.2.1 Accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2016

The following amendments to published approved accounting standards are effective from January 1, 2016. These amendments are, either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

- ✓ Amendments to IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations': Clarification regarding changes in the method of disposal of an asset.
- ✓ Amendments to IFRS 7 'Financial Instruments – Disclosures': Disclosure requirements for servicing arrangements on continuing involvement in transferred financial assets.
- ✓ Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities and IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures: Application of consolidation exception
- ✓ Amendments to IFRS 11 – Joint Arrangements: Accounting for acquisitions of an interest in a joint operation
- ✓ Amendments to IAS 1 – Presentation of Financial Statements: Amendments resulting from the disclosure initiative
- ✓ Amendments to IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture: Bringing bearer plants in scope of IAS 16.
- ✓ Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets: Clarification on acceptable methods of depreciation and amortisation.
- ✓ Amendments to IAS 19 'Employee Benefits': Clarification that the same currency bonds be used to determine the discount rate in which benefits are to be paid.
- ✓ Amendments to IAS 27 (Revised 2011) 'Separate Financial Statements': Use of equity method to account for investments in subsidiaries, joint ventures and associates in separate financial statements.
- ✓ Amendments to IAS 34 'Interim Financial Reporting': Clarification related to certain disclosures, i.e., if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

3.2.2 New accounting standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following amendments to approved accounting standards are effective for accounting periods, beginning on or after the date mentioned against each of them. These amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

	Effective from annual periods beginning on or after
Amendments to IFRS 2 'Share-based Payment': Clarification of the classification and measurement of share-based payment transactions	January 01, 2018
Amendments to IAS 7 'Statement of Cash Flows': Amendments as result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes': Recognition of deferred tax assets for unrealised losses	January 01, 2017
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property.	January 01, 2018
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

- ✓ IFRS 1 – First Time Adoption of International Financial Reporting Standards
- ✓ IFRS 9 – Financial Instruments
- ✓ IFRS 14 – Regulatory Deferral Accounts
- ✓ IFRS 15 – Revenue from Contracts with Customers
- ✓ IFRS 16 – Leases

4. BASIS OF MEASUREMENT:

4.1 These financial statements have been prepared under the historical cost convention, except that obligations under employee benefits are measured at present value.

4.2 Use of critical accounting estimates and judgments

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

The preparation of financial statements in conformity with approved accounting standards requires management to use certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Operator's accounting policies. Estimates and judgments are continuously evaluated and are based on historical experience and expectation of future events that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised. The areas where required assumptions and estimates are significant to the financial statements or where judgment was exercised in application of accounting policies are as follows:

- a. Provision against contribution due but unpaid (Note 5.4)
- b. Provision for outstanding claims including claims incurred but not reported [IBNR] (Note 5.6)
- c. Re-takaful recoveries against outstanding claims (Note 5.7)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these financial statements are the same as those applied in the preparation of the annual financial statements for the year ended December 31, 2015. These policies have been applied consistently to the period presented.

5.1 Takaful contracts

Takaful model is based on the principles of Wakala and Waqf. Takaful contracts are centered around the concepts of Ta'awun (mutual cooperation) and Tabarru (donation) with the overall objective of compensating losses on mutual cooperation basis. For achieving the above objectives, a separate Waqf is formed which owns Participants Takaful Fund (PTF) whereby Participants' contributions, net of government taxes (Participants formation of Waqf in its separate capacity and acts as a Wakeel Wakalah fee for the services rendered. By virtue of being PTF members, the policyholders are provided membership benefits if a specified uncertain future event related to the covered benefits occurs which adversely affect the policyholders.

The Operator underwrites non-life Takaful membership benefits that can be categorized into Fire and Property Damage, Marine, Aviation and Transport, Motor and Miscellaneous contracts as per Waqf Deed and Rules. PTF membership tenure may be agreed for a fixed term of one year, for less than one year and in some cases for more than one year. However, most of the membership tenures are for twelve months duration. Takaful contracts entered into by the Operator under which the policyholder (member) is another Takaful Operator (inwards re-Takaful) of a facultative nature are included within the individual category of Takaful membership benefits, other than those which fall under Treaty. The risk

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

involved in these contracts is similar to the contracts undertaken by the Operator as Takaful operator. PTF membership is classified into the following main categories, depending on the nature and duration of risk and whether or not the terms and conditions are fixed.

- i. Fire and property
- ii. Marine, aviation and transport
- iii. Motor
- iv. Miscellaneous

These membership contracts are provided to individuals as well as commercial organizations with various tenures according to the nature and terms of the contract and the needs of the member.

The Operator also accepts membership of other Takaful Operators as re-Takaful inward. The risk involved in these contracts is similar to the membership contracts undertaken by the Operator as Operator. All re-Takaful inward contracts are facultative (specific risk) acceptance contracts except Takaful retrocession.

5.2 Membership Contribution

Members contribute in the form of donation to PTF. Once donated to PTF, members cannot claim the amount contributed. In order to determine the performance of PTF for a given time period, contribution is recognized on accrual basis.

Membership contribution net off Wakala fee under a policy is recognized over the period of Takaful coverage from the date of inception of the membership policy to which it relates to its expiry as follows:

For direct contribution, evenly over the period of the policy. For proportional re-Takaful contribution, evenly over the period of the underlying policies. Membership contribution, net off Wakala fee, is recognized on pro-rata basis for the expired period of the membership policy. The unearned contribution related to unexpired period is recognized as liability.

Takaful Contribution on facultative re-Takaful accepted is reflected in the financial statements along with direct contribution.

Administrative surcharge is recognized as contribution at the date of inception of membership policy to which it relates and agreed with the members in schedules. Contribution due but unpaid represents the amount due from participant on account of PTF membership. These are recognized at cost, which is the fair value of the contribution to be received less provision for any impairment, if any.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

5.3 Unexpired Membership contribution related to Takaful benefits

PTF membership contribution relating to the unexpired period of Takaful coverage is recognized as unearned contribution. This liability of the PTF is calculated by applying the 1/24 method as specified in the SEC (Insurance) Rules, 2002.

Wakalah fee on the portion of membership contribution relating to the unexpired period of Takaful coverage is recognized as unearned Wakalah fee by the Operator. This liability of the Operator is calculated by applying the aforesaid 1/24 method.

The related deferred portion of re-Takaful contribution is recognized as a prepayment calculated by using the aforesaid 1/24 method.

5.4 Receivables and payables related to Takaful coverage

Receivables and payables relating to Takaful coverage are recognized when due. These include contribution due but unpaid and claims payable to PTF members/policyholders. If there is objective evidence that any contribution due but unpaid is impaired, the Operator reduces the carrying amount of that membership contribution receivable in PTF statement and reduces equivalent Wakalah fee from the loss in profit and loss account.

5.5 Re-Takaful contracts held

The Operator, on behalf of PTF, enters into re-Takaful arrangements in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward re-Takaful contribution is accounted for in the same period as the related contribution for the direct or accepted re-Takaful business being reinsured.

Re-Takaful coverage is recognized as per respective re-Takaful arrangement in the period of coverage. The unexpired portion of Re-Takaful contribution is shown as prepayment in PTF accounts which is calculated in the same manner as of unearned contribution.

Re-Takaful liabilities represent balances due to re-Takaful companies. Amounts payable are calculated in a manner consistent with the related re-Takaful arrangement. Re-Takaful assets represent balances due from re-Takaful companies in PTF accounts. Amounts recoverable from re-Takaful Operators are calculated in a manner consistent with the provision for outstanding claims or settled claims associated with the re-Takaful policies and are in accordance with the related re-Takaful arrangements.

Amount due from other Takaful/re-Takaful are carried at cost less provision for impairment, if any. If there is objective evidence that the amount due from re-Takaful is impaired, the Operator reduces the carrying amount of the re-Takaful receivable to its recoverable amount and recognizes that impairment loss in the PTF statement.

5.6 Claims

General Takaful claims include all claims occurring during the year, whether reported or not, including both internal and external claims handling costs that are directly related to the

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

processing and settlement of claims, reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

The Operator recognizes liability in respect of all claims incurred but not paid up to the balance sheet date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in a PTF membership policy. The liability for claims includes (IBNR) and amounts relating to unpaid reported claims; claims incurred but not reported expected claims settlement costs.

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

Upto previous year the provision for IBNR was accounted for on the basis whereby all claims incurred before the year end but reported subsequently were aggregated and the ratio of such claims to outstanding claims was applied to outstanding claims at the reporting date (except exceptional losses) to arrive at liability for IBNR. The analysis was carried out separately for each class of business.

5.7 Re-Takaful recoveries against outstanding claims

Claims recoveries receivable from re-Takaful Operators are recognized as an asset in PTF accounts at the same time as the claims which give rise to the right of recovery are recognized as a liability and are measured at the amount expected to be received.

5.8 Commissions

Commission expense, deducted from Wakala fee of the Operator, and other acquisition costs are charged to the profit and loss account at the time the policies are accepted. Commission income from re-Takaful Operators is recognized on a quarterly basis as per terms and conditions agreed with the re-Takaful Operator. These are deferred and brought to account as income in accordance with the pattern of recognition of the contribution to which they relate.

5.9 Wakala & Mudarib fees

The Operator manages the PTF operations for the participants and charges 35 % of gross membership contribution including administrative surcharge as Wakala fee against the services. Wakala fee is recognized on the same basis on which the related contribution is recognized. Unexpired portion of Wakala fee is recognized as a liability of Operator and an asset of PTF. The Operator also charges The Operator also charges 35% of the investment income earned against the services of Mudarib to manage the investments of the PTF.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

5.10 Takaful Surplus

PTF surplus, if any, is attributable to the participants, after settlement of all claims and liabilities, is calculated after charging all direct cost and setting aside various reserves.

5.11 Qard-e-hansa

Qard-e-Hasna is provided by Operator to the PTF in case of deficit to keep it solvent operator would recover this Qard amount without any additional profit from the PTF over any period once PTF balance has become surplus.

5.12 Investment Income

Profit on investments, profit on profit and loss sharing accounts and bank deposits are recognized on accrual basis.

5.13 Cash and cash equivalents

For the purpose of cash flow statement; cash and cash equivalents include cash at bank in current and saving accounts, cash and stamps in hand and bank deposits.

5.14 Financial Instruments

Financial Instruments include cash and bank balances, loans to employees, investments, contributions due but unpaid, amount due from other takaful operators / re-takaful operators, accrued investment income, re-takaful recoveries against outstanding claims, security deposits, other receivables, outstanding claim liabilities, amount due to other takaful operators / re-takaful operators, accrued expenses, agents balance, other creditors, deposits and unclaimed dividends.

All the financial assets and liabilities are recognised at the time when the Operator or PTF becomes a party to the contractual provisions of the instrument and de-recognised when the Operator or PTF loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of financial assets and financial liabilities is taken to income directly.

5.15 Investments

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs, except for investment at fair value through profit and loss in which case transaction costs are charged to 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 accounted for at the trade date. Trade date is the date when the Operator commits to purchase or sell the investment. Subsequently, these are recognized and classified as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

5.15.1 At fair value through profit or loss - held for trading

- a. These are classified as 'at fair value through profit or loss' if (a) acquired or incurred (b) part of a principally for the purpose of selling or re-purchasing in the near term; portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking; or (c) a derivative (except for a derivative that is a designated and effective hedging instrument).
- b. Upon initial recognition these are designated by the Operator as 'at fair value through profit or loss' except for equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. At subsequent reporting dates, these investments are measured at fair value and any gains, and losses arising from the changes in fair value are included in the profit and loss account for the period in which they arise.

5.15.2 Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Operator has the positive intent and ability to hold to maturity other than at fair value through profit or loss, available for sale and loans and receivables.

Held to maturity investments are subsequently measured at amortized cost using the effective interest method.

Gain or loss is also recognized in profit and loss account when held to maturity investments are derecognized or impaired, and through the amortization process.

5.15.3 Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not (a) loans and receivables, (b) held to maturity investments, or (c) financial assets at fair value through profit or loss.

Quoted investments are initially recognized at cost inclusive of transaction costs. Unquoted investments are recorded at cost less impairment, if any.

Available for sale investments are subsequently measured at a lower of cost and market value (market value on an individual investment basis being taken as lower if the fall is other than temporary) in accordance with the Rules. Any resultant gain or loss is taken to profit and loss account in accordance with S.R.O. 938 issued by the SECP dated December 12, 2002. This treatment, in contravention to requirements of IAS 39, Financial Instruments: Recognition and Measurement, is in line with the Rules.

Unquoted investments are carried at cost less impairment in value, if any. Investments other than shares are stated at their principal amounts less provision for amounts considered doubtful.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

5.15.4 Impairment

The carrying amounts of the investments are reviewed to determine whether there is any indication of impairment. If such indication exists the investments recoverable amount is estimated. An impairment loss is recognized wherever the carrying amount of the investment exceeds its recoverable amount. Impairment losses are recognized in the profit and loss account.

5.15.5 De-recognition

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Operator has transferred substantially all risks and rewards of ownership.

5.16 Investment properties

Investment properties are accounted for under the cost model in accordance with IAS 40 Investment Property and S.R.O. 938 issued by the SECP on December 12, 2002.

Land is stated at cost.

Buildings are depreciated to their estimated salvage value on straight line basis over their useful life at the rate of 5%.

Depreciation is charged to income applying the reducing balance method from the date of purchase to disposal. Subsequent capital expenditure on existing properties and gains or losses on disposals are accounted for in the same manner as for tangible fixed assets.

5.17 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the financial statements only when there is legally enforceable right to set off the recognised amount and the Operator intends either to settle on a net basis or realize the assets and settle the liabilities simultaneously.

5.18 Operating segments

An operating segment is a component of the Operator that engages in business activities from which it may earn revenues and incur expenses. The Operator presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000. Takaful Rules 2012 and the SEC(Insurance) Rules, 2002 as the primary reporting format.

The Operator has four primary business segments for reporting purposes namely, fire and property damage, marine, motor and miscellaneous. The nature and business activities of these segments are disclosed in note no. 5.1

Assets, liabilities and capital expenditure that are directly attributable to segments have been assigned to them while the carrying amount of certain assets used jointly by two or

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

more segments have been allocated to segments on a reasonable basis. Those assets liabilities which cannot be allocated to a particular segment on a reasonable basis are corporate assets and liabilities.

5.19 Contribution Deficiency Reserve

"According to the requirements of the SEC (Insurance) Rules, 2002, a contribution deficiency reserve needs to be created where the unearned contribution for any class of business is not sufficient to cover the liability after re-takaful from claims, and other supplementary expenses expected to be incurred after the balance sheet date in respect of the policies in that class of business. Any movement in the reserve is to be charged to the profit and loss account."

For this purpose, loss ratios for each class, excluding health are estimated based 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. If these ratios are adverse, contribution deficiency is determined. The liability of contribution deficiency in relation to Health and Personal accident takaful is calculated in accordance with the advice of actuary.

The expected net of retakaful claim ratios against net contribution earned gross up of wakala for the unexpired periods of policies in force at balance sheet date for each class of business is disclosed in note 18.1

As at year end, a provision is created in respect of contribution deficiency reserve for those classes of business where it is estimated that the unearned contribution for that class will not be sufficient to provide for the expected losses and expenses attributable to the unexpired periods of policies in force at the balance sheet date.

However no provision has been made as the unearned contribution reserve for each class of business as at December 31, 2016 is considered adequate to meet the expected liability after retakaful, for claims and other expenses, expected to be incurred after that balance sheet date in respect of policies in force at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

6. OTHER CREDITORS AND ACCRUALS

(Rupees in '000)

	2016		2015	
	OPF	PTF	Aggregate	Aggregate
Federal insurance fee	-	82	82	24
Sales tax on services	-	1,852	1,852	355
Commission payable	8,254	-	8,254	344
Auditors Fee	240	-	240	150
Others	1,420	-	1,420	-
	<u>9,914</u>	<u>1,934</u>	<u>11,848</u>	<u>873</u>

7. CASH AND BANK DEPOSITS

	2016		2015	
	OPF	PTF	Aggregate	Aggregate
Cash and other equivalent				
Cash	-	-	-	144
Stamp in hand	-	24	24	-
	25	24	24	144
Current and other account				
Current account	191	280	471	7,046
Saving account	166	27,245	27,411	-
	357	27,525	27,882	7,046
	<u>357</u>	<u>27,549</u>	<u>27,906</u>	<u>7,190</u>

7.1 The rate of profit and loss sharing accounts from various banks range 4% to 6% per annum depending on the size of average deposits.(2015: 5% to 5.5%)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

8. INVESTMENTS- OPF

(Rupees in '000)

		December	
		2016	2015
Available for sale-lower of cost or market value			
Mutual funds (unit trusts)			
Number of units	Name of entity		
3,111,485 (2015: 2,897,170)	NAFA Islamic Asset Allocation Fund	48,342	45,000
[Market value Rs 57.88 million (2015: Rs 44.9 million)]			

9. CONTRIBUTION DUE BUT UNPAID

Considered good	20,047	639
Considered doubtful	-	-
	20,047	639
	20,047	639

10. AMOUNT DUE FROM OTHER TAKAFUL / RETAKAFUL OPERATORS

Considered good	57,751	223
Considered doubtful	-	-
	57,751	223
	57,751	223

11. PREPAYMENTS

Prepaid retakaful ceded - PTF	22,904	1,843
Others - OPF	30	-
	22,934	1,843

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

12. DEPOSITS AND OTHER RECEIVABLES

(Rupees in '000)

Deposit miscellaneous - OPF	231	-
Federal exercise duty - OPF	30	-
Federal excise duty - PTF	538	-
	800	-

13. FIXED ASSETS

2016

Particulars	COST			ACCUMULATED DEPRECIATION			Written Down value at December 31, 2016	Depreciation rate
	As at January 01, 2016	Additions / (disposals) / transfer	As at December 31, 2016	As at January 01, 2016	For the year / (adjustment for disposals)	As at December 31, 2016		
								(Rupees in '000)
								%
Land and buildings	-	450	450	-	14	14	436	5
Computer equipment	-	264	264	-	63	63	201	30
Office equipment	-	728	728	-	51	51	677	10
	-	1,442	1,442	-	128	128	1,314	
INTANGIBLE								
Computer Software	-	2,005	2,005	-	281	281	1,724	30
	-	3,447	3,447	-	409	409	3,038	

14. DIRECT EXPENSES - PTF

Tracking services	4,881	342
Service charges	530	6
Others	146	
	5,557	348

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

15. MANAGEMENT EXPENSES -OPF

(Rupees in '000)

Underwriting Expenses

Salaries, wages and benefits	38,692	3,449
Rent, taxes etc.	1,432	179
Communication	788	233
Fuel & Power	2,060	273
Travelling & Entertainment	851	6
Fees and subscription	2,958	-
Sales promotion expenses	1,129	-
Depreciation and amortization	409	-
Repair and maintenance	1,523	-
Printing and stationary	784	-
Other	2,067	604
	52,693	4,744

GENERAL & ADMINISTRATION EXPENSES

Auditor's Remmuneration	160	150
Legal & Proffessional Charges	1,947	1,200
	2,107	1,350

Total Management Expenses

54,800	6,094
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15.1 Auditor's Remmuneration

Audit fee	120	125
Interim review	40	25
	160	150

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

16 SEGMENT REPORTING

(Rupees in '000)

	Fire and Property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	Aggregate
Revenue						
Contribution earned	20,105	11,164	48,102	14,752	-	94,123
Segment results	(4,852)	(70)	4,563	(4,469)	-	(4,828)
Deficit for the year						(4,828)
Other information						
Segment assets	70,268	8,039	56,159	13,735	-	148,201
Unallocated corporate assets						94,263
Consolidated total assets						242,464
Segment liabilities	23,956	5,100	103,046	20,662	-	152,764
Unallocated corporate liabilities						89,700
Consolidated total liabilities						242,464
Capital expenditure	736	409	1762	540	-	3,447
Depreciation / amortization	87	49	209	64	-	409

17 QARD-E-IIASNA

If there is a deficit of admissible assets over its liabilities in the PTF, the operator from the Operator's fund may provide Qard-e-Hasana to the PTF so that the PTF may become solvent as per Takaful Rules 2012.

18 MANAGEMENT OF TAKAFUL AND FINANCIAL RISK

18.1 Takaful risk

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

The Operator manages these risks through its underwriting strategy, adequate re-takaful arrangements and proactive claims handling. The underwriting strategy aims

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

to minimise takaful risks with a balanced mix and spread of business classes and by observing underwriting guidelines and limits. The Operator underwrites mainly property, motor, marine cargo and transportation and other miscellaneous business. These classes of takaful are generally regarded as shortterm takaful contracts where claims are normally intimated and settled within a short time span, usually one year. This helps to mitigate takaful risk.

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

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

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

18.1.1 Frequency and severity of claims

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

The Operator monitors concentration of takaful risks primarily by class of business. The table below sets out the concentration of claims and contribution liabilities (in percentage terms) by class of business at balance sheet date.

(Rupees in '000)

Class	2016				2015			
	Gross claims liabilities	Gross claims liabilities	Gross contribution liabilities	Net contribution liabilities	Gross claims liabilities	Gross claims liabilities	Gross contribution liabilities	Net contribution liabilities
	%	%	%	%	%	%	%	%
Fire and property damage	3%	2%	18%	1%	0%	0%	63%	55%
Marine, aviation and transport	9%	2%	1%	0%	0%	0%	7%	5%
Motor	52%	59%	72%	91%	0%	0%	28%	31%
Miscellaneous	37%	38%	8%	7%	0%	0%	3%	9%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

The Operator also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. For fire and property risk a particular building and neighbouring buildings, which could be affected by a single claim incident, are considered as a single location. For earthquake risk, a complete city is classified as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk.

The Operator evaluates the concentration of exposures to individual and cumulative takaful risks and establishes its re-takaful policy to reduce such exposures to levels acceptable to the Operator.

The Operator's class wise major gross risk exposure is as follows:

Class	2016	2015
	(Rupees in '000)	
Fire and property damage	347,565	500,000
Marine, aviation and transport	81,023	42,727
Motor	10,000	2,150
Miscellaneous	32,500	3,994

Since the Operator operates in Pakistan only, hence, all the takaful risks relate to policies written in Pakistan.

18.1.2 Sensitivity analysis

The Operator believes that the claim liabilities under takaful contracts outstanding at the period end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The impact on the PTF surplus of the changes in the claim liabilities net of retakaful is analysed below. The sensitivity to changes in claim liabilities net of retakaful is determined separately for each class of business while keeping all other assumptions constant.

	PTF (Rupees '000)			
	2016		2015	
	Revenue	Equity	Revenue	Equity
Impact of change in claim liabilities by +10%				
Fire and property damage	(61)	(42)	-	-
Marine, aviation and transport	(222)	(153)	-	-
Motor	(1,242)	(857)	-	-
Miscellaneous	(880)	(607)	-	-
	<u>(2,405)</u>	<u>(1,659)</u>	<u>-</u>	<u>-</u>
Impact of change in claim liabilities by -10%				
Fire and property damage	61	42	-	-
Marine, aviation and transport	222	153	-	-
Motor	1,242	857	-	-
Miscellaneous	880	607	-	-
	<u>2,405</u>	<u>1,659</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

18.2 Financial risk

The Operator's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (comprising of currency risk, profit rate risk and other price risk). The Operator's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Operator's financial performance.

The Board of Directors has overall responsibility for establishment and oversight of the Operator's risk management framework. There are Board Committees and Management Committees for developing and monitoring the risk management policies.

18.2.1 Credit risk

Credit risk is the risk, which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The management monitors exposure to credit risk through regular review of credit exposure, undertaking transactions with a large number of counter parties in various industries and by continually assessing the credit worthiness of counter parties.

The carrying amounts of the following financial assets represent the Operator's maximum exposure to credit risk:

(Rupees in '000)

	2016				2015	
	OPF	PTF	Aggregate	OPF	PTF	Aggregate
Financial assets:						
Bank balances	357	27,525	27,882	5,164	1,882	7,046
Contribution due but unpaid	-	20,047	20,047	-	639	639
Amounts due from other takaful / retakaful operators	-	57,751	57,751	-	223	223
Wakala and mudarib fee receivable	12,142	-	12,142	825	-	825
Deferred wakala fee	-	35,939	35,939	-	783	783
Deferred commission expense	10,634	-	10,634	325	-	325
Retakaful recoveries against outstanding claims	-	2,877	2,877	-	-	-
Prepayments	30	22,904	22,934	-	1,843	1,843
Accrued profit	-	55	55	-	-	-
Deposits and other receivables	261	538	799	-	-	-
	<u>23,424</u>	<u>167,636</u>	<u>191,060</u>	<u>6,314</u>	<u>5,370</u>	<u>11,684</u>

The credit quality of Operator's bank balances and deposits can be assessed with reference to external credit ratings

The management monitors exposure to credit risk in contribution receivable from customers through regular review of credit exposure and prudent estimates of provisions for doubtful receivables.

The credit quality of claim recoveries from retakaful operators can be assessed with reference to external credit ratings

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Other reinsurance asset	2016	2015
A or above (including PRCL)	46,201	2,850	22,904	71,955	-
BBB	-	-	-	-	-
Others	11,550	27	-	11,577	-
Total	<u>57,751</u>	<u>2,877</u>	<u>22,904</u>	<u>83,532</u>	<u>-</u>

18.2.2 Liquidity risk

Liquidity risk is the risk that the Operator will encounter difficulty in meeting its obligations associated with financial liabilities. In respect of major loss event, there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected re-takaful recoveries.

The objective of the Operator's liquidity management process is to ensure, as far as possible, that it will always have sufficient liquidity to meet its claim and other liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Operator's reputation. It includes measuring and monitoring the future cash flows on daily, monthly and quarterly basis, maintaining sufficient cash reserves in bank accounts and a portfolio of highly marketable financial assets that can be easily liquidated in the event of an unforeseen interruption to cash flows.

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

(Rupees in '000)

	2016					
	OPF			PTF		
	Carrying amount	Upto one year	Greater than one year	Carrying amount	Upto one year	Greater than one year
Financial liabilities						
Amounts due to other takaful / retakaful operators	-	-	-	21,445	21,445	-
Payable to Premier Insurance Limited	17,895	17,895	-	-	-	-
Other creditors and accruals	9,914	9,914	-	1,934	1,934	-
Wakala fee payable	-	-	-	12,142	12,142	-
	<u>27,809</u>	<u>27,809</u>	<u>-</u>	<u>35,521</u>	<u>35,521</u>	<u>-</u>

---Rupees in '000'---

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

	2015					
	OPF			PTF		
	Carrying amount	Upto one year	Greater than one year	Carrying amount	Upto one year	Greater than one year
Financial liabilities						
Amount due to other takaful / re-takaful operators	-	-	-	1,621	1,621	-
Payable to Premier Insurance Limited	5,932	5,932	-	-	-	-
Other creditors and accruals	494	494	-	-	-	-
Wakala fee payable	-	-	-	825	825	-
	<u>6,426</u>	<u>6,426</u>	<u>-</u>	<u>2,446</u>	<u>2,446</u>	<u>-</u>

18.2.3 Market risk

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

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

18.2.3.1 Profit rate risk

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

Sensitivity analysis

As on 31 December 2016, the Window Takaful Operations had no financial instruments valued at fair value through profit or loss. For cash flow sensitivity analysis of variable rate instruments, a hypothetical change of 100 basis points in profit rates during the year 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 profit rate risk. Actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

Operator's Fund			
(Rupees in `000)			
	Change in basis points	Effect on profit and loss before tax	Operators' Fund
31 December 2016	100 (100)	31 (31)	22 (22)
31 December 2015	100 (100)	52 (52)	- -

Participants' Takaful Fund			
	Change in basis points	Effect on PTF revenue	Participants' Takaful Fund
31 December 2016	100 (100)	176 (176)	176 (176)
31 December 2015	100 (100)	19 (19)	- -

18.2.3.2 Foreign currency risk

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

18.2.3.3 Other price risk

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

The table below summarises Funds market price risk as of 31 December 2016. It shows the effect of a 10 % increase and 10 % decrease in the market prices of equity investments as on those dates on Operator's profit and equity.

Had all equity investments been measured at fair values as required by IAS 39, Financial Instruments: Recognition and Measurement, the impact of hypothetical change would be as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

Operator's Fund				
Rupees '000				
	Fair value	Price change	Estimated fair value	Effect on profit and loss before tax
Mutual Fund - 2016	57,889	10% increase	5,788	5,788
		10% decrease	(5,788)	(5,788)
Mutual Fund - 2015	44,900	10% increase	4,490	2,919
		10% decrease	(4,490)	(2,919)

18.3 Fair value

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

(Rupees in '000)			
OPF			
Fair value measurement using			
	Level 1	Level 2	Level 3
Available-sale-investments	48,342	-	-
OPF			
Fair value measurement using			
	Level 1	Level 2	Level 3
Available-sale-investments	45,000	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

19. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated companies, entities under common control, entities with common directors, major shareholders, directors, key management personnel and funded employee retirement benefit schemes.

Transactions with related parties are in the normal course of business at rates and terms consistent with the market. Other related party transactions such as those relating to key management personnel and retirement plans are in accordance with terms of employment and company policy.

Transactions and balances with related parties, including remuneration and retirement benefits, are as follows:

Transactions for the period	December	
	2016	2015
Associated undertakings		
Premium written	3,420	-
Claims paid	27	-
Commission paid	65	-
Period end Balances		
Associated undertakings		
Premium receivable	331	-
Claims outstanding	4	-

20. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 7 April 2017 by the Board of Directors of the company.

21. GENERAL

21.1 All amounts have been rounded off to the nearest thousand Rupees.

21.2 Comparative figures in these financial statements are from October 2, 2015 to 31 December 2015

Zahid Bashir
Chairman

Imran Maqbool
Director

Nadeem Maqbool
Director

Mohammed Asif Arif
Chief Executive

PATTERN OF SHAREHOLDING

As at December 31, 2016

Information as required under Code of Corporate Governance

Shareholder's category	Number of Shareholders	Number of shares held
Associated Companies, Undertaking and Related Parties (name wise details)		
Crescent Cotton Mills Limited	1	250,731
Crescent Fibres Limited	1	57,801
Crescent Powertec Limited	1	7,641,762
Equity Textiles Limited	2	1,205,579
Muhammad Amin Muhammad Bashir Limited	2	9,690
Shams Textile Mills Limited	1	610,801
Suraj Cotton Mills Limited	1	678,076
The Crescent Textile mills limited	1	117,003
Jubilee Spinning & Weaving Mills Limited	1	15,511
TOTAL	11	10,586,954
Directors and their spouse(s) and minor children		
Mr. Zahid Bashir	2	108,178
Mr. Khalid Bashir	1	114,884
Mr. Shams Rafi	1	295,305
Mr. Nadeem Maqbool	1	395,640
Mr. Imran Maqbool	1	406,210
Mr. Khurram Mazhar	1	102,417
Mr. Muhammad Asif Arif	1	82,100
Mrs. Umbreen Zahid Bashir (w/o Mr. Zahid Bashir)	1	17,192
Mrs. Tanveer Khalid Bashir (w/o Mr. Khalid Bashir)	1	132,504
Mrs. Nazia Maqbool (w/o Mr. Nadeem Maqbool)	1	167,150
Mrs. Asma Imran Maqbool (w/o Mr. Imran Maqbool)	1	126,694
TOTAL	12	1,948,274
Executives		
Mr. Fariq M.K Rohilla	1	2,094
Mr Ali Muhammad	1	22
Mr. Fakhar-e-Alam	1	272
Mr. Kamaluddin	2	171
Mr. Kamran Safi Rizvi	1	67
TOTAL	6	2,626
Public Sector Companies and Corporations	4	4,833,670
TOTAL	4	4,833,670
Banks, DFIs, NBFCs, Insurance Companies, Takaful, Modaraba and pension Funds	8	725,318
TOTAL	8	725,318
Shareholders holding five percent or more voting rights in the Listed Company		
State Life Insurance Corporation of Pakistan	2	4,524,543
Crescent Powertec Limited	1	7,641,762
TOTAL >>	3	12,166,305
Total	44	30,263,147

PATTERN OF SHAREHOLDING

As at December 31, 2016

Additional Information

Categories of Shareholders			Shares held	Percentage
1	Directors, CEO and their spouse(s) and minor children			
	Mr. Zahid Bashir	(Director)	108,178	0.26%
	Mr. Khalid Bashir	(Director)	114,884	0.27%
	Mr. Shams Rafi	(Director)	295,305	0.71%
	Mr. Nadeem Maqbool	(Director)	395,640	0.95%
	Mr. Imran Maqbool	(Director)	406,210	0.97%
	Mr. Khurram Mazhar	(Director)	102,417	0.25%
	Mr. Muhammad Asif Arif	(CEO)	82,100	0.20%
	Mrs. Umbreen Zahid Bashir (w/o Mr. Zahid Bashir)		17,192	0.04%
	Mrs. Tanveer Khalid Bashir (w/o Mr. Khalid Bashir)		132,504	0.32%
	Mrs. Nazia Maqbool (w/o Mr. Nadeem Maqbool)		167,150	0.40%
	Mrs. Asma Imran Maqbool (w/o Mr. Imran Maqbool)		126,694	0.30%
2	Associated Companies, Undertakings and Related Parties			
	Crescent Cotton Mills Limited		250,731	0.60%
	Crescent Fibres Limited		57,801	0.14%
	Crescent Powertec Limited		7,641,762	18.29%
	Equity Textiles Limited		1,205,579	2.88%
	Muhammad Amin Muhammad Bashir Limited		9,690	0.02%
	Shams Textile Mills Limited		610,801	1.46%
	Suraj Cotton Mills Limited		678,076	1.62%
	The Crescent Textile mills limited		117,003	0.28%
	Jubilee Spinning & Weaving Mills Limited		15,511	0.04%
3	NIT & ICP			
	Investment Corporation of Pakistan		942	-
4	Banks, DFIs, NBFCs			
	Banks & Financial Institutions		714,682	1.71%
	Insurance Companies		98	-
	Modarabas & Mutual Funds		133	-
5	Shareholders holding 10%			
	State Life Insurance Corporation of Pakistan		4,524,543	10.83%
6	General Public			
	Local		23,328,113	55.82%
7	Others			
	M/s Australasia Bank Limited		2,439	0.01%
	M/s Tayyab Katchi & Co Limited		4,432	0.01%
	M/s Golden Valley Trading Co. Limited		2,941	0.01%
	M/s Valika Investment Corporation Limited		4,325	0.01%
	M/s Crescent Trading Corporation Limited		7,586	0.02%
	M/s Progressive garments Pvt Limited		9,840	0.02%
	M/s Crescent Spinning Mills Limited		6,149	0.01%
	M/s Amin Bashir Ventures Pvt Limited		10,251	0.02%
	Trusti Bonus FBR		27,920	0.07%
	Trustee to 5% Bonus FBR		35,142	0.08%
	ISE Towers REIT Management Company Limited		7,130	0.02%
	MNG. Committee Okhai Memon Madressah Asso.		60,095	0.14%
	Deputy Administrator Abandoned Properties Organization		225,610	0.54%
	Trustees Crescent Steel & Allied Prod PN.F		10,405	0.02%
	Burma Oil Mills Limited		159,151	0.38%
	Continental Capital Management Pvt Limited		2,500	0.01%
	Federal Board of revenue		83,517	0.20%
	Invest forum (SMC-Pvt) Limited		5,000	0.01%
	Noor Capital Private Limited		6,000	0.01%
	Ismail Abdul Shakoor Securities Private Limited		2,132	0.01%
	Fikree S SMC-Pvt Limited		13,040	0.03%
	Total		41,789,344	100%

PATTERN OF SHAREHOLDING

As at December 31, 2016

Number of Shareholders	Shareholdings		Total Shares Held
	From	To	
620	1	100	16,693
475	101	500	123,726
216	501	1,000	157,396
413	1,001	5,000	978,281
120	5,001	10,000	852,677
62	10,001	15,000	717,734
30	15,001	20,000	525,100
28	20,001	25,000	626,492
21	25,001	30,000	576,855
14	30,001	35,000	446,012
8	35,001	40,000	295,056
7	40,001	45,000	299,423
2	45,001	50,000	93,762
2	50,001	55,000	108,723
10	55,001	60,000	574,804
4	60,001	65,000	243,781
3	65,001	70,000	203,711
5	70,001	75,000	364,578
1	75,001	80,000	79,635
4	80,001	85,000	328,887
3	85,001	90,000	260,695
1	90,001	95,000	93,053
3	95,001	100,000	295,505
4	100,001	105,000	413,893
5	105,001	110,000	535,579
5	110,001	115,000	563,216
1	115,001	120,000	117,003
5	125,001	130,000	633,470
1	130,001	135,000	132,504
1	135,001	140,000	136,794
1	140,001	145,000	142,560
2	145,001	150,000	293,095
3	155,000	160,000	470,820
1	165,001	170,000	167,150
1	170,001	175,000	172,911
2	180,001	185,000	364,723
1	185,001	190,000	185,794

PATTERN OF SHAREHOLDING

As at December 31, 2016

Number of Shareholders	Shareholdings		Total Shares Held
	From	To	
1	205,001	210,000	205,726
1	210,001	215,000	210,896
1	215,001	220,000	218,270
1	225,001	230,000	225,610
1	235,001	240,000	237,823
1	240,001	245,000	243,121
1	245,001	250,000	248,917
3	250,001	255,000	755,345
1	255,001	260,000	257,222
2	270,001	275,000	542,978
1	285,001	290,000	285,672
1	290,001	295,000	290,493
1	295,001	300,000	295,305
1	310,001	315,000	310,500
1	315,001	320,000	315,078
1	325,001	330,000	328,944
1	375,001	380,000	376,337
1	395,001	400,000	395,640
3	405,001	410,000	1,219,773
1	415,001	420,000	417,888
1	435,001	440,000	435,506
1	465,001	470,000	469,803
1	475,001	480,000	476,983
1	500,001	505,000	500,250
1	540,001	545,000	541,239
1	575,001	580,000	579,554
1	585,001	590,000	587,079
1	610,001	615,000	610,801
1	615,001	620,000	618,500
1	675,001	680,000	678,076
1	695,001	700,000	695,434
1	700,001	705,000	703,984
1	755,001	760,000	757,693
1	975,001	980,000	977,731
1	1,015,001	1,020,000	1,017,013
1	4,520,001	4,525,000	4,524,307
1	7,640,001	7,645,000	7,641,762
2,127			41,789,344



Moon & Tides

The gravity of the earth holds our planet's water bodies in place. However, this balance is disrupted by the orbit and the moon. As the moon orbits the earth, its gravity pulls the water, accelerating it towards the moon, creating a tide.

Just as the moon excites the water, enough to reach out while maintaining its place on earth, Premier Insurance offers protection to her clients so that they may also reach higher while maintaining their place on a safe and firm base.

همیشه کالو





OUR BRANCH NETWORK

OUR BRANCH NETWORK

Karachi

Head Office

5th Floor, State Life Building 2-A, Wallace Road, Off. I.I. Chundrigar Road, Karachi, Pakistan.

Phone: 021-32416331-4

Fax: 021-32416572

Corporate Service Division

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Phone: 021-32416331-4

Fax: 021-32416572

Clifton Branch

Office # 401, 4th Floor Clifton Centre, Kehkhashan, Block-5, Clifton, Karachi.

Phone: 021-35293383-5

Fax: 021-35293386

Karachi Branch

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Phone: 021-32416331-4

Fax: 021-32416572

Lahore

Zonal Office

162 Shadman II Lahore.

Phone: 042-35407001-5

Fax: 042-35407006

Corporate service division

162 Shadman II Lahore.

Phone: 042-35407001-5

Fax: 042-35407006

Canal Branch

162 Shadman II Lahore.

Phone: 042-35407001-5

Fax: 042-35407006

Macleod Branch

23 Shahrah-e-Quaid-e-Azam, Lahore.

Phone: 042-37324262 | 37230602-03

Fax: 042-37235557

Mall Branch

23 Shahrah-e-Quaid-e-Azam, Lahore.

Phone: 042-37324262 | 37230602-03

Fax: 042-37235557

Multan Branch

4th Floor, Mehr Fatima Tower, Opp. High Court,
Old Bahawalpur Road, Multan.

Phone: 061-4515007 | 4515009

Fax: 061-4587143

Islamabad Branch

64-E 2nd Floor, Masco Plaza, Jinnah Avenue,
Blue Area, Islamabad.

Phone: 051-2348167-8

Fax: 051-2348169

Regency Branch Faisalabad

1st Floor Regency Arcade, 949-Mall Road,
Faisalabad.

Phone: 041-2632211-3

Fax: 041-2617802

Chenab Branch Faisalabad

2nd Floor, S.M. Plaza, 18 Chenab Market, Susan
Road, Madina Town, Faisalabad.

Phone: 041-8503541-42

Fax: 041-8503543

Sialkot Branch

Room # 3 & 4, Sahib Plaza, Saga Chowk,
Defence Road, Sialkot.

Phone: 052-3572192-93

Fax: 052-3572194

Sahiwal Branch

Room # 1, Sattar Complex, Stadium Road,
Sahiwal.

Phone: 040-4220918

Fax: 040-4220790

Gujrawala Branch

Block - L, Trust Plaza, G.T Road, Gujranwala.

Phone: 055-3859719-20

Fax: 055-3256432

Peshawar Branch

1081/A, Rehman Building, Saddar Road,
Peshawar Cantt.

Phone: 091-5273757

Fax: 091-5277809

Quetta Branch

43-Regal Plaza, 2nd Floor, Circular Road, Quetta.

Phone: 081-2842883

Fax: 081-2821383

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 65th Annual General Meeting of Premier Insurance Limited (the “Company”) will be held at the ICAP Auditorium Hall, Chartered Accountants Avenue, Clifton, Karachi, on Saturday April 29, 2017 at 1.00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Annual Ordinary General Meeting of the Company held on April 27, 2016;
2. To receive, consider and adopt the audited financial statements of the Company for the year ended December 31, 2016, the report of the Auditors thereon and the report of the Directors;
3. To appoint Auditors of the Company and fix their remuneration;

SPECIAL BUSINESS

4. To approve the issuance of bonus shares @ 10% i.e 1 ordinary shares for every 10 ordinary shares held, out of the reserve for the year ended December 31, 2016, as recommended by the Directors by passing the following Ordinary Resolution:

“RESOLVED THAT a sum of Rs 41,789,300 out of the reserves of the Company be capitalized and applied to the issue of 4178930 Ordinary Shares of Rs.10 each and allotted as fully paid up Bonus Shares to the Members, who are registered in the Books of the Company at the close of business on April 19, 2017 in the proportion of one new share for every ten existing Ordinary Shares held and that such new shares shall rank pari passu with the existing Ordinary Shares of the Company.

That for the purpose of giving effect to the foregoing, the Chief Executive, Chief Financial Officer and Company Secretary be and are hereby singly authorized to give such directions as may be necessary and settle any questions or any difficulties that may arise in the distribution of the said new shares.

FURTHER RESOLVED THAT fractional shares be disposed-off in accordance to the Article of Association of the Company.”

5. To consider and if thought fit, pass a special resolution pursuant to Section 208 of the Companies Ordinance, 1984 to authorize investments in the Equity of the of the following Associated Undertakings:

Rupees in millions

Sr. No.	Name of Company	Amount of Investment Approved	Amount Utilized	Additional Approvals
1	Crescent Cotton Mills Limited	Rs.50.0	Rs.01.05	Rs.40.0
2	Crescent Textile Mills Limited	Rs.50.0	Rs.16.86	Rs.30.0
3	Shams Textile Mills Limited	Rs.30.0	Rs.06.69	Rs.30.0
4	Suraj Cotton Mills Limited	Rs.50.0	Rs.93.83	Rs.20.1
5	First Equity Modaraba	Rs.50.0	Rs.07.31	Rs.25.0
6	Shakarganj Mills Limited	Rs.50.0	Rs. 0.53	Rs.40.0
7	Crescent Steel & Allied Products Limited	Rs.50.0	Rs.25.14	Rs.50.0
8	Crescent Jute Products Limited	Rs.50.0	-	Rs.50.0
9	Crescent Fibres Limited	Rs.50.0	-	Rs.50.0

Statement under section 160(1)(b) of the Companies Ordinance, 1984 relating to the aforesaid special resolution to be transacted at the said Annual General Meeting are attached.

6. To consider and if thought fit, pass an Ordinary Resolution with or without modification(s):

“Resolved that transmission of annual audited financial statements, auditors’ report and directors’ report etc. to the members of the Company at their registered addresses in soft form i.e. through CD/DVD/USB instead of transmitting the same in hard copies from the year ending December 31, 2017 in terms of SRO No. 470(1)/2016 dated May 31, 2016 be and is hereby approved.

FURTHER RESOLVED that the Chief Executive Officer and the Company Secretary of the Company be and are hereby severally authorized to give effect to this resolution and to do or cause to do all acts, deeds and things that may be necessary or required and to sign such documents and take such steps from time to time, as and when necessary for the purpose of implementing this resolution.”

OTHER BUSINESS

7. To transact any other business with the permission of the Chair.

Attached to this notice of meeting being sent to the members is a statement under section 160(1)(b) of the Companies Ordinance, 1984 setting forth:

- all material facts concerning the resolutions contained in item 6 of the notice.
- Status of previous approval of investments in associated companies.

By Order of the Board
Munawar Salemwala
 Company Secretary
 Karachi, 7 April 2017

Notes:

CLOSURE OF SHARE TRANSFER BOOKS

The Share Transfer Books of the company shall remain closed from April 20, 2017 to April 29, 2017 (both days inclusive). Transfers received in order at our Registrar, FAMCO Associates (Pvt) Limited, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi, Pakistan by the close of business on April 19, 2017 will be treated in time for this purpose.

PARTICIPATION IN THE ANNUAL GENERAL MEETING

A member entitled to attend and vote at the above meeting may appoint a proxy to attend and vote on his behalf. No person shall act as a proxy (except for a corporation) unless he is entitled to be present and vote in his own right. Instrument appointing proxy must be deposited at the Registered Office of the company at least 48 hours before the time of the meeting.

A. FOR ATTENDING THE MEETING

- i) In case of individuals, the account holder or sub-account holders whose registration details are uploaded as per the Regulations shall authenticate his/her original valid Computerized National Identity Card (CNIC) or the original passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors' resolution / power of attorney which 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 or sub-account holders whose registration details are uploaded as per the Regulations shall submit the proxy form as per the above requirement.
- ii) Attested copies of the valid CNIC or the passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.
- iii) The proxy shall produce original valid CNIC or original passport at the time of the meeting.
- iv) In case of corporate entity, the Board of Directors' resolution / power of attorney which specimen signature shall be submitted (unless it has been provided earlier) along with the Proxy Form of the Company.
- v) Proxy Form will be witnessed by two persons whose names, addresses and valid CNIC numbers shall be mentioned on the forms.

CNIC / NTN NUMBER ON DIVIDEND WARRANT (MANDATORY)

As has already been notified from time to time, the Securities and Exchange Commission of Pakistan (SECP) vide Notification S.R.O. 19(I)/2014 dated 10th January 2014 read with Notification S.R.O. 831(1)/2012 dated July 5, 2012 require that the Dividend Warrant(s) should also bear the Computerized National Identity Card (CNIC) Number of the registered shareholder or the authorized person, except in case of minor(s) and corporate shareholder(s).

Henceforth, issuance of dividend warrant(s) will be subject to submission of CNIC (individuals) / NTN (corporate entities) by shareholders.

DEDUCTION OF INCOME TAX FROM DIVIDEND UNDER SECTION 150 THE INCOME TAX ORDINANCE, 2001 (MANDATORY)

- (i) Pursuant to the provisions of the Finance Act 2016 effective July 1, 2016, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

1. Rate of tax deduction for filer of income tax return 12.5%
2. Rate of tax deduction for non-filers of income tax return 20%

To enable the company to make tax deduction on the amount of cash dividend @ 12.5% instead of 20%, shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 20% instead of 12.5%

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

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

Company Name	Folio/CDS Account #	Total Shares	Principal Shareholder		Principal Shareholder	
			Name and CNIC #	Shareholding Proportion	Name and CNIC #	Shareholding Proportion

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

- (iv) For any query/problem/information, the investors may contact the Company Secretary at phone: 021-32416331-4 and email address info@pil.com.pk and/or M/s.FAMCO Associates (Pvt.) Ltd. at phone 021-34380101-5 and email address: info.shares@famco.com.pk
- (v) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the company or M/s.FAMCO Associates (Pvt.) Ltd. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

CONSENT FOR ELECTRONIC TRANSMISSION OF AUDITED FINANCIAL STATEMENTS & NOTICES (OPTIONAL)

Consent Form to receive Annual Financial Statements through e-mail. The Securities & Exchange Commission of Pakistan (SECP) 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.

If any member intends to receive the above through e-mail, he may provide us or to our Share Registrar, his consent on the consent form as available on company's website (www.pil.com.pk), duly filled and signed.

CONSENT FOR VIDEO CONFERENCE FACILITY

Members can also avail video conference facility. In this regard please fill the following and submit to registered address of the Company 10 days before holding the general meeting. If the Company receives consent from members holding in aggregate 10% or more shareholding residing at geographical location, to participate in the meeting through video conference at least 10 days prior to the date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city.

The Company will intimate members regarding venue of conference facility at least 5 days before the date of general meeting along with complete information necessary to enable them to access such facility.

I/We, _____ of _____, being a member of Premier Insurance Limited, holder of _____ ordinary share(s) as per Register Folio / CDC Account No. _____ hereby opt for video conference facility at _____.

Signature of member

CHANGE OF ADDRESS

Shareholders are requested to notify our Registrar immediately of any change in their addresses and submit, if applicable to them, the non-deduction of Zakat From CZ-50 with the Company's Registrar. All the shareholders holding their shares through the CDC are requested to please update their addresses and Zakat status with their participants. This will assist in the prompt receipt of Dividend.

PROXY FORM

ANNUAL GENERAL MEETING

I/We _____
of _____ being a member of Premier Insurance Limited and holder of
_____ Ordinary shares as per Registered Folio No
and/or CDC Participant I.D.No _____ Sub-Account No _____
CNIC No _____ or Passport No _____
hereby appoint _____ of _____ who
is also a member of the company, Folio No _____ or failing him/her _____
of _____ as my/our Proxy in my/our absence to attend, speak and vote for me/
us and on my/our behalf at the Annual General Meeting of the company to be held on Saturday April
29, 2017 at 1.00 p.m. at ICAP, Auditorium Hall, Chartered Accountants Avenue, Clifton, Karachi and at any
adjournment thereof.

Signed this _____ day of _____ 2016

1. Witness:
Signature _____
Name _____
Address _____

CNIC or Passport No _____
2. Witness:
Signature _____
Name _____
Address _____

CNIC or Passport No _____

Rupees Five
Revenue
Stamp

Signature of Shareholder

Note:

1. Proxies in order to be effective must be received at the Registered Office of the company at 5th Floor, State Life Building No. 2-A, Wallace Road, Karachi not later than 48 hour before the meeting.
2. CDC Shareholders and their Proxies are each requested to attach an attested Photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the company.
3. The shareholders having shares deposited with the Central Depository Company (CDC) are requested to bring their Original Computerized National Identity Card and CDC account number for verification.

پریمیر انشورنس لمیٹڈ

اسٹیٹ لائف بلڈنگ، پانچویں منزل، نمبر A-2، والیک روڈ، کراچی نمبر-74000

نائب /پراسی فارم

سالانہ جنرل میٹنگ

میں /ہم _____ ولد _____ بحیثیت پریمیر انشورنس لمیٹڈ کے ممبر کے اور عام شہر
_____ بمطابق رجسٹرڈ فلیو نمبر _____ اور /یا _____ سی ڈی سی _____ کے شراکت دار، شناختی کارڈ
نمبر _____ ذیلی اکاؤنٹ نمبر _____ قومی شناختی کارڈ نمبر _____ یا پاسپورٹ نمبر _____
اپوائنٹ _____ کا _____ جو کہ کمپنی کا پہلے سے ممبر ہے، بمطابق فلیو نمبر _____
یا ناکام رہا /رہی _____ کیلئے _____ بطور میرے نائب میری غیر موجودگی میں حاضر
ہوئی /ہوا۔ بات کی اور میرے لئے ووٹ میری معرفت ڈالا جو کہ کمپنی کی سالانہ جنرل میٹنگ جو کہ 29 اپریل 2017 کو منعقد ہوئی بوقت 1.00 بجے بمقام ICAP آڈیٹوریم
حال، چارٹرڈ اکاؤنٹنٹ ایونیو، کلفٹن، کراچی اور اس طرح کی کسی بھی تقریب میں۔

دستخط مورخہ _____ دن _____ 2017۔

۱۔ گواہ:

دستخط:

نام:

پتہ:

قومی شناختی کارڈ نمبر:

۲۔ گواہ:

دستخط:

نام:

پتہ:

قومی شناختی کارڈ نمبر:

نوٹ:

- ۱۔ نائب کے لئے ضروری ہے کہ وہ کمپنی کے رجسٹرڈ آفس بمقام پانچویں منزل، اسٹیٹ لائف بلڈنگ نمبر A-2، والیک روڈ، کراچی میں میٹنگ 48 گھنٹے پہلے سے موجود ہو۔
- ۲۔ سی ڈی سی شہر ہولڈرز اور ان کے نائب پر لازم ہے کہ وہ اپنے شناختی کارڈ کی فوٹو کاپی تصدیق شدہ یا پاسپورٹ کی کاپی اس پر کسی فارم کو کمپنی میں جمع کرنے سے پہلے ساتھ منسلک کریں۔
- ۳۔ سینٹرل ڈپازیری کمپنی (سی ڈی سی) میں جمع کرانے کیلئے جھس یا فنگان سے درخواست کی جاتی ہے کہ وہ اپنا اور جنرل شناختی کارڈ لائیں تاکہ انکی تصدیق کی جاسکے۔

Share Registrar:

M/s. FAMCO Associates (Pvt) Limited
8-F, Next to Hotel Faran
Nursery, Block-6, P.E.C.H.S.
Shahrah-e-Faisal
Phone No. (+92-21) 34380101-5
Fax No. (+92-21) 34380106
E-mail: info.shares@famco.com.pk

Subject: Consent for Electronic Transmission of Annual Report

Dear Sirs,

I/we, being the shareholder(s) of Premier Insurance Limited, ("Company"), do hereby give consent and authorize the company for electronic transmission of the Annual Report containing Annual Audited Financial Statements, Directors' Report and Notice of Annual General Meeting via the Email provided herein below and further undertake to promptly notify the company of any change in my Email address.

I understand that the transmission of Annual Report via the Email shall meet the requirements as mentioned under Section 50, 158, 233 and 236 of the Companies Ordinance, 1984.

1. Name of Shareholder(s): _____
2. Fathers / Husband Name: _____
3. CNIC: _____ 4. NTN (If any): _____
5. Participant ID / Folio No: _____ 6. Telephone: _____
7. Mailing address: _____

Email address:

Date: _____

Premier Insurance Limited
5th Floor, State Life Building No.2A
Wallace Road
Karachi.

Signature:

(In case of corporate shareholders,
the authorized signatory shall sign)



Since 1952 as a life-time companion we have delivered distinctive general insurance services across the country with diligence, zeal and commitment. Yet our journey to excel continues; to do more and better for our clients.

Premier Insurance Limited

www.pil.com.pk