



ہمیشہ ساتھ

64th Annual Report 2015



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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.



بمیشه کالته

The background of the page is an aerial view of a city at sunset, rendered with a textured, painterly effect. The sky is a mix of soft pinks, oranges, and yellows, transitioning into a darker blue at the top. The city below is densely packed with buildings, some of which are illuminated with warm lights. In the distance, there are rolling hills and mountains under the twilight sky. The overall mood is serene and aspirational.

## 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.

A full-page photograph of a surfer riding a wave. The surfer is in the lower right quadrant, leaning forward on a white surfboard. The wave is breaking, creating a large splash of white water. The sky is a pale blue with some light clouds. A dark blue banner with a trapezoidal shape is positioned horizontally across the middle of the page, containing the text 'CORE VALUES' in white, uppercase letters.

## 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

Iftikhar Gadar

### 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)  
Khalid Rafiq (Secretary)

### Investment Committee

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

### **Reinsurance & Co-Insurance Committee**

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

### **HR Committee**

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

### **Auditors**

Ernst & Young Ford Rhodes Sidat Hyder,  
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](mailto:info@pil.com.pk)

Website : [www.pil.com.pk](http://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](mailto:info.shares@famco.com.pk)



Premier Insurance

START

## 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.



## From the Chairman's desk

As the economic climate of Pakistan takes a turn towards progress due to decreasing costs of energy, more attractive government policy for investment, infrastructure development and overall improvement in security, we believe that Pakistan is on the path to becoming at par with other promising Asian markets. This creates immense potential for the growth of the insurance industry, and places Premier Insurance in a position to exploit that potential. It is for these reasons that we have recently decided to pursue growth for the company aggressively, and we hope to achieve that growth on the back of our sound reputation and strong financial position.

We have recently increased the strength of our staff, hired a dynamic and visionary CEO and have recruited highly talented insurers to write more and better quality business – all while continuing to maintain our standards of client service and personal attention to our clients' needs. We believe that the company, with renewed vigour and a tradition of providing outstanding service, will reach the heights of the industry and will be the insurer of choice for all Pakistanis.

As one of the oldest financial institutions of the country, we have remained strong through the history of this nation and will remain resolute to the challenges ahead. It is our foremost desire to see Pakistan prosper, and with it, we will peg our fortunes to those of the nation.



Zahid Bashir

Chairman



## Message from Chief Executive

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. Our Strategy talks about how things are changing in the Pakistani market and how things are changing at Premier Insurance to capitalize on those changes, and work towards greater growth for the company and our stakeholders.

**The Pakistani Market.** Pakistan has the 18th largest market for FMCG goods in the world, the 18th largest middle-class. Numerous indicators may be drawn, according to Credit Suisse total wealth in Pakistan amounted to \$495 billion in 2015 up from \$170 billion in 2012; motorcycle purchases volumes went up 6-fold the past 12 years across Pakistan, revenues grew 12 to 20 percent annually for insurers whilst the overall market penetration and density in Pakistan is the lowest in the region i.e. 0.87% and \$7.63 per capita. Geographical outreach has improved with the mushroom growth of internet availability via mobile phones all over the country. Infrastructural development such as the \$42 billion investment by CPEC in roads, bridges and energy would only grow.

**Service.** Premier Insurance is in the service business, where three forces control the revenue, the insurer, the producer/agent and the broker. In order to improve our level of service to the clients and the intermediaries we are upgrading our technological backbone with a better management information system and an online and mobile interface. We have also entered into a strategic partnership with a Third-Party Administrator for better administration of health policies. Premier Insurance thereby with a tradition of serving its clients aims to work towards serving the insurance industry at large and delivering the promise to the best interests of all our stakeholders.

**Competition.** When judged through a brand perceptual map Premier Insurance whilst being a mid-sized insurer, holds higher brand perceived value than other mid-

sized insurers and sits in the realm of the high premium insurers. Therefore Premier Insurance competes for good quality of business, whilst retaining the Professionalism and degree of concentrated localized client servicing that it has a Tradition of doing so with Empathy for all clients since day one. In a market driven by mainly producers, Premier Insurance is hiring the best marketers and has enhanced the branch network to provide the not only the conventional insurance but to offer the bespoke solutions to its existing and new clients. To offer tailor-made solutions to the clients, it is important that insurer has the technical expertise backed by the support of world renowned reinsurers and financial strength. Premier Insurance has all three to meet the expectations and offer the best suited solutions.

**Strategy.** Premier Insurance aims to achieve higher profitable growth. This would be via 5 means:

1. Organic Growth
2. 100% Shariah Compliant Window Takaful Operations
3. Non-Conventional Businesses
4. Personal Lines
5. Use of alternate distribution channel

For organic growth there is a focus on up-selling and cross-selling existing clients. For non-conventional business growth we have already started offering products which were never offered in Pakistan. We intend to use the technology to reach to the masses and make it available at their doorstep through alternate distribution channels.

Upholding Premier's Tradition, I look forth to realizing our vision with Integrity, Empathy and Professionalism.



Mohammed Asif Arif

CEO & MD

## 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.

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



Imran Maqbool  
Director

Khurram Mazhar  
Director

Khalid Bashir  
Director

Attaullah A. Rasheed  
Director

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.



## Our Team

Premier Insurance, with its head office in Karachi, Pakistan's most cosmopolitan city, embraces diversity – a core value of our metropolis. Diversity helps us to innovate, adapt to rapidly changing environments and also gives us a diversity of perspective. It is for these reasons that Premier Insurance is proud to be an equal opportunity employer. We do not, and will not discriminate against any employee or applicant on the basis of age, colour, disability, gender, national origin, race, religion, sexual orientation, or any classification protected by federal, provincial, or local law.





Zahid Bashir  
Chairman

Zahid Bashir is the Chairman of Premier Insurance. He hails from the Crescent Group, one of Pakistan's oldest, most renowned and largest business groups. Having achieved remarkable success in his endeavours, Zahid commands great respect in Pakistan's business community. In his career spanning nearly 50 years, he has represented Pakistan in several trade delegations overseas and has interests across a breadth of industries ranging from textiles, insurance, real estate and NGOs. Zahid has amassed a very vast and diverse management and investment portfolio and he has built his career and reputation on diligence, professionalism, ambition and empathy.

Despite 50 years of hard work, Zahid's energy has not waned. In his office, in addition to looking after Premier Insurance, he handles the business of numerous manufacturing and financial entities, and also dedicates a sizeable portion of his time to pro bono activities. He serves as Chairman of the Patients' Aid Foundation and is on the Board of Governors for the Institute of Business Administration.

In his long career, Zahid has occupied positions of significant national prominence, some of which are; several terms as the Chairman of the Karachi Cotton Association; Managing Committee of the All Pakistan Textile Mills Association; Board of Trustees for the Karachi Port Trust and; Managing Committee of Federation of Pakistan Chamber of Commerce and Industry.



Mohammed Asif Arif  
Chief Executive Officer  
& Managing Director

At the helm of Premier Insurance is Mohammed Asif Arif, a Chartered Insurer, ACII and MBA with over 3 decades of industry experience. After having completed his term as the Commissioner Insurance at the Securities and Exchange Commission of Pakistan (SECP) – the apex regulator – Asif joined Premier Insurance as the CEO and Managing Director.

Well known in Pakistani business and government circles for his dynamic personality, Asif is respected across the region for having instituted far more professional practices in the Insurance Industry - enabling Micro Insurance and Takaful Windows. His grip of the Industry saw him in the Chair of the SAARC Insurance Regulators Forum.

The Insurance industry derives great guidance from his experience. Asif is now committed to using his influence and insurance savvy at Premier Insurance to recruit Pakistan's top talent and to place the company to meet the challenges and assert itself in Pakistan's highly competitive and growing insurance market.



Iftikhar Gadar  
Chief Financial Officer &  
Company Secretary

Crunching the numbers at Premier Insurance since 2013 is Iftikhar Gadar – CFO and Company Secretary. With APA, ACA and 15 years of professional experience under his belt, Iftikhar has spent a vast portion of his career in top management positions across the leading financial and industrial institutions of Pakistan.

An enterprising spirit, Iftikhar plays a key role in strategic advising and helps manage the company's large investment pool.



Mirza Khadim Baig  
Executive Director, Zonal  
Head, North Zone

Mirza Khadim Baig, MA Economics, is a marketing ace working at Premier Insurance since 1986. Mirza Khadim is an Executive Director and heads the North Zone. He has set a high standard of client satisfaction for Premier Insurance and is responsible for the goodwill of the company in his region and consequently throughout Pakistan.



Brendan Thomas D'Lima  
Deputy Executive Director, Head of  
Operations & Risk Management

Brendan Thomas D'Lima – Deputy Executive Director and Head of Operations and Risk Management – is an industry old-timer. His career in insurance took off in 1985, and with 30 years of experience to his name, Brendan is a seasoned veteran.

Through the course of his career, Brendan has managed every function of insurance operations at the most renowned insurance companies of Pakistan. Possessing exemplary ability, the knowledge he has gained is reflected not only in his work but also has enabled him to acquire positions of authority in nationally recognised associations such as the Insurance Association of Pakistan where he served as Chairman of the Marine Committee.



Niina Khan  
Executive Vice President,  
Head of HR & Administration

Niina Khan – CRA and MPA – is serving as an Executive Vice President and Head of HR and Administration at Premier Insurance, prior to which she has spent 12 years in the field at Pakistan's leading business institutions.

As an administrative authority, Niina has taken on the task of further centralising and strengthening control and communications between all company branches and offices across Pakistan.



Ali Asgher Bhojani  
Executive Vice President, Head  
of Underwriting

Despite holding both, a certificate and a diploma in insurance for the Chartered Insurance Institute in London, Ali is also an MBA. Like a prudent underwriter, Ali always underwrites a probable loss, an unfortunate eventuality he hopes never to meet, but must always be prepared to face.

Ali has over 25 years of experience in underwriting and reinsurance. Understanding the technical price of the business he writes, his areas of expertise are underwriting, enterprise exposure management, major event loss reserving and risk mitigation.

He started his career with Habib Insurance after which he moved on to Adamjee Insurance. From Adamjee Insurance he worked at Atlas Insurance and Century Insurance before joining Premier Insurance as the Head of Underwriting.



Syed Zulfiqar Hussain  
Executive Vice President,  
Head of Information  
Technology

A key addition to the Premier Insurance team has been our IT specialist, Syed Zulfiqar Hussain. Zulfiqar has extensive IT management experience across a breadth of industries ranging from insurance to airlines. In his 18 plus years of experience, Zulfiqar has built the IT infrastructure for various companies from the ground up. At Premier Insurance, he is laying the foundations of the IT infrastructure and is revamping connectivity – internally across branches and externally with clients. Premier Insurance strives to be at the cutting edge of technology in order to provide efficient service and have a modern, progressive outlook. Zulfiqar facilitates this movement towards modernisation in order for the company to realise its potential.



Muhammad Imran  
Executive Vice President,  
Head of Claims

Muhammad Imran – MA (Economics), MSc (Accounting and Development Finance) and MBA – has strong qualifications and nearly 3 decades of professional experience which led to his appointment as Head of Claims at Premier Insurance. Imran has spent 18 years of his career specialising in Claims. Imran has also served as a Member of the Marine Committee of the Insurance Association of Pakistan (IAP) during the years 2006-2007 and is currently a member of Accident Committee of the IAP.



Ali Asgher Kayumi  
Executive Vice President,  
Head of Health, Travel and  
Personal Lines

Among the new talent at Premier Insurance is MBA and a pioneer of the Health Insurance Industry, Ali Asgher Kayumi, who joined the company in May 2015. As Executive Vice President has restructured the Health, Travel and Personal Lines business as head of the Health, Travel and Personal Lines department. Ali Asgher's first taste of insurance was in October 2000, from which time he has reached the heights of the industry while focusing primarily on Health Insurance.



Muhammad Abdul  
Hannan Shadani  
Senior Vice President,  
Head of Takaful

Abdul Hannan Shadani, MCom (Insurance), CI and with an Islamic Insurance Certificate was recruited to the Premier Insurance team in January 2015 as Senior Vice President and Head of Window Takaful operations. While his qualifications speak for themselves, he has strong professional experience since 1995 to boast. Soon after the advent of his career, Hannan rose to management positions in Underwriting and Takaful at leading insurance companies of Pakistan and is now prepared to lead Premier Insurance Window Takaful operations.



Khalid Rafiq  
Senior Vice President,  
Head of Reinsurance

Khalid Rafiq, ACII, CITIP, and MBA, is an experienced stalwart at Premier Insurance since 2006. In the course of his 17 year career, Khalid has shown phenomenal ability for which he has been awarded Head of Reinsurance.

Having carried the weight of responsibility with ease, Khalid is trusted with maintaining relations with the company's reinsurers, making sure that the company complies with the requirements of its partners and maintaining a strong line of communication.



Fariq Mahmood Khan  
Rohilla  
Senior Vice President, Head of  
Controls & Compliance

Fariq Mahmood Khan Rohilla, MBA (Finance and Accounts), is the Head of Controls and Compliance at Premier Insurance. In his 27 years of experience he had served in different top management positions in the insurance industry. Since 2006, Fariq has been supervising the operations at the company to make sure Premier Insurance complies with all the industry's financial regulations. He is also responsible for making sure that internal control and company procedures are fully adhered to.

A thorough professional and proficient in matters of finance, Fariq is an Associate Member of the Institute of Chartered Secretaries and Associate Member of the Institute of Taxation Management.



Dr Muhammad Imran  
Ashraf Usmani  
Shariah Advisor

Dr Muhammad Imran Ashraf Usmani, LLB, MPhil and PhD in Islamic Finance is the Sharia Advisor for Premier Insurance Window Takaful operations. Dr Usmani has a wealth of experience in Sharia advising and is serving as an advisor to leading domestic and international financial institutions.

Dr Usmani is also an Executive Committee Member AAOIFI (Dubai), Sharia Supervisory Board of International Islamic Financial Market (IIFM) Bahrain, and International Centre for Education in Islamic Finance.

He is a prolific writer and has written many publications in relation to Islamic Finance and Sharia-related subjects. Dr Usmani is a recognised specialist of Islamic Finance and has been invited to lecture at leading national and international universities such as LUMS, IBA, Harvard and LSE.



## Because we care...

Premier Insurance has instituted service to the nation as one of its founding principles. We are the country's first insurance company, created solely for the need of the nascent country with enormous potential. We have seen the history of Pakistan unfold and have ebbed and flowed with the nation. Since our inception, we have pegged our success to the prosperity of the nation and have maintained an enduring commitment to Pakistan. To honour our commitment, we extend our arm to those most vulnerable in society. We focus our investment into building a future for the country by contributing to renowned charities working to make Pakistan healthier, educated and safe. Sharing our vision for the nation are:

### **The Citizens Foundation**

Towards provision of quality education to more than 145,000 children in 1000 plus schools in the economically deprived neighborhoods across Pakistan and AJK

### **Institute of Business Administration**

Leadership and ideas for tomorrow

### **Layton Rahmatulla Benevolent Trust**

For free, state of the art eye care accounting for about one in three of all eye OPD and surgeries across the country through 17 hospitals and 51 community eye care centers

### **Sindh Institute of Urology & Transplantation & the Kidney Centre**

Towards free, modern urology, nephrology, transplantation and liver diseases treatment and care

### **Marie Adelaide Leprosy Centre**

For rehabilitation and care of leprosy, tuberculosis and blindness sufferers

### **Patient's Aid Foundation (PAF) – JPMC;**

### **Poor Patient Aid Society – Civil Hospital;**

### **The Aga Khan Hospital & Medical College Foundation**

Towards assisting treatment of millions of less privileged patients at general hospitals

### **Shaukat Khanum Memorial Cancer Hospital;**

### **Indus Hospital;**

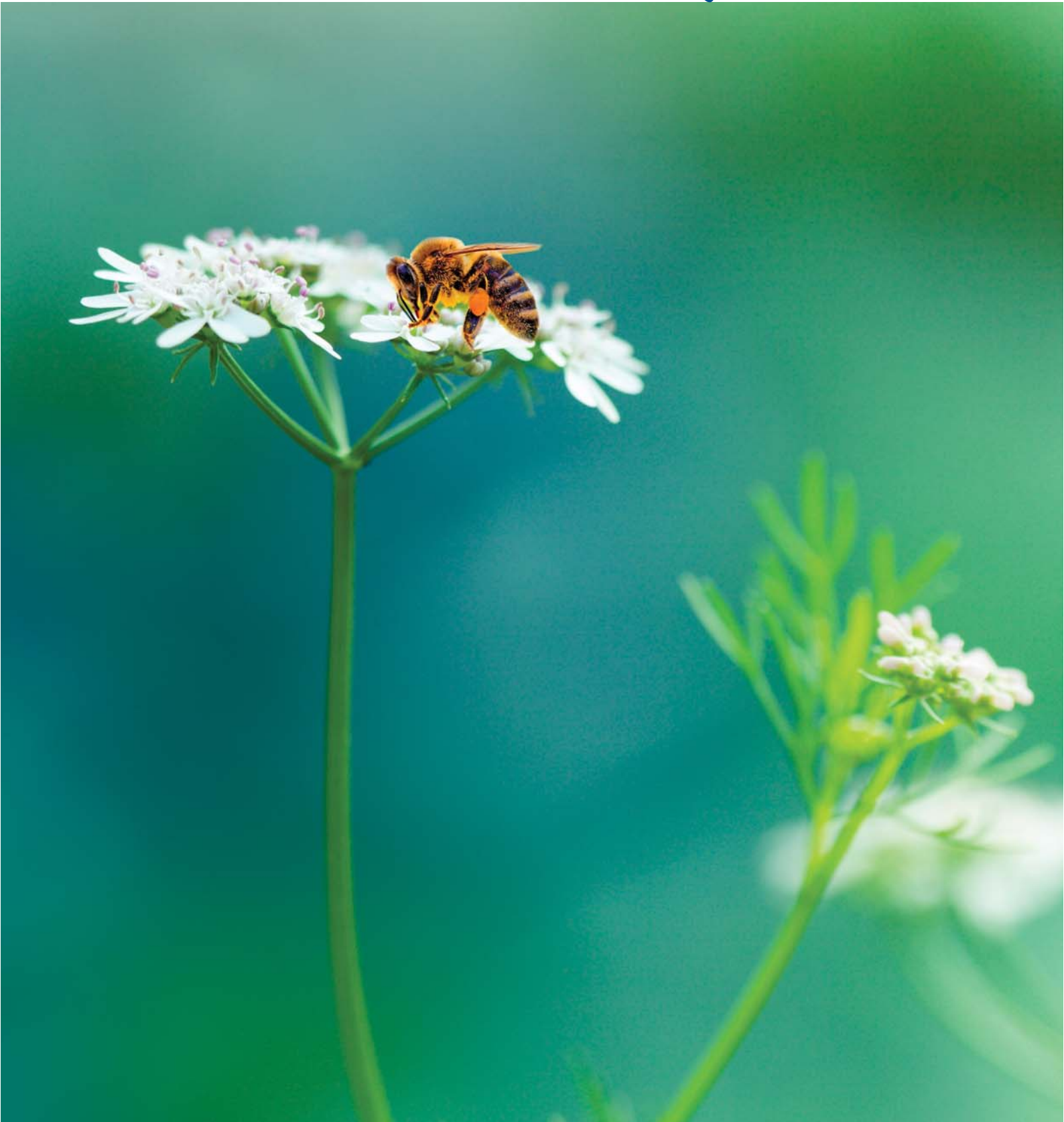
### **Citizens-Police Liaison Committee**

To help specialized and general hospital in our major cities provides high quality medical care to those who cannot pay or need subsidies

**We are grateful to our business associates for making these humble contributions possible and allowing us to be a company with a heart**

# 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.



## Key Operating and Financial Data



## Key Operating and **Financial Data**

(Amounts in Rupees '000)

	2015	2014	2013	2012	2011	2010
Paid-up capital	348,244	302,821	302,821	302,821	302,821	302,821
Capital reserves	19,675	19,675	19,675	19,675	19,675	19,675
Revenue reserves	1,240,505	1,205,758	1,231,412	1,458,883	1,515,513	1,520,162
Total reserves	1,260,180	1,225,433	1,251,087	1,478,558	1,535,188	1,539,837
Total equity	1,608,424	1,528,254	1,553,908	1,781,379	1,838,009	1,842,658
Total assets	3,685,412	3,429,982	3,554,297	3,305,859	3,301,649	3,101,280
Premium written	1,405,907	1,355,682	1,239,301	1,069,011	967,866	800,555
Net premium	770,143	694,506	652,924	532,481	462,416	376,719
Investment income	119,300	147,839	166,830	89,854	156,223	162,356
Impairment of financial assets	19,553	(2,105)	6,633	(17,284)	(12,775)	(3,718)
Profit / (loss) before taxation	123,424	40,513	(151,981)	(15,725)	90,009	141,746
Profit / (loss) after taxation	110,616	34,647	(166,799)	3,934	71,056	120,983
Return on equity* (%)	7.05%	2.25%	-10.00%	0.22%	3.86%	6.69%
Book value per share** (Rs)	46.19	50.47	25.66	29.41	30.35	30.42
Earnings / (loss) per share** (Rs)	3.18	1.14	(5.51)	0.06	1.17	2.00
Cash dividend (%)	10%	10%	20%	20%	25%	20%
Stock dividend (Bonus - %)	20%	15%	0%	0%	0%	15%

\* Return based on average equity for the year

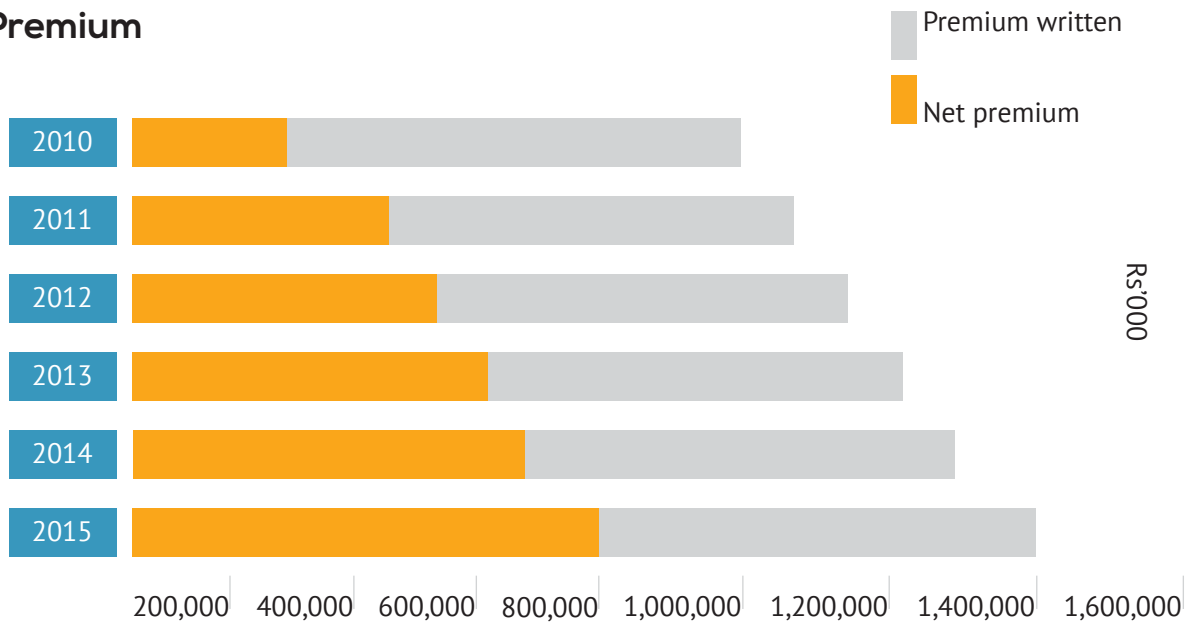
\*\* Book value / earnings based on shares in issue at year end



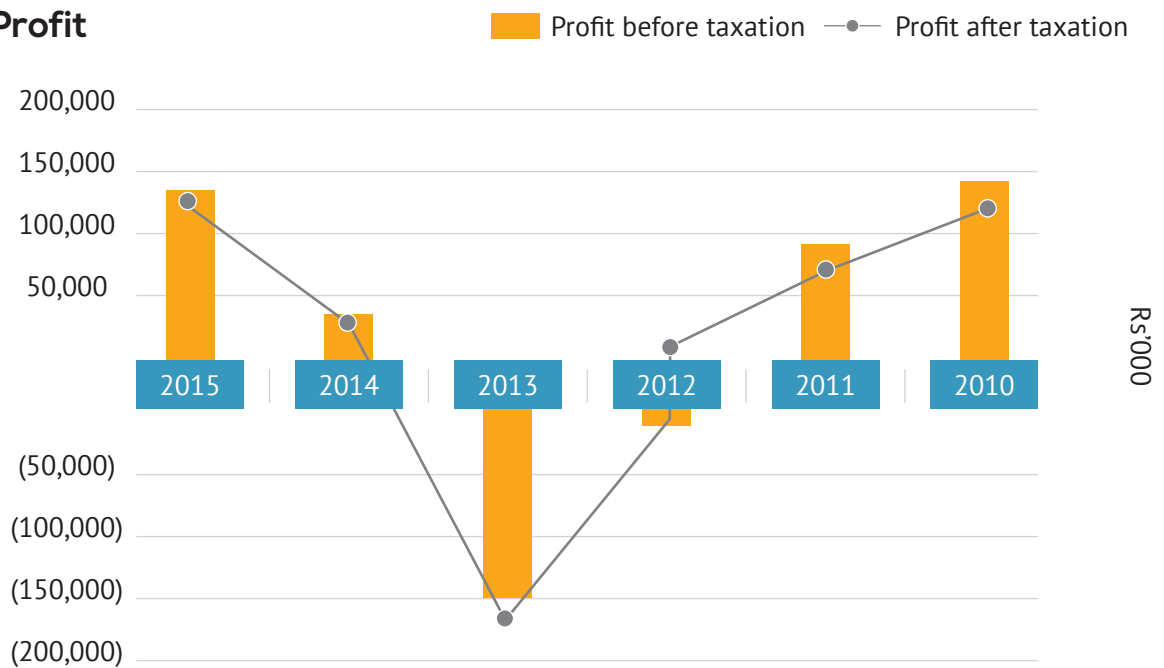
Performance at a Glance

# Performance **at a Glance**

## Premium

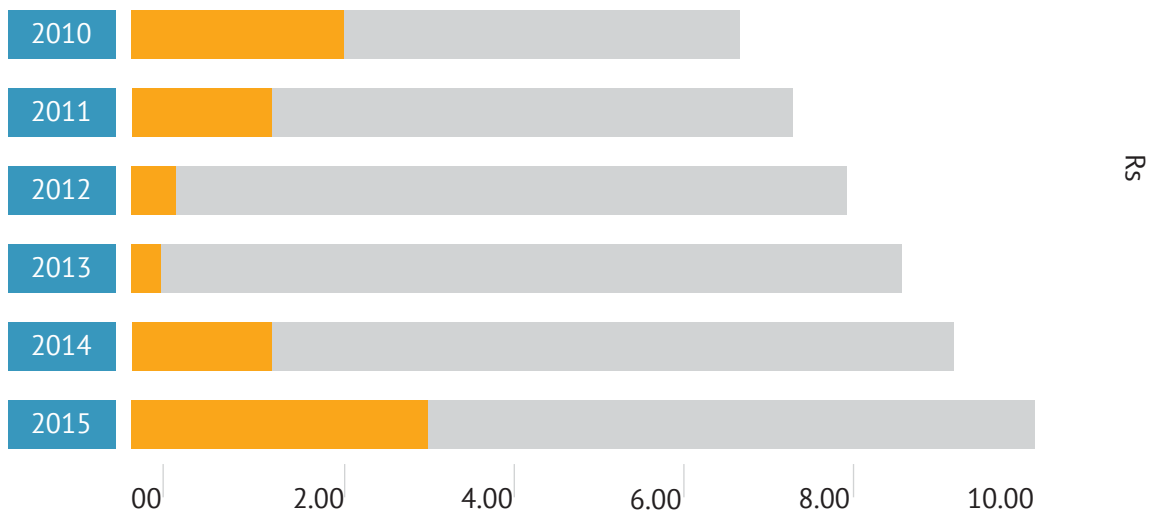


## Profit

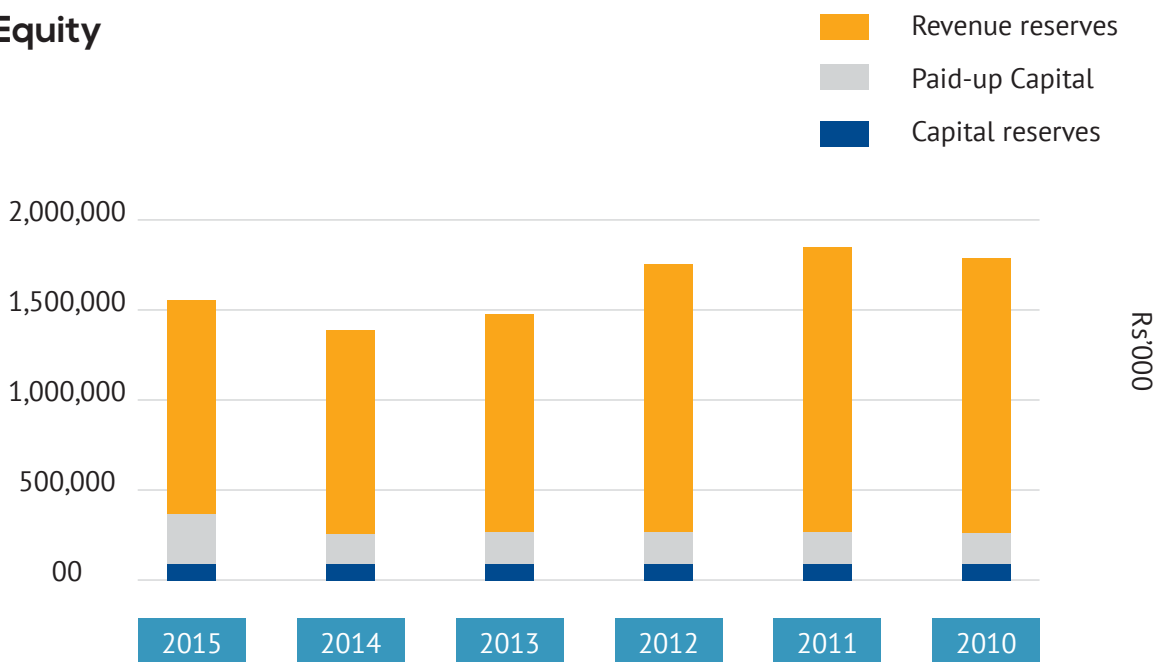


# Performance **at a Glance**

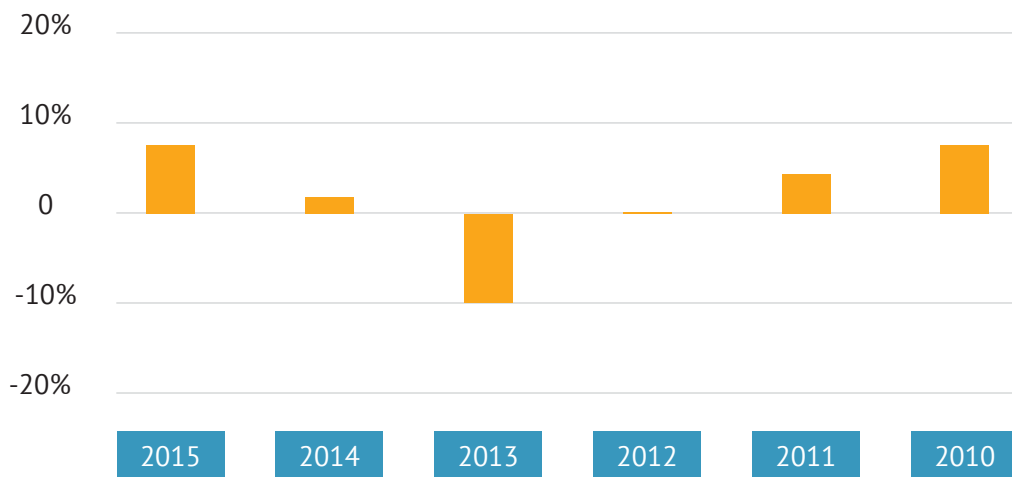
## Earning Per Share



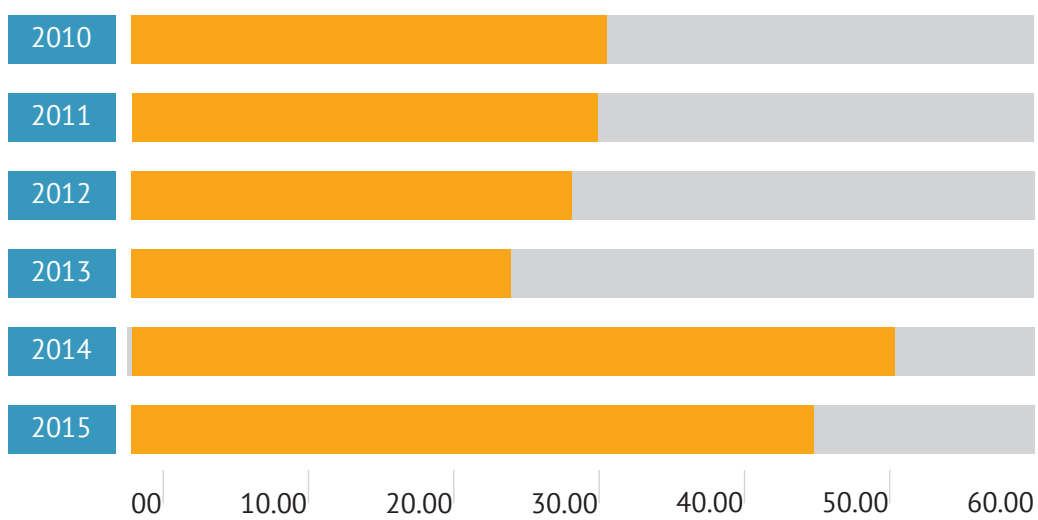
## Equity



## Return On Equity



## Book Value Per Share



R5

# 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.

# همیشه کلاه





## Corporate Governance

# Report of the **Directors to the Members**

The directors are pleased to present the 64th Annual Report of the company together with the audited financial statements for the year ended December 31, 2015.

## Review

(Amounts in Rupees '000)

	<b>2015</b>	2014
Premium written	<b>1,405,907</b>	1,355,682
Net Premium	<b>770,143</b>	694,506
Underwriting result	<b>73,488</b>	(9,072)
Investment income	<b>140,295</b>	145,734
Profit before taxation	<b>123,424</b>	40,513
Profit after taxation	<b>110,616</b>	34,647
Earnings per share	<b>3.18</b>	0.99

The company's profit after tax for the year 2015 increased to Rs.110.6 Million from Rs.34.6 Million. Despite a suppressed investment market the investment income only dropped by 4% in 2015 coming down to Rs.140.3 Million from Rs.145.7 Million.

The Company's continuous emphasis on prudent approach in both underwriting and investment has led to the improvement, resulting in an increase in the earning per share from Rs.0.99 in 2014 to Rs.3.18 in 2015.

The written premium increase to Rs.1.41 Bn (inclusive of Rs.2.3 Million of Takaful Contribution) as compared to Rs.1.35 Bn in 2014, while the Net Premium Revenue was Rs.770.1 Million compared to Rs.694.5 Million in 2014.

## Window Takaful Operations

Your Directors are pleased to inform that your company commenced Window Takaful Business consequent to grant of permission on October 2, 2015 by Securities and Exchange Commission of Pakistan (SECP) Insurance Division under SECP Takaful Rules, 2012. This will help in increasing overall insurance (conventional and takaful) penetration in the country.

## 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. The commencement of Window Takaful Operations was implemented successfully under fully automated system similar to the conventional business.

The Board is satisfied with the growth achieved and is working towards restricting controllable costs and expenses in challenging business and operating environments. With a similar pragmatic approach in underwriting and a normalized claims experience and improved investment income, more improvement is expected in 2016.

## Appropriation of Profit

The Profit after tax was Rs.110.6 Million as compared to Rs.34.6 Million. Your directors have recommended a cash dividend Rs. 1/- per share (10%) and issue of one new bonus share for every five existing shares (20%) to the shareholders whose names appear in the share register of the company at close of business on April 17, 2016. The appropriation is as follows

(Amounts in Rupees '000)

Profit after taxation for the year	110,616
Other comprehensive loss for the year	(164)
Unappropriated loss brought forward	(59,028)
	<u>51,424</u>
Appropriations:	
Transfer from general reserves	75,705
Cash dividend @ 10% (2014)	(30,282)
Bonus shares @ 15% (2014)	(45,423)
	<u>51,424</u>
Unappropriated profit carried forward	<u>51,424</u>
Appropriated as follows:	
Proposed cash dividend @ 10%(2015)	<u>34,824</u>
Proposed bonus shares @ 20%(2015)	<u>69,649</u>

## Credit Rating

Your Company was previously being rated by JCR - VIS. This year your Company was rated from PACRA also. Both companies have assigned rating of A 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 are provided to the employees so that they have the knowledge and skills needed to accomplish their tasks effectively.

Your Company has been accredited with licenses 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.

## Performance Indicators

The main performance indicators against stated objectives of the Company are stated as under:

- Improving underwriting results
- Reduced overheads
- Increase market share
- Customer oriented services
- Increase stock holders wealth

## Outlook for the Current Year

Our business and financial planning framework are farsighted and well-grounded in realities as evident from the assessment and of the current economic and political situations as expressed in our earlier reports.

The Window Takaful Business would also add to the growth as 2016 would have full year of operations as against shorter period in 2015.

Our strategy for 2016 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 company carries a conservative Insurer Financial Strength (IFS) Rating of "A" (Single A). The rating, assigned by JCR-VIS, denotes a "high capacity to meet policyholder and contract obligations". It is expected that your Company would continue to make efforts to improve the rating in the current year of 2016 and further improvements are expected in the coming years.

Your Company, due to a strong balance sheet, liquidity and above all a competent and proactive 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 2016, despite uncertain regional and global economic and political turbulence.

## 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.

## 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 therefrom 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, 2014 was Rs.40.4million.
- During 2015 four 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	2
Mr. Imran Maqbool	4
Mr. Khalid Bashir	3
Mr. Khurram Mazhar	3
Mr. Mohammad Asif Arif (CEO)	3
Mr. Nadeem Maqbool	4
Mr. Zahid Bashir (Chairman)	4
Mr. Shams Rafi	4

Leave of absence was granted to directors 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 30,000 Shares
- Mr. Zahid Bashir purchased 30,500 Shares
- Mr. Khurram Mazhar sold 150,000 Share

## Corporate Social Responsibility

Your Company was awarded the 4th position by Pakistan Centre of Philanthropy for its contribution in 2014. Premier is committed to Corporate Social Responsibility (CSR) in all its forms.

### During 2015, the company:

- Added Rs.316.1 million to the nation's treasury in the form of direct, indirect and withholding taxes;

- Spent Rs.7.6 million to assist the less privileged members of our communities with healthcare and education, across the country;

The Company believes in ethical business practices and where codified, is compliant therewith.

### **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, 2015, 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 a 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 Human Resources & Remuneration, Underwriting, Claims, Reinsurance and Co-insurance and Investment committees met as required during the year.

### **Appointment of Auditors**

As recommended by the audit committee, the directors propose that M/s. Deloitte Yousuf Adil, Chartered Accountants, be appointed auditors for the year ending December 31, 2016, in place of M/s. Ford Rhodes Sidat Hyder, Chartered Accountants the retiring auditors of the Company.

### **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 who contributed to the growth of the Company and the continued success of its operations.

On behalf of the Board

**Zahid Bashir**  
Chairman

Karachi: March 29, 2016

# Statement of Compliance with the Code of Corporate Governance

This Statement is being presented to comply with the Code of Corporate Governance ("CCG") contained in the listing regulation of Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed insurance Company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive Directors and Directors representing minority interest on its Board of Directors.

At present the Board includes;

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

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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred in the board during the year.
5. The Company despite encouraging nominations of non-executive independent directors could not attract an independent director to nominate him/herself for election.
6. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
7. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
8. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
9. All the meetings of the Board were presided over by the Chairman and the Board met at least once every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
10. As per CCG, Directors of the Company having 15 years of experience on the Board

of listed Company and 14 years of education are exempted from directors' training program. Director Attaullah A. Rasheed has attended the ICAP's directors training program in 2013 while the other directors meet the criteria of eligibility as directors. The Company will however, arrange training program for all directors as provided under the CCG, within the prescribed time period.

11. There was no new appointment of Chief Financial Officer (CFO) & Company Secretary or Internal Auditor during the year. The terms of remuneration of the Chief Financial Officer, Company Secretary and Chief Internal Auditor were approved by the Board.
12. The Directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by CEO and CFO before the approval of the Board.
14. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the CCG.
16. 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.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
18. The Board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive Directors and the Chairman of the Committee is a non-executive Director. The term of reference of the Committee have been formed and advised to the Committee for compliance.
19. The meeting of underwriting, claims settlement, reinsurance and coinsurance and investment committees were held at least once every quarter.
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. All related party transactions entered during the year were on arm's length basis and these have been placed before the Audit Committee and Board of Directors. These transactions are duly reviewed and approved by the Audit Committee and the Board of Directors along with pricing method.
22. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the Firm, their spouses and minor children do not hold shares of the Company and that the Firm and all its partners are in compliance with International Federation

of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountant of Pakistan.

23. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed the IFAC guidelines in this regard.
24. 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 the directors, employees and Stock Exchange(s).
25. Material / price sensitive information has been disseminated among all market participants at once through Stock Exchange(s).
26. We confirm that all other material principles contained in the CCG have been complied with.

**Zahid Bashir**

Chairman

Karachi: March 29, 2016

**Shariah Advisor's Report to the Board of Directors  
For the period ended 31 December, 2015**

الحمد لله رب العالمين، والصلاة والسلام على خاتم الأنبياء والمرسلين، محمد المصطفى  
الأمين، وعلى آله وأصحابه أجمعين

Alhamdulillah, Premier Insurance Limited started Window Takaful Operations on October 31, 2015 for which I congratulate the Board of Directors, Management, and Shareholders on achieving this milestone. This is a positive step taken by the company for providing Shariah compliant alternative of risk mitigation. I hope and pray that this new venture will be beneficial for all the stakeholders of this company and will go on to promote Islamic financial system in the country.

As Shariah Advisor, I acknowledge that the cede capital for starting Window Takaful Operations was raised through a Shariah compliant transaction. Along with that, I have reviewed documentation related to Takaful operations including Waqf Deed, Participant Takaful Fund Policy, Participant Membership Document and other related documents and found them to be aligned with Shariah guidelines.

Bank accounts related to Window Takaful Operations are opened in Islamic Banking Institution and the investments have been made into Shariah compliant avenues with the approval of Shariah Advisor. Comprehensive Investment guidelines are being drafted currently and will be issued soon, In-sha-Allah.


**Recommendations:**

I recommend that the following steps shall be taken by the company which will be beneficial for Window Takaful Operations:

1. Capacity building sessions for staff for increasing knowledge on Takaful should be conducted on regular basis.
2. The company should hold awareness sessions on Takaful for its customers as well as general public.
3. The company should propose its existing clients to avail Takaful facility.
4. Strong Internal Shariah Control mechanism should be developed to mitigate Shariah compliance risk.
5. Management should hold zero tolerance policy on Shariah non-compliance.

May Allah bless us with the best Tawfeeq to accomplish His cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

Jamad-ul-Awwal 29, 1437  
March 9, 2016

  
Dr. Muhammad Imran Usmani  
Shariah Advisor

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

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2015 prepared by the Board of Directors (the Board) of Premier Insurance Limited (the Company) to comply with the Listing Regulations of the respective Stock Exchange, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility 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 requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board'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 requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

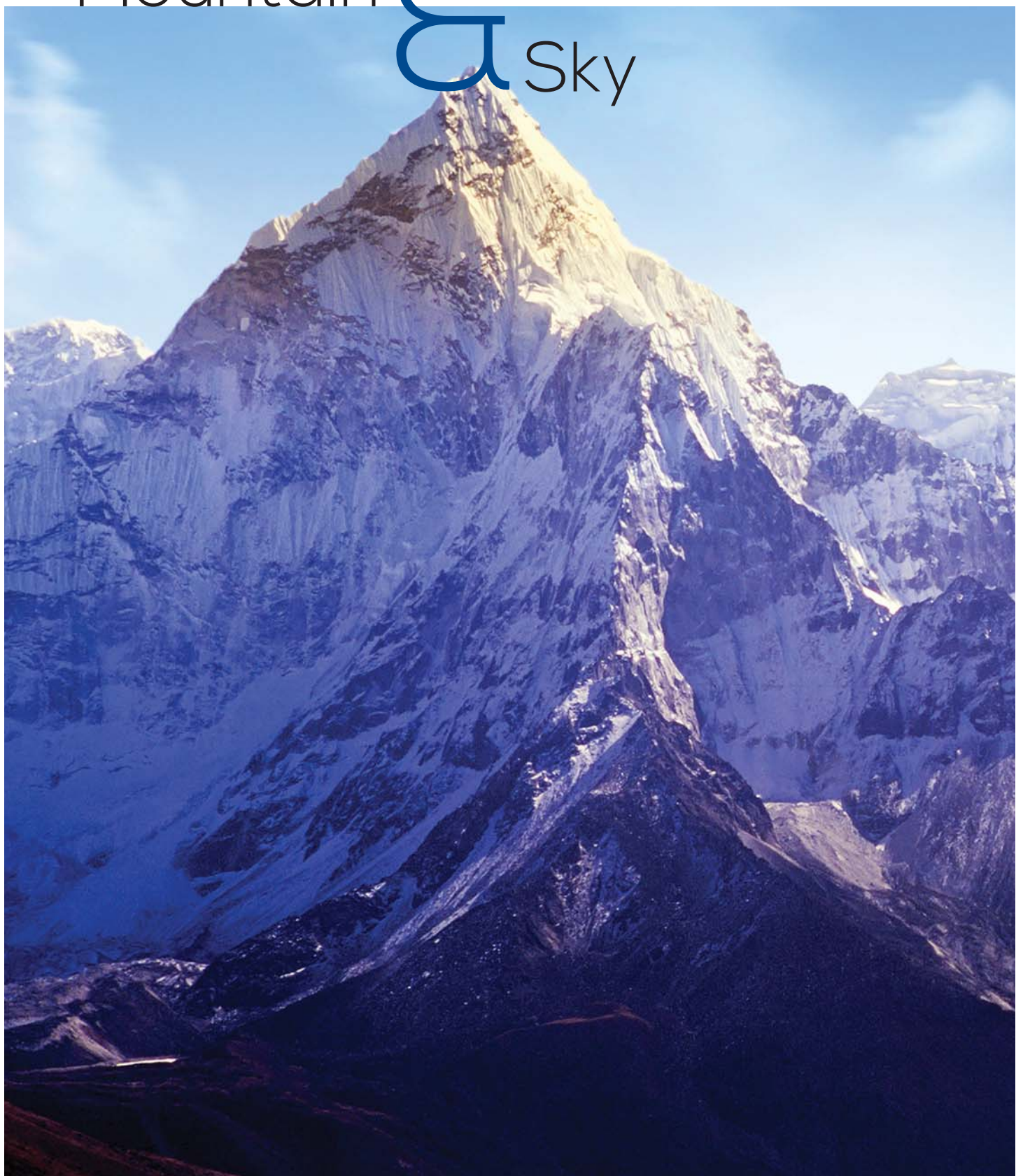
Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2015.

Further, we highlight below instance of non-compliance with requirements of the Code as reflected in the Statement of Compliance.

	<b>Clause Reference</b>	<b>Description</b>
i.	5	Currently the Company's Board of Directors do not have any independent directors for the reasons stated therein.

CHARTERED ACCOUNTANTS  
Date: March 29, 2016  
KARACHI

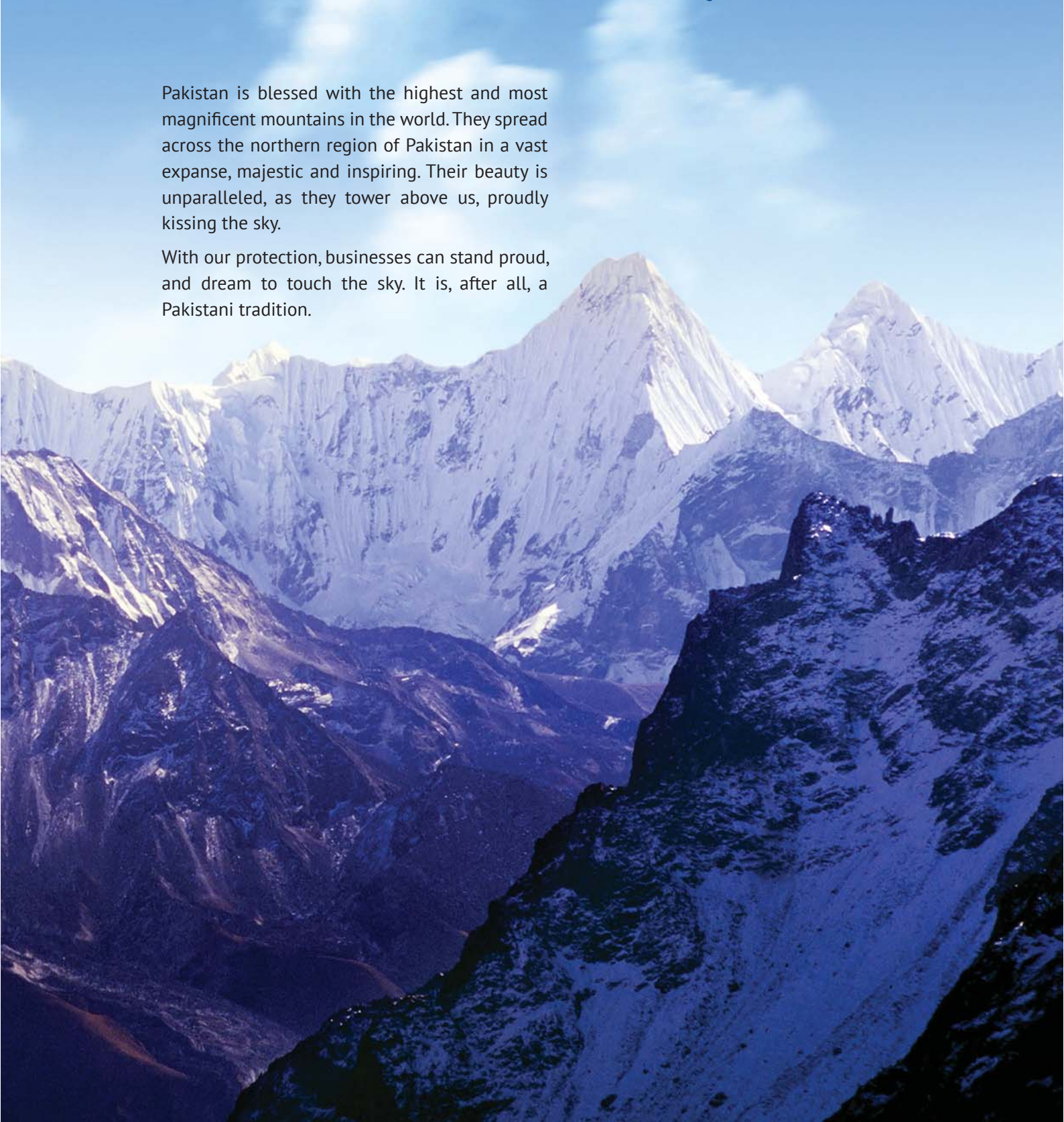
# Mountain & Sky

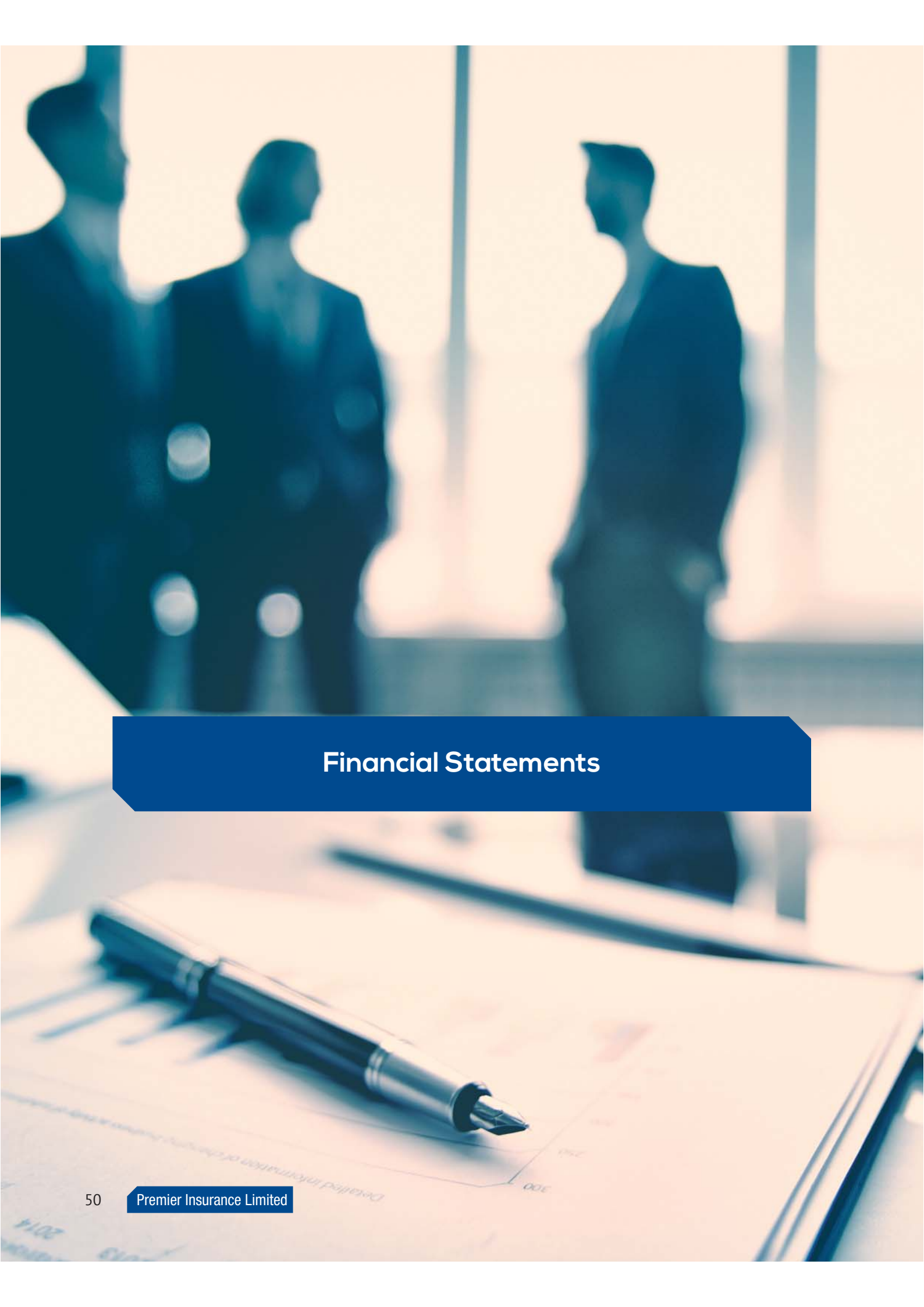


# ہمیشہ کلاتہ

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.





# 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 premiums;
- (vii) statement of claims;
- (viii) statement of expenses; and
- (ix) statement of investment income;

of Premier Insurance Limited (the Company) as at December 31, 2015 together with the notes forming part thereof, for the year then ended.

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

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

## **In our opinion**

- a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2015 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and 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.

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants  
Audit Engagement Partner: Omer Chughtai

Date: March 29, 2016  
Karachi

# Balance Sheet

As at December 31, 2015

(Amounts in Rupees '000)

	Note	2015	2014
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised share capital 50,000,000 ordinary shares of Rs 10 each (2014: 50,000,000 ordinary shares of Rs 10 each)		<u>500,000</u>	<u>500,000</u>
Issued, subscribed and paid-up capital 34,824,454 ordinary shares of Rs 10 each (2014: 30,282,134 ordinary shares of Rs10 each)	6	<u>348,244</u>	302,821
Retained earnings		<u>51,424</u>	(59,028)
Reserves	7	<u>1,208,756</u>	1,284,461
<b>Shareholders' equity</b>		<b>1,608,424</b>	1,528,254
<b>Underwriting provisions</b>			
Provision for outstanding claims (including IBNR)		<u>572,537</u>	466,606
Provision for unearned premium		<u>642,765</u>	595,858
Commission income unearned		<u>27,303</u>	33,086
<b>Total underwriting provisions</b>		<b>1,242,605</b>	1,095,550
<b>Deferred liability</b>			
Staff retirement benefits	8	<b>13,556</b>	32,346
<b>Liabilities against assets subject to finance lease</b>			
	9	<b>3,575</b>	-
<b>Creditors and accruals</b>			
Current maturity of finance lease	9	<u>1,027</u>	-
Amounts due to other insurers / reinsurers		<u>271,706</u>	211,284
Accrued expenses		<u>26,088</u>	24,835
Taxation - provision less payments		<u>85,818</u>	101,038
Other creditors and accruals	10	<u>403,558</u>	409,918
		<b>788,197</b>	747,075
<b>Other liabilities</b>			
Unclaimed dividend		<b>27,778</b>	26,757
Total liabilities of Window Takaful Operations - Operator's Fund		<b>1,277</b>	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>3,685,412</u></b>	<b><u>3,429,982</u></b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	11		

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

# Balance Sheet

As at December 31, 2015

(Amounts in Rupees '000)

	Note	2015	2014
<b>ASSETS</b>			
<b>Cash and bank deposits</b>			
Cash and other equivalents	12	495	745
Current and other accounts		84,302	150,248
		<b>84,797</b>	150,993
<b>Investments</b>	13	<b>1,143,588</b>	1,121,133
<b>Loan - unsecured considered good</b>	14	<b>1,475</b>	1,475
<b>Investment properties</b>	15	<b>25,249</b>	53,823
<b>Other assets</b>			
Premium due but unpaid	16	822,817	567,327
Amounts due from other insurers / reinsurers	17	391,933	456,818
Accrued investment income		365	1,090
Accrued salvage recoveries		12,909	26,026
Reinsurance recoveries against outstanding claims		465,930	321,565
Deferred commission expense		67,420	93,379
Prepayments	18	305,553	338,770
Deposits and other receivables	19	72,400	52,935
		<b>2,139,327</b>	1,857,910
<b>Fixed assets</b>			
<b>Tangible</b>			
Land and buildings	20	154,228	154,954
Furniture, fixtures and office equipment		18,603	19,916
Motor vehicles - Owned		33,656	41,107
Motor vehicles - Leased		4,757	-
Capital work in progress	21	26,109	26,109
<b>Intangible</b>			
Computer software		2,309	2,562
		<b>239,662</b>	244,648
Total assets of Window Takaful Operations - Operator's Fund		<b>51,314</b>	-
<b>TOTAL ASSETS</b>		<b>3,685,412</b>	<b>3,429,982</b>

**Zahid Bashir**  
Chairman

**Nadeem Maqbool**  
Director

**Imran Maqbool**  
Director

**Mohammed Asif Arif**  
Chief Executive

# Profit and Loss Account

For the year ended December 31, 2015

(Amounts in Rupees '000)

	Note	Fire and property damage	Marine, aviation & transport	Motor	Misc.	Treaty	2015 Aggregate	2014 Aggregate
Revenue accounts								
Net premium revenue		201,277	152,309	266,020	150,537	-	<b>770,143</b>	694,506
Net claims		(64,563)	(1,751)	(152,709)	(144,645)	-	<b>(363,668)</b>	(347,120)
Management expenses	22	(59,834)	(45,277)	(79,081)	(44,751)	-	<b>(228,943)</b>	(212,684)
Net commission		(48,485)	(9,834)	(35,618)	(10,107)	-	<b>(104,044)</b>	(143,774)
Underwriting result		<u>28,395</u>	<u>95,447</u>	<u>(1,388)</u>	<u>(48,966)</u>	<u>-</u>	<b><u>73,488</u></b>	(9,072)
Investment income							<b>140,295</b>	145,734
Gain on disposal of fixed assets							<b>1,307</b>	536
Rental income							<b>4,514</b>	4,692
General and administration expenses	22						<b>(90,285)</b>	(101,377)
Loss before tax from window takaful operations - OPF	23						<b>(5,895)</b>	-
Profit before tax							<b>123,424</b>	40,513
Provision for taxation - net	24						<b>(12,808)</b>	(5,866)
Profit after tax							<b><u>110,616</u></b>	<u>34,647</u>
Profit and loss appropriation account								
Balance at commencement of year							<b>(59,028)</b>	(93,938)
<b>Profit after tax for the year</b>							<b>110,616</b>	34,647
Other comprehensive (loss) / income for the year							<b>(164)</b>	263
Transfer from general reserves							<b>75,705</b>	60,564
Cash dividend for 2014 @ Rs 1 per share (2013: @ Rs 1 per share)							<b>(30,282)</b>	(60,564)
Bonus shares for the year 2014 at 15% (2013: Nil)							<b>(45,423)</b>	-
Unappropriated profit / (loss) at the end of the year							<b><u>51,424</u></b>	<u>(59,028)</u>
Earnings per share - basic and diluted (in Rupees)	25						<b><u>3.18</u></b>	<u>0.99</u>

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

**Zahid Bashir**  
Chairman

**Nadeem Maqbool**  
Director

**Imran Maqbool**  
Director

**Mohammed Asif Arif**  
Chief Executive

# Statement of **Comprehensive Income**

For the year ended December 31, 2015

(Amounts in Rupees '000)

	<b>2015</b>	2014
Net profit for the year	<b>110,616</b>	34,647
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	<b>(164)</b>	263
Total comprehensive income	<b><u>110,452</u></b>	<u>34,910</u>

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

**Zahid Bashir**  
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Director

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Chief Executive

# Statement of Cash Flows

For the year ended December 31, 2015

(Amounts in Rupees '000)

	2015	2014
<b>OPERATING CASH FLOWS</b>		
a) Underwriting activities		
Premium received	<b>1,215,302</b>	1,421,274
Reinsurance premium paid	<b>(493,475)</b>	(602,342)
Claims paid	<b>(552,292)</b>	(809,216)
Reinsurance and other recoveries received	<b>150,190</b>	238,334
Commissions paid	<b>(167,559)</b>	(155,023)
Commissions received	<b>54,612</b>	66,496
Net cash flow from underwriting activities	<b>206,778</b>	159,523
b) Other operating activities		
Income tax paid	<b>(28,028)</b>	(4,883)
General management expenses paid	<b>(228,943)</b>	(212,684)
Other operating payments	<b>(93,293)</b>	(35,337)
Advances, deposits and sundry receivables	<b>(2,308)</b>	15,077
Other liabilities and accruals	<b>(2,341)</b>	9,502
Net cash used in other operating activities	<b>(354,913)</b>	(228,325)
Total cash used in operating activities	<b>(148,135)</b>	(68,802)
<b>INVESTMENT ACTIVITIES</b>		
Investment income received	<b>46,462</b>	34,602
Payments for investments	<b>(1,214,227)</b>	(1,176,514)
Proceeds from disposal of investments	<b>1,281,015</b>	1,318,641
Loan - unsecured considered good	<b>-</b>	(1,125)
Fixed capital expenditure	<b>(11,863)</b>	(15,604)
Proceeds from disposal of fixed assets	<b>4,893</b>	850
Rental income received	<b>4,920</b>	5,155
Total cash flow from investing activities	<b>111,200</b>	166,005
<b>FINANCING ACTIVITIES</b>		
Dividends paid	<b>(29,261)</b>	(55,148)
<b>Total cash used in financing activities</b>	<b>(29,261)</b>	(55,148)
Total cash used in all activities	<b>(66,196)</b>	42,055
<b>Cash and cash equivalents at beginning of the year</b>	<b>150,993</b>	108,938
<b>Cash and cash equivalents at the end of the year</b>	<b>84,797</b>	150,993

# Statement of Cash Flows

For the year ended December 31, 2015

(Amounts in Rupees '000)

	2015	2014
<b>Reconciliation to profit and loss account</b>		
Operating cash flows	<b>(148,135)</b>	(68,802)
Depreciation expense	<b>(13,263)</b>	(14,101)
Investment income	<b>140,295</b>	145,734
Gain on disposal of fixed assets	<b>1,307</b>	536
Rental income	<b>4,514</b>	4,686
Loss from window takaful operations	<b>(5,895)</b>	-
Increase / (Decrease) in assets other than cash	<b>276,359</b>	(136,489)
(Increase) / Decrease in liabilities	<b>(144,566)</b>	103,083
<b>Profit after taxation</b>	<b><u>110,616</u></b>	<b><u>34,647</u></b>
<b>Definition of cash</b>		
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:		
<b>Cash and other equivalents</b>		
Cash	<b>56</b>	46
Stamps in hand	<b>439</b>	699
	<b>495</b>	745
<b>Current and other accounts</b>		
Current accounts	<b>5,127</b>	20,487
Savings accounts	<b>79,175</b>	129,761
	<b>84,302</b>	150,248
<b>Total cash and cash equivalents</b>	<b><u>84,797</u></b>	<b><u>150,993</u></b>

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

**Zahid Bashir**  
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Director

**Mohammed Asif Arif**  
Chief Executive

# Statement of Changes in Equity

For the year ended December 31, 2015

(Amounts in Rupees '000)

	Share capital	Reserves						Total reserves	Total equity
	Issued, subscribed and paid-up	Capital reserves			Revenue reserves				
		Reserve for exceptional losses	Devaluation reserve	Reserve for issue of bonus shares	General reserve	Reserve for bad and doubtful debts	Unappropriated profit		
Balance at January 1, 2014	302,821	19,490	185	-	1,325,000	350	(93,938)	1,251,087	1,553,908
Profit for the year ended December 31, 2014	-	-	-	-	-	-	34,647	34,647	34,647
Remeasurement of defined benefit plan for the year	-	-	-	-	-	-	263	263	263
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	-	34,910	34,910	34,910
Transfer from general reserve	-	-	-	-	(60,564)	-	60,564	-	-
Cash dividend for the year ended December 31, 2013	-	-	-	-	-	-	(60,564)	(60,564)	(60,564)
Balance as at December 31, 2014	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
Remeasurement of defined benefit plan for the year	-	-	-	-	-	-	(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)
Bonus shares for the year ended December 31, 2014	-	-	-	45,423	-	-	(45,423)	-	-
Bonus shares issued	45,423	-	-	(45,423)	-	-	-	(45,423)	-
<b>Balance as at December 31, 2015</b>	<b>348,244</b>	<b>19,490</b>	<b>185</b>	<b>-</b>	<b>1,188,731</b>	<b>350</b>	<b>51,424</b>	<b>1,260,180</b>	<b>1,608,424</b>

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

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Chief Executive

# Statement of Premium

For the year ended December 31, 2015

(Amounts in Rupees '000)

## Business underwritten inside Pakistan

Class	Premium written	Unearned premium reserve		Premium earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	2015	2014
		Opening	Closing			Opening	Closing		Net premium revenue	Net premium revenue
Direct and Facultative 1										
1 Fire and property damage	492,126	280,052	269,283	502,895	281,795	203,083	183,260	301,618	<b>201,277</b>	243,593
2 Marine, aviation and transport	286,886	49,189	38,504	297,571	134,478	45,245	34,461	145,262	<b>152,309</b>	65,469
3 Motor	278,746	140,385	146,713	272,418	5,580	3,645	2,827	6,398	<b>266,020</b>	333,712
4 Miscellaneous	348,149	126,232	188,265	286,116	132,044	86,456	82,921	135,579	<b>150,537</b>	51,732
Total	<u>1,405,907</u>	<u>595,858</u>	<u>642,765</u>	<u>1,359,000</u>	<u>553,897</u>	<u>338,429</u>	<u>303,469</u>	<u>588,857</u>	<b><u>770,143</u></b>	<u>694,506</u>
Treaty										
5 Proportional	-	-	-	-	-	-	-	-	-	-
Grand Total	<u>1,405,907</u>	<u>595,858</u>	<u>642,765</u>	<u>1,359,000</u>	<u>553,897</u>	<u>338,429</u>	<u>303,469</u>	<u>588,857</u>	<b><u>770,143</u></b>	<u>694,506</u>

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

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Chief Executive

# Statement of Claims

For the year ended December 31, 2015

(Amounts in Rupees '000)

## Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	2015	2014
		Opening	Closing			Opening	Closing		Net claims expense	Net claims expense
Direct and Facultative 1										
1 Fire and property damage	146,945	222,076	171,690	96,559	44,949	139,857	126,904	31,996	<b>64,563</b>	169,166
2 Marine, aviation and transport	47,481	72,475	194,229	169,235	17,226	43,842	194,100	167,484	<b>1,751</b>	28,543
3 Motor	153,335	20,265	22,132	155,202	2,102	41	432	2,493	<b>152,709</b>	110,866
4 Miscellaneous	204,531	151,790	184,486	237,227	85,913	137,825	144,494	92,582	<b>144,645</b>	38,545
Total	<u>552,292</u>	<u>466,606</u>	<u>572,537</u>	<u>658,223</u>	<u>150,190</u>	<u>321,565</u>	<u>465,930</u>	<u>294,555</u>	<b><u>363,668</u></b>	<u>347,120</u>
Treaty										
5 Proportional	-	-	-	-	-	-	-	-	-	-
Grand Total	<u><u>552,292</u></u>	<u><u>466,606</u></u>	<u><u>572,537</u></u>	<u><u>658,223</u></u>	<u><u>150,190</u></u>	<u><u>321,565</u></u>	<u><u>465,930</u></u>	<u><u>294,555</u></u>	<b><u><u>363,668</u></u></b>	<u><u>347,120</u></u>

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

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Chief Executive

# Statement of Expenses

For the year ended December 31, 2015

(Amounts in Rupees '000)

## Business underwritten inside Pakistan

Class	Commission paid or payable	Opening deferred commission	Closing deferred commission	Net commission expense	Other management expenses	Underwriting expenses	Commission from reinsurers	2015	2014
								Net underwriting expense	Net underwriting expense
Direct and Facultative <sup>1</sup>									
1 Fire and property damage	31,354	54,661	17,824	68,191	59,834	128,025	19,706	<b>108,319</b>	160,755
2 Marine, aviation and transport	23,945	2,196	3,506	22,635	45,277	67,912	12,801	<b>55,111</b>	34,430
3 Motor	34,039	20,684	18,937	35,786	79,081	114,867	168	<b>114,699</b>	151,660
4 Miscellaneous	49,142	15,838	27,153	37,827	44,751	82,578	27,720	<b>54,858</b>	9,613
Total	<u>138,480</u>	<u>93,379</u>	<u>67,420</u>	<u>164,439</u>	<u>228,943</u>	<u>393,382</u>	<u>60,395</u>	<b><u>332,987</u></b>	<u>356,458</u>
Treaty									
5 Proportional	-	-	-	-	-	-	-	-	-
Grand Total	<u>138,480</u>	<u>93,379</u>	<u>67,420</u>	<u>164,439</u>	<u>228,943</u>	<u>393,382</u>	<u>60,395</u>	<b><u>332,987</u></b>	<u>356,458</u>

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.

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Director

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Director

**Mohammed Asif Arif**  
Chief Executive

# Statement of **Investment Income**

For the year ended December 31, 2015

(Amounts in Rupees '000)

	<b>2015</b>	2014
Income from non-trading investments		
Return on bank deposits	<b>8,622</b>	10,503
<b>Available for sale</b>		
Dividend income	<b>39,480</b>	24,494
Gain on sale of investments	<b>75,001</b>	113,485
	<b>114,481</b>	137,979
Reversal / (Impairment) in value of investments - net	<b>19,553</b>	(2,105)
Investment management expenses	<b>(2,361)</b>	(643)
Investment income	<b><u>140,295</u></b>	<u>145,734</u>

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

**Zahid Bashir**  
Chairman

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Director

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Director

**Mohammed Asif Arif**  
Chief Executive

# Notes to the **Financial Statements**

for the year ended December 31, 2015

## **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 2, 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 (SECP) through Securities and Exchange Commission (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.

During the year, the Company was granted permission by Securities and Exchange Commission of Pakistan to transact Window Takaful Operations. In terms of 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, 2015

## **3.2** Adoption of new standards, amendments and interpretations of existing standards and forthcoming requirements

### **3.2.1 FORTHCOMING REQUIREMENTS**

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning)
IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Separate Financial Statements - Investment Entities: Applying the Consolidation Exception (Amendment)	January 1, 2016
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 11 - Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	January 1, 2016
IAS 1 - Presentation of Financial Statements - Disclosure Initiative (Amendment)	January 1, 2016
IAS 16 - Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	January 1, 2016
IAS 16 - Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	January 1, 2016
IAS 27 - Separate Financial Statements - Equity Method in Separate Financial Statements (Amendment)	January 1, 2016

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

# Notes to the **Financial Statements**

for the year ended December 31, 2015

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in September 2014. Such improvements are generally effective for accounting periods beginning on or after January 1, 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

Standard or Interpretation	IASB Effective date (annual periods beginning on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	January 1, 2018
IFRS 14 - Regulatory Deferral Accounts	January 1, 2016
IFRS 15 - Revenue from Contracts with Customers	January 1, 2018
IFRS 16 - Leases	January 1, 2019

## **3.2.2 Adoption of new and amended standards and interpretations**

The Company has adopted the following accounting standard and the amendments of IFRSs which became effective for the current year:

- IFRS 10 - Share-based Payment - Definitions of vesting conditions
- IFRS 11 - Joint Arrangements
- IFRS 12 - Disclosure of Interests in Other Entities
- IFRS 13 - Fair Value Measurement
- IAS 19 - Employee Benefits - (Amendment) - Defined Benefit Plans: Employee Contributions

## **Improvements to Accounting Standards Issued by the IASB in December 2013**

- IFRS 2 - Share-based Payment - Definitions of vesting conditions
- IFRS 3 - Business Combinations - Accounting for contingent consideration in a business combination
- IFRS 3 - Business Combinations - Scope exceptions for joint ventures
- IFRS 8 - Operating Segments - Aggregation of operating segments
- IAS 8 - Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets
- IAS 13 - Fair Value Measurement - Scope of paragraph 52 (portfolio exception)
- IAS 16 - Property, Plant and Equipment and IAS 38 Intangible Assets - Revaluation method - proportionate restatement of accumulated depreciation / amortization
- IAS 24 - Related Party Disclosures - Key management personnel
- IAS 40 - Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

# Notes to the **Financial Statements**

for the year ended December 31, 2015

The adoption of the above did not have any effect on the financial statements for the current year except that certain disclosures are given in note 30 to the financial statements which have been included as a result of adoption of IFRS 13.

## **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 following accrual basis of accounting except for cash flow information.

### **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.

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

# Notes to the **Financial Statements**

for the year ended December 31, 2015

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 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.

Pakistan Reinsurance Company Limited (PRCL) retrocession business is booked on the basis of PRCL statements.

## **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.

# Notes to the **Financial Statements**

for the year ended December 31, 2015

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

Provision for IBNR is based on the management's best estimate which takes into account the past trends net of exceptional claims.

## **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.

# Notes to the **Financial Statements**

for the year ended December 31, 2015

## **5.9 Premium deficiency reserve**

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

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 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.

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.

## **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, 2015 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 8.33% of basic salary.

# Notes to the **Financial Statements**

for the year ended December 31, 2015

## **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 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.

# Notes to the **Financial Statements**

for the year ended December 31, 2015

## **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.

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 Rs 142.9 million (2014: Rs 142.1 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.

# Notes to the **Financial Statements**

for the year ended December 31, 2015

## **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 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.

## **5.15 Fixed assets**

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 purchase to disposal.

### **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 income 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.

# Notes to the **Financial Statements**

for the year ended December 31, 2015

## **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**

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.

# Notes to the **Financial Statements**

for the year ended December 31, 2015

## **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 exchange 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.

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.

# Notes to the **Financial Statements**

for the year ended December 31, 2015

(Amounts in Rupees '000)

## 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 may be. 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 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 CAPITAL

2015	2014		2015	2014
Number of shares				
200,000	400,000	Ordinary shares of Rs. 10 each fully paid in cash	2,000	2,000
		Ordinary shares of Rs.10 each issued as fully paid bonus shares		
<b>30,082,134</b>	30,082,134	As at January, 01	<b>300,821</b>	300,821
<b>4,542,320</b>	-	Issued during the year	<b>45,423</b>	-
<b>34,624,454</b>	30,082,134		<b>346,244</b>	300,821
<b>34,824,454</b>	30,482,134		<b>348,244</b>	302,821

As at December 31, 2015, the number of shares held by the associated undertakings were 10,344,590 (2014: 3,713,765) of Rs 10 per share.

# Notes to the Financial Statements

for the year ended December 31, 2015

(Amounts in Rupees '000)

	Note	2015	2014
<b>7. RESERVES</b>			
Capital reserves			
Reserve for exceptional losses	7.1	19,490	19,490
Devaluation reserve	7.2	185	185
		19,675	19,675
Revenue reserves			
General reserve	7.3	1,188,731	1,264,436
Reserve for bad and doubtful reserve		350	350
		1,189,081	1,264,786
		1,208,756	1,284,461

## 7.1 Reserve for exceptional losses

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 Devaluation reserve

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	2015	2014
Balance at the beginning of the year		1,264,436	1,325,000
Transfer to profit and loss account		(75,705)	(60,564)
Balance at the end of the year		1,188,731	1,264,436

## 8. STAFF RETIREMENT BENEFITS

	Note	2015	2014
Gratuity	8.1	3,944	18,652
Employees compensated absences	8.10	9,612	13,694
		13,556	32,346

### 8.1 Liability in balance sheet

	Note	2015	2014
Present value of defined benefit obligation	8.2	3,944	18,652
Fair value of plan assets		-	-
		3,944	18,652

### 8.2 Movement in the net liability recognized in the balance sheet

	Note	2015	2014
Opening net liability		18,652	18,063
Expense for the year	8.3	1,175	1,360
		19,827	19,423

### Remeasurment chargeable in other comprehensive income

	Note	2015	2014
Payments during the year		164	(263)
Closing net liability		(16,047)	(508)
		3,944	18,652

# Notes to the Financial Statements

for the year ended December 31, 2015

(Amounts in Rupees '000)

	2015	2014			
<b>8.3 Expense recognized in the profit and loss account</b>					
Current service cost	59	116			
Interest cost	1,116	1,244			
	<u>1,175</u>	<u>1,360</u>			
<b>8.4 Reconciliation of the present value of the defined benefit obligations</b>					
Present value of obligation as at January 1	18,652	18,063			
Current service cost	59	116			
Interest costs	1,116	1,244			
Benefit paid	(16,047)	(508)			
Experience adjustment	164	(263)			
Present value of obligation as at December 31	<u>3,944</u>	<u>18,652</u>			
<b>8.5 Total remeasurments chargeable in other comprehensive income</b>					
Remeasurement of plan obligation					
Experience adjustments	164	(263)			
	<u>164</u>	<u>(263)</u>			
Returns on plan assets, excluding interest income	-	-			
	<u>164</u>	<u>(263)</u>			
<b>8.6 Maturity profile of defined benefit obligation</b>					
Average duration of the defined benefit obligation is:	<u>6 years</u>	<u>6 years</u>			
<b>8.7</b> The estimated expense to be charged to profit and loss account for the year 2016 is Rs 1.5 million.					
<b>8.8 Sensivity analysis on significant acturial assumptions: Acturial liability</b>					
Base	3,944	18,652			
Discount Rate + 100 bps	3,617	2,782			
Discount Rate - 100 bps	4,051	3,112			
Salary increase + 100 bps	3,867	2,939			
Salary increase - 100 bps	3,783	2,936			
<b>8.9 Historical data of gratuity scheme</b>					
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Present value of defined benefit obligations	3,944	18,652	18,063	14,375	12,324
Experience adjustment arising on plan liabilities	(164)	263	(667)	389	(863)

# Notes to the Financial Statements

for the year ended December 31, 2015

(Amounts in Rupees '000)

## 8.10 Movement in the net liability recognized in the balance sheet

	Note	2015	2014
Opening net liability		13,694	13,086
Expense for the year	8.11	1,585	1,594
		15,279	14,680
Payment during the year		(5,667)	(986)
Closing net liability		9,612	13,694

## 8.11 Expense recognized in the profit and loss account

Current service cost	530	432
Interest cost	877	1,272
Net actuarial gain recognized in the year	178	(110)
	1,585	1,594

## 8.12 Historical data of leave encashment scheme

	2015	2014	2013	2012	2011
Present value of defined benefit obligations	9,612	13,694	13,086	14,014	13,978
Experience adjustment arising on plan liabilities	178	(110)	28	(1,538)	(92)

## 8.13 Principal actuarial assumptions

Following are important actuarial assumptions used in the benefits' valuation

	2015	2014
Discount rate	9.0%	10.5%
Expected rate of increase in salary	8.0%	9.5%

## 9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Minimum lease payments		
Up to one year	1,279	-
More than one year but less than five years	3,827	-
	5,106	-
Less: Financial charges not yet due		
Up to one year	252	-
More than one year but less than five years	252	-
	504	-
Present value of minimum lease payments	4,602	-
Payable within one year	(1,027)	-
Payable after one year but less than five years	3,575	-

# Notes to the **Financial Statements**

for the year ended December 31, 2015

(Amounts in Rupees '000)

The total lease rentals due under the lease agreement are payable in equal monthly installments till January 2019. Taxes, repairs and insurance costs are to be borne by the Company. Financing rate of 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.

	Note	2015	2014
<b>10. OTHER CREDITORS AND ACCRUALS</b>			
Commissions payable		<b>303,971</b>	333,049
Federal excise duty & sales tax		<b>27,567</b>	12,815
Federal insurance fee		<b>1,947</b>	832
Workers welfare fund	10.1	<b>9,701</b>	7,182
Deposits and margins		<b>5,217</b>	6,737
Salaries payable		-	21,416
Payable against investments		<b>22,545</b>	-
Others	10.2 & 10.3	<b>32,610</b>	27,887
		<b>403,558</b>	409,918

**10.1** The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Insurance companies whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition was filed by certain Insurance companies through their lawyers in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the Insurance companies, which is pending for adjudication.

In 2011, a single bench of the Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. However, in the month of March 2013, a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity and overruled a single-member Lahore High Court (LHC) bench judgment issued in August 2011.

However, as per the advice of legal counsel of Premier Insurance Limited, the constitutional petitions filed by the Insurance Companies (as mentioned in the first paragraph) challenging the applicability of WWF contribution have not been affected by the SHC judgment.

# Notes to the **Financial Statements**

for the year ended December 31, 2015

(Amounts in Rupees '000)

Further, in May 2014, the Honorable Peshawar High Court (PHC) held that the impugned levy of contribution introduced in the ordinance through Finance Acts, 1996 and 2009 lacks the essential mandate to be introduced and passed through a Money bill under the constitution and, hence, the amendments made through the Finance Acts are declared as 'Ultra Vires'.

As the matter relating to levy of WWF is currently pending in the Court, the Company, as a matter of abundant caution, has decided to retain and continue with the provision for WWF amounting to Rs 9,701 (2014: Rs 7,182) in these financial statements. Had the provision not been made, the profit of the Company would be higher by Rs 2,519 (2014: Rs 827).

**10.2** This includes provision for rent amounting to Rs 14 million (2014: Rs 14 million). The Company is under litigation against 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 6 million (2014: Rs 4 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 circular 11 of 2014 dated May 19, 2014:

	<b>2015</b>	2014
More than 6 months	<u><b>6,005</b></u>	<u>4,293</u>
1 to 6 months	<u><b>539</b></u>	<u>1,002</u>

#### AGE-WISE BREAKUP

Claims not encashed	<b>1 to 6 months</b>	<b>7 to 12 months</b>	<b>13 to 24 months</b>	<b>25 to 36 months</b>	<b>Beyond 36 months</b>	<b>Total</b>
<b>2015</b>	<u><b>539</b></u>	<u><b>910</b></u>	<u><b>2,513</b></u>	<u><b>1,211</b></u>	<u><b>1,461</b></u>	<u><b>6,544</b></u>
2014	<u>1,002</u>	<u>1,510</u>	<u>1,321</u>	<u>981</u>	<u>481</u>	<u>5,295</u>

## **11. CONTINGENCIES AND COMMITMENTS**

	<b>2015</b>	2014
Commitments for capital expenditure.	<u><b>15,038</b></u>	<u>15,038</u>

There are no contingencies to report as at the balance sheet date.

# Notes to the Financial Statements

for the year ended December 31, 2015

(Amounts in Rupees '000)

	Note	2015	2014
<b>12. CASH AND BANK DEPOSITS</b>			
Cash and other equivalents			
Cash		56	46
Stamps in hand		439	699
		495	745
Current and other accounts			
Current accounts		5,127	15,550
Savings accounts	12.1	79,175	134,698
		84,302	150,248
Deposits maturing within 12 months			
Deposits		8,743	8,743
Less: Impairment		(8,743)	(8,743)
		-	-
		84,797	150,993

**12.1** The rate of return on saving accounts by various banks range from 5% to 5.75% per annum (2014: 6% to 8.25% per annum).

	Note	2015	2014
<b>13. INVESTMENTS</b>			
<b>Available for sale</b>			
<b>Related Parties</b>			
Quoted shares ( market value of Rs 172.4 million [2014: Rs 124.0 million])	13.1	42,320	35,634
Unquoted shares	13.2	4,000	4,000
		46,320	39,634
<b>Others</b>			
Quoted shares ( market value of Rs 504.1 million [ 2014: Rs 341.2 million] )	13.3	528,616	357,420
Unquoted shares	13.4	114,983	114,983
Mutual funds ( market value of Rs 489.5 million [ 2014: Rs 698.8 million] )	13.5	453,931	628,911
		1,097,530	1,101,314
<b>Less: Impairment</b>	13.6	(262)	(19,815)
		1,143,588	1,121,133

All investments have a face value of Rs.10 per share / certificate unless stated otherwise.

# Notes to the **Financial Statements**

for the year ended December 31, 2015

(Amounts in Rupees '000)

	Number of shares / certificates / units		Name of entity	% of Equity held		
	2015	2014			2015	2014
<b>13.1</b>	<b>Quoted - Related parties</b>					
	<b>200,000</b>	200,000	Crescent Cotton Mills Limited	0.94%	<b>1,050</b>	1,050
	<b>1,542,000</b>	434,500	First Equity Modaraba	2.94%	<b>7,312</b>	2,118
	<b>555,985</b>	327,500	The Crescent Textile Mills Limited	0.90%	<b>11,090</b>	9,598
	<b>53,125</b>	53,125	Shakarganj Mills Limited (8.5% cumulative preference shares redeemable after 5 years of issue, convertible after every financial year of investee)	0.08%	<b>526</b>	526
	<b>399,000</b>	399,000	Shams Textile Mills Limited	4.62%	<b>6,693</b>	6,693
	<b>874,320</b>	798,467	Suraj Cotton Mills Limited	3.65%	<b>15,649</b>	15,649
					<b>42,320</b>	35,634
					<b>172,443</b>	115,724
<b>13.2</b>	<b>Unquoted - Related parties</b>					
	<b>400,000</b>	400,000	Crescent Powertec Limited Break-up value of Rs 407.5 (2014: Rs 303.9) per share as per audited financial statements for the year ended June 30, 2015 Chief Executive : Mr Ahsan Bashir	8%	<b>4,000</b>	4,000
					<b>4,000</b>	4,000
<b>13.3</b>	<b>Quoted - Others</b>					
	<b>23,700</b>	63,700	Allied Bank Limited		<b>2,376</b>	6,338
	<b>4,000</b>	49,000	Attock Refinery Limited		<b>807</b>	10,704
	<b>50,000</b>	50,000	Bahawalpur Textile Mills Limited		-	-
	<b>30,000</b>	-	Adamjee Insurance Company Limited		<b>1,750</b>	-
	<b>45,580</b>	119,080	Cherat Cement Company Limited		<b>3,055</b>	6,846
	<b>101,500</b>	11,500	D.G. Khan Cement Company Limited		<b>14,514</b>	1,048
	<b>75,835</b>	8,835	Engro Corporation Limited		<b>22,393</b>	1,783
	<b>141,333</b>	36,333	Engro Fertilizer Limited		<b>11,724</b>	2,259
	-	70,000	Engro Polymer & Chemicals Limited		-	1,466
	<b>213,500</b>	138,500	Fatima Fertilizer Company Limited		<b>7,395</b>	3,604
	<b>310,000</b>	190,000	Fauji Cement Company Limited		<b>8,688</b>	3,358
	<b>428,038</b>	368,038	Fauji Fertilizer Bin Oasim Limited		<b>20,472</b>	15,857
	<b>253,589</b>	197,889	Fauji Fertilizer Company Limited		<b>32,845</b>	22,459
	<b>318,750</b>	-	Faysal Bank Limited		<b>5,210</b>	-
	<b>25,000</b>	20,000	Fecto Cement Company Limited		<b>1,931</b>	1,387

# Notes to the **Financial Statements**

for the year ended December 31, 2015

(Amounts in Rupees '000)

Number of shares / certificates / units		Name of entity		
2015	2014		2015	2014
19,980	13,980	GlaxosmithKline Pakistan Limited	2,398	1,094
30,400	-	Habib Bank Limited	6,392	-
25,000	25,000	Habib Metropolitan Bank Limited	915	915
15,000	25,000	Hascal Petroleum Limited	2,479	1,751
10,000	-	IGI Insurance Company Of Pakistan	2,654	-
450,000	320,000	K-Electric Limited ( Face value Rs.3.50 per share)	3,306	2,146
155,970	74,970	Kot Addu Power Company Limited	10,899	3,635
525,000	400,000	Lotte chemical Pakistan	4,866	5,431
62,900	21,100	Lucky Cement Limited	32,496	9,957
90,990	46,090	MCB Bank Limited	22,646	12,114
15,000	-	Mughal Iron & Steel Industries Limited	1,072	-
15,000	85,000	National Bank of Pakistan	883	5,219
120,011	84,011	National Refinery Limited	36,265	27,946
7,150	7,150	Netsol Technologies Limited	233	233
336,000	312,500	Nishat Chunian Limited	15,729	15,572
260,000	260,000	Nishat Chunian Power Limited	7,940	7,632
25,800	25,000	Nishat Mills Limited	2,900	2,994
325,000	282,500	Nishat Power Limited	10,426	7,822
209,600	164,600	Oil & Gas Development Company Limited	28,058	41,689
75,000	-	Pak Electron Limited	6,233	-
-	499,599	Pak Oman Advantage Fund	-	5,019
14,100	-	Pak Suzuki Motor Company Limited	5,956	-
150,000	25,000	Pakcem Limited	2,769	414
140,000	160,000	Pakgen Power Limited	3,224	3,684
-	50,000	Pakistan International Air Lines Corporation	-	483
105,150	81,250	Pakistan Oilfields Limited	35,352	41,892
262,420	158,420	Pakistan Petroleum Limited	44,627	32,239
241,299	272,799	Pakistan Reinsurance Company Limited	7,968	9,009
127,125	63,225	Pakistan State Oil Company Limited	44,559	22,644
335,000	100,000	Pakistan Telecommunication Company Limited	6,931	2,262
258,977	268,977	PICIC Growth Fund	3,668	3,809
23,717	48,717	PICIC Investment Fund	90	186
35,000	-	Pioneer Cement Limited	3,219	-
19,650	19,650	Shell Pakistan Limited	4,184	3,857
10,000	120,000	Sui Northern Gas Pipelines Limited	198	2,372
105,000	-	Sui Southern Gas Company Limited	4,557	-
56,000	-	Systems Limited	2,827	-
64,000	82,500	The Hub Power Company Limited	4,976	4,868
3,317	3,317	Tri-pack Films Limited	535	535
122,600	5,000	United Bank Limited	21,026	888
			<b>528,616</b>	<b>357,420</b>
		Market value as at December 31	<b>504,056</b>	<b>349,504</b>

# Notes to the Financial Statements

for the year ended December 31, 2015

(Amounts in Rupees '000)

	Number of shares / certificates / units		Name of entity	% of Equity held		
	2015	2014			2015	2014
<b>13.4</b>	<b>Unquoted - Others</b>					
	<b>9,407,275</b>	9,407,275	Novelty Enterprises ( Private ) Limited Break-up value of Rs.9.95 per share as per audited financial statements for the year ended June 30, 2015 Chief Executive : Mr.Maqbool Sadiq	16.67%	<b>114,983</b>	114,983
					<u><b>114,983</b></u>	<u>114,983</u>
<b>13.5</b>	<b>Mutual funds (unit trusts) - Others</b>					
	-	2,232,509	ABL Cash Fund (Face value Rs 10 per unit)		-	19,834
	<b>12,958,016</b>	4,847,310	ABL Government Securities Fund - B		<b>130,000</b>	50,000
	<b>1,092,337</b>	51,292	First Habib Cash Fund (Face value Rs 100 per unit)		<b>110,000</b>	4,596
	<b>1,087,510</b>	1,264,827	HBL Money Market Fund (Face value Rs 100 per unit)		<b>110,000</b>	128,827
	<b>1,440,667</b>	2,645,758	MCB Pakistan Sovereign Fund		<b>76,442</b>	130,000
	-	1,769,200	MCB Cash Management Optimizer Fund (Face value Rs 100 per unit)		-	169,332
	-	25,525	NAFA Government Security Liquid Fund (Face value Rs 10 per unit)		-	235
	-	1,011,911	UBL Government Securities Fund - C		-	101,376
	<b>875,105</b>	823,084	Pakistan Income Fund (Face value Rs 50 per unit)		<b>27,489</b>	24,711
					<u><b>453,931</b></u>	<u>628,911</u>
			<b>Market value as at December 31</b>		<u><b>489,546</b></u>	<u>698,789</u>
<b>13.6</b>	<b>Impairment</b>					
			Opening balance		<b>19,815</b>	17,710
			(Reversal) / Charge for the year		<b>(19,553)</b>	2,105
			Closing balance		<u><b>262</b></u>	<u>19,815</u>

**13.7** Investment in mutual funds include Rs 27.5 million (2014: Rs 24.7 million) placed as statutory deposit with the State Bank of Pakistan (market value : Rs 48.4 million [2014: Rs 45.6 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.

# Notes to the Financial Statements

for the year ended December 31, 2015

(Amounts in Rupees '000)

## 15. INVESTMENT PROPERTIES

	2015							
	Cost			Depreciation				
	As at Jan 1, 2015	Additions/ (disposals)	As at Dec 31, 2015	Accumulated as at Jan 1, 2015	Charge for the year/ (disposals)	Accumulated as at Dec 31, 2015	Written down value as at Dec 31, 2015	Depreciation rate on written down value % per annum
Land	45,032	- (20,557)	24,475	-	-	-	24,475	-
Building	11,928	- (10,568)	1,360	3,137	406 (2,957)	586	774	5
<b>2015</b>	<b>56,960</b>	<b>- (31,125)</b>	<b>25,835</b>	<b>3,137</b>	<b>406 (2,957)</b>	<b>586</b>	<b>25,249</b>	

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

	2014							
	Cost			Depreciation				
	As at Jan 1, 2014	Additions/ (disposals)	As at Dec 31, 2014	Accumulated as at Jan 1, 2014	Charge for the year/ (disposals)	Accumulated as at Dec 31, 2014	Written down value as at Dec 31, 2014	Depreciation rate on written down value % per annum
Land	45,032	-	45,032	-	-	-	45,032	-
Building	11,928	-	11,928	2,674	463	3,137	8,791	5
<b>2014</b>	<b>56,960</b>	<b>-</b>	<b>56,960</b>	<b>2,674</b>	<b>463</b>	<b>3,137</b>	<b>53,823</b>	

The market value of the investment properties at December 31, 2014 as per valuation carried out by professional valuers is Rs 133.0 million.

	2015	2014
<b>16. PREMIUM DUE BUT UNPAID - unsecured</b>		
Considered good	<b>822,817</b>	370,727
Considered doubtful	-	352,727
	<b>822,817</b>	723,454
Provision for doubtful balances	16.1	(156,127)
	<b>822,817</b>	<b>567,327</b>
<b>16.1 Provision for doubtful balances</b>		
Opening balance	<b>156,127</b>	140,260
Write-off	<b>(156,127)</b>	-
Charge for the year	-	15,867
Closing balance	-	156,127

# Notes to the Financial Statements

for the year ended December 31, 2015

(Amounts in Rupees '000)

	Note	2015	2014
<b>17. AMOUNT DUE FROM OTHER INSURERS/REINSURERS</b>			
Considered good		391,933	347,457
Considered doubtful		-	287,300
		<b>391,933</b>	634,757
Provision for doubtful balances	17.1	-	(177,939)
		<b>391,933</b>	456,818
<b>17.1 Provision for doubtful balances</b>			
Opening balance		177,939	139,952
Write-off		(177,939)	
Charge for the year		-	37,987
Closing balance		-	177,939
<b>18. PREPAYMENTS</b>			
Prepaid premium to insurers / reinsurers		303,469	338,429
Prepaid rent		1,869	165
Others		215	176
		<b>305,553</b>	338,770
<b>19. DEPOSITS &amp; OTHER RECEIVABLES</b>			
Deposits	19.1	33,572	27,495
Investment proceeds receivable		30,145	18,430
Other receivables		8,683	7,010
		<b>72,400</b>	52,935

**19.1** Includes Rs 24 million (2014: 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

	2015							
	Cost			Depreciation / Amortization				
	As at Jan 1, 2015	Additions/ (disposals)/ adjustments	As at Dec 31, 2015	Accumulated as at Jan 1, 2015	Charge for the year/ (disposals)/ adjustments	Accumulated as at Dec 31, 2015	Written down value as at Dec 31, 2015	Depreciation rate on written down value % per annum
<b>Tangible</b>								
Land and buildings (Office premises)	165,706	-	165,706	10,752	726	11,478	154,228	5
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 (12,357)	103,504	69,756	8,863 (8,771)	69,848	33,656	20
Motor vehicles - leased	-	4,762	4,762	-	5	5	4,757	20
	326,975	11,138 (12,357)	325,756	110,998	12,285 (8,771)	114,512	211,244	
<b>Intangible</b>								
Computer software	11,008	725	11,733	8,446	978	9,424	2,309	30
<b>2015</b>	<b>337,983</b>	<b>11,863 (12,357)</b>	<b>337,489</b>	<b>119,444</b>	<b>13,263 (8,771)</b>	<b>123,936</b>	<b>213,553</b>	

# Notes to the Financial Statements

for the year ended December 31, 2015

(Amounts in Rupees '000)

	2014							
	Cost			Depreciation / Amortization				
	As at Jan 1, 2014	Additions/ (disposals)	As at Dec 31, 2014	Accumulated as at Jan 1, 2014	Charge for the year/ (disposals)	Accumulated as at Dec 31, 2014	Written down value as at Dec 31, 2014	Depreciation rate on written down value
<b>Tangible</b>								% per annum
<b>Owned</b>								
Land and buildings (Office premises)	165,706	-	165,706	9,962	790	10,752	154,954	5
Computer equipment	13,209	1,449 (57)	14,601	10,591	1,031 (48)	11,574	3,027	30
Office equipment	11,594	240	11,834	6,291	546	6,837	4,997	10
Furniture and fixtures	23,971	-	23,971	10,758	1,321	12,079	11,892	10
Motor vehicles	98,527	13,915 (1,579)	110,863	61,714	9,316 (1,274)	69,756	41,107	20
	<u>313,007</u>	<u>15,604 (1,636)</u>	<u>326,975</u>	<u>99,316</u>	<u>13,004 (1,322)</u>	<u>110,998</u>	<u>215,977</u>	
<b>Intangible</b>								
Computer software	11,008	-	11,008	7,349	1,097	8,446	2,562	30
<b>2014</b>	<b><u>324,015</u></b>	<b><u>15,604 (1,636)</u></b>	<b><u>337,983</u></b>	<b><u>106,665</u></b>	<b><u>14,101 (1,322)</u></b>	<b><u>119,444</u></b>	<b><u>218,539</u></b>	

## 20.1 Disposal of fixed assets

Description	Cost	Accumulated depreciation	Book value	Disposal proceeds	Gain	Mode of disposal	Disposal to
Yamaha-YD 100 KDR-1093	66	51	15	15	-	Settlement	Abdul Majeed Khan (Ex-employee)
Star-DL 70 KDR-1092	39	30	9	9	-	Settlement	Mohammad Tariq (Ex-employee)
Suzuki Cultus AGT-389	560	506	54	500	446	Claim Settlement	Century Insurance
Toyota Altis AUL-667	1,969	1,324	645	645	-	Settlement	Fakhir Rahman (Ex-employee)
Toyota Parado BF-1747	8,109	5,464	2,645	2,645	-	Settlement	Fakhir Rahman (Ex-employee)
Chevrolet Joy LED-3225	564	480	84	200	116	Tender	Abdul Nasir
Toyota Corolla Xli LEC-1229	908	778	130	850	720	Claim Settlement	Al-Falah Insurance
Honda CD-70 LRB-6799	68	65	3	25	22	Claim Settlement	Al-Falah Insurance
Vespa Scooter FDG-6226	15	15	-	2	2	Settlement	Syed Ali Hassan (Ex-employee)
Yamaha-YD 100 LXB-3720	59	58	1	2	1	Settlement	Dilawar Hussain (Ex-employee)
<b>2015</b>	<b><u>12,357</u></b>	<b><u>8,771</u></b>	<b><u>3,586</u></b>	<b><u>4,893</u></b>	<b><u>1,307</u></b>		
2014	<u>1,636</u>	<u>1,322</u>	<u>314</u>	<u>850</u>	<u>536</u>		

# Notes to the Financial Statements

for the year ended December 31, 2015

(Amounts in Rupees '000)

	Note	2015	2014
<b>21. CAPITAL WORK IN PROGRESS</b>			
This represents property acquisition and renovation costs	21.1	<u>26,109</u>	<u>26,109</u>

**21.1** Market value of this property as assessed at December 31, 2015 is Rs 56 million (2014: Rs 51 million).

	Note	2015	2014
<b>22. MANAGEMENT EXPENSES</b>			

## Underwriting expenses

Salaries, wages and benefits		<b>121,885</b>	101,152
Rent, taxes etc.		<b>4,582</b>	3,789
Communication		<b>7,384</b>	5,805
Fuel and power		<b>18,788</b>	22,473
Tracking devices		<b>4,146</b>	17,784
Insurance		<b>2,882</b>	3,734
Printing and stationery		<b>5,868</b>	3,896
Travelling and entertainment		<b>13,069</b>	14,967
Repairs and maintenance		<b>21,579</b>	11,298
Legal and professional		<b>2,354</b>	1,548
Advertisement		<b>3,938</b>	861
Others		<b>22,468</b>	25,377
		<b>228,943</b>	212,684

## General and administrative expenses

Depreciation and amortization		<b>13,263</b>	14,101
Bonus, retirement and other benefits		<b>12,760</b>	26,672
Provision for doubtful balances		-	53,854
Workers welfare fund		<b>2,519</b>	827
Donations	22.1	<b>12,000</b>	5,000
Auditors' remuneration	22.2	<b>881</b>	799
Others		<b>48,862</b>	124
		<b>90,285</b>	101,377
<b>Total</b>		<b>319,228</b>	314,061

### 22.1 Donations

Charitable donations paid during the year amounted to Rs 7.6 million (2014: Rs 6.8 million) and did not include any donee in which any director or his spouse had any interest except for Rs 2.5 million to the Patient Aid Foundation where Mr Zahid Bashir (Chairman of the Board) is also the Chairman of the Board of Governors of the donee.

# Notes to the Financial Statements

for the year ended December 31, 2015

(Amounts in Rupees '000)

	2015	2014
<b>22.2 Auditors' Remuneration</b>		
Audit fee	423	383
Fee for review of financial statements	88	80
Certification fee	191	173
Out of pocket expenses	179	163
	<u>881</u>	<u>799</u>
<b>23. TAKAFUL OPERATIONS - OPF</b>		
Wakala fee	42	-
Management expenses	(4,744)	-
Commission expenses	(19)	-
Investment income	176	-
General and administrative expenses	(1,350)	-
Loss before tax	<u>(5,895)</u>	<u>-</u>
<b>24. TAXATION</b>		
Current	16,598	14,657
Prior year	(3,790)	(8,791)
	<u>12,808</u>	<u>5,866</u>
The Company has filed return of total income for the tax year 2015 which is deemed to have been assessed under the Income Tax Ordinance, 2001 unless selected by the taxation authority for audit purpose.		
	2015	2014
	%	%
<b>24.1 Tax charge reconciliation</b>		
Applicable tax rate	34.00	34.00
Effect of amounts that may not be allowable, net of exemptions / rebates	(4.05)	66.60
Effect of amounts taxed at a different rate	(17.29)	(64.43)
	(21.34)	2.17
Effect of prior year adjustment	(3.07)	(21.70)
Effective tax rate	<u>9.59</u>	<u>14.47</u>
<b>25. EARNINGS PER SHARE</b>		
Profit after tax for the year	110,616	34,647
Weighted average number of shares	34,824,454	34,824,454
Basic earnings per share of Rs 10 each - Rupees	<u>3.18</u>	<u>0.99</u>

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

# Notes to the Financial Statements

for the year ended December 31, 2015

(Amounts in Rupees '000)

## 25. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Managerial remuneration	7,000	11,878	13,338	1,815	30,088	20,559	50,426	34,252
Retirement benefits	717	-	-	-	1,973	1,713	2,690	1,713
Housing and utilities	-	1,678	2,025	272	14,776	11,338	16,801	13,288
Bonus	-	-	-	-	5,087	4,264	5,087	4,264
Meeting fees	-	-	915	923	-	-	915	923
Others	3,726	1,762	3,952	664	17,034	6,077	24,712	8,503
	<b>11,443</b>	<b>15,318</b>	<b>20,230</b>	<b>3,674</b>	<b>68,958</b>	<b>43,951</b>	<b>100,631</b>	<b>62,943</b>
<b>Number of persons</b>	<b>1</b>	<b>1</b>	<b>7</b>	<b>5</b>	<b>38</b>	<b>25</b>		

The chief executive, a director and executives have the free use of Company cars and residential telephones for business purposes. Except for one director, all other directors are only paid meeting fees.

## 27. SEGMENT REPORTING

The following presents segment revenue and profit information for the years ended December 31, 2015 and December 31, 2014 and estimated information regarding certain assets and liabilities as at December 31, 2015 and December 31, 2014.

	Fire and property damage		Marine, aviation & transport		Motor		Miscellaneous		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenue										
Premium earned	502,895	520,774	297,571	263,159	272,418	340,817	286,116	202,223	1,359,000	1,326,973
Segment results	28,395	(86,328)	95,447	2,496	(1,388)	71,186	(48,966)	3,574	73,488	(9,072)
Investment income									140,295	145,734
Gain on disposal of fixed assets									1,307	536
Rental income									4,514	4,692
General and administration expenses									(90,285)	(101,377)
									55,831	49,585
Loss from window takaful operations									(5,895)	-
Profit before tax									123,424	40,513
Provision for taxation - net									(12,808)	(5,866)
Profit after tax									110,616	34,647
Other information										
Segment assets	753,201	812,525	480,456	304,201	275,433	273,260	555,389	413,558	2,064,479	1,803,544
Unallocated corporate assets									1,620,933	1,626,438
Consolidated total assets									3,685,412	3,429,982
Segment liabilities	547,033	598,728	290,621	164,542	222,870	209,387	453,787	334,177	1,514,311	1,306,834
Unallocated corporate liabilities									562,677	594,894
Consolidated total liabilities									2,076,988	1,901,728
Capital expenditure	4,153	6,321	2,420	3,046	2,352	3,595	2,938	2,642	11,863	15,604
Depreciation / Amortization	4,643	5,712	2,706	2,752	2,630	3,249	3,284	2,388	13,263	14,101

# Notes to the **Financial Statements**

for the year ended December 31, 2015

(Amounts in Rupees '000)

## **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 financial markets and seeks to minimise 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, 2015 and 2014 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.

	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
<b>December 31, 2015</b>	<b>675,115</b>	<b>10% increase</b>	<b>742,627</b>	<b>67,512</b>	<b>67,512</b>
		<b>10% decrease</b>	<b>607,603</b>	<b>(67,512)</b>	<b>(67,512)</b>
December 31, 2014	465,228	10% increase	511,751	46,523	46,523
		10% decrease	418,705	(46,523)	(46,523)

# Notes to the Financial Statements

for the year ended December 31, 2015

(Amounts in Rupees '000)

## 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.

	2015							Total
	Effective yield/mark-up rate %	Exposed to yield/mark-up risk			Not exposed to yield/mark-up rate risk			
		Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
<b>Financial assets</b>								
Cash and bank deposits	5 - 5.75	84,302	-	84,302	-	-	-	84,302
Investments	...	-	-	-	1,143,588	-	1,143,588	1,143,588
Premium due but unpaid	...	-	-	-	822,817	-	822,817	822,817
Amount due from other insurers / reinsurers	...	-	-	-	391,933	-	391,933	391,933
Accrued investment income	...	-	-	-	365	-	365	365
Accrued salvage recoveries	...	-	-	-	12,909	-	12,909	12,909
Reinsurance recoveries	...	-	-	-	465,930	-	465,930	465,930
Deposits & other receivables	...	-	-	-	72,400	-	72,400	72,400
		<u>84,302</u>	<u>-</u>	<u>84,302</u>	<u>2,909,942</u>	<u>-</u>	<u>2,909,942</u>	<u>2,994,244</u>
<b>Financial liabilities</b>								
Provision for outstanding claims	...	-	-	-	572,537	-	572,537	572,537
Liabilities against assets subject to finance lease	8.5	1,027	3,575	4,602	-	-	-	4,602
Amount due to other insurers / reinsurers	...	-	-	-	271,706	-	271,706	271,706
Accrued expenses	...	-	-	-	26,088	-	26,088	26,088
Other creditors and accruals	...	-	-	-	403,558	-	403,558	403,558
Dividend payable	...	-	-	-	27,778	-	27,778	27,778
		<u>1,027</u>	<u>3,575</u>	<u>4,602</u>	<u>1,301,667</u>	<u>-</u>	<u>1,301,667</u>	<u>1,306,269</u>
<b>Total yield / mark-up rate risk sensitivity gap 2015</b>		<u><b>83,275</b></u>	<u><b>(3,575)</b></u>	<u><b>79,700</b></u>	<u><b>1,608,275</b></u>	<u><b>-</b></u>	<u><b>1,608,275</b></u>	<u><b>1,687,975</b></u>

	2014							Total
	Effective yield/mark-up rate %	Exposed to yield/mark-up risk			Not exposed to yield/mark-up rate risk			
		Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
<b>Financial assets</b>								
Cash and bank deposits	6 - 8.25	134,698	-	134,698	15,550	-	15,550	150,248
Investments	...	-	-	-	1,121,133	-	1,121,133	1,121,133
Premium due but unpaid	...	-	-	-	567,327	-	567,327	567,327
Amount due from other insurers / reinsurers	...	-	-	-	456,818	-	456,818	456,818
Accrued investment income	...	-	-	-	1,090	-	1,090	1,090
Accrued salvage recoveries	...	-	-	-	26,026	-	26,026	26,026
Reinsurance recoveries	...	-	-	-	321,565	-	321,565	321,565
Deposits & other receivables	...	-	-	-	52,935	-	52,935	52,935
		<u>134,698</u>	<u>-</u>	<u>134,698</u>	<u>2,562,444</u>	<u>-</u>	<u>2,562,444</u>	<u>2,697,142</u>
<b>Financial liabilities</b>								
Provision for outstanding claims	...	-	-	-	466,606	-	466,606	466,606
Amount due to other insurers / reinsurers	...	-	-	-	211,284	-	211,284	211,284
Accrued expenses	...	-	-	-	24,835	-	24,835	24,835
Other creditors and accruals	...	-	-	-	409,918	-	409,918	409,918
Dividend payable	...	-	-	-	26,757	-	26,757	26,757
		<u>-</u>	<u>-</u>	<u>-</u>	<u>1,139,400</u>	<u>-</u>	<u>1,139,400</u>	<u>1,139,400</u>
<b>Total yield / mark-up rate risk sensitivity gap 2014</b>		<u><b>134,698</b></u>	<u><b>-</b></u>	<u><b>134,698</b></u>	<u><b>1,423,044</b></u>	<u><b>-</b></u>	<u><b>1,423,044</b></u>	<u><b>1,557,742</b></u>

# Notes to the **Financial Statements**

for the year ended December 31, 2015

(Amounts in Rupees '000)

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

	Increase / (decrease) in basis points	Effect on profit before tax	Effect on equity
<b>December 31, 2015</b>	<b>100</b> <b>(100)</b>	<b>6,542</b> <b>(6,542)</b>	<b>4,252</b> <b>(4,252)</b>
December 31, 2014	100 (100)	8,260 (8,260)	5,369 (5,369)

## 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:

	<b>2015</b>	2014
Bank deposits	<b>84,302</b>	150,248
Investments in mutual funds	<b>453,931</b>	628,911
Premium due but unpaid - net of provision	<b>822,817</b>	567,327
Amount due from other insurers / reinsurers - net of provision	<b>391,933</b>	456,818
Accrued investment income	<b>365</b>	1,090
Reinsurance recoveries against outstanding claims	<b>465,930</b>	321,565
Deposits & other receivables	<b>78,332</b>	52,935
	<b><u>2,297,610</u></b>	<b><u>2,178,894</u></b>

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, 2015

(Amounts in Rupees '000)

	2015	2014
The age analysis of receivables is as follows:		
Upto 1 year	<b>716,236</b>	346,066
1 -2 years	<b>106,581</b>	74,629
2 - 3 years	-	83,082
Over 3 years	-	219,677
	<b><u>822,817</u></b>	<u>723,454</u>
Considered impaired	-	156,127

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

	Rating		Rating Agency	2015	2014
	Short term	Long term			
United Bank Limited	A-1+	AA+	JCR-VIS	<b>4,896</b>	37,111
Allied Bank Limited	A1+	AA+	PACRA	-	5,203
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	<b>30,612</b>	88,264
NIB Bank Limited	A1+	AA-	PACRA	<b>20,449</b>	11,905
Habib Bank Limited	A1+	AAA	JCR-VIS	<b>1,384</b>	3,373
Samba Bank Limited	A1	AA-	JCR-VIS	<b>10</b>	9
MCB Bank Limited	A1+	AAA	PACRA	-	24
National Bank of Pakistan	A1+	AAA	JCR-VIS	<b>3,245</b>	4,359
Sindh Bank Limited	A-1+	AA	JCR-VIS	<b>1</b>	-
Finca Microfinance Bank Limited	A-2	A-	JCR-VIS	<b>525</b>	-
Faysal Bank Limited	A-1+	AA	JCR-VIS	<b>23,180</b>	-
				<b><u>84,302</u></b>	<u>150,248</u>

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

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Other reinsurance asset	2015	2014
A or above (including PRCL)	<b>371,968</b>	<b>397,885</b>	<b>182,978</b>	<b>952,831</b>	<b>1,103,734</b>
BBB	<b>13,444</b>	<b>66,756</b>	<b>16,995</b>	<b>97,195</b>	<b>61,598</b>
Others	<b>6,521</b>	<b>1,289</b>	<b>103,496</b>	<b>111,306</b>	<b>129,419</b>
Total	<b><u>391,933</u></b>	<b><u>465,930</u></b>	<b><u>303,469</u></b>	<b><u>1,161,332</u></b>	<b><u>1,294,751</u></b>

## 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 a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

# Notes to the **Financial Statements**

for the year ended December 31, 2015

(Amounts in Rupees '000)

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

	2015			Total
	Within one year	Over one year to five years	Over five years	
Financial liabilities				
Provision for outstanding claims	572,537	-	-	572,537
Staff retirement benefits	-	13,556	-	13,556
Liabilities against assets subject to finance 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>17,131</u>	<u>-</u>	<u>1,319,825</u>

	2014			Total
	Within one year	Over one year to five years	Over five years	
Financial liabilities				
Provision for outstanding claims	466,606	-	-	466,606
Staff retirement benefits	-	32,346	-	32,346
Amount due to other insurers / reinsurers	211,284	-	-	211,284
Accrued expense	24,835	-	-	24,835
Other creditors and accruals	409,918	-	-	409,918
Unclaimed dividend	26,757	-	-	26,757
	<u>1,139,400</u>	<u>32,346</u>	<u>-</u>	<u>1,171,746</u>

## 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

# Notes to the **Financial Statements**

for the year ended December 31, 2015

(Amounts in Rupees '000)

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.

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

	<b>2015 Maximum Gross Risk Exposure</b>	2014 Maximum Gross Risk Exposure
Fire and property	<b>17,340,954</b>	12,052,682
Marine, aviation and transport	<b>61,800,000</b>	62,000,000
Motor	<b>10,000</b>	20,000
Miscellaneous	<b>200,000</b>	1,790,250

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.

## **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.

# Notes to the **Financial Statements**

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## 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 2015	Assumed Net Loss Ratio 2014
Fire and property	47%	53%
Marine, aviation and transport	20%	29%
Motor	51%	55%
Miscellaneous	91%	80%

## 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 recognised 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	
	2015	2014	2015	2014
10% increase in loss	(36,367)	(34,712)	(23,639)	(22,563)
10% decrease in loss	36,367	34,712	23,639	22,563

# Notes to the **Financial Statements**

for the year ended December 31, 2015

(Amounts in Rupees '000)

## **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, the reinsurance arrangements are duly submitted to the SECP.

The risk by type of contract is summarised below:

	<b>Gross exposure</b>		<b>Net exposure</b>	
	<b>2015</b>	2014	<b>2015</b>	2014
Fire and property	<b>343,363,279</b>	388,986,500	<b>120,063,640</b>	154,116,451
Marine, aviation and transport	<b>328,274,443</b>	175,407,037	<b>244,151,762</b>	49,271,837
Motor	<b>14,075,392</b>	14,737,288	<b>6,945,663</b>	14,414,541
Miscellaneous	<b>870,761,307</b>	42,460,004	<b>323,940,470</b>	16,504,204
	<b><u>1,556,474,421</u></b>	<u>621,590,829</u>	<b><u>695,101,535</u></b>	<u>234,307,033</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 a 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 utilised 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.

# Notes to the **Financial Statements**

for the year ended December 31, 2015

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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. 348 million against the minimum required capital of Rs. 300 million set by the SECP for the year ended December 31, 2015. SECP has prescribed Minimum Paid-up Capital requirement vide SRO 828(I)/2015 as per which minimum required capital for non-life insurer has to gradually increase as per given schedule.

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 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:

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

# Notes to the **Financial Statements**

for the year ended December 31, 2015

(Amounts in Rupees '000)

	2014		
	Fair value measurement using		
	Level 1	Level 2	Level 3
Investment properties	-	133,652	-
Availabale for sale of investments	1,040,016	-	215,162
	<u>1,040,016</u>	<u>133,652</u>	<u>215,162</u>

## 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:

	2015	2014
<b>Associated undertakings</b>		
Premium written	<u>122,677</u>	<u>87,008</u>
Claims paid	<u>34,708</u>	<u>93,128</u>
Dividend received	<u>7,261</u>	<u>6,802</u>
Dividend paid	<u>3,273</u>	<u>7,427</u>
<b>Others</b>		
Premium written	<u>805</u>	<u>852</u>
Claims paid	<u>20</u>	<u>-</u>
Dividend paid	<u>1,412</u>	<u>2,497</u>
Meeting fees	<u>915</u>	<u>923</u>
<b>Year-end balances</b>		
<b>Associated undertakings</b>		
Claims outstanding	<u>88,380</u>	<u>13,931</u>
Premium receivable	<u>243,083</u>	<u>88,308</u>
<b>Others</b>		
Premium receivable	<u>605</u>	<u>1,134</u>

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.

# Notes to the **Financial Statements**

for the year ended December 31, 2015

(Amounts in Rupees '000)

## **32. DEFINED CONTRIBUTION PLAN**

	<b>Unaudited 2015</b>	Audited 2014
<b>32.1 Provident Fund Trust</b>		
Size of the fund	<b>42,163</b>	41,854
Cost of investment made	<b>35,192</b>	36,401
Percentage of investments made (based on fair value)	<b>93%</b>	105%
Fair value of investments	<b>39,297</b>	40,429

**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	<b>32,897</b>	12,355
Government securities	<b>6,400</b>	6,683
Other debt instruments	<b>-</b>	21,391
	<b>39,297</b>	40,429

## **33. NUMBER OF EMPLOYEES**

The Company employed 251 (2014: 149) 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 March 29, 2016 has proposed a cash dividend of 10% (2014: 10%). In addition, the directors have also announced a bonus issue of 20% (2014: 15%), which will be distributed out of the profit. This distribution will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2015 do not include the effect of the following appropriation which will be accounted for in the financial statements for the year ending December 31, 2016 as follows:

Transfer from reserves to proposed dividend 34,824

Transfer from reserves to issue of bonus shares 69,649

The Finance Act, 2015 introduced a tax on every public company at the rate of 10% of such undistributed reserves which exceeds the amount of its paid up capital. However, this tax shall not be applied in case of a public company which distributes profit equal to either 40% of its after tax profits or 50% of its paid up capital, whichever is less, within six months from the end of the year.

# Notes to the **Financial Statements**

for the year ended December 31, 2015

(Amounts in Rupees '000)

Based on the fact that the Board of Directors of the Company have proposed distributions for the year ended December 31, 2015 exceeding the prescribed minimum distribution requirement, the Company believes that it would not eventually be liable to pay tax on its undistributed reserves as of December 31, 2015 and accordingly no provision in this regard has been made.

## **35. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on March 29, 2016 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

**Nadeem Maqbool**  
Director

**Imran Maqbool**  
Director

**Mohammed Asif Arif**  
Chief Executive

## Financial Statements (Window Takaful)



# Independent Assurance report to the Board of Directors and Shariah Advisor of Premier Insurance Limited in respect of Company's compliance with the Shariah rules and principles

We have performed an independent assurance engagement (Shariah Compliance Audit) of **Premier Insurance Limited** (the Company) to ensure that the Company has complied with the Shariah rules and principles as prescribed by the Shariah Advisor / Shariah Board (prior to promulgation of Takaful Rules 2012) of the Company and the Takaful Rules 2012, during the period from 31 October 2015 to 31 December 2015.

## 1. Management's responsibility for Shariah compliance

It is the responsibility of the Company to ensure that the financial arrangements, contracts, products and transactions entered into by the Company and Premier Insurance Limited 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 / Shariah Board and the Takaful Rules, 2012.

## 2. Our responsibility

- 2.1 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 requirement of the Shariah rules and principles as prescribed by the Company's Shariah Advisor / Shariah Board and the Takaful Rules, 2012.
- 2.2 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 Company'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.
- 2.3 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.
- 2.4 Interpretation and conclusion of the Shariah Advisor / Shariah Board of the Company is considered final for the purpose of interpretation of the Shariah matters mentioned in the Takaful Rules, 2012.

## 3. 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 Board 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 Company's compliance with the Shariah rules and principles as determined by the Shariah Advisor / Shariah Board and the Takaful Rules, 2012.

#### **4. Our Opinion**

In our opinion, based on the sample selected, the financial arrangements, contracts, products and transactions entered into by the Company and the Waqf, as the case may be, for the period from 31 October 2015 to 31 December 2015, are in compliance with the requirements of the Shariah rules and principles as prescribed by the Shariah Advisor / Shariah Board and the Takaful Rules, 2012 in all material respects.

Ernst & Young Ford Rhodes SidatHyder  
Chartered Accountants

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 expenses of operator's fund;
- (viii) statement of expenses of participants' takaful fund; and
- (ix) statement of investment income;

of **Premier Insurance Limited-Window Takaful Operations** (the Operator) as at December 31, 2015 together with the notes forming part thereof, for the year then ended.

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

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

## **In our opinion**

- a) proper books of accounts have been kept by the 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, 2015 and of the loss, its comprehensive loss, its cash flows and changes in fund for the period then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and Companies Ordinance, 1984 and
- d) In our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants  
Audit Engagement Partner: Omer Chughtai

Date: March 29, 2016  
Karachi

# Balance Sheet

As at December 31, 2015

	Note	2015 Operator's Fund	2015 Participants' Takaful Fund	Aggregate
(Amounts in Rupees '000)				
<b>FUNDS AND LIABILITIES</b>				
<b>Operator's fund</b>				
Statutory fund		50,000	-	50,000
Accumulated loss		(5,895)	-	(5,895)
		<u>44,105</u>	<u>-</u>	<u>44,105</u>
<b>Waqf / Participants' takaful fund</b>				
Ceded money		-	500	500
Accumulated deficit		-	(352)	(352)
		<u>-</u>	<u>148</u>	<u>148</u>
<b>Underwriting provisions</b>				
Provision for outstanding claims		-	-	-
Provision for unearned contribution		-	2,237	2,237
Unearned retakaful rebate		-	304	304
<b>Total underwriting provisions</b>		<u>-</u>	<u>2,541</u>	<u>2,541</u>
<b>Creditors and accruals</b>				
Amounts due to other takaful / retakaful operators		-	1,621	1,621
Unearned wakala fees		783	-	783
Wakala and mudarib fee payable		-	825	825
Payable to Premier Insurance Limited		5,932	-	5,932
Other creditors and accruals	6	494	379	873
		<u>7,209</u>	<u>2,825</u>	<u>10,034</u>
<b>TOTAL FUND AND LIABILITIES</b>		<u><u>51,314</u></u>	<u><u>5,514</u></u>	<u><u>56,828</u></u>
<b>ASSETS</b>				
<b>Cash and bank deposits</b>				
Cash and other equivalents	7	-	144	144
Current and other accounts		5,164	1,882	7,046
		<u>5,164</u>	<u>2,026</u>	<u>7,190</u>
<b>Investments</b>	8	45,000	-	45,000
<b>Other assets</b>				
Contribution due but unpaid		-	639	639
Amounts due from other takaful / retakaful operators		-	223	223
Wakala and mudarib fee receivable		825	-	825
Deferred wakala fee		-	783	783
Deferred commission expense		325	-	325
Prepayments	9	-	1,843	1,843
		<u>1,150</u>	<u>3,488</u>	<u>4,638</u>
<b>TOTAL ASSETS</b>		<u><u>51,314</u></u>	<u><u>5,514</u></u>	<u><u>56,828</u></u>

The annexed notes from 1 to 17 form an integral part of these financial statements.

**Zahid Bashir**  
Chairman

**Nadeem Maqbool**  
Director

**Imran Maqbool**  
Director

**Mohammed Asif Arif**  
Chief Executive

# Profit and **Loss Account**

For the period from October 31, 2015 to December 31, 2015

(Amounts in Rupees '000)

	Note	Fire and property damage	Marine, aviation & transport	Motor	Others	Treaty	2015 Aggregate
<b>PTF Revenue accounts</b>							
Net contribution revenue		9	3	6	2	-	<b>20</b>
Wakala expense		(22)	(10)	(9)	(1)		<b>(42)</b>
Direct expense	10	(161)	(67)	(93)	(27)		<b>(348)</b>
Net claims		-	-	-	-	-	<b>-</b>
Rebate from re-takaful operations		12	6	-	-	-	<b>18</b>
<b>Underwriting result</b>		<u>(162)</u>	<u>(68)</u>	<u>(96)</u>	<u>(26)</u>	<u>-</u>	<b><u>(352)</u></b>
Deficit for the period							<b><u>(352)</u></b>
<b>Accumulated Deficit</b>							
Balance at the beginning of the period							<b>-</b>
Deficit for the period							<b>(352)</b>
Balance at the end of the period							<b><u>(352)</u></b>
<b>Operator's Revenue accounts</b>							
Wakala fee		22	10	9	1	-	<b>42</b>
Commission Expenses		(12)	(6)	(1)	-	-	<b>(19)</b>
Management expenses	11	(2,199)	(917)	(1,262)	(366)	-	<b>(4,744)</b>
		<u>(2,189)</u>	<u>(913)</u>	<u>(1,254)</u>	<u>(365)</u>	<u>-</u>	<b><u>(4,721)</u></b>
Investment income							<b>176</b>
General & administration expenses	11						<b>(1,350)</b>
Loss for the period							<b><u>(5,895)</u></b>

The annexed notes from 1 to 17 form an integral part of these financial statements.

**Zahid Bashir**  
Chairman

**Nadeem Maqbool**  
Director

**Imran Maqbool**  
Director

**Mohammed Asif Arif**  
Chief Executive

# Statement of **Changes in Fund**

For the period from October 31, 2015 to December 31, 2015

(Amounts in Rupees '000)

	Operator's Fund		
	Statutory Fund	Accumulated Loss	Total
Contribution made during the period	50,000	-	50,000
Loss for the period	-	(5,895)	(5,895)
<b>Balance as at December 31, 2015</b>	<b>50,000</b>	<b>(5,895)</b>	<b>44,105</b>

	Participants' Fund		
	Cede Money	Accumulated Deficit	Total
Cede money	500	-	500
Deficit for the period	-	(352)	(352)
<b>Balance as at December 31, 2015</b>	<b>500</b>	<b>(352)</b>	<b>148</b>

The annexed notes from 1 to 17 form an integral part of these financial statements.

**Zahid Bashir**  
Chairman

**Nadeem Maqbool**  
Director

**Imran Maqbool**  
Director

**Mohammed Asif Arif**  
Chief Executive

# Statement of Cash Flows

For the period from October 31, 2015 to December 31, 2015

(Amounts in Rupees '000)

	2015		
	Operator's Fund	Participants' Fund	Aggregate
<b>OPERATING CASH FLOWS</b>			
a) Takaful activities			
Contribution received	-	1,495	1,495
Re-takaful contributions paid	-	(322)	(322)
Re-takaful rebate received	-	322	322
Net cash flow from underwriting activities	-	1,495	1,495
b) Other operating activities			
General management expenses paid	(4,744)	(348)	(5,092)
Other operating payments	(1,350)	-	(1,350)
Other liabilities and accruals	6,082	379	6,461
Net cash (used in) / flow from other operating activities	(12)	31	19
<b>Total cash (used in) / flow from operating activities</b>	<b>(12)</b>	<b>1,526</b>	<b>1,514</b>
<b>INVESTMENT ACTIVITIES</b>			
Investment income received	176	-	176
Payments for investments	(45,000)	-	(45,000)
<b>Total cash used in investing activities</b>	<b>(44,824)</b>	<b>-</b>	<b>(44,824)</b>
<b>FINANCING ACTIVITIES</b>			
Contribution to the Operators' Fund	50,000	-	50,000
Cede money	-	500	500
<b>Total cash flow from financing activities</b>	<b>50,000</b>	<b>500</b>	<b>50,500</b>
<b>Total cash flow from all activities</b>	<b>5,164</b>	<b>2,026</b>	<b>7,190</b>
Cash and cash equivalents at beginning of the period	-	-	-
<b>Cash and cash equivalents at the end of the period</b>	<b>5,164</b>	<b>2,026</b>	<b>7,190</b>

# Statement of Cash Flows

For the period from October 31, 2015 to December 31, 2015

(Amounts in Rupees '000)

	Operator's Fund	2015 Participants' Fund	Aggregate
<b>Reconciliation to profit and loss account</b>			
Operating cash flows	(12)	1,526	1,514
Investment income	176	-	176
Increase in assets other than cash	1,150	1,880	3,030
Increase in liabilities	(7,209)	(3,758)	(10,967)
<b>Loss for the period</b>	<b>(5,895)</b>	<b>(352)</b>	<b>(6,247)</b>
<b>Attributed to</b>			
Operators' Fund	(5,895)	-	(5,895)
Participant's Takaful Fund	-	(352)	(352)
	<b>(5,895)</b>	<b>(352)</b>	<b>(6,247)</b>
<b>Definition of cash</b>			
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:			
<b>Cash and other equivalents</b>			
Stamps in hand	-	144	144
<b>Current and other accounts</b>			
Savings accounts	5,164	1,882	7,046
<b>Total cash and cash equivalents</b>	<b>5,164</b>	<b>2,026</b>	<b>7,190</b>

The annexed notes from 1 to 17 form an integral part of these financial statements.

**Zahid Bashir**  
Chairman

**Nadeem Maqbool**  
Director

**Imran Maqbool**  
Director

**Mohammed Asif Arif**  
Chief Executive

# Statement of **Comprehensive Income**

For the period from October 31, 2015 to December 31, 2015

(Amounts in Rupees '000)

**2015**

## **OPERATORS' FUND**

Loss for the period	<b>(5,895)</b>
Other comprehensive income	-
Total comprehensive loss for the period	<b><u>(5,895)</u></b>

The annexed notes from 1 to 17 form an integral part of these financial statements.

**Zahid Bashir**  
Chairman

**Nadeem Maqbool**  
Director

**Imran Maqbool**  
Director

**Mohammed Asif Arif**  
Chief Executive

# Statement of Contributions

For the period from October 31, 2015 to December 31, 2015

(Amounts in Rupees '000)

Business underwritten inside Pakistan

Class	Contribution written	Unearned Contribution reserve		Contribution earned	Re-takaful contribution ceded	Prepaid re-takaful contribution		Re-takaful expense	2015	
		Opening	Closing			Opening	Closing		Net Contribution revenue	
Direct and Facultative										
1	Fire and property damage	1,470	-	1,409	61	1,246	-	1,194	52	<b>9</b>
2	Marine, aviation and transport	175	-	146	29	152	-	126	26	<b>3</b>
3	Motor	648	-	621	27	519	-	498	21	<b>6</b>
4	Miscellaneous	64	-	61	3	26	-	25	1	<b>2</b>
	Total	<u>2,357</u>	<u>-</u>	<u>2,237</u>	<u>120</u>	<u>1,943</u>	<u>-</u>	<u>1,843</u>	<u>100</u>	<u><b>20</b></u>
Treaty	5 Proportional	-	-	-	-	-	-	-	-	-
	Grand Total	<u><u>2,357</u></u>	<u><u>-</u></u>	<u><u>2,237</u></u>	<u><u>120</u></u>	<u><u>1,943</u></u>	<u><u>-</u></u>	<u><u>1,843</u></u>	<u><u>100</u></u>	<u><u><b>20</b></u></u>

The annexed notes from 1 to 17 form an integral part of these financial statements.

**Zahid Bashir**  
Chairman

**Nadeem Maqbool**  
Director

**Imran Maqbool**  
Director

**Mohammed Asif Arif**  
Chief Executive

# Statement of Expenses - OPF

For the period from October 31, 2015 to December 31, 2015

(Amounts in Rupees '000)

Business underwritten inside Pakistan

Class	Commission paid or payable	Deferred commission		Net commission expense	Direct expenses	2015
		Opening	Closing			Net OPF expense
Direct and Facultative						
1 Fire and property damage	277	-	265	12	2,199	<b>2,211</b>
2 Marine, aviation and transport	34	-	28	6	917	<b>923</b>
3 Motor	30	-	29	1	1,262	<b>1,263</b>
4 Miscellaneous	3	-	3	-	366	<b>366</b>
Total	<u>344</u>	<u>-</u>	<u>325</u>	<u>19</u>	<u>4,744</u>	<b><u>4,763</u></b>
Treaty 5 Proportional	-	-	-	-	-	-
Grand Total	<u>344</u>	<u>-</u>	<u>325</u>	<u>19</u>	<u>4,744</u>	<b><u>4,763</u></b>

The annexed notes from 1 to 17 form an integral part of these financial statements.

**Zahid Bashir**  
Chairman

**Nadeem Maqbool**  
Director

**Imran Maqbool**  
Director

**Mohammed Asif Arif**  
Chief Executive

# Statement of **Expenses - PTF**

For the period from October 31, 2015 to December 31, 2015

(Amounts in Rupees '000)

Business underwritten inside Pakistan

Class	Gross wakala fee	Deferred wakala fee		Net expense	PTF direct expenses	Rebate from re-takaful operations	2015
		Opening	Closing				Net PTF expense
Direct and Facultative							
1 Fire and property damage	515	-	493	22	161	12	<b>171</b>
2 Marine, aviation and transport	61	-	51	10	67	6	<b>71</b>
3 Motor	227	-	218	9	93	-	<b>102</b>
4 Miscellaneous	22	-	21	1	27	-	<b>28</b>
Total	<u>825</u>	<u>-</u>	<u>783</u>	<u>42</u>	<u>348</u>	<u>18</u>	<b><u>372</u></b>
Treaty 5 Proportional	-	-	-	-	-	-	-
Grand Total	<u><u>825</u></u>	<u><u>-</u></u>	<u><u>783</u></u>	<u><u>42</u></u>	<u><u>348</u></u>	<u><u>18</u></u>	<b><u><u>372</u></u></b>

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

The annexed notes from 1 to 17 form an integral part of these financial statements.

**Zahid Bashir**  
Chairman

**Nadeem Maqbool**  
Director

**Imran Maqbool**  
Director

**Mohammed Asif Arif**  
Chief Executive

# Statement of **Investment Income**

For the period from October 31, 2015 to December 31, 2015

(Amounts in Rupees '000)

	<b>2015</b>
<b>Income from non-trading investments</b>	
Return on bank deposits	<b>176</b>
<b>Investment income</b>	<b><u>176</u></b>

The annexed notes from 1 to 17 form an integral part of these financial statements.

**Zahid Bashir**  
Chairman

**Nadeem Maqbool**  
Director

**Imran Maqbool**  
Director

**Mohammed Asif Arif**  
Chief Executive

# Notes to the **Financial Statements**

for the period from October 31, 2015 to December 31, 2015

## **1. STATUS AND NATURE OF BUSINESS**

Premier Insurance Limited (the Operator) has been allowed 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) which 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.

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**

These financial statements of the WTO for the period from October 31, 2015 to December, 31 2015 have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002 and SECP Takaful Rules, 2012. In case where requirements differ, the provisions or directives of the Companies Ordinance, 1984, Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002 and SECP Takaful Rules, 2012 shall prevail.

### **3.2 Adoption of new standards, amendments and interpretations of existing standards and forthcoming requirements**

#### **3.2.1 Forthcoming requirements**

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

# Notes to the **Financial Statements**

for the period from October 31, 2015 to December 31, 2015

<b>Standard or Interpretation</b>	<b>Effective date (annual periods beginning)</b>
IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Separate Financial Statements - Investment Entities: Applying the Consolidation Exception (Amendment)	January 1, 2016
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 11 - Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	January 1, 2016
IAS 1 - Presentation of Financial Statements - Disclosure Initiative (Amendment)	January 1, 2016
IAS 16 - Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	January 1, 2016
IAS 16 - Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	January 1, 2016
IAS 27 - Separate Financial Statements - Equity Method in Separate Financial Statements (Amendment)	January 1, 2016

The above standards and amendments are not expected to have any material impact on the financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in September 2014. Such improvements are generally effective for accounting periods beginning on or after January 1, 2016. The Operator expects that such improvements to the standards will not have any material impact on the financial statements in the period of initial application.

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

# Notes to the **Financial Statements**

for the period from October 31, 2015 to December 31, 2015

	<b>Standard or Interpretation</b>	<b>IASB Effective date (annual periods beginning on or after)</b>
IFRS 9	- Financial Instruments: Classification and Measurement	January 1, 2018
IFRS 14	- Regulatory Deferral Accounts	January 1, 2016
IFRS 15	- Revenue from Contracts with Customers	January 1, 2018
IFRS 16	- Leases	January 1, 2019

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

## **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**

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 significant accounting policies adopted in preparation of these financial statements are set out below. 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

# Notes to the **Financial Statements**

for the period from October 31, 2015 to December 31, 2015

achieving the above objectives, a separate Waqf is formed which owns Participants Takaful Fund (PTF) whereby Participants' contributions, net of government taxes (if any), received from its members (Participants / Policyholders) are credited. The Operator donates the Cede money for the formation of Waqf in its separate capacity and acts as a Wakeel (Agent) against a certain 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 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:

- i. For direct contribution, evenly over the period of the policy.

# Notes to the **Financial Statements**

for the period from October 31, 2015 to December 31, 2015

- ii. 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 participants 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.

## **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.

# Notes to the **Financial Statements**

for the period from October 31, 2015 to December 31, 2015

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 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 amounts relating to unpaid reported claims; claims incurred but not reported (IBNR) and expected claims settlement costs. Provision for IBNR is based on the management's best estimate which takes into account the past trends net of exceptional claims.

## **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.

# Notes to the **Financial Statements**

for the period from October 31, 2015 to December 31, 2015

The Operator also charges 35% of the investment income earned against the services of Mudarib to manage the investments of the PTF.

## **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-Hasna**

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 recognised 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 period from October 31, 2015 to December 31, 2015

## **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 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 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 period from October 31, 2015 to December 31, 2015

## **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 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.

# Notes to the **Financial Statements**

for the period from October 31, 2015 to December 31, 2015

(Amounts in Rupees '000)

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 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 reported as unallocated corporate assets and liabilities.

**2015**

## **6. OTHER CREDITORS AND ACCRUALS - PTF**

Federal insurance fee	<b>24</b>
Sales tax on services	<b>355</b>
	<b><u>379</u></b>

## **7. CASH AND BANK DEPOSITS**

	Note	OPF	PTF	Aggregate
Cash and other equivalents				
Stamps in hand		-	144	144
		<u>-</u>	<u>144</u>	<u>144</u>
Current and other accounts				
Savings accounts	7.1	5,164	1,882	7,046
		<u>5,164</u>	<u>1,882</u>	<u>7,046</u>
		<u>5,164</u>	<u>2,026</u>	<u>7,190</u>

**7.1** The rate of profit on profit and loss sharing accounts from various banks range 5% to 5.5% per annum depending on the size of average deposits.

## **8. INVESTMENTS**

### **Availabale for sale**

#### **Mutual funds (unit trusts) - Others**

Number of units	Name of entity	2015
2,897,170	NAFA Islamic Asset Allocation Fund (Market value Rs.44.9 million)	<b>45,000</b>

# Notes to the Financial Statements

for the period from October 31, 2015 to December 31, 2015

(Amounts in Rupees '000)

	2015
<b>9. PREPAYMENTS - PTF</b>	
Prepaid takaful contribution ceded	<u>1,843</u>
<b>10. DIRECT EXPENSES - PTF</b>	
Tracking expense	342
Service charges	6
	<u>348</u>
<b>11. MANAGEMENT EXPENSES - OPF</b>	
<b>Underwriting expenses</b>	
Salaries, wages and benefits	3,449
Rent, taxes etc.	179
Communication	233
Fuel and power	273
Travelling and entertainment	6
Others	604
	<u>4,744</u>
<b>General and administration expenses</b>	
Auditors' remuneration	150
Legal and professional charges	1,200
	<u>1,350</u>
Total	<u>6,094</u>

## 12. SEGMENT REPORTING

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

### Operator's Fund

	2015					
	Fire and property damage	Marine, aviation & transport	Motor	Miscella- neous	Treaty	Total
<b>SEGMENT ASSETS</b>						
Segment assets	780	89	256	25	-	1,150
Unallocated corporate assets						50,164
Consolidated total assets						<u>51,314</u>
<b>SEGMENT LIABILITIES</b>						
Segment liabilities	770	85	248	24	-	1,127
Unallocated corporate liabilities						6,082
Consolidated total liabilities						<u>7,209</u>

# Notes to the Financial Statements

for the period from October 31, 2015 to December 31, 2015

(Amounts in Rupees '000)

## Participant's Takaful Fund

	2015					Total
	Fire and property damage	Marine, aviation & transport	Motor	Miscellaneous	Treaty	
<b>SEGMENT ASSETS</b>						
Segment assets	2,175	259	959	95	-	<b>3,488</b>
Unallocated corporate assets						<b>2,026</b>
Consolidated total assets						<b>5,514</b>
<b>SEGMENT LIABILITIES</b>						
Segment liabilities	1,526	182	672	66	-	<b>2,446</b>
Unallocated corporate liabilities						<b>379</b>
Consolidated total liabilities						<b>2,825</b>

## 13. QARD-E-HASNA

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.

## 14. MANAGEMENT OF TAKAFUL AND FINANCIAL RISK

### 14.1 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 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.

# Notes to the **Financial Statements**

for the period from October 31, 2015 to December 31, 2015

(Amounts in Rupees '000)

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.

## **14.1.1 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. As there is no claims and contribution liabilities (in percentage terms) by class of business at balance sheet date.

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:

<b>Class</b>	<b>2015</b>
Fire and property damage	<b>500,000</b>
Marine, aviation and transport	<b>42,727</b>
Motor	<b>2,150</b>
Miscellaneous	<b>3,994</b>

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

# Notes to the **Financial Statements**

for the period from October 31, 2015 to December 31, 2015

(Amounts in Rupees '000)

## 14.2 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 over sight of the Operator's risk management framework. There are Board Committees and Management Committees for developing and monitoring the risk management policies.

### 14.2.1 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.

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would affect their ability to meet contractual obligations in similar manner. Due to the nature of financial assets, the Operator believes it is not exposed to any major concentration of credit risk.

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

	<b>OPF</b>	<b>2015 PTF</b>	<b>Aggregate</b>
<b>Financial assets:</b>			
Bank balances	5,164	1,882	7,046
Contributions due but unpaid	-	639	639
Wakala fee receivable	825	-	825
	5,989	2,521	8,510

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

	<b>OPF</b>	<b>2015 PTF</b>	<b>Aggregate</b>
<b>Rating</b>			
AA	5,164	1,882	7,046

# Notes to the **Financial Statements**

for the period from October 31, 2015 to December 31, 2015

(Amounts in Rupees '000)

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.

## 14.2.2 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.

	OPF		
	Carrying amount	Upto one year	Greater than one year
<b>Financial liabilities</b>			
Agent balances	344	344	-
Other creditors and accruals	6,082	6,082	-
	<u>6,426</u>	<u>6,426</u>	<u>-</u>
	PTF		
	Carrying amount	Upto one year	Greater than one year
<b>Financial liabilities</b>			
Amount due to other takaful / re-takaful operators	1,621	1,621	-
Wakala fee payable	825	825	-
Other creditors and accruals	379	379	-
	<u>2,825</u>	<u>2,825</u>	<u>-</u>

# Notes to the Financial Statements

for the period from October 31, 2015 to December 31, 2015

(Amounts in Rupees '000)

## 14.2.3 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.

	2015 - OPF					
	Profit / mark-up bearing			Non profit / mark-up bearing	Total	
	Effective yield %	Upto one year	After one year			
<b>Financial assets</b>						
Cash and other equivalents	5 - 5.5	5,164	-	5,164	-	5,164
Wakala fee receivable		-	-	-	825	825
		5,164	-	5,164	825	5,989
<b>Financial liabilities</b>						
Agent balances		-	-	-	344	344
Other creditors and accruals		-	-	-	6,082	6,082
		-	-	-	6,426	6,426
<b>Total yield / mark-up rate risk sensitivity gap</b>		5,164	-	5,164		

	2015 - PTF					
	Profit / mark-up bearing			Non profit / mark-up bearing	Total	
	Effective yield %	Upto one year	After one year			
<b>Financial assets</b>						
Cash and other equivalents	5 - 5.5	1,882	-	1,882	-	1,882
Contributions due but unpaid		-	-	-	639	639
		1,882	-	1,882	639	2,521
<b>Financial liabilities</b>						
Amount due to other takaful / re-takaful operators		-	-	-	1,621	1,621
Wakala fee payable		-	-	-	825	825
Other creditors and accruals		-	-	-	379	379
		-	-	-	2,825	2,825
<b>Total yield / mark-up rate risk sensitivity gap</b>		1,882	-	1,882		

# Notes to the **Financial Statements**

for the period from October 31, 2015 to December 31, 2015

## **14.3 Fair value**

The fair value of all major financial assets is estimated to be not significantly different from their carrying values.

## **15. 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.

There is no transactions with related parties as at balance sheet date.

## **16. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on March 29, 2016 by the directors of the Operator.

## **17. GENERAL**

Being the first year of financial statements of Window Takaful Operations, there were no comparative figures to report.

Statement of Claims is not included in these financial statements as there were no claim intimated as at balance sheet date.

**Zahid Bashir**  
Chairman

**Nadeem Maqbool**  
Director

**Imran Maqbool**  
Director

**Mohammed Asif Arif**  
Chief Executive

# Pattern of Shareholding

As at December 31, 2015

Information as required under Code of Corporate Governance

Shareholder's category	Number of shareholders	Number of shares held
<b>i. Associated Companies, Undertakings and Related Parties</b>		
Crescent Cotton Mills Limited	1	208,943
Crescent Fibres Limited	1	48,573
Crescent Powertec Limited	1	6,368,135
Equity Textiles Limited	2	1,004,650
Muhammad Amin Muhammad Bashir Limited	2	8,076
Shams Textile Mills Limited	1	509,001
Suraj Cotton Mills Limited	1	565,064
The Crescent Textile Mills Limited	1	97,503
<b>Total :</b>	<b>10</b>	<b>8,809,945</b>
<b>ii. Directors and their spouse(s) and minor children</b>		
Mr Zahid Bashir	2	34,733
Mr Khalid Bashir	1	95,737
Mr Shams Rafi	1	248,156
Mr Nadeem Maqbool	1	329,700
Mr Imran Maqbool	1	341,353
Mr Khurram Mazhar	1	85,348
Mr Muhammad Asif Arif	1	30,000
Mrs Umbreen Zahid Bashir (w/o. Mr Zahid Bashir)	1	14,327
Mrs Tanveer Khalid Bashir (w/o. Mr Khalid Bashir)	1	110,420
Mrs Nazia Maqbool (w/o. Mr Nadeem Maqbool)	1	139,292
Mrs Asma Imran Maqbool (w/o. Mr Imran Maqbool)	1	105,579
<b>Total :</b>	<b>12</b>	<b>1,534,645</b>
<b>iii. Executives</b>		
Mr Fariq M.K. Rohilla	1	1,745
Mr Ghulam Sabir Akbar	1	74
Mr Ali Muhammad	1	19
Mr Fakhar-e-Alam	1	227
Mr Kamaluddin	2	143
Mr Kamran Safi Rizvi	1	57
Mr Khalid Rafiq	1	57
<b>Total :</b>	<b>8</b>	<b>2,322</b>
<b>iv. Public Sector Companies and Corporations</b>	4	3,981,562
<b>Total :</b>	<b>4</b>	<b>3,981,562</b>
<b>v. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds</b>		
	8	604,767
<b>Total :</b>	<b>8</b>	<b>604,767</b>
<b>vi. Shareholders Holding five percent or more Voting Rights in the Listed Company</b>		
State Life Insurance Corporation of Pakistan	2	3,770,453
Crescent Powertec Limited	1	6,368,135
<b>Total :</b>	<b>3</b>	<b>10,138,588</b>

# Pattern of Shareholding

As at December 31, 2015

Number of Shareholders	Shareholdings		Total Shares Held
	From	To	
682	1	100	18642
472	101	500	119977
209	501	1000	149409
374	1001	5000	882330
113	5001	10000	811098
38	10001	15000	484961
33	15001	20000	581910
30	20001	25000	677420
16	25001	30000	429092
9	30001	35000	286454
6	35001	40000	219618
3	40001	45000	130161
9	45001	50000	436673
5	50001	55000	256039
3	55001	60000	171780
3	60001	65000	184466
4	65001	70000	271561
3	70001	75000	218456
1	75001	80000	78196
1	80001	85000	80635
5	85001	90000	436219
8	90001	95000	741393
3	95001	100000	288975
5	105001	110000	527895
1	110001	115000	110420
2	115001	120000	234588
2	130001	135000	264299
3	135001	140000	411064
1	140001	145000	144215
1	145001	150000	145304
2	150001	155000	305657
2	170001	175000	346656
1	175001	180000	175747
1	180001	185000	183421
1	185001	190000	189589
1	195001	200000	199852
1	200001	205000	202601
2	205001	210000	416374
2	210001	215000	420512
2	215001	220000	432306
2	225001	230000	452482

# Pattern of Shareholding

As at December 31, 2015

Number of Shareholders	Shareholdings		Total Shares Held
	From	To	
1	235001	240000	238060
1	240001	245000	242078
1	245001	250000	248156
1	255001	260000	258750
1	260001	265000	264772
1	270001	275000	274120
1	315001	320000	316250
1	325001	330000	329700
1	335001	340000	339460
2	340001	345000	682707
1	345001	350000	348240
1	360001	365000	362922
1	365001	370000	367323
1	390001	395000	391503
1	415001	420000	416875
1	450001	455000	451033
1	480001	485000	482962
1	485001	490000	489233
1	505001	510000	509001
1	515001	520000	515417
1	565001	570000	565064
1	575001	580000	579529
1	585001	590000	586654
1	635001	640000	636717
1	810001	815000	814776
1	855001	860000	856314
1	3770001	3775000	3770256
1	6365001	6370000	6368135
<b>2091</b>			<b>34824454</b>

# Pattern of Shareholding

As at December 31, 2015

Additional Information

Categories of Shareholders	Shares Held	Percentage
<b>Directors, CEO and their spouses &amp; minor children</b>		
Mr. Zahid Bashir (Director)	34,733	0.10
Mr. Khalid Bashir (Director)	95,737	0.27
Mr. Shams Rafi (Director)	248,156	0.71
Mr. Nadeem Maqbool (Director)	329,700	0.95
Mr. Imran Maqbool (Director)	341,353	0.98
Mr. Khurram Mazhar (Director)	85,348	0.25
Mr. Muhammad Asif Arif (CEO)	30,000	0.09
Mrs. Umbreen Zahid Bashir (w/o. Mr. Zahid Bashir)	14,327	0.04
Mrs. Tanveer Khalid (w/o. Mr. Khalid Bashir)	110,420	0.32
Mrs. Nazia Maqbool (w/o. Mr. Nadeem Maqbool)	139,292	0.40
Mrs. Asma Imran Maqbool (w/o. Mr. Imran Maqbool)	105,579	0.30
<b>Associated companies, undertakings &amp; related parties</b>		
Crescent Fibres Limited	48,573	0.14
Crescent Powertec Limited	6,368,135	18.29
Crescent Cotton Mills Limited	208,943	0.60
Equity Textiles Limited	1,004,650	2.88
Muhammad Amin Muhammad Bashir Limited	8,076	0.02
Shams Textile Mills Limited	509,001	1.46
Suraj Cotton Mills Limited	565,064	1.62
The Crescent Textile Mills Limited	97,503	0.28
<b>NIT &amp; ICP</b>		
Investment Corporation of Pakistan	478	-
<b>Banks, Development Financial Institutions, Non Banking Financial Institutions</b>		
Banks & Financial Institutions	595,900	1.71
Insurance Companies	83	-
Modarabas & Mutual Funds	113	-
<b>Shareholders holding 10%</b>		
State Life Insurance Corporation of Pakistan	3,770,453	10.83
<b>General Public</b>		
Local	19,761,316	56.75
<b>Others</b>		
Deputy Administrator Abandoned Properties Organization	189,589	0.54
Trustees Muhammad Amin Wakf Estate	136,139	0.39
Trustees Crescent Steel & Allied Products Limited	8,671	0.02
Trustees Saeeda Amin Wakf	8,926	0.03
Trustees Rashid Latif Jamal Trust	1,734	0.01
Trustees Aziz Latif Jamal Trust	234	-
Ali Trust	30	-
Islamabad Stock Exchange (G) Limited	6,198	0.02
	<b>34,824,454</b>	<b>100.00</b>

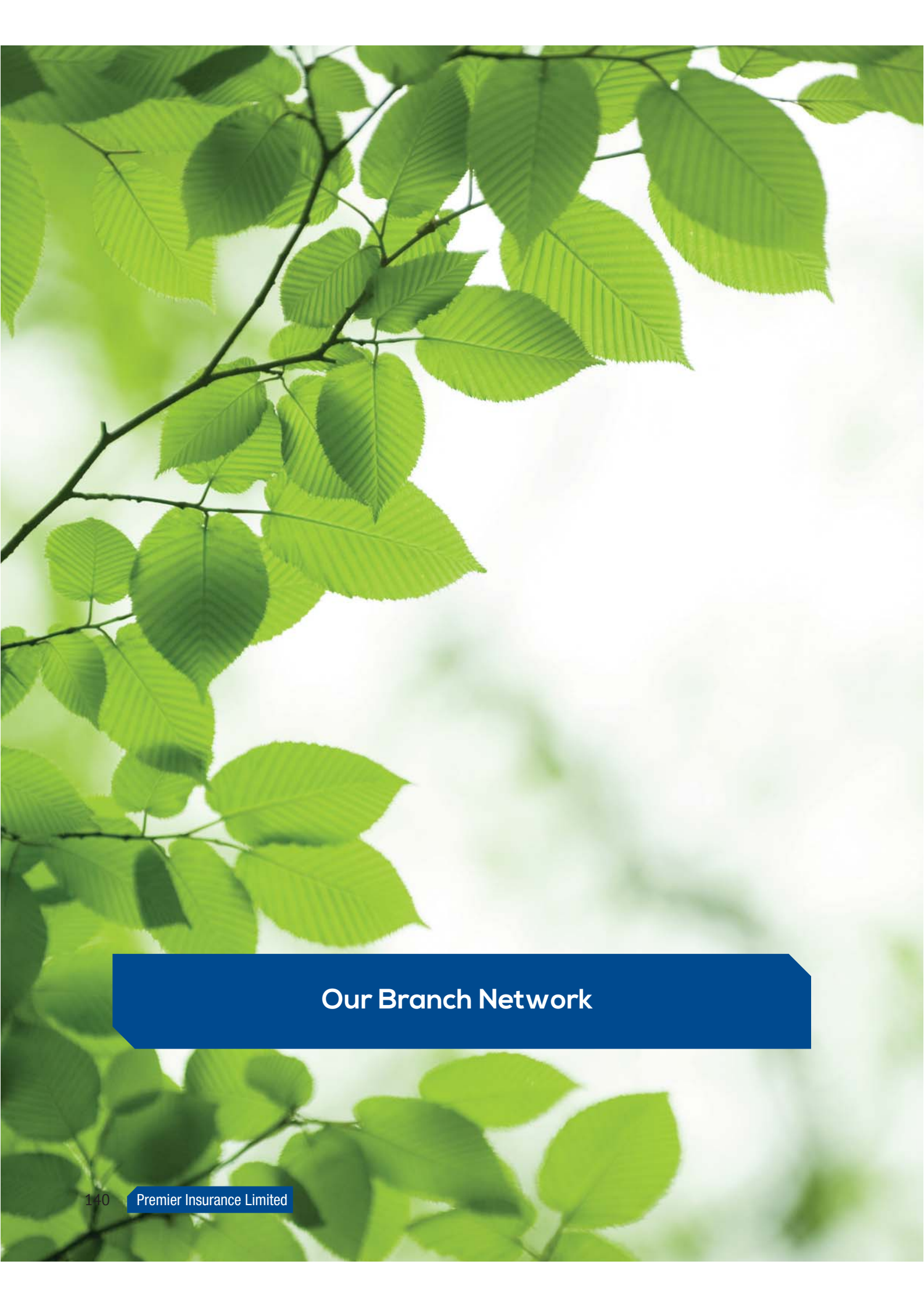
# Moon & Tides

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.

بمیشه کالتو





## Our Branch Network

# Conventional **Branches**

## **Karachi**

### **Head Office**

5th Floor, State Life Building 2-A, Wallace Road off I.I. Chundrigar Rd, Karachi – 74000, Pakistan

Phone: 021-32416331-4

Fax: 021-32416572

### **Clifton Branch**

Office No 401 4th Floor Clifton Centre Kehkhashan Block 5 Clifton Karachi

Phone: 021-35293383-5

Fax: 021-35293386

### **Nelson Chamber Branch Unit A**

Plot # SR-512/1 2nd Floor Nelsons Chamber I.I.Chundrigar Road Karachi

Phone: 021-32622131-33-34

Fax: 021-32622135

### **Nelson Chamber Branch Unit C**

Plot # SR-512/1 2nd Floor Nelsons Chamber I.I.Chundrigar Road Karachi

Phone: 021-32622131-33-34

Fax: 021-32622135

## **Lohore**

### **Zonal Office**

162 Shadman II Lahore

Phone: 042-35407001-5

Fax: 042-35407006

### **Gulberg Branch**

F-13 4th Floor Hafeez Centre Main Boulevard Gulberg Lahore

Phone: 042-35874271 - 35873636

Fax: 042-35874249

### **Shadman Branch**

177- B Shadman II Lahore

### **Canal Branch**

162- Shadman II Lahore

Phone: 042-35407001-5

Fax: 042-35407006

### **Mall Branch**

23 Shahrah-e-Quaid-e-Azam Lahore

Phone: 042-37230602-03

Fax: 042-37235557

### **Islamabad Branch**

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

Phone: 051-2348167-8

Fax: 051-2348169

### **Rawalpindi Branch**

32-Services Plaza The Mall Rawalpindi

Phone: 051-5562113, 5568907

Fax: 051-5566900

### **FSD-Regency Branch**

1st Floor Regency Arcade 949-Mall Road Faisalabad

Phone: 041-2632211-12

Fax: 041-2617802

### **FSD-Chenab Branch**

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

Phone: 041-8503541-42

Fax: 041-8503543

### **Gujrawala Branch**

Block - L Trust Plaza G.T Road Gujranwala

Phone: 055-3859719-20

Fax: 055-3256432

### **Sialkot Branch**

Room No. 3 & 4 Sahib Plaza Saga Chowk Defence Road Sialkot

Phone: 052-3572192-93

Fax: 052-3572194

### **Peshawar Branch**

1081/A, Rehman Building Saddar Road Peshawar Cantt

Phone: 091-5273757

Fax: 091-5277809

### **Multan Branch**

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

Phone: 061-4515007, 4515009

Fax: 061-4587143

### **Sahiwal Branch**

Room No. 1 Sattar Complex Stadium Road Sahiwal

Phone: 040-4220918

Fax: 040-4220790

### **Quetta Branch**

43-Regal Plaza 2nd Floor Circular Road Quetta

Phone: 081-2842883

Fax: 040-4220790

# Takaful Branches

## **Saima Trade Tower - Takaful**

Office No 1001 & 1014 10th Floor Block-B  
Saima Trade Tower I.I. Chundrigar Road  
Karachi

Phone: 021-32271851-3

Fax: 021-32271857

## **Nelson Chamber Branch Unit B**

Plot # SR-512/1 2nd Floor Nelsons Chamber  
I.I.Chundrigar Road Karachi

Phone: 021-32622131-33-34

Fax: 021-32622135

## **Mall Branch Lahore - Takaful**

23 Shahrah-e-Quaid-e-Azam Lahore

Phone: 042-37230602-03

Fax: 042-37235557

## **Islamabad Branch - Takaful**

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

Phone: 051-2348167-8

Fax: 051-2348169

## **Faisalabad Branch - Takaful**

1st Floor Hassan Arcade 871-B Chen One  
Road Peoples Colony No.1 Faisalabad

Phone: 041-8723047-49

Fax: 041-8723046

## **Sialkot Branch - Takaful**

1st Floor Suit # 3 & 4 Sahib Plaza Saga  
Chowk Defence Road Sialkot

Phone: 052-3253313, 3572192

Fax: 052-3272194

## **Peshawar Branch- Takaful**

Jawad Tower Building, 4th Floor, Office # 5,  
Block - B, University Road, Peshawar

# Notice of **Annual General Meeting**

Notice is hereby given that the 64th Annual General Meeting of Premier Insurance Limited (the "Company") will be held at the Beach Luxury, Aquarius Hall, Moulvi Tamizuddin Road, Karachi, on Wednesday April 27, 2016 at 9.00 a.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 28, 2015;
2. To receive, consider and adopt the audited financial statements of the Company for the year ended December 31, 2015, the report of the Auditors thereon and the report of the Directors;
3. To approve the payment of a cash dividend @ 10% i.e. Rs 1 per ordinary share of Rs.10 each, out of the reserves for the year ended December 31, 2015, as recommended by the Directors;
4. To appoint Auditors of the Company and fix their remuneration. M/s. Deloitte Yousuf Adil, Chartered Accountants be appointed as auditors, in place of retiring auditors.

## **SPECIAL BUSINESS**

1. To approve the issuance of bonus shares @ 20% i.e. one ordinary share for every five ordinary shares held, out of the reserve for the year ended December 31, 2015, as recommended by the Directors by passing the following Ordinary Resolution:

"RESOLVED THAT a sum of Rs 69,648,900 out of the reserves of the Company be capitalized and applied to the issue of 6,964,890 Ordinary Share 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 17, 2016 in the proportion of one new Ordinary share for every five 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."

2. To consider, and if thought fit, to pass the following resolution with or without modification(s) as Special Resolution to amend the Articles of Association of the Company by inserting a new Item No. 52A to introduce E-Voting as prescribed by Securities and Exchange Commission of Pakistan.

"RESOLVED THAT the Articles of Association of the Company be and is hereby amended as under:

The provisions and requirements for E-Voting as prescribed by the Securities and Exchange Commission of Pakistan (SECP) from time to time shall be deemed to be incorporated in these Articles, irrespective of the other provisions of these Articles of Association and notwithstanding anything contradictory therein."

3. To consider, and if thought fit, to pass the following resolution with or without modification(s) as Special Resolution to amend the Memorandum and Articles of Association of the Company.

"RESOLVED THAT the Memorandum of Association of the Company be and is hereby amended as under:

The Authorized Share Capital of the Company is PKR 750,000,000/- (Pak Rupees Seven Hundred Fifty Million only) divided into 75,000,000 shares of PKR 10/- (Pak Rupees Ten only) each with the power of the Company, specifically, to increase the Authorized Share Capital to include a further issues including of preference shares, and generally, to increase or reduce the capital and to divide the shares in the capital for time being into several classes in accordance with the provisions of the Companies Ordinance, 1984 and any rules made thereunder, and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company for the time being (in accordance with the applicable laws), and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the Company (in accordance with applicable laws).

FURTHER RESOLVED THAT the Articles of Association of the Company be and is hereby amended as under:

The Authorized Share Capital of the Company shall be PKR 750,000,000/- (Pak Rupees Seven Hundred Fifty Million only) divided into 75,000,000 ordinary shares of PKR 10/- (Pak Rupees Ten only) each with the power of the Company, specifically, to increase the Authorized Share Capital to include a further issues including issuance preference shares, and generally, to increase or reduce the capital and to divide the shares in the capital for time being into several classes in accordance with the provisions of the Companies Ordinance, 1984 and any rules made thereunder, and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with these Articles or the applicable law for the time being and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by these Articles or the Regulations in accordance with laws.

RESOLVED FURTHER that all the formalities and legal procedures be undertaken to effectuate the above resolution, for which purpose the Company Secretary is hereby singly authorized and empowered to act on behalf of the Company to implement the object and spirit of the above resolution to all intents and purposes, to sign all necessary documents and do all acts, deeds and things necessary for the same."

4. 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	10.0	01.05	40.0
2	Crescent Textile Mills Limited	20.0	11.09	30.0
3	Shams Textile Mills Limited	20.0	06.69	30.0
4	Suraj Cotton Mills Limited	29.9	15.65	20.1
5	First Equity Modaraba	25.0	07.31	25.0
6	Shakarganj Mills Limited	10.0	-	40.0
7	Crescent Steel & Allied Products Limited	-	-	50.0
8	Crescent Jute Products Limited	-	-	50.0
9	Crescent Fibres Limited	-	-	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.

## **OTHER BUSINESS**

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

By Order of the Board

**Iftikhar Gadar**

Company Secretary

Karachi, March 29, 2016

### **Notes:**

## **CLOSURE OF SHARE TRANSFER BOOKS**

The Share Transfer Books of the company shall remain closed from April 18, 2016 to April 27, 2016 (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 17, 2016 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

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 January 10, 2014 read with Notification S.R.O. 831(I)/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

(i) Pursuant to the provisions of the Finance Act 2015 effective July 1, 2015, 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 17.5%

To enable the company to make tax deduction on the amount of cash dividend @ 12.5% instead of 17.5%, 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 @ 17.5% 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), withholding 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		Joint Shareholder	
			Name and CNIC #	Shareholding Proportion (No. of Shares)	Name and CNIC #	Shareholding Proportion (No. of Shares)

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.

## **DIVIDEND MANDATE**

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan (SECP) vide Circular No. 18 of 2012 dated June 05, 2012, it is to inform you that under Section 250 of the Companies Ordinance, 1984 a shareholder may, if so desired, direct the Company to pay dividend through his/her/its bank account.

Further, transferee of shares may exercise option for dividend mandate by using the revised "Form of Transfer Deed" available on Company's website. The revised form of transfer deed will enable the transferees to receive cash dividend directly in their bank accounts, if such transferee provides particulars of its bank account which he/she/it desires to be used for credit of cash dividend.

If they so desires the shareholders have the option to seek the dividend mandate by using the standardized "Dividend Mandate Form" available on Company's website [www.pil.com.pk](http://www.pil.com.pk).

Shareholders who hold shares in physical form are requested to submit the required Dividend Mandate Form to our Share Registrar, while those shareholder who hold shares in Central Depository Company are to submit the Dividend Mandate Form to their Participant/ Investor Account Services.

## **PAYMENT OF CASH DIVIDEND ELECTRONICALLY**

The SECP has initiated e-dividend mechanism through its letter No: 8(4) SM/CDC/2008 dated April 05, 2013. In order to avail benefits of e-dividend (such as instant credit of dividends, no chances of dividend warrants getting lost in the post, undelivered or delivered to the wrong address etc.) shareholders are hereby advised to provide details of their bank mandate specifying: (i) title of account, (ii) account number, (iii) bank name, (iv) branch name, code and address.

## **CONSENT FOR ELECTRONIC TRANSMISSION OF AUDITED FINANCIAL STATEMENTS & NOTICES**

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](http://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.

**Status of previous approvals for investments in associated companies under section 160(1)(b) of the Companies Ordinance, 1984 and are the annexed to the Notice of the 64th Annual General Meeting of the Premier Insurance Limited to be held on Wednesday April 27, 2016, at which certain Special Business are to be transacted.**

(i)	name of the associated company or associated undertaking along with criteria based on which the associated relationship is established <b>Investment made as at December 31, 2015</b>	Crescent Cotton Mills Ltd. Rs.0105 million	Crescent Textile Mills Ltd. Rs.11.09 million	Shams Textile Mills Ltd. Rs.06.69 million	Suraj Cotton Mills Ltd. Rs.15.65 million	COMMON DIRECTORSHIP Rs.07.31 million	Shakarganj Mills Ltd. -	Crescent Steel B. Allied Products Ltd. -	Crescent Jute Products Ltd. -	Crescent Fibres Ltd. -
(ii)	purpose, benefits and period of investment	The investment will enable the Company to earn dividend income including Bonus / Right shares and prospective capital gains. The period of the proposed equity investment is long term.								
(iii)	maximum amount of investment	50 million	50 million	50 million	50 million	50 million	50 million	50 million	50 million	50 million
(iv)	maximum price at which securities will be acquired	Fair value on the date of purchase, or in the case of negotiated purchase recorded on the Stock Exchange, the best price which can be negotiated in an arm's length transaction taking into consideration all factors attached to the purchase / sale.								
(v)	maximum number of securities to be acquired	Such number of shares which can be purchased by utilizing the said amount of investment at the price determined under (iv) above.								
(vi)	number of securities and percentage thereof held before and after the proposed investment	After completion of the proposed investment, the total shareholding and percentage of holding of the Company will depend upon the price at which the Company will be able to purchase the shares.								
(vii)	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired	Rs.450	Rs.18.63	Rs.2120	Rs.136.14	Rs.4.8	Rs.8.34	Rs.125.73	Rs.2.75	Rs.42.78
(viii)	In case of investment in unlisted securities, fair market value of such securities determined in terms of Regulation 6(i)	NOT APPLICABLE								
(ix)	break-up value of securities intended to be acquired on the basis of the latest audited financial statements	Rs.27.99	Rs.56.09	Rs.66.50	Rs.188.0	Rs.12.03	Rs.(10.24)	Rs.65.2	Rs.(11.5)	Rs.74.45
(x)	earning per share of the associated company or associated undertaking for the last three years	Rs.(1.00) Rs.4.53 Rs.12.01	Rs.3.97 Rs.4.68 Rs.2.27	Rs.(6.15) Rs.(6.44) Rs.(2.87)	Rs.247 Rs.300 Rs.45.6	Rs.0.22 Rs.0.546 Rs.0.471	Rs.(2.05) Rs.(9.19) Rs.3.84	Rs.171 Rs.5.8 Rs.131	Rs.(0.29) Rs.6.94 Rs.(2.68)	Rs.3.59 Rs.14.15 Rs.19.62
(xi)	sources of fund from which securities will be acquired	Out of Company's own source funds								
(xii)	where the securities are intended to be acquired using borrowed funds (i) justification for investment through borrowings; and (ii) detail of guarantees and assets pledged for obtaining such funds	NOT APPLICABLE NOT APPLICABLE								
(xiii)	salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment	NOT APPLICABLE								
(xiv)	direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	None of the directors, sponsors, majority shareholders and their relatives, have interest in the proposed acquisition, except to the extent of their shareholding in the associated company or associated undertaking or the transaction under consideration.								
(xv)	any other important details necessary for the members to understand the transaction	NOT APPLICABLE								
(xvi)	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely (i) description of the project and its history since conceptualization; (ii) starting and expected date of completion of work; (iii) time by which such project shall become commercially operational; and (iv) expected time by which the project shall start paying return on investment	NOT APPLICABLE NOT APPLICABLE NOT APPLICABLE NOT APPLICABLE								

# 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 Wednesday, April 27, 2016 at 9:00 a.m. at the Beach Luxury, Aquarius Hall, Molvi Tamizuddin Khan Road, Karachi and at any adjournment thereof.

Signed this..... day of..... 2016

1. Witness:  
Signature.....  
Name.....  
Address.....  
.....  
CNIC or Passport No.....



Signature of Shareholder

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

### 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.



**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: \_\_\_\_\_

\_\_\_\_\_  
Signature:

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

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

# Share **Registrar**





### **A Companion Like Your Own Shadow**

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](http://www.pil.com.pk)