ANNUAL REPORT 2015

SECURITY GENERAL INSURANCE COMPANY LTD.

Security General Insurance Company Limited

Annual Report 2015

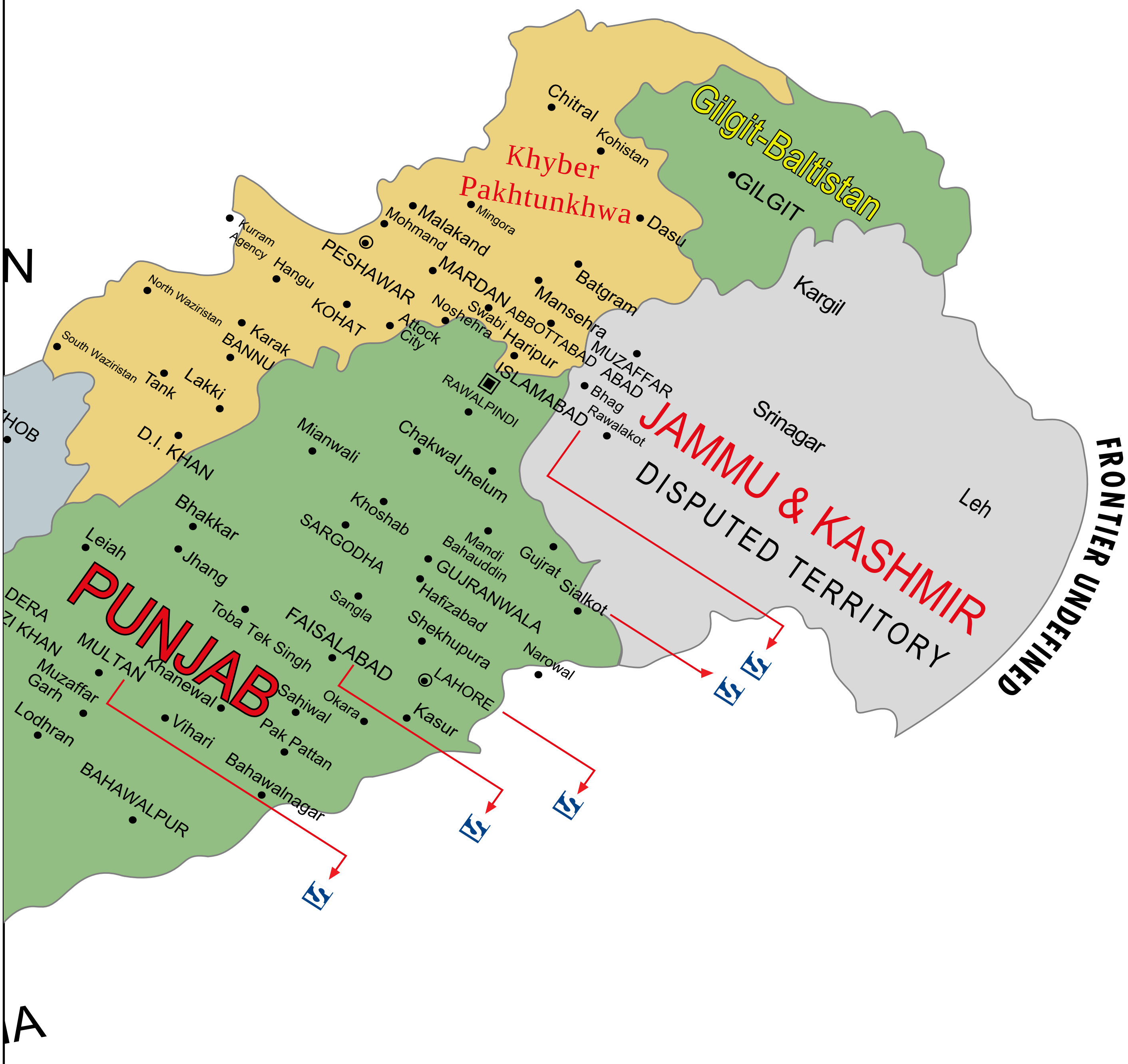
Contents

Branch Network

SIALKOT BRANCH:
Office No. 12 & 13, First Floor, Taseer Centre, Kutchery Road, Sialkot.

KARACHI CITY BRANCH:
77 Q-Block, 11- Ghazali Road, Opp. Automatic Bakery Block 2, P.E.C.H.S Karachi.

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



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

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

FAISALABAD BRANCH:
2nd Floor, Regency Plaza, New Civil Lines, Faisalabad.

NEW MULTAN BRANCH:
Business City Plaza, Bosan Road, Multan.

Mission Statement

SGI to become a leader

in insurance through innovation,

competitive advantage,

customer satisfaction

and stakeholder confidence.

Quality Policy & Objectives

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

To achieve Market dominance through:

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

To achieve customer satisfaction through:

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

To achieve superior risk underwriting capacity:

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

To achieve stakeholders' confidence & continuously improve performance:

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


Excellent
Good
Average
Poor

Insurer Financial Strength Rating

'AA-'

JCR-VIS

Company Information

Board of Directors

Mian Hassan Mansha
Chairman

Inayat Ullah Niazi
Director

Mahmood Akhtar
Director

Muhammad Azam
Director

Badar ul Hassan
Director

Farrukh Aleem
CEO

Khalid Mahmood Chohan
Company Secretary

Management

Farrukh Aleem
CEO

Hafiz Khuram Shahzad
CFO

Khalid Mahmood Chohan
Company Secretary

Audit Committee

Mian Hassan Mansha
Chairman

Inayat Ullah Niazi
Member

Badar ul Hassan
Member

External Auditors

A.F. Ferguson & Company
Chartered Accountants

Internal Auditors

S.M. Masood & Co.
Chartered Accountants

Lawyers

Hamid Law Associates

Head Office

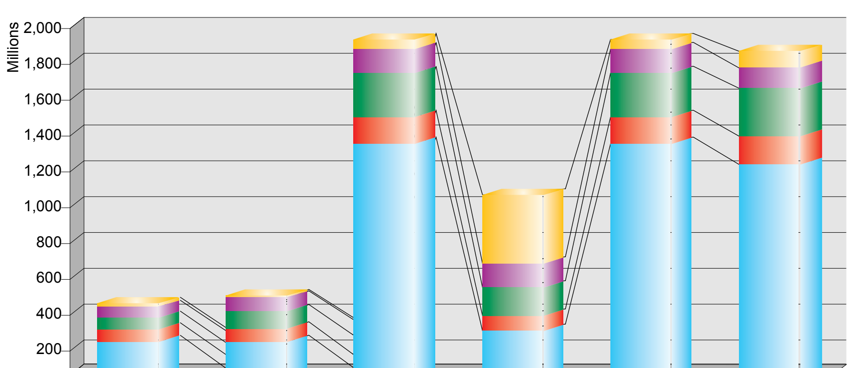
SGI House, 18 C / E1,
Gulberg III, Lahore.
Tel: 92-42-35775024-29
Fax: 92-42-35775030
E-mail: sgi@sgicl.com
Web: www.sgicl.com

Key Financial Data

(Rupees in Million)

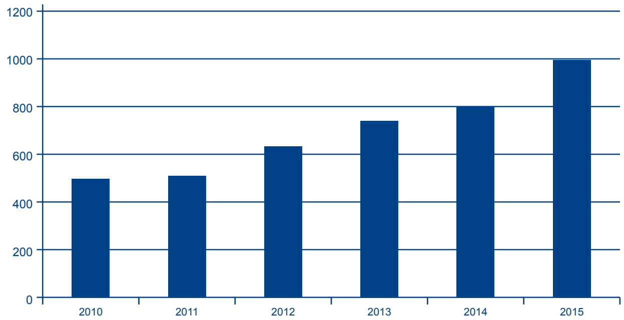
Description	2015	2014	2013	2012	2011	2010
Gross premium	1,851	1,816	1,872	1,006	451	402
Profit after Tax	914	897	760	527	389	374
Profit before Tax	1,094	971	826	586	457	411
Investment Income	996	799	739	633	509	496
Underwriting Income	200	174	177	56	48	50
Net Revenue	441	524	368	198	155	127
Net Claims	125	232	97	70	53	35
Paid-up Capital	681	681	681	681	681	681
Authorized Share Capital	1,000	1,000	1,000	1,000	1,000	1,000
Underwriting Reserve	1,931	1,395	1,250	863	347	308
Investments	8,348	7,535	7,261	7,273	7,211	7,295
Tangible Fixed Assets	107	120	110	107	87	85
Retaind Profit	8,423	7,812	7,225	6,740	6,451	6,266

DEPARTMENT WISE PREMIUM GRAPH

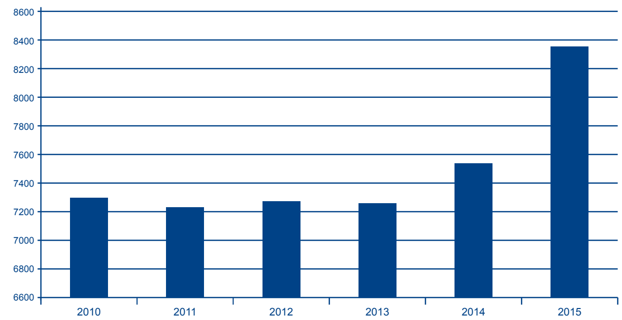


	2010	2011	2012	2013	2014	2015
ENGG	15,881,926	8,963,073	379,809,765	40,426,757	88,557,759	165,325,104
MISC.	62,420,062	76,931,545	126,659,114	139,893,014	124,150,857	79,825,692
MOTOR	62,074,011	99,586,776	162,820,285	242,333,499	256,417,556	221,926,365
MARINE	69,127,640	68,654,090	82,860,599	143,095,390	160,250,641	115,433,597
FIRE	192,558,767	197,297,768	253,949,066	1,306,612,326	1,186,367,424	1,268,175,471
	462,062,406	451,433,252	1,006,098,829	1,872,360,986	1,815,744,237	1,850,686,229

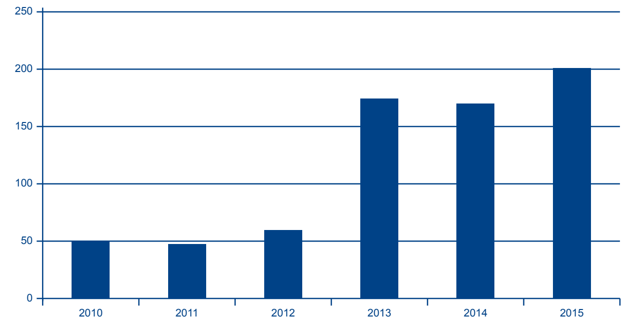
INVESTMENT INCOME



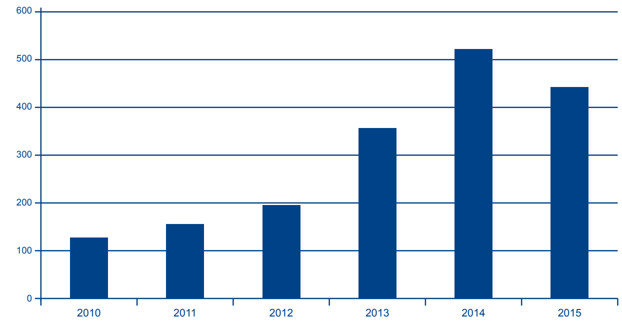
INVESTMENT



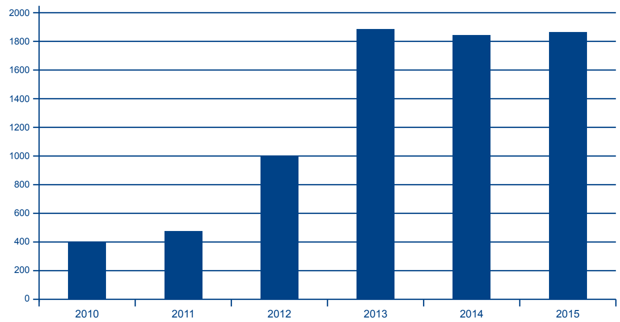
UNDERWRITING INCOME



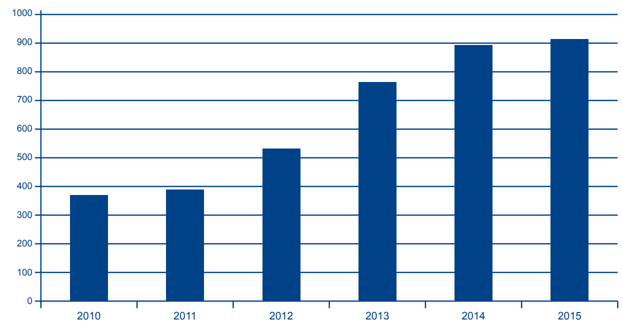
NET REVENUE



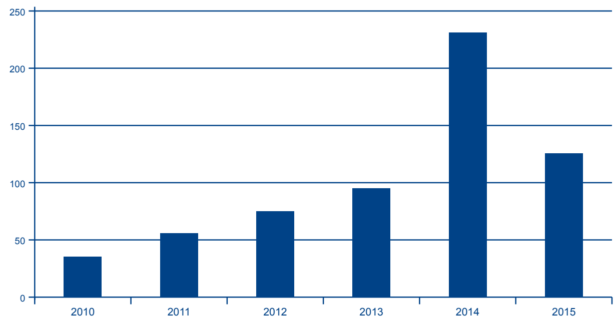
GROSS PREMIUM



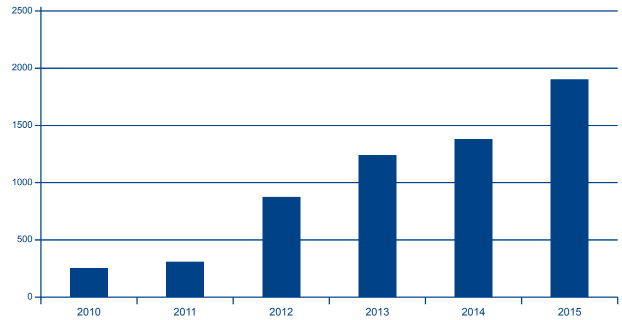
PROFIT AFTER TAX



NET CLAIMS



UNDERWRINTING RESERVE



Fire & Allied Perils Insurance

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

Coverage Available.

Loss or damage due to:-

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

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

Standard Fire Perils. 1) Fire 2) Lightning

Allied Perils.

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

Burglary/Theft.

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

Electrical Clauses.

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

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

Business Interruption Insurance (BI)

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

Marine Cargo Insurance

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

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

Motor Insurance

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

1) “ACT ONLY’’ Liability

2) Third Party Liability

3) Private & Commercial vehicle comprehensive insurance

4) Motor Cycle comprehensive insurance

Engineering & Miscellaneous

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

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

Bonds Insurance

BID BONDS

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

MOBILIZATION ADAVANCE BOND

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

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

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

PERFORMANCE BOND

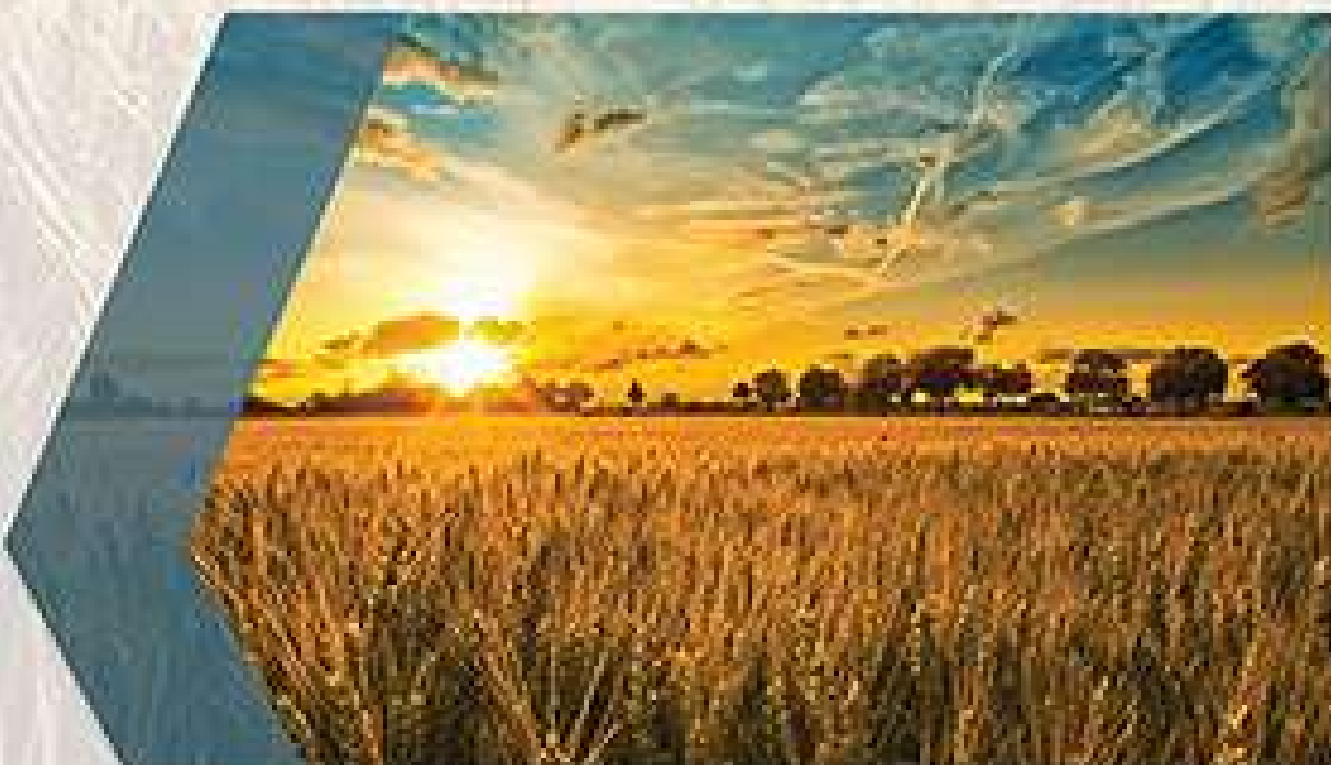
Performance bond is required of a contract (After accepting Bid and awarding of contract) to guarantee the full and the due performance of the contract according to plan and specifications. In case the contractor fails, to perform the contract in accordance with the terms and conditions of the contract,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

SUPPLY BONDS

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

Crops Insurance

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



Home Insurance

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

Review Report To The Members

on Statement of Compliance With Best Practices of 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 December 31, 2015 prepared by the Board of Directors of Security General Insurance Company Limited ('the Company') to comply with the Code issued by the Securities and Exchange Commission of Pakistan applicable to non listed insurance companies.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the company 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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

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

Lahore.
Dated: April 05, 2016

Statement of Compliance
with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance ('CCG') for Insurance Companies for the purpose of establishing a framework of good governance, whereby Insurance Company is managed in compliance with the best practices of corporate Governance.

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

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

Category:	Names
Independent directors:	Nil
Executive directors:	Mr Farrukh Aleem
Non-executive directors:	Mr Mian Hassan Mansha Mr Inayat Ullah Niazi Mr Badar Ul Hassan Muhammad Azam Mr Mehmood Akhtar

2. The directors have confirmed that none of them is serving as a director in ten or more listed companies.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by a stock exchange.

4. There was no casual vacancy on the Board of Directors during the year.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and has been circulated among the employees of the company.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO), have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the company.

10. An orientation course for directors was arranged during the year 2010.

11. No new appointement of CFO, Company Secretary and Head of Internal Audit has been approved by the Board. The remuneration of CFO, Company secretary and head of Internal Audit was revised during the year after approval of the Board.

12. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

14. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

15. The Company has complied with all the corporate and financial reporting requirements of the Code.

16. The Board has formed underwriting, claim settlement and reinsurance committees.

17. The Board has formed an Audit Committee. It comprises of 3 members, all of whom are non-executive directors including the chairman of the committee.

18. The meetings of the committees were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the audit committee have been formed and advised to the audit committee for compliance.

18. The Board has set-up an effective internal audit function. The company has outsourced its internal audit function to a firm of professional consultants.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. We confirm that all other material principles contained in the Code have been complied with.

On behalf of Board of Directors

Farrukh Aleem
CEO

Dated: April 05, 2016

Notice of Annual General Meeting

Notice is hereby given that Annual General Meeting of the Shareholders of Security General Insurance Company Limited ("the Company") will be held on April 30, 2016 (Saturday) at 12:30 p.m. at SGI House, 18-C/E-1, Gulberg III, Lahore, to transact the following business:

1. To receive, approve and adopt the audited accounts of the Company for the year ended December 31, 2015 together with the Directors' and Auditors' reports thereon.
2. To approve Final Cash Dividend @ 25% (i.e. Rs. 2.5/- Per Share) for the year 2015, as recommended by the Board in addition to 25% interim dividend already paid.
3. To appoint Statutory Auditors of the Company for the year 2016 and fix their remuneration.

By order of the Board

LAHORE
Dated: April 05, 2016

Khalid Mahmood Chohan
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed for entitlement of 25% Final Cash Dividend (i.e Rs. 2.5/- per share) from 23-04-2016 to 30-04-2016 (both days inclusive). Transfers received in order at SGI House, 18-C/E-1, Gulberg III, Lahore, upto 1:00 p.m. on 22-04-2016 will be considered in time for entitlement of 25% Final Cash Dividend and attending of Annual General Meeting.
2. A member eligible to attend and vote at this meeting may appoint another member his / her proxy to attend and vote instead of him/her. Proxies in order to be effective must reach the Company's Registered Office not less than 48 hours before the time for holding the meeting.
3. Shareholders are requested to immediately notify the change in address, if any.

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

Name of Investee Company	D. G. Khan Cement Co. Ltd.	Adamjee Insurance Co. Ltd.
Total Investment Approved	PKR 500,000,000 (Rupees Five Hundred Hundred Million Only) by way of purchase of shares was approved by members in EOGM held on October 31, 2015 for the period of three (3) years.	PKR 525,000,000 (Rupees Five Hundred Twenty Five Million Only) by way of purchase of shares was approved by members in EOGM held on September 30, 2014 for the period of three (3) years.
Amount of Investment Made to date	Rs. 19.516 Million	Rs. 274.9756 Million
Reason for not having made complete Investment so far where resolution Required to be implemented in Specified time.	Partial investment has been made in investee company. Further investment will be made depending on market conditions at appropriate time.	Partial investment has been made in investee company. Further investment will be made depending on market conditions at appropriate time.
Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	At the time of approval, as per then available latest financial statements for the year ended June 30, 2013, the basic Earnings per Share was Rs. 12.56 and Break-up Value per Share without fare value reserve was Rs.55.23 (with fare value reserve was Rs. 109.46). As per Latest available financial statements for the half year ended 31 December 2015, the Basic Earnings per share is Rs. 8.75 and Break-up Value per Share without fare value reserve is Rs. 66.07 (with fare value reserve is Rs. 142.72.	At the time of approval, as per then available latest financial statements for the year ended December 31, 2013, the basic Earnings per Share was Rs. 5.60 and Break-up Value per Share was Rs. 37.30. As per Latest available financial statements for the year ended 31 December 2015, the Basic Earnings per share is Rs. 7.30 and Break-up Value per Share is Rs.43.72.

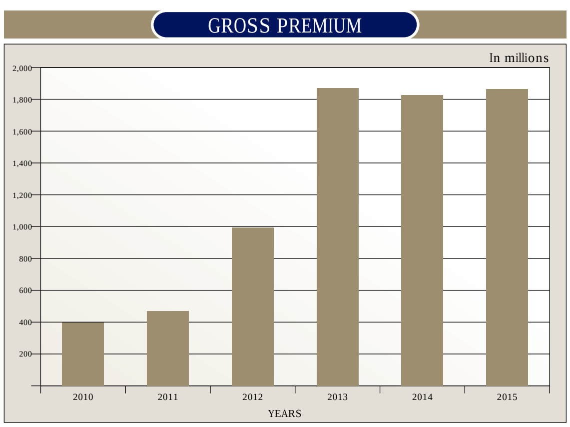
Directors' Report To The Members

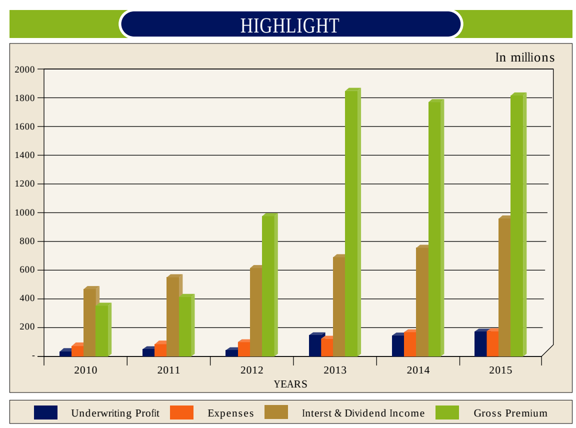
On behalf of the Board of Directors of Security General Insurance Company Limited, I am pleased to present the 20th annual report of your company for the year ended December 31, 2015.

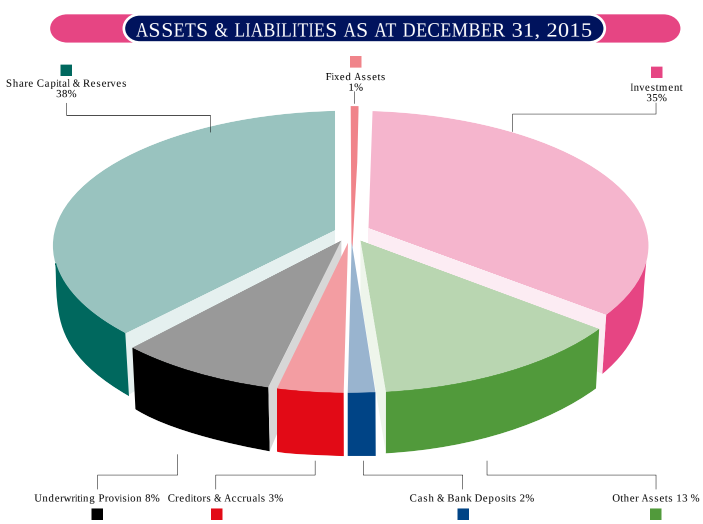
COMPANY'S PERFORMANCE DURING 2015:

SGI underwrote a gross premium of Rs. 1.85 billion during the year 2015.

	Dec, 2015	Dec, 2014	Increase/(Decrease)
	(Rupees in million)		%
Gross Premium	1,851	1,816	2
Net Premium	441	524	(16)
Net Commission	41	29	41
Net Claims	125	232	(46)
Profit from underwriting business	200	174	15
Other income (not attributable to Investment activities)	22	51	(57)
Investment income	996	799	25
Financial charges	4	2	100
Profit before tax	1,094	971	13
Profit after tax	914	897	2

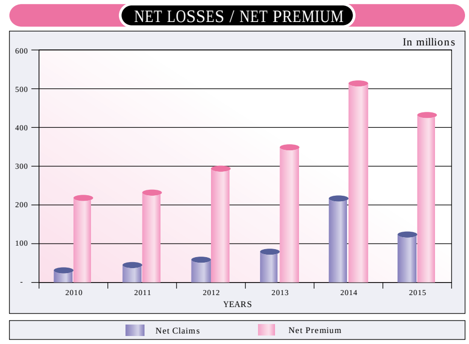






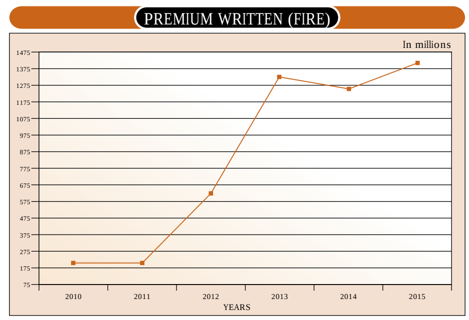
UNDERWRITING ACTIVITY:

SGI underwrote a gross premium of Rs. 1.85 billion during the year 2015. Underwriting profit for the year stands at Rs. 200 million (2014 Rs. 174 million). Underwritting profit bears a percentage of 45% to the net premium revenue.



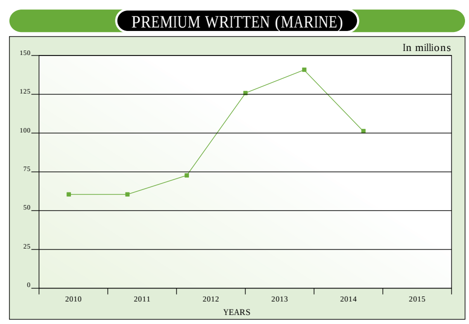
FIRE & PROPERTY DAMAGE:

Premium written in Fire business has Increased as compared to same period during last year by 12%. The underwriting profit from fire business for year ended December 31st 2015 is 48%. Fire and property portfolio represents 77% of the total underwriting portfolio of SGI.



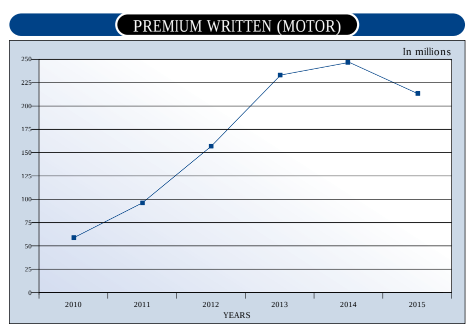
MARINE AVIATION AND TRANSPORT BUSINESS:

Premium written in marine business has decreased as compared to same period during last year by 28%. The underwriting profit from marine business for year ended December 31st 2015 is 23%. Marine business represents 6% of the total underwriting portfolio of SGI.



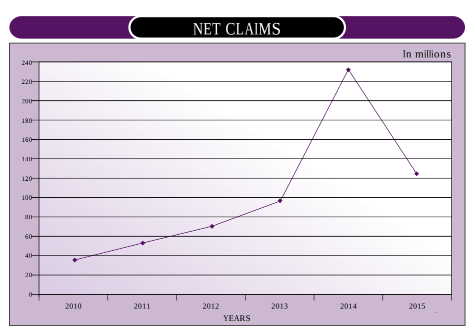
MOTOR:

The gross premium from motor business has decreased from Rs. 256 million during the period ended December 31st 2014 to Rs. 222 million during the year ended December 31st 2015. The underwritning profit from motor business for the year ended December 31st 2015 is 50%.



CLAIMS:

The net claims expense has decreased from Rs. 232 million during the year ended December 31st 2014 to Rs. 125 million during the year ended December 31st 2015. Net claims are 28% of net premium (2014 : 44%).



INVESTMENTS:

The market value of our investment portfolio decreased from 18 billion to Rs. 14 billion on the December 31st 2015 the Company earned dividend of Rs. 969 million from its investment portfolio (2014: 788 million).

CASH FLOW:

As of December 31st 2015 overall business cash flow is negative due to investment and re-insurance payments.

EARNING PER SHARE:

Earnings per share has sightly increased from 13.18 during the period ended December 31st 2014 to Rs. 13.43 during the period ended December 31st 2015.

APPROPIRATIONS:

Directors, in their meeting held on April 05, 2016, have recommended a 25% cash dividend. This is in addition to 25% cash dividend paid on the basis of half yearly results for 2015.

CREDIT RATING:

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

BOARD AUDIT COMMITTEE

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

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

STATUTORY AUDIT:

The auditors have expressed an unqualified opinion on the financial statement of the Company for the year 2015.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

The Directors are pleased to give the following statement in respect of Code of Corporate Governance.

- The Financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance 2000 and Companies Ordinance 1984. These statements present fairly the company's state of affair, results of its operations, cash flow and changes in equity.
- Proper books of accounts have been maintained by the company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The international accounting standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt upon the company's ability to continue as a going concern.

- There has been no material departure from the best practices of corporate governance.
- Key operating and financial data is available in the annual report.
- All applicable statutory payments on account of taxes, duties etc were regularly and timely deposited in the Government treasury.
- Value of investment of Provident Fund as at 31st December 2015 stands at Rs. 21,669,925 and investment of gratuity fund as at 31st December 2015 stands at Rs. 19,806,120.
- During the year under review, four audit committee mettings were held, attandance position was as under:

SR#	Name of member	Number of meetings attended
	Mian Hassan Mansha (Chairman)	3
*	Jehanzaib Amin	0
	Inayat Ullah Niazi	4
**	Badar ul Hassan	3

* Mr. Jehanzaib Amin retired on April 30, 2015

** Mr Badar ul Hassan appointed as member audit committee in place of Mr. Jehanzaib Amin on May 01, 2015

- The aggregate shares held by the Associated Companies are:

1.	Nishat Mills Limited	10,226,244

- The pattern of share holding is given on page 76 of this report.

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

CHANGE OF CHIEF EXECUTIVE OFFICER OF THE COMPANY:

Ms. Nabiha Shahnawaz Cheema has resigned after her 11 years of relationship with the Company to undertake something different and Mr. Farrukh Aleem who was acting as Chief Financial Officer has been elevated to Chief Executive Officer in her place with effect from February 01, 2016 on monthly remuneration of Rs. 425,000 plus other benefits as per service rules of the Company.

Board placed on record appreciation to services of Ms. Nabiha Shahnawaz Cheema rendered for progress of the Company during her tenure.

A notice in this respect has already been communicated to the shareholders in compliance with the provisions of Section 218 of the Companies Ordinance, 1984.

ACKNOWLEDGEMENTS:

The directors and the management of the company are grateful to the sponsors for their valuable guidance and support. We are thankful to our clients and policy holders for their confidence and continued patronage of the company and for allowing us to serve them. We take this opportunity to thank the SECP for the cooperation extended to the company throughout the year, and our re-insurers for their dynamic collaborative contribution. Finally we would like to express our whole hearted appreciation to the staff for their dedication and efforts enabling SGI to achieve positive results.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE:

The provisions of the Code of Corporate Governance for the insurance companies have been complied with during the year under review. The Board and audit committee have reviewed the results of all the quarters of the year after the closure of the respective quarter. The statement of compliance with Code of Corporate Governance is included in the annual report of the Company.

On behalf of Board of Directors

Farrukh Aleem
CEO

Dated: April 05, 2016

Auditors' Report To The Members

We have audited the annexed financial statements comprising of:

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

of Security General Insurance Company Limited ('the company') as at December 31, 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 financial statements based on our audit.

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

In our opinion:

(a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;

(b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for the changes as stated in note 4.14 to the financial statments with which we concur;

(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 ended, in accordance with approved Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

(d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Lahore,
Dated: April 05, 2016

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

Balance Sheet

	Note	Dec. 31, 2015 Rupees	Dec. 31, 2014 Rupees
Share capital and reserves			
Authorised share capital			
100,000,000 (2014: 100,000,000) ordinary shares of Rs. 10 each		1,000,000,000	1,000,000,000
Issued, subscribed and paid up share capital			
68,062,500 (2014: 68,062,500) ordinary shares of Rs. 10 each	5	680,625,000	680,625,000
General reserves		2,000,000	2,000,000
Retained earnings		8,422,541,988	7,812,062,644
		9,105,166,988	8,494,687,644
Underwriting provisions			
Provision for outstanding claims [including IBNR]	6	1,058,323,321	507,148,513
Provision for unearned premium		872,964,005	888,321,166
Commission income unearned		49,953,025	82,530,497
Total underwriting provisions		1,981,240,351	1,478,000,176
Deferred liabilities			
Staff retirement benefits	7	829,108	4,710,895
Creditors and accruals			
Accrued expenses		23,290,735	23,195,660
Amounts due to other insurers/reinsurers		626,345,562	820,442,799
Sundry creditors	8	172,139,773	212,064,768
		821,776,070	1,055,703,227
Borrowings			
Finances under mark-up arrangements - secured	9	95,037,685	-
Total liabilities		2,898,883,214	2,538,414,298
Total equity and liabilities		12,004,050,202	11,033,101,942
Contingencies and commitments	10		

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

Hasan Mansha
Chairman

Director

as at December 31, 2015

	Note	Dec. 31, 2015 Rupees	Dec. 31, 2014 Rupees
Cash and bank deposits			
Cash and other equivalents	11	111,000	54,291
Current and other accounts	12	198,124,450	834,400,197
Deposits maturing within 12 months	13	150,350,000	2,350,000
		348,585,450	836,804,488
Investments	14	8,347,692,217	7,535,302,017
Deferred taxation	15	29,455,759	26,416,683
Current assets - Others			
Premiums due but unpaid - unsecured	16	861,957,016	717,616,968
Amounts due from other insurers/reinsurers - unsecured	17	539,839,410	476,744,830
Salvage asset		-	500,000
Accrued investment income		2,863,922	2,899,701
Reinsurance recoveries against outstanding claims		920,859,856	423,564,616
Deferred commission expense		73,867,182	110,437,754
Prepayments	18	700,488,353	660,837,005
Taxation-payments less provision		60,424,178	64,539,018
Sundry receivables	19	10,542,409	57,295,927
		3,170,842,326	2,514,435,819
Fixed assets	20		
Freehold land		22,671,528	22,671,528
Leasehold improvements		1,000,074	2,171,531
Building		26,959,383	27,422,496
Computer equipment		3,345,679	4,077,008
Furniture and fixtures		4,007,737	4,766,632
Motor vehicles		42,467,977	46,733,244
Office equipment		5,415,125	6,559,505
Trackers		-	5,740,991
Capital work in progress - intangible asset		1,606,947	-
		107,474,450	120,142,935
Total assets		12,004,050,202	11,033,101,942

Director

Principal & Chief Executive Officer

Profit and Loss Account
for the year ended December 31, 2015

	Note	Fire and property damage Rupees	Marine, aviation and transport Rupees	Motor Rupees	Others including miscellaneous Rupees	Dec. 31, 2015 Rupees	Dec. 31, 2014 Rupees
Revenue account							
Net premium revenue		269,083,133	36,641,367	120,225,102	15,280,096	441,229,698	524,072,779
Net claims		(54,636,783)	(16,372,882)	(42,066,664)	(11,454,895)	(124,531,224)	(231,651,664)
Expenses	21	(57,006,454)	(5,523,757)	(8,825,037)	(4,158,826)	(75,514,074)	(89,073,826)
Net commission		(28,674,728)	(6,441,340)	(9,257,354)	2,948,011	(41,425,411)	(29,191,419)
Underwriting result		128,765,168	8,303,388	60,076,047	2,614,386	199,758,989	174,155,870
Investment income						996,485,872	798,818,256
Income on saving account and other deposits						21,810,495	51,183,762
Financial charges	22					(4,193,649)	(1,771,589)
Gain / (loss) on sale of fixed assets						1,462,673	(191,599)
Other income	23					-	46,187,116
General and administration expenses	24					(121,110,490)	(96,987,251)
						894,454,901	797,238,695
Profit before taxation						1,094,213,890	971,394,565
Provision for taxation	25					(180,441,038)	(74,359,964)
Profit after taxation						913,772,852	897,034,601
Profit and loss appropriation account							
Balance at commencement of the year						7,812,062,644	7,224,911,213
Final dividend for the year ended December 31, 2014 : Rs. 2 per share (2013: Rs. 2 per share)						(136,125,000)	(136,125,000)
Profit after taxation for the year						913,772,852	897,034,601
Interim dividend for the year ended December 31, 2015 : Rs. 2.5 per share (2014: Rs. 2.5 per share)						(170,156,250)	(170,156,250)
Other comprehensive income / (loss)						2,987,742	(3,601,920)
Balance unappropriated profit at the end of the year						8,422,541,988	7,812,062,644

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

Hasan Mansha
Chairman

Director

Director

Principal & Chief Executive Officer

Statement of Other Comprehensive Income
for the year ended December 31, 2015

	Year ended December 31	
	2015 Rupees	2014 Rupees
Profit for the year	913,772,852	897,034,601
Other comprehensive income / (loss) for the year		
Items that may be reclassified subsequently to profit or loss	-	-
Items that will not be subsequently reclassified to profit or loss:		
Remeasurement of staff retirement benefits-net	2,987,742	(3,601,920)
Total comprehensive income for the year	916,760,594	893,432,681

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

Hasan Mansha

Chairman

Director

Director

Principal & Chief Executive Officer

Statement of Changes in Equity
for the year ended December 31, 2015

	Share capital Rupees	General reserve Rupees	Retained earnings Rupees	Total Rupees
Balance as at December 31, 2013	680,625,000	2,000,000	7,224,911,213	7,907,536,213
Profit for the year	-	-	897,034,601	897,034,601
Other comprehensive loss	-	-	(3,601,920)	(3,601,920)
Total comprehensive income for the year	-	-	893,432,681	893,432,681
Transactions with owners, recognised directly in equity				
Final dividend for the year ended December 31, 2013 at Rs. 2 per share	-	-	(136,125,000)	(136,125,000)
Interim dividend for the year ended December 31, 2014 at Rs. 2.5 per share	-	-	(170,156,250)	(170,156,250)
	-	-	(306,281,250)	(306,281,250)
Balance as at December 31, 2014	680,625,000	2,000,000	7,812,062,644	8,494,687,644
Profit for the year	-	-	913,772,852	913,772,852
Other comprehensive income	-	-	2,987,742	2,987,742
Total comprehensive income for the year	-	-	916,760,594	916,760,594
Transactions with owners, recognised directly in equity				
Final dividend for the year ended December 31, 2014 at Rs. 2 per share	-	-	(136,125,000)	(136,125,000)
Interim dividend for the year ended December 31, 2015 Rs. 2.5 per share	-	-	(170,156,250)	(170,156,250)
	-	-	(306,281,250)	(306,281,250)
Balance as at December 31, 2015	680,625,000	2,000,000	8,422,541,988	9,105,166,988

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

Hasan Mansha
Chairman

Director

Director

Principal & Chief Executive Officer

Cash Flow Statement
for the year ended December 31, 2015

	Note	Dec. 31, 2015 Rupees	Dec. 31, 2014 Rupees
Operating cash flows			
Underwriting activities			
Premiums received		1,746,295,188	1,758,981,454
Reinsurance premiums paid		(1,781,162,609)	(1,362,586,829)
Claims paid		(1,274,537,981)	(561,479,143)
Reinsurance and other recoveries received		1,196,061,016	361,309,406
Commissions paid		(169,216,586)	(192,841,871)
Commissions received		122,539,601	196,436,346
Other underwriting payments		(42,476,098)	(7,594,987)
Other underwriting receipts		12,802,568	16,315,396
Net cash (used in) / generated from underwriting activities		(189,694,901)	208,539,772
Other operating activities			
Income tax paid		(179,365,273)	(119,790,899)
General and management expenses paid		(109,005,024)	(201,204,734)
Net cash used in other operating activities		(288,370,297)	(320,995,633)
Total cash used in operating activities		(478,065,198)	(112,455,861)
Investment activities			
Profit / return received		35,195,877	53,926,491
Dividends received		968,971,381	788,476,404
Payments for purchase of investments		(1,823,225,274)	(305,123,876)
Proceeds from disposal of investments		1,031,554,813	34,639,138
Fixed capital expenditure		(17,750,077)	(28,260,990)
Proceeds from disposal of fixed assets		11,535,391	1,973,709
Total cash generated from investing activities		206,282,111	545,630,876
Financing activities			
Dividends paid		(306,281,250)	(306,281,250)
Financial charges paid		(5,192,386)	(1,864,131)
Total cash used in financing activities		(311,473,636)	(308,145,381)
Net cash (used in) / generated from all activities		(583,256,723)	125,029,634
Cash at the beginning of the year		836,804,488	711,774,854
Cash at the end of the year	26.1	253,547,765	836,804,488

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

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

Hasan Mansha

Chairman | Director | Director | Principal & Chief Executive Officer

Statement of Premiums
for the year ended December 31, 2015

Business underwritten inside Pakistan

Direct and facultative

Class	Premiums written Rupees	Unearned premium reserve: Opening Rupees	Unearned premium reserve: Closing Rupees	Premiums earned Rupees	Reinsurance ceded Rupees	Prepaid reinsurance premium: Opening Rupees	Prepaid reinsurance premium: Closing Rupees	Reinsurance expense Rupees	Other income Rupees	Net premium revenue: December 31, 2015 Rupees	Net premium revenue: December 31, 2014 Rupees
Fire and property damage	1,433,500,575	687,463,021	711,773,710	1,409,189,886	1,196,982,818	536,230,679	586,738,695	1,146,474,802	6,368,049	269,083,133	338,823,821
Marine, aviation and transport	115,433,597	17,569,362	27,772,001	105,230,958	88,117,535	10,495,679	27,181,621	71,431,593	2,842,002	36,641,367	57,117,794
Motor	221,926,365	133,652,962	103,066,114	252,513,213	130,042,518	68,347,523	63,106,001	135,284,040	2,995,929	120,225,102	101,614,569
Miscellaneous	79,825,692	49,635,821	30,352,180	99,109,333	61,836,713	44,299,687	21,710,575	84,425,825	596,588	15,280,096	26,516,595
Total	1,850,686,229	888,321,166	872,964,005	1,866,043,390	1,476,979,584	659,373,568	698,736,892	1,437,616,260	12,802,568	441,229,698	524,072,779
Treaty	-	-	-	-	-	-	-	-	-	-	-
Grand total	1,850,686,229	888,321,166	872,964,005	1,866,043,390	1,476,979,584	659,373,568	698,736,892	1,437,616,260	12,802,568	441,229,698	524,072,779

Note: Other income includes administrative surcharge of Rs 10,662,140 (2014: Rs 15,245,285) earned on insurance policies issued by the company.

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

Hasan Mansha

Chairman | Director | Director | Principal & Chief Executive Officer

Statement of Claims
for the year ended December 31, 2015

Business underwritten inside Pakistan

Direct and facultative

Class	Claims paid Rupees	Outstanding claims Opening Rupees	Outstanding claims Closing Rupees	Claims expense Rupees	Reinsurance and other recoveries received Rupees	Reinsurance and other recoveries in respect of outstanding claims Opening Rupees	Reinsurance and other recoveries in respect of outstanding claims Closing Rupees	Reinsurance and other recoveries revenue Rupees	Net claims expenses December 31, 2015 Rupees	Net claims expenses December 31, 2014 Rupees
Fire and property damage	1,068,643,341	313,006,954	766,708,808	1,522,345,195	1,047,913,124	281,198,325	700,993,613	1,467,708,412	54,636,783	14,197,405
Marine, aviation and transport	86,328,023	46,882,919	56,615,145	96,060,249	78,990,934	33,239,195	33,935,628	79,687,367	16,372,882	179,541,416
Motor	98,054,064	56,698,197	91,270,167	132,626,034	61,145,400	25,834,565	55,248,535	90,559,370	42,066,664	32,981,727
Miscellaneous	21,512,553	90,560,443	143,729,201	74,681,311	15,836,867	83,292,531	130,682,080	63,226,416	11,454,895	4,931,116
Total	1,274,537,981	507,148,513	1,058,323,321	1,825,712,789	1,203,886,325	423,564,616	920,859,856	1,701,181,565	124,531,224	231,651,664
Treaty	-	-	-	-	-	-	-	-	-	-
Grand total	1,274,537,981	507,148,513	1,058,323,321	1,825,712,789	1,203,886,325	423,564,616	920,859,856	1,701,181,565	124,531,224	231,651,664

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

Hasan Mansha

Chairman | Director | Director | Principal & Chief Executive Officer

Statement of Expenses
for the year ended December 31, 2015

Business underwritten inside Pakistan

Direct and facultative

Class	Commissions paid or payable Rupees	Deferred commission Opening Rupees	Deferred commission Closing Rupees	Net commission expenses Rupees	Other management expenses Rupees	Under-writing expenses Rupees	Commissions from reinsurers Rupees	Net underwriting expenses December 31, 2015 Rupees	Net underwriting expenses December 31, 2014 Rupees
					Refer note 21		Refer note below		
Fire and property damage	97,410,266	81,813,842	52,414,943	126,809,165	57,006,454	183,815,619	98,134,437	85,681,182	81,800,993
Marine, aviation and transport	25,873,767	4,274,281	4,163,456	25,984,592	5,523,757	31,508,349	19,543,252	11,965,097	16,036,663
Motor	28,979,772	17,717,490	13,686,477	33,010,785	8,825,037	41,835,822	23,753,431	18,082,391	20,498,572
Miscellaneous	7,708,105	6,632,143	3,602,306	10,737,942	4,158,826	14,896,768	13,685,953	1,210,815	(70,983)
Total	159,971,910	110,437,756	73,867,182	196,542,484	75,514,074	272,056,558	155,117,073	116,939,485	118,265,245
Treaty	-	-	-	-	-	-	-	-	-
Grand total	159,971,910	110,437,756	73,867,182	196,542,484	75,514,074	272,056,558	155,117,073	116,939,485	118,265,245

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

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

Hasan Mansha

Chairman

Director

Director

Principal & Chief Executive Officer

Statement of Investment Income
for the year ended December 31, 2015

	Dec. 31, 2015 Rupees	Dec. 31, 2014 Rupees
Income from non-trading investments		
Held-to-maturity		
Return on Government securities	8,723,172	8,591,757
Add : Amortization of discount relative to par	507,658	443,588
	9,230,830	9,035,345
Available-for-sale		
- Dividend income		
Dividend income from related parties	27,630,186	20,425,590
Dividend income from others	941,341,195	768,050,814
	968,971,381	788,476,404
Gain on sale of available for sale investments	55,287,276	6,988,032
Provision for Impairment in value of investments		
Less: Provision for impairment in available for sale investments	(35,075,195)	(3,750,838)
Less: Investment related expenses	(1,928,420)	(1,930,687)
Net investment income	996,485,872	798,818,256

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

Hasan Mansha
Chairman

Director

Director

Principal & Chief Executive Officer

1. Legal status and nature of business

Security General Insurance Company Limited (the 'company'), is a general non-life insurance company which was incorporated as an unquoted public limited company in Pakistan on May 13, 1996 under the Companies Ordinance, 1984. The company has 8 branches in Pakistan (2014: 11). The company is engaged in providing general insurance services in spheres of fire, marine, motor and miscellaneous. The registered office and the principal place of business is situated at SGI House, 18-C/E1, Gulberg III, Lahore.

2. Basis of preparation

2.1 Basis of presentation and statement of compliance

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

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

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

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

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

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on or after January 01, 2015 but are considered not to be relevant or to have any significant effect on the company's operations and are, therefore, not detailed in these financial statements.

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

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the company's accounting periods beginning on or after January 01, 2016 or later periods, but are considered not to be relevant or to have any significant effect on the company's operations and are, therefore, not detailed in these financial statements and the company has not early adopted them.

3. Basis of measurement

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

3.1 Critical accounting judgements and estimates

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

a) Premium deficiency reserve (liability adequacy test) (note 4.2.2)
b) Provision for outstanding claims including, incurred but not reported claims (IBNR) (note 4.3)
c) Provision for taxation and deferred tax (note 4.11 and note 25)
d) Provision for doubtful receivables (note 4.6, note 16 and note 17)
e) Useful lives and residual values of fixed assets (note 4.14 and note 20)
f) Defined benefit plan (note 4.15.2)
g) Classification of investments and its impairment (note 4.10)

4. Summary of significant accounting policies

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

4.1 Insurance contracts

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

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

- Fire and engineering insurance contracts generally cover the policy holders against damages caused by one or more of the following: fire, earthquake, riot and strike, explosion, atmospheric disturbance, flood, burglary, etc. according to the terms and conditions of the policy.

- Marine insurance contracts generally provide cover against one or more of the following: cargo risk, war risk and damages occurring during transit between the points of origin and final destination according to the terms and conditions of the policy.

- Motor insurance contracts provide indemnity against one or more of the following: total or partial loss of vehicle, third party loss and other comprehensive car coverage, etc. according to the terms and conditions of the policy.

- Miscellaneous insurance contracts provide cover against possibility to pay benefits on the occurrence of an insured event other than the above mentioned classes according to the terms and conditions of the policy.

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

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

4.2 Unexpired insurance risk

4.2.1 Provision for unearned premium

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

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

- for contracts of 12 months tenure, company maintains provision for unearned premium net of reinsurances by applying 1 / 24th method as stipulated in SEC (Insurance) Rules, 2002 for non life insurance companies.

- for marine insurance contracts, company maintains provision for unearned premium net of reinsurances by applying 1 / 6th method consistent with 1 / 24th method as stipulated in SEC (Insurance) Rules, 2002 for non life insurance companies.

- for contracts having tenure of more than 12 months, company maintains provision for unearned premium net of reinsurances relating to the unexpired period of coverage at the reporting date.

4.2.2 Premium deficiency reserve (liability adequacy test)

The Company is required as per SEC (Insurance) Rules, 2002 to maintain a provision in respect of premium deficiency for each class of business. At each balance sheet date, liability adequacy tests are performed separately for each class of business to ensure the adequacy of the unearned premium liability for that class. It is performed by comparing the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after balance sheet date in respect of policies in force at balance sheet date with the carrying amount of unearned premium liability. Any movement in the reserve is to be charged to the profit and loss account and forms part of underwriting results.

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

	Loss ratios based on current estimates of known claims	
	2015	2014
Fire and property damage	12%	19%
Marine, aviation and transport	25%	24%
Motor	44%	49%
Miscellaneous	22%	23%

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

4.3 Provision for outstanding claims (including IBNR)

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

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

4.3.1 Claims reported but not settled

Provision for liability in respect of claims reported but not settled at the balance sheet date is made on the basis of individual case estimates. The case estimates are based on the assessed amounts of individual losses and where loss assessments have not been carried out, the estimates are established in light of currently available information, past experience of similar claims and in some cases in relation to the sums insured. Case estimates are reviewed periodically to ensure that the recognised outstanding claim amounts are adequate to cover expected future payments including expected claims settlement costs and are updated as and when new information becomes available.

4.3.2 Claims incurred but not reported (IBNR)

The provision for claims incurred but not reported at balance sheet date (IBNR) is based on an analysis of the past claims reporting pattern experienced by the company.

Outstanding claims provision are based on the estimated cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs at undiscounted values after reduction for the value of salvage and other recoveries. The provision for IBNR has been recognized after taking into account the five years average of past claims that were incurred but not reported at the respective balance sheet dates and the ratio of such claims to outstanding claims of past five years has been applied to outstanding claims except exceptional losses at December 31, 2015 to arrive at liability for IBNR. The analysis has been carried out separately for each class of business.

Claims development shown in note 31.1.7 shows that in any of the previous four years, provision for outstanding claims at respective reporting dates did not prove inadequate at the time of actual settlement of respective claims. For reinsurance recoveries against outstanding claims, refer to note 4.12.

4.4 Reinsurance contracts

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

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

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

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

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

The movement in reinsurance assets and their credit rating for the year ended December 31, 2015 is referred to in note 18.1 and note 31.2 (a) to the financial statements, respectively.

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

Amounts due from other insurers / reinsurers / agents are carried at cost less provision for impairment. Cost represents the fair value of the consideration to be paid / received in future for the services received / rendered.

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

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

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

4.6 Provision for doubtful receivables

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

4.7 Creditors, accruals and provisions

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

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

4.8 Borrowings

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

4.9 Cash and cash equivalents

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

4.10 Investments

All investments are initially recognized at cost being their fair value of the consideration given and include any transaction costs except for held for trading in which case transaction costs are charged to profit and loss account. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the company commits to purchase or sell the investment. Investments made by the company are classified for the purpose of measurement into following categories:

Held-to-maturity

Investments with fixed maturity, that the management has the intent and ability to hold till maturity are classified as held-to-maturity and are initially recognized at cost being the fair value of consideration given and include transaction costs. At subsequent reporting dates, these are measured at amortized cost using the effective yield method

Any premium paid or discount availed on acquisition of held to maturity investments is deferred and amortised over the term of the investment using the effective yield.

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

The difference between the redemption value and the purchase price of the held to maturity investments is amortized and taken to the profit and loss account over the term of the investment.

Available-for-sale

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

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

A fall in market value is treated as other than temporary if there is a significant or prolonged decline in fair value of security below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the company evaluates among other factors, the normal volatility in share prices.

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

This policy of stating available-for-sale investments at lower of cost and market value is not in compliance with IAS 39, which states that investments available-for-sale, at subsequent reporting dates should be measured at fair value. The market value of available-for-sale investments as at December 31, 2015 is Rs 13,852,266,392 (2014: 18,333,482,818). Had the company complied with IAS 39 - Financial Instruments: Recognition and Measurement, the carrying value of investments as at December 31, 2015 would have been greater by Rs. 6,076,587,770.

4.11 Taxation

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

Deferred

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

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity. Minimum tax payable u/s 113 amounting to Rs. 597,932 for tax year 2015 and R.s 18,660,434 for tax year 2016 would not be available for carry forward against future tax liabilities subsequent to tax year 2020 and 2021 respectively.

4.12 Reinsurance recoveries against outstanding claims

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

4.13 Prepaid reinsurance expense

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

4.14 Fixed assets - tangible and intangible

(a) Tangible

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

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted, if impact on depreciation is significant. The management has reviewed assets' residual value and their useful life as at December 31, 2015 and is of the view that there exists no condition to indicate any impairment losses as at that date.

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

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

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

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

(b) Intangible

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

(c) Capital work in progress

Capital work in progress is stated at cost less any impairment in value. It consists of advances made to suppliers in respect of fixed assets. This policy has been adopted during the current year.

4.15 Staff retirement benefits

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

4.15.1 Defined contribution plan

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

4.15.2 Defined benefit plan

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

The latest actuarial evaluation was carried out as at December 31, 2015 using the "Projected Unit Credit Method" based on the following assumptions;

- Discount rate	10.00%
- Expected rate of increase in salary	9.00%
- Average duration of the defined benefit plan	12 years

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

4.16 Financial instruments

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

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

4.17 Revenue recognition

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

(a) For direct business, evenly over the period of the policy; and

(b) For facultative acceptance business, evenly over the period of underlying insurance policies.

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

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

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

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

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

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

4.18 Commission expense

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

4.19 Management expenses

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

4.20 Borrowing costs

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

4.21 Foreign currencies

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

All exchange gains and losses are included in income.

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

4.22 Commission on reinsurance premium

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

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

4.23 Premiums due but unpaid / premiums received in advance

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

4.24 Administrative surcharge

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

4.25 Offsetting of financial assets and financial liabilities

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

4.26 Impairment

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

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

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

4.27 Segment reporting

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

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

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

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

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

4.28 Dividend and appropriations to reserves

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

4.29 Share capital

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

5. Issued, subscribed and paid up share capital

2015	2014		2015	2014
(Number of shares)			Rupees	Rupees
7,446,030	7,446,030	Ordinary shares of Rs 10 each fully paid in cash	74,460,300	74,460,300
60,616,470	60,616,470	Ordinary shares of Rs 10 each issued as fully paid bonus shares	606,164,700	606,164,700
68,062,500	68,062,500		680,625,000	680,625,000

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

5.1 Name of associated undertaking

	Note	2015 (Number of shares)	2014 (Number of shares)
Nishat Mills Limited	5.2	10,226,244	10,226,244

5.2 This undertaking is associated by virtue of common directorship.

6. Provision for outstanding claims includes Rs. 263,360,150 (2014: Rs 25,740,200) due to related parties.

7. Staff retirement benefits

7.1 The amounts recognized in balance sheet are as follows:

	2015 Rupees	2014 Rupees
Present value of defined benefit obligations	20,635,228	20,148,184
Fair value of plan assets	(19,806,120)	(15,437,289)
Net payable to defined benefit plan	829,108	4,710,895
Opening balance of payable	4,710,895	6,298,417
Expense recognised	3,816,850	2,732,902
Contributions to the fund during the year	(4,710,895)	(7,922,344)
Recognition in other comprehensive income - net	(2,987,742)	3,601,920
Closing balance of payable	829,108	4,710,895

7.2 Movement in the present value of defined benefit obligation is as follows;

	2015 Rupees	2014 Rupees
Present value of obligation as at January 01	20,148,184	12,690,814
Current service cost	3,551,862	2,429,060
Interest cost	2,145,096	1,649,806
Benefits paid	(2,161,333)	-
Experience adjustments - net	(3,048,581)	3,378,504
Present value of defined benefit obligation as at December 31	20,635,228	20,148,184

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

	2015 Rupees	2014 Rupees
Fair value of plan assets as at January 01	15,437,289	6,392,397
Contribution made to the fund during the year	4,710,895	7,922,344
Interest income on plan assets	1,880,108	1,345,964
Benefits paid	(2,161,333)	-
Return on plan assets, excluding interest income	(60,839)	(223,416)
Fair value of plan assets as at December 31	19,806,120	15,437,289

7.4 Composition of plan assets

	2015 Rupees	2014 Rupees
Pakistan Investment Bonds	14,797,470	14,954,923
Cash at bank	5,008,650	482,366
Fair value of plan assets as at December 31	19,806,120	15,437,289

7.5 Charge for the year

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

	2015 Rupees	2014 Rupees
Current service cost	3,551,862	2,429,060
Interest cost	2,145,096	1,649,806
Expected return on plan assets	(1,880,108)	(1,345,964)
	3,816,850	2,732,902

7.6 Recognition in other comprehensive income

The following amounts have been recognized in other comprehensive income:

	2015	2014
Experience adjustments - net	(2,987,742)	3,601,920
	(2,987,742)	3,601,920

7.7 Sensitivity analysis

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

Discount rate + 100bps	Discount rate- 100bps	Salary increase rate + 100bps	Salary increase rate-100bps
18,295,108	23,413,455	23,374,529	18,290,035

7.8 The company expects to pay Rs 829,108 in contributions to defined benefit plan during the year ending December 31, 2016.

7.9 5 year data on the deficit / (surplus) of the plan is as follows:

	2015 Rupees	2014 Rupees	2013 Rupees	2012 Rupees	2011 Rupees
Present value of defined benefit obligation	20,635,228	20,148,184	12,690,814	8,198,453	5,226,897
Fair value of plan assets	(19,806,120)	(15,437,289)	(6,392,397)	(5,519,310)	-
Deficit	829,108	4,710,895	6,298,417	2,679,143	5,226,897

7.10 Experience adjustment

	2015	2014	2013	2012	2011
Experience adjustments on obligation	15%	-17%	-21%	0.27%	0%
Experience adjustments on assets	0%	-1%	-3%	0%	0%

8. Sundry creditors

	Note	2015 Rupees	2014 Rupees
Cash margin		19,780,595	56,802,251
Agents commission payable		128,422,267	135,507,603
Mark-up accrued on short term borrowings from banks		931,999	66,738
Federal insurance fee payable	8.1	404,786	563,157
Federal excise duty/ sales tax payable	8.1	6,203,762	8,385,777
Withholding taxes payable		1,990,578	946,804
Payable to Employees' Provident Fund	8.2	-	162,952
Others		14,405,786	9,629,486
		172,139,773	212,064,768

8.1 Government duties outstanding at the reporting date on account of Federal insurance fee and Federal excise duty were paid after December 31, 2015 within the stipulated time period allowed by the relevant laws.

8.2 The details of investment made by the Provident Fund:

	2015 Rupees	2014 Rupees
i) Size of the Fund - total assets	26,947,496	26,942,990
ii) Cost of investments	21,500,000	23,500,000
iii) Fair value of investments	21,669,925	23,698,629
iv) Percentage of investments made	80%	88%

8.2.1 Investments have been made in PIBs having cost of Rs 21,500,000 (2014: Rs 23,500,000)

8.2.2 The figures as at December 31, 2015 and December 31, 2014 are based on un-audited financial statements of the Provident Fund. The investments of the Provident Fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

9. Finances under mark-up arrangements - secured

	Note	2015 Rupees	2014 Rupees
Short term running finances	9.1	95,037,685	-

9.1 Short term running finance and short term finance facility is available from commercial banks under mark-up arrangements amounting to Rs 100,000,000 (2014: Rs 600,000,000). Running finances are secured against a pledge on shares of Adamjee Insurance Company Limited (2014: approved ALCO shares) held by the company. The rates of mark-up on these facilities range from 8.60% to 9.99% per annum (2014: Nil). The facility will expire on May 31, 2016.

10. Contingencies and commitments

10.1 Contingencies

10.1.1 The company is contingently liable for Rs 7,741,451 (2014: Rs 7,993,363) on account of claims lodged against the company but not acknowledged as debts. The management, based on advice of the legal counsels, is confident that the outcome of the cases is likely to be in favor of the company.

10.1.2 Guarantees issued by a commercial bank on behalf of the company amount to Rs 776,700 (2014: Rs 763,450).

10.2 Commitments

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

	Note	2015 Rupees	2014 Rupees
Not later than one year		916,000	1,531,046
Later than one year and not later than five years		132,000	880,000
Later than five years		-	-
		1,048,000	2,411,046

11. Cash and other equivalents

Cash in hand		111,000	54,291

12. Current and other accounts

Current accounts		18,280,343	91,275,744
Saving accounts	12.1	179,844,107	743,124,453
		198,124,450	834,400,197

12.1 The rate of return on saving accounts from various banks ranges from 4.22% to 7.30% per annum (2014: 6.50% to 9.90% per annum) depending on the size of average deposits.

13. Deposits maturing within 12 months

	Note	2015 Rupees	2014 Rupees
Cash deposit with the State Bank of Pakistan		350,000	2,350,000
Term deposit receipts with banks	13.1	150,000,000	-
		150,350,000	2,350,000

13.1 The rate of return on term deposit certificates issued by various banks ranges from 5.66% to 7.00% per annum (2014: Nil) depending on tenor. These term deposit certificates have maturities upto January 2016.

14. Investments

	Note	2015 Rupees	2014 Rupees
In related parties			
Available for sale			
Listed securities	14.1	201,135,273	197,757,090
Unlisted securities	14.2	500,000,000	-
		701,135,273	197,757,090
Others			
Available for sale			
Listed securities	14.3	7,344,223,115	7,169,329,821
Mutual funds	14.4	269,146,260	100,460,000
Less: Provision for impairment in the value of investments	14.6	(38,826,033)	(3,750,838)
		7,574,543,342	7,266,038,983
Held to maturity			
Government securities	14.5	72,013,602	71,505,944
		8,347,692,217	7,535,302,017

In related parties

14.1 Listed securities

	Note	2015 Rupees	2014 Rupees
DG Khan Cement Company Limited 228,500 (2014: 203,500) ordinary shares of Rs. 10 each Equity held: 0.05% (2014: 0.05%) Market value Rs. 33.724 million (2014: Rs. 22.492 million)		19,515,542	16,137,359
		19,515,542	16,137,359
Pak Gen Power Limited (Formerly AES Pak Gen) 6,407,796 (2014: 6,407,796) ordinary shares of Rs. 10 each Equity held: 1.72% (2014: 1.72%) Market value Rs. 188.581 million (2014: Rs. 173.203 million)	14.1.1	88,899,557	88,899,557
		88,899,557	88,899,557
Lalpir Power Limited (Formerly AES Lalpir) 6,837,097 (2014: 6,837,097) ordinary shares of Rs. 10 each Equity held: 1.80% (2014: 1.80%) Market value Rs. 203.335 million (2014: Rs. 204.429 million)	14.1.1	92,720,174	92,720,174
		92,720,174	92,720,174
		201,135,273	197,757,090

14.1.1 The investment includes 500 shares of Pakgen Power Limited and 550 shares of Lalpir Power Limited held in the name of nominee director of the company.

14.2 Unlisted securities

	Note	2015 Rupees	2014 Rupees
Nishat Hotels and Properties Limited 50,000,000 (2014: Nil) ordinary shares of Rs. 10 each Equity held: 6.25% (2014: 0%)		500,000,000	-
		500,000,000	-

Others

14.3 Listed securities

	Note	2015 Rupees	2014 Rupees
Adamjee Insurance Company Limited 18,630,087 (2014: 15,526,087) ordinary shares of Rs. 10 each Equity held: 5.32% (2014: 4.44%) Market value Rs. 1,052.786 million (2014: Rs. 767.92 million)	14.3.1	579,057,057	404,163,763
		579,057,057	404,163,763
MCB Bank Limited 55,508,176 (2014: 55,508,176) ordinary shares of Rs. 10 each Equity held: 4.99% (2014: 4.99%) Market value Rs. 12,036.948 million (2014: Rs. 16,966.073 million)	14.3.2	6,658,245,500	6,658,245,500
		6,658,245,500	6,658,245,500
Kohinoor Energy Limited 30,000 (2014: 30,000) ordinary shares of Rs. 10 each Equity held: 0.02% (2014: 0.02%) Market value Rs. 1.290 million (2014: Rs. 1.480 million)		577,600	577,600
		577,600	577,600
United Bank Limited 70,413 (2014: 70,413) ordinary shares of Rs. 10 each Equity held: 0.01% (2014: 0.01%) Market value Rs. 10.910 million (2014: Rs. 12.442 million)		11,125,700	11,125,700
		11,125,700	11,125,700
Pakistan Petroleum Limited 434,782 (2014: 434,782) ordinary shares of Rs. 10 each Equity held: 2.21% (2014: 2.21%) Market value Rs. 52.961 million (2014: 76.747 million)		95,217,258	95,217,258
		95,217,258	95,217,258
		7,344,223,115	7,169,329,821

14.3.1 3,500,000 shares (2014: Nil) of Adamjee Insurance Company Limited are pledged with banks as referred to in note 9.1 to the financial statements.

14.3.2 The company holds 4.9% shareholding in MCB Bank Limited. In order that the company is not considered as a sponsor of MCB Bank Limited, the company had filed a writ petition in the Honourable Lahore High Court in 2010, Lahore to declare null and void the State Bank of Pakistan's BPRD Circular No 4 dated May 22, 2008 which requires a person(s) holding 5% or more of sponsor shares, acquired individually or in concert with his family members, group companies, subsidiaries and affiliates / associates, of a bank to be placed in a blocked account with Central Depository Company

(CDC). The court has suspended the operation of the impugned circular and reserved its judgment after hearing the case. The management is confident that the outflow of financial resources as a result of the eventual outcome of the above matter is unlikely.

14.4 Mutual funds

	Note	2015 Rupees	2014 Rupees
JS Large Capital Fund			
53,565 (2014: 53,565) units of Rs. 100 par value each		460,000	460,000
Market value Rs. 5.741 million (2014: Rs. 5.471 million)			
		460,000	460,000
MCB Arif Habib Fund			
3,454,562 (2014: 1,302,672) units of Rs. 100 par value each		268,686,260	100,000,000
Market value Rs. 265.989 million (2014: 103.221 million)			
		268,686,260	100,000,000
		269,146,260	100,460,000

14.5 Held to maturity - Government securities

	Note	2015 Rupees	2014 Rupees
12% Pakistan Investment Bonds of the Government of Pakistan. 3 bonds of face value of Rs. 2,000,000 each, 1 bond of face value of Rs. 62,000,000 and 1 bond of face value of Rs. 5,000,000 (2014: 3 bonds of face value of Rs. 2,000,000 each, 1 bond of face value of Rs. 62,000,000 and 1 bond of face value of Rs. 5,000,000) market value as at December 31, 2015 Rs. 72,354,583 (2014: Rs. 72,354,583).	14.5.1	72,013,602	71,505,944
		72,013,602	71,505,944

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

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

14.6 Reconciliation of provision for impairment in the value of investments

	Note	2015 Rupees	2014 Rupees
Balance as at 01 January		3,750,838	-
Impairment for the year		35,075,195	3,750,838
Balance as at 31 December	14.6.1	38,826,033	3,750,838

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

15. Deferred taxation

	2015	2014
Opening balance as on January 1	26,416,683	27,486,793
Credited / (debited) to profit and loss account	3,039,076	(1,070,110)
Closing balance as on December 31	29,455,759	26,416,683
Debit / (credit) balance arising from:		
Accelerated tax depreciation	(3,601,403)	(6,797,552)
Provision for doubtful debts	13,798,796	10,665,767
Unabsorbed tax depreciation	-	17,307,740
Minimum tax	19,258,366	5,240,728
Deferred tax asset	29,455,759	26,416,683

16. Premiums due but unpaid - unsecured

	Note	2015 Rupees	2014 Rupees
Premiums due but unpaid - unsecured			
Considered good		861,957,016	717,616,968
Considered doubtful		25,671,058	17,419,232
		887,628,074	735,036,200
Less: Provision for doubtful debts	16.1	(25,671,058)	(17,419,232)
		861,957,016	717,616,968

16.1 Provision for doubtful receivables

	Note	2015 Rupees	2014 Rupees
Balance as at January 1		17,419,232	6,900,032
Provision made during the year	24	8,251,826	10,519,200
Balance as at December 31		25,671,058	17,419,232

16.2 Related parties

	2015 Rupees	2014 Rupees
DG Khan Cement Company Limited	5,365,191	4,386,753
Lalpir Power Limited	250,986,012	183,096,794
Nishat Dairy (Private) Limited	5,315	391,364
Nishat Hospitality (Private) Limited	2,000	242,927
Nishat Hotels and Properties Limited	816,847	5,000
Nishat Mills Limited	2,315,245	336,393
Nishat Power Limited	94,628,184	94,564,826
Nishat Spinning (Private) Limited	46,085	42,842
Pakgen Power Limited	260,165,157	187,625,556
	614,330,036	470,692,455

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

	1 Year	More than 1 Year	2015	2014
	Rupees	Rupees	Rupees	Rupees
DG Khan Cement Company Limited	5,357,321	7,870	5,365,191	4,386,753
Lalpir Power Limited	250,986,012	-	250,986,012	183,096,794
Nishat Dairy (Private) Limited	5,315	-	5,315	391,364
Nishat Hospitality (Private) Limited	2,000	-	2,000	242,927
Nishat Hotels and Properties Limited	816,847	-	816,847	5,000
Nishat Mills Limited	2,315,245	-	2,315,245	336,393
Nishat Power Limited	94,627,382	802	94,628,184	94,564,826
Nishat Spinning (Private) Limited	3,243	42,842	46,085	42,842
Pakgen Power Limited	260,165,157	-	260,165,157	187,625,556
	614,278,522	51,514	614,330,036	470,692,455

17. Amounts due from other insurers / reinsurers - unsecured

	Note	2015 Rupees	2014 Rupees
Amounts due from other insurers / reinsurers - unsecured			
Considered good		539,839,410	476,744,830
Considered doubtful		20,324,928	13,103,886
		560,164,338	489,848,716
Less: Provision for doubtful debts	17.1	(20,324,928)	(13,103,886)
		539,839,410	476,744,830

17.1 Provision for doubtful receivables

	Note	2015 Rupees	2014 Rupees
Balance as at January 1		13,103,886	9,759,796
Provision made during the year	24	7,221,042	3,344,090
Balance as at December 31		20,324,928	13,103,886

18. Prepayments

	Note	2015 Rupees	2014 Rupees
Prepaid reinsurance premium	18.1	698,736,892	659,373,568
Prepaid rent		220,000	342,296
Others		1,531,461	1,121,141
		700,488,353	660,837,005

18.1 Movement in prepaid reinsurance premium

	Note	2015 Rupees	2014 Rupees
As at January 1		659,373,568	644,417,289
Reinsurance premium ceded during the year		1,476,979,584	1,339,989,737
Reinsurance expense for the year		(1,437,616,260)	(1,325,033,458)
As at December 31		698,736,892	659,373,568

19. Sundry receivables

	Note	2015 Rupees	2014 Rupees
Advances to employees - considered good		1,279,319	2,357,605
Accrued return on deposits and other accounts		1,920,506	6,546,937
Other receivables - considered good		5,109,877	13,383,763
Security deposits - considered good		2,232,707	35,007,622
		10,542,409	57,295,927

20. Fixed assets - tangible and intangible

	Note	2015 Rupees	2014 Rupees
Operating assets - tangibles	20.1	105,867,503	120,142,935
Capital work-in-progress - intangible	20.2	1,606,947	-
		107,474,450	120,142,935

20.1 Operating assets - tangibles

	Freehold land Rupees	Leasehold improvement Rupees	Building Rupees	Computer equipment Rupees	Furniture and fixtures Rupees	Motor vehicles Rupees	Tracker Rupees	office equipment Rupees	Total Rupees
Year ended December 31, 2015									
Opening net book value	22,671,528	2,171,531	27,422,496	4,077,008	4,766,632	46,733,244	5,740,991	6,559,505	120,142,935
Additions (at cost)	-	-	2,279,762	188,600	112,056	13,679,695	-	410,597	16,670,710
Disposals (at NBV)	-	(970,772)	-	(315,236)	(394,587)	(7,854,722)	-	(537,455)	(10,072,772)
Depreciation charge for the year	-	(200,685)	(2,742,875)	(604,693)	(476,364)	(10,090,240)	(5,740,991)	(1,017,522)	(20,873,370)
Net book value as at December 31, 2015	22,671,528	1,000,074	26,959,383	3,345,679	4,007,737	42,467,977	-	5,415,125	105,867,503
At December 31, 2015									
Cost	22,671,528	1,695,635	62,655,929	5,777,378	7,543,725	71,305,182	12,246,301	14,570,782	198,466,460
Accumulated depreciation	-	(695,561)	(35,696,546)	(2,431,699)	(3,535,988)	(28,837,205)	(12,246,301)	(9,155,657)	(92,598,957)
Net book value as at December 31, 2015	22,671,528	1,000,074	26,959,383	3,345,679	4,007,737	42,467,977	-	5,415,125	105,867,503
Year ended December 31, 2014									
Opening net book value	22,671,528	1,739,520	30,469,441	2,534,767	4,277,378	35,534,108	7,176,238	5,711,919	110,114,899
Additions (at cost)	-	826,046	-	2,133,945	1,045,220	22,006,195	-	2,249,584	28,260,990
Disposals (at NBV)	-	(186,124)	-	-	(61,227)	(1,778,943)	-	(138,532)	(2,164,826)
Depreciation charge for the year	-	207,911)	(3,046,945)	(591,704)	(494,739)	(9,028,116)	(1,435,247)	(1,263,466)	(16,068,128)
Net book value as at December 31, 2014	22,671,528	2,171,531	27,422,496	4,077,008	4,766,632	46,733,244	5,740,991	6,559,505	120,142,935
At December 31, 2014									
Cost	22,671,528	2,914,160	60,376,167	6,034,142	7,910,769	74,406,870	12,246,301	15,018,114	201,578,051
Accumulated depreciation	-	(742,629)	(32,953,671)	(1,957,134)	(3,144,137)	(27,673,626)	(6,505,310)	(8,458,609)	(81,435,116)
Net book value as at December 31, 2014	22,671,528	2,171,531	27,422,496	4,077,008	4,766,632	46,733,244	5,740,991	6,559,505	120,142,935
Depreciation rates (%)	-	10	10	15	10	20	20	15	-

20.1.1 The assets disposed off during the year comprise motor vehicles, furniture and fixtures, office equipment, computer equipment and leasehold improvement of which the original cost was Rs. 16,781,381, Rs. 479,100, Rs. 857,930, Rs. 445,364 and Rs. 1,218,525 and accumulated depreciation was Rs. 8,926,662, Rs. 84,513, Rs. 320,473, Rs. 130,128 and Rs. 247,752 hence, the book value was Rs. 7,854,724, Rs. 394,587, Rs. 537,456, Rs. 315,236 and Rs. 970,772 respectively.

20.1.2 During the year, the company has revised its accounting estimate with respect to trackers by charging accelerated depreciation on trackers at the rate of 100%.

20.1.3 Allocation of depreciation

	Note	2015 Rupees	2014 Rupees
Management expenses	21	9,783,556	7,897,808
General and administration expenses	24	11,089,814	8,170,320
		20,873,370	16,068,128

20.2 Capital work in progress represents capital expenditure in respect of development of new IT software.

21. Management expenses

	Note	2015	2014
Salaries, wages and benefits	21.1	42,091,843	50,229,365
Rent, rates, taxes and electricity		4,614,755	6,111,290
Communications		2,007,314	2,590,617
Printing and stationery		602,800	1,228,943
Travelling and entertainment		1,321,381	2,038,834
Car maintenance and fuel expenses		6,108,816	10,460,677
Depreciation	20.1.3	9,783,556	7,897,808
Repairs and maintenance		994,179	1,509,766
Service charges charged by co-insurers		5,454,442	5,053,011
Tracker monitoring		1,050,068	40,957
Other expenses		1,484,920	1,912,558
		75,514,074	89,073,826

21.1 Included in salaries, wages and benefits are Rs. 1,572,762 (2014: Rs. 1,844,204) in respect of Employees' Provident Fund contribution by the company and Rs. 1,126,183 (2014: Rs. 806,358) in respect of gratuity fund.

22. Financial charges

	2015 Rupees	2014 Rupees
Mark-up on short term borrowings from banks	2,113,421	804,311
Bank charges	2,080,228	967,278
	4,193,649	1,771,589

23. Other income

This represents Workers' Welfare Fund written back which was provided by the company through year 2010 to 2013.

24. General and administration expenses

	Note	2015 Rupees	2014 Rupees
Salaries, wages and benefits	24.1	57,165,089	49,414,470
Repair and maintenance		856,551	1,543,758
Legal and professional charges		14,934,780	2,186,672
Travelling and entertainment		2,865,714	1,949,861
Depreciation	20.1.3	11,089,814	8,170,320
Rent, rates, taxes and utilities		2,220,878	2,338,199
Communication		1,399,788	1,233,240
Printing and stationery		2,617,275	2,653,922
Insurance		1,488,494	1,730,786
Car maintenance and fuel expenses		3,892,158	4,066,695
Provision for doubtful debts	16.1 & 17.1	15,472,868	13,863,290
Donations		1,176	2,500,000
Fees and subscription		4,438,202	3,193,355
Other expenses		2,667,703	2,142,683
		121,110,490	96,987,251

24.1 Included in salaries, wages and benefits are Rs. 2,361,955 (2014: Rs. 2,038,370) in respect of Employees' Provident Fund contribution by the company and Rs. 2,690,667 (2014: Rs. 1,926,544) in respect of the gratuity fund.

25. Provision for taxation

	Note	2015 Rupees	2014 Rupees
For the year			
- Current		126,698,611	83,362,770
- Deferred	15	(3,039,076)	1,070,110
		123,659,535	84,432,880
Prior years			
- Current		56,781,503	(10,072,916)
		180,441,038	74,359,964

25.1 It includes Rs 23,863,933 one-time super tax at the rate of 3% on income for the year ended 31 December 2014 (Tax Year 2015) imposed by the Federal Government vide Finance Act 2015. This tax has been levied for financing the rehabilitation of internally displaced persons affected by the ongoing war on terror. Accordingly, provisions for Super tax have been made for the prior year.

25.2 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate:	2015 %	2014 %
Applicable tax rate	32.00	33.00
Effect of:		
- income chargeable to tax at a reduced rate	(18.46)	(18.72)
- income exempt from tax	-	(0.24)
- prior year tax	3.01	(1.04)
- super tax	2.18	-
- permanent difference	(1.03)	(1.63)
- change in tax rate and others	(1.21)	(3.72)
Effective tax rate	16.49	7.65

26. Reconciliation to profit and loss account

	2015 Rupees	2014 Rupees
Operating cash outflows	(478,065,198)	(112,455,861)
Depreciation	(20,873,370)	(16,068,128)
Financial charges	(4,193,649)	(1,771,589)
Profit / (loss) on disposal of fixed assets	1,462,673	(191,599)
Increase in assets other than cash	702,943,813	291,600,521
Increase in liabilities other than borrowings	(319,090,265)	(128,820,674)
Others		
- Decrease in provision for unearned premium	15,357,161	17,046,604
- Decrease / (increase) in commission income unearned	32,577,472	(16,522,135)
- Income on investments and current and other deposits	1,018,296,367	853,752,856
- Investment related expenses	1,928,420	1,930,687
- (Decrease) / increase in provision for commission expense deferred	(36,570,572)	8,533,919
- Impairment of available for sale investment	-	-
	913,772,852	897,034,601

26.1 Cash at the end of the year

For the purposes of cash flow statement cash includes:

	2015	2014
Cash and other equivalents	111,000	54,291
Current and other accounts	198,124,450	834,400,197
Deposits maturing within 12 months	150,350,000	2,350,000
Finances under mark-up arrangements - secured	(95,037,685)	-
	253,547,765	836,804,488

27. Remuneration of Chief Executives, Directors and Executives

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

	Directors		Chief Excecutive		Excecutive	
	2015 Rupees	2014 Rupees	2015 Rupees	2014 Rupees	2015 Rupees	2014 Rupees
Short term employee benefits						
Managerial remuneration	-	-	6,600,000	6,000,000	17,708,688	17,138,100
Bonus	-	-	1,500,000	1,200,000	4,427,172	4,284,525
Leave encashment	-	-	550,000	500,000	1,475,724	1,428,175
Contribution to Provident Fund	-	-	440,000	400,000	1,180,579	1,142,540
Gratuity	-	-	457,624	327,663	983,816	952,117
Medical expenses	-	-	200,990	151,000	931,402	978,253
	-	-	9,748,614	8,578,663	26,707,381	25,923,710
Number of persons	5	5	1	1	12	12

27.2 The company provides a company maintained car to the Chief Executive Officer.

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

28. Transactions with related parties

The related parties comprise associated undertakings by virtue of common directorship, directors of the company, Chief Executive and post employment benefit plans. The company in the normal course of business carries out transactions with various related parties. Amounts due to and from related parties are disclosed in note 6 and 16.2 respectively. Remuneration of directors and key management personnel is disclosed in note 27. Other significant transactions with related parties are as follows:

	2015 Rupees	2014 Rupees
i) Related parties		
Transactions		
Premium underwritten	668,217,592	533,246,802
Claims paid	495,150,632	17,126,805
Dividend received	27,630,186	20,425,590
Dividend paid	86,393,576	122,703,789
Payment in respect of services	343,926	388,851
ii) Post employment benefit plan		
Transactions		
Charge in respect of gratuity fund	3,816,850	2,732,902
Charge in respect of provident fund	3,934,717	3,882,874
Contribution to gratuity fund	4,710,895	7,922,344
Contribution to provident fund	7,869,434	7,765,748
Balances		
Payable to gratuity fund	829,108	4,710,895
Payable to provident fund	-	162,952

29. Segment Reporting

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

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

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

	Fire and property damage		Marine, aviation and Transport		Motor		Miscellaneous		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	Rupees		Rupees		Rupees		Rupees		Rupees	
Other information										
Segment assets	2,054,805,807	1,499,789,671	164,302,449	109,921,718	171,936,116	153,188,274	194,812,885	168,426,630	2,585,857,257	1,931,326,293
Unallocated corporate assets									9,418,192,945	9,101,775,649
Consolidated total assets									12,004,050,202	11,033,101,942
Segment liabilities	1,521,811,239	1,071,065,905	89,721,411	71,721,638	211,047,256	206,452,888	205,583,869	212,872,858	2,028,163,775	1,562,113,289
Unallocated corporate liabilities									870,719,439	976,301,009
Consolidated total liabilities									2,898,883,214	2,538,414,298

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

30. Financial assets and liabilities

	Interest/mark up bearing			Non Interest/mark up bearing			Total
	Maturity upto one year Rupees	Maturity after one year Rupees	Sub total Rupees	Maturity upto one year Rupees	Maturity after one year Rupees	Sub total Rupees	2015 Rupees
Financial assets							
On balance sheet							
Cash and other equivalents	-	-	-	111,000	-	111,000	111,000
Current and other accounts	179,844,107	-	179,844,107	18,280,343	-	18,280,343	198,124,450
Deposit maturing within 12 months	-	-	-	150,350,000	-	150,350,000	150,350,000
Investments	-	72,013,602	72,013,602	8,275,678,615	-	8,275,678,615	8,347,692,217
Premiums due but unpaid	-	-	-	861,957,016	-	861,957,016	861,957,016
Amounts due from other insurers / reinsurers	-	-	-	539,839,410	-	539,839,410	539,839,410
Accrued investment income	-	-	-	2,863,922	-	2,863,922	2,863,922
Reinsurance recoveries against outstanding claims	-	-	-	920,859,856	-	920,859,856	920,859,856
Sundry receivables	-	-	-	10,542,409	-	10,542,409	10,542,409
	179,844,107	72,013,602	251,857,709	10,780,482,571	-	10,780,482,571	11,032,340,280
Off balance sheet	-	-	-	-	-	-	-
Total	179,844,107	72,013,602	251,857,709	10,780,482,571	-	10,780,482,571	11,032,340,280
Financial liabilities							
On balance sheet							
Provision for outstanding claims [including IBNR]	-	-	-	1,058,323,321	-	1,058,323,321	1,058,323,321
Amounts due to other insurers / reinsurers	-	-	-	626,345,562	-	626,345,562	626,345,562
Accrued expenses	-	-	-	23,290,735	-	23,290,735	23,290,735
Sundry creditors	-	-	-	172,139,773	-	172,139,773	172,139,773
Finances under mark-up arrangements	-	-	-	95,037,685	-	95,037,685	95,037,685
	-	-	-	1,975,137,076	-	1,975,137,076	1,975,137,076
Off balance sheet							
Guarantees	-	-	-	776,700	-	776,700	776,700
Contingencies	-	-	-	7,741,451	-	7,741,451	7,741,451
	-	-	-	8,518,151	-	8,518,151	8,518,151
Total	-	-	-	1,983,655,227	-	1,983,655,227	1,983,655,227
On balance sheet gap	179,844,107	72,013,602	251,857,709	8,805,345,495	-	8,805,345,495	9,057,203,204
Off balance sheet gap	-	-	-	(8,518,151)	-	(8,518,151)	(8,518,151)

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

30. Financial assets and liabilities (cont'd)

	Interest/mark up bearing			Non Interest/mark up bearing			Total
	Maturity upto one year Rupees	Maturity after one year Rupees	Sub total Rupees	Maturity upto one year Rupees	Maturity after one year Rupees	Sub total Rupees	2014 Rupees
Financial assets							
On balance sheet							
Cash and other equivalents	-	-	-	54,291	-	54,291	54,291
Current and other accounts	743,124,453	-	743,124,453	91,275,744	-	91,275,744	834,400,197
Deposit maturing within 12 months	-	-	-	2,350,000	-	2,350,000	2,350,000
Investments	-	71,505,944	71,505,944	7,463,796,073	-	7,463,796,073	7,535,302,017
Premiums due but unpaid	-	-	-	717,616,968	-	717,616,968	717,616,968
Amounts due from other insurers / reinsurers	-	-	-	476,744,830	-	476,744,830	476,744,830
Accrued investment income	-	-	-	2,899,701	-	2,899,701	2,899,701
Reinsurance recoveries against outstanding claims	-	-	-	423,564,616	-	423,564,616	423,564,616
Sundry receivables	-	-	-	57,295,927	-	57,295,927	57,295,927
	743,124,453	71,505,944	814,630,397	9,235,598,150	-	9,235,598,150	10,050,228,547
Off balance sheet	-	-	-	-	-	-	-
Total	743,124,453	71,505,944	814,630,397	9,235,598,150	-	9,235,598,150	10,050,228,547
Financial liabilities							
On balance sheet							
Provision for outstanding claims [including IBNR]	-	-	-	507,148,513	-	507,148,513	507,148,513
Amounts due to other insurers / reinsurers	-	-	-	820,442,799	-	820,442,799	820,442,799
Accrued expenses	-	-	-	23,195,660	-	23,195,660	23,195,660
Sundry creditors	-	-	-	212,064,768	-	212,064,768	212,064,768
Finances under mark-up arrangements	-	-	-	-	-	-	-
	-	-	-	1,562,851,740	-	1,562,851,740	1,562,851,740
Off balance sheet							
Guarantees	-	-	-	763,450	-	763,450	763,450
Contingencies	-	-	-	226,062,567	-	226,062,567	226,062,567
	-	-	-	226,826,017	-	226,826,017	226,826,017
Total	-	-	-	1,789,677,757	-	1,789,677,757	1,789,677,757
On balance sheet gap	743,124,453	71,505,944	814,630,397	7,672,746,410	-	7,672,746,410	8,487,376,807
Off balance sheet gap	-	-	-	(226,826,017)	-	(226,826,017)	(226,826,017)

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

31. Management of insurance and financial risk

31.1 Insurance risk

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

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

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

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

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

31.1.1 Frequency and severity of claims

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

31.1.2 Concentration of insurance risk

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

	Gross aggregate exposure		Maximum Reinsurance Cover		Net	
	2015	2014	2015	2014	2015	2014
	Rupees					
Fire and property damage	285,401,040,977	404,111,442,348	256,097,779,527	346,645,578,557	29,303,261,450	57,465,863,791
Marine, aviation and transport	42,518,020,031	65,512,219,170	24,959,845,335	39,633,685,307	17,558,174,696	25,878,533,863
Motor	7,464,458,969	9,924,541,402	4,107,676,116	6,018,155,663	3,356,782,853	3,906,385,739
Miscellaneous	6,186,015,874	7,681,869,285	4,993,541,360	6,676,168,082	1,192,474,514	1,005,701,203
	341,569,535,851	487,230,072,205	290,158,842,338	398,973,587,609	51,410,693,513	88,256,484,596

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

	Gross claims paid		Reinsurance recoveries		Net	
	2015	2014	2015	2014	2015	2014
	.... Rupees					
Fire and property damage	1,068,643,341	102,672,942	1,047,913,124	87,343,816	20,730,217	15,329,126
Marine, aviation and transport	86,328,023	344,225,424	78,990,934	169,245,453	7,337,089	174,979,971
Motor	98,054,064	84,788,741	61,145,400	53,058,185	36,908,664	31,730,556
Miscellaneous	21,512,553	29,292,036	15,836,867	24,772,456	5,675,686	4,519,580
	1,274,537,981	560,979,143	1,203,886,325	334,419,910	70,651,656	226,559,233

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

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

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

31.1.3 Reinsurance risk

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

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

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

31.1.4 Sources of uncertainty in estimation of future claim payments

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

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

31.1.5 Process used to decide on assumptions

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

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

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

31.1.6 Sensitivity analysis

The company enters into short term insurance contracts, therefore, it does not assume any significant impact of changes in market conditions on unexpired risks. The risks associated with the insurance contracts are complex and subject to a number of variables which complicate the quantitative sensitivity analysis. However, some results of sensitivity testing are set out below, showing the impact on profit before tax (net of reinsurance) and shareholders' equity:

	Profit before taxtation		Share holders' equity	
	2015	2014	2015	2014
	.... Rupees			
Particulars				
Effect of 10% increase / (decrease) in amount and number of claims:				
Fire and property damage	5,463,678	1,419,741	3,715,301	951,226
Marine, aviation and transport	1,637,288	17,954,142	1,113,356	12,029,275
Motor	4,206,666	3,298,173	2,860,533	2,209,776
Miscellaneous	1,145,490	493,112	778,933	330,385
	12,453,122	23,165,168	8,468,123	15,520,662

31.1.7 Claims development

The table below shows the development of claims over the years. This disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments.

Reporting year	2011	2012	2013	2014	2015	Total
	....	....	....	Rupees	....	....
Estimate of ultimate claims costs:						
- At the end of reporting year	158,232,779	231,793,491	406,858,760	823,008,526	1,781,426,094	3,401,319,650
- One year later	160,703,607	240,973,373	355,314,598	871,258,218	-	1,628,249,796
- Two years later	162,170,046	219,544,503	352,968,254	-	-	734,682,803
- Three years later	161,280,453	218,269,821	-	-	-	379,550,274
- Four years later	160,938,482	-	-	-	-	160,938,482
Current estimate of cumulative claims	160,938,482	218,269,821	352,968,254	871,258,218	1,781,426,094	3,384,860,869
Cumulative payments to date	148,822,067	129,213,879	311,999,834	596,392,833	1,163,281,266	2,349,709,879
Liability recognized in balance sheet	12,116,415	89,055,942	40,968,420	274,865,385	618,144,828	1,035,150,990
Liability reserve prior to 2011						23,172,331
Total liability in balance sheet						1,058,323,321

31.2 Financial risk

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

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

Taken as a whole, risk arising from the company's financial instruments is limited, as there is no significant exposure to market risk in respect of such instruments other than those disclosed in note 4.10.

Financial risk factors

(a) Credit risk and concentration of credit risk

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

Concentration of credit risk occurs when a number of counter parties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The company's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits the company's exposure to credit risk through monitoring of client's exposure and review and conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as it's financial assets are adequately diversified in entities of sound financial standing, covering various industrial sector segments.

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

	2015 Rupees	2014 Rupees
Bank balances and deposits	348,474,450	836,750,197
Investments	8,347,692,217	7,535,302,017
Premiums due but unpaid - unsecured	861,957,016	717,616,968
Amount due from other insurers / reinsurers - unsecured	539,839,410	476,744,830
Accrued investment income	2,863,922	2,899,701
Reinsurance recoveries against outstanding claims	920,859,856	423,564,616
Sundry receivables	10,542,409	57,295,927
	11,032,229,280	10,050,174,256

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

	2015 Rupees	2014 Rupees
- Upto one year	1,129,934,196	1,005,859,718
- Past one but less than three years	230,123,925	153,781,974
- Over three but less than five years	29,279,862	32,114,220
- More than five years	12,458,443	2,605,886
	1,401,796,426	1,194,361,798

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

Rating	Amount due from reinsurers	Reinsurance recoveries against outstanding claims	Other reinsurance assets	2015 Rupees	2014 Rupees
A and above (including PRCL)	203,412,079	344,774,140	116,835,094	665,021,313	691,139,061
A-	19,728,130	43,319,139	12,589,887	75,637,156	112,290,816
BBB	378,098	4,425,753	2,835,790	7,639,641	472,497
Others	55,671,239	528,340,824	550,652,741	1,134,664,804	479,576,203
	279,189,546	920,859,856	682,913,512	1,882,962,914	1,283,478,577

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

	Rating			Rating	
	Short Term	Long term	Agency	2015	2014
Current and other accounts				Rupees	Rupees
Albaraka Islamic Bank Limited	A1	A	PACRA	31,720	20,254
Allied Bank Limited	A1+	AA+	PACRA	34,881	27,881
Askari Bank Limited	A-1+	AA	JCR-VIS	1,155,500	41,843
Bank Alfalah Limited	A1+	AA	PACRA	4,183,874	3,648,591
Dubai Islamic Bank Limited	A-1	A+	JCR-VIS	17,673,389	49,217,078
Faysal Bank Limited	A-1+	AA	JCR-VIS	1,798,977	3,113,718
Habib Bank Limited	A-1+	AAA	JCR-VIS	946,198	65,904,491
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	10,315,728	278,303,229
JS Bank Limited	A1+	A+	PACRA	211,864	10,189,211
MCB Bank Limited	A1+	AAA	PACRA	158,861,652	417,497,451
Silk Bank Limited	A-2	A-	JCR-VIS	211,050	211,050
Soneri Bank Limited	A1+	AA-	PACRA	7,215	2,599,020
Summit Bank Limited	A-1	A	JCR-VIS	106,319	48,211
United Bank Limited	A-1+	AA+	JCR-VIS	2,586,083	3,578,169
				198,124,450	834,400,197

	Rating		Rating Agency	2015	2014
	Short Term	Long term		Rupees	Rupees
Deposits maturing within 12 months					
Allied Bank Limited	A1+	AA+	PACRA	100,000,000	-
Askari Bank Limited	A-1+	AA	JCR-VIS	50,000,000	-
State Bank of Pakistan		Not Available		350,000	2,350,000
				150,350,000	2,350,000

(b) Liquidity risk

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

The company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At December 31, 2015, the company had Rs. 100,000,000 (2014: Rs. 600,000,000) of available borrowing limits from financial institutions and Rs. 198,235,450 (2014: Rs. 834,454,488) of cash and bank balances.

The following are the undiscounted cash flows of contractual maturities of financial liabilities as at December 31, 2015:

	Carrying amount	Less than one year	One to five years	More than five years
	.... Rupees	....		
Provision for outstanding claims	1,058,323,321	1,058,323,321	-	-
Amount due to other insurers / reinsurers	626,345,562	626,345,562	-	-
Accrued expenses	23,290,735	23,290,735	-	-
Sundry creditors	172,139,773	172,139,773	-	-
Finances under mark-up arrangements - secured	95,037,685	95,037,685	-	-
	1,975,137,076	1,975,137,076	-	-

The following are the undiscounted cash flows of contractual maturities of financial liabilities as at December 31, 2014:

	Carrying amount	Less than one year	One to five years	More than five years
	.... Rupees			
Provision for outstanding claims	507,148,513	507,148,513	-	-
Amount due to other insurers / reinsurers	820,442,799	820,442,799	-	-
Accrued expenses	23,195,660	23,195,660		
Sundry creditors	212,064,768	212,064,768	-	-
	1,562,851,740	1,562,851,740	-	-

(c) Market risk

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimising the return. The market risks associated with the company's business activities are interest rate risk and other price risk.

(i) Interest rate risk

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

	2015	2014	2015	2014
	Effective interest rate		Rupees	Rupees
Financial assets				
Floating rate instruments				
Bank balances - saving accounts	5.8%	8.2%	179,844,107	743,124,453
Deposits maturing within 12 months	6.3%	0.0%	150,000,000	-
Investments - Government securities	12.0%	12.0%	73,000,000	73,000,000
Total exposure			402,844,107	816,124,453
Financial liabilities				
Floating rate instruments				
Finances under mark-up arrangements - secured	9.3%	0.0%	95,037,685	-
Total exposure			95,037,685	-

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

327,847 (2014: Nil) and shareholders equity would have been lower / higher by Rs 222,936, mainly as a result of higher / lower interest expense on floating rate borrowings.

(ii) Other price risk

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

The company's equity investments amounting to Rs. 7,775,678,615 are susceptible to market price risk arising from uncertainty about the future value of investment securities. The company limits market risk by diversifying its equity investment portfolio and by actively monitoring the developments in equity and money markets.

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

(iii) Currency risk

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

(d) Capital risk management

The company's goals and objectives when managing capital are:

- to be an appropriately capitalised institution in compliance with the paid up capital requirement set by SECP;
- to safeguard the company's ability to continue as a going concern;
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk;
- maintain strong ratings; and
- to ensure a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

31.3 Fair value estimation

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities,
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable,
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

	2015		
	Fair value measurement using		
	Level 1	Level 2	Level 3
	.... Rupees		
Available-for-sale investments	13,852,266,392	500,000,000	-
Held to maturity investments	72,354,583	-	-
	13,924,620,975	500,000,000	-

	2014		
	Fair value measurement using		
	Level 1	Level 2	Level 3
	.... Rupees		
Available-for-sale investments	18,333,482,819	-	-
Held to maturity investments	72,354,583	-	-
	18,405,837,402	-	-

32. Number of employees

	2015 Rupees	2014 Rupees
Number of employees as at December 31	108	147
Average number of employees during the year	128	136

33. Date of authorization for issue

These financial statements were authorized for issue on April 05 , 2016 by the Board of Directors of the company.

34. Event after the balance sheet date

The Board of Directors have proposed a final dividend for the year ended December 31, 2015 of Rs. 2.5 per share (2014: Rs. 2 per share), amounting to Rs. 170,156,250 (2014: Rs. 136,125,000) at their meeting held on April 05, 2016 for approval of the members at the Annual General Meeting to be held on April 30, 2016.

35. Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison. Significant re-arrangements made are as follows:

Accrued expenses and Accrued liabilities amounting to Rs. 3,925,767 (2014: 3,806,079) and Rs. 19,364,968 (2014: 19,389,581) respectively have been reclassified from 'Sundry creditors' to 'Accrued expenses'.

Hasan Mansha

Chairman | Director | Director | Principal & Chief Executive Officer

Disclosure of Categories of Shareholding
as at December 31, 2015

Description	# of Shareholders	Shares Held	Percentage
Directors, CEO & thier spouse & minor children			
Mian Hassan Mansha (Director)	1	9,049,371	13.30
Mr. Muhammad Azam (Director)	1	500	-
Mr. Inayat Ullah Niazi (Director)	1	500	-
Mr. Badar ul Hassan (Director)	1	500	-
Mr. Mehmood Akhtar (Director)	1	500	-
Associated companies, Undertakings & Related parties"			
Nishat Mills Ltd.	1	10,226,244	15.02
NIT and ICP	-	-	-
Public Sector Companies & Corporations	-	-	-
Executives	-	-	-
"Banks, Development Financial Institutions, Non-Banking Financial Institution.	1	12,401,871	18.22
Insurance Companies	2	10,138,412	14.90
Modarabas and Mutual Funds"	-	-	-
General Public			
a. Local	-	-	-
b. Foreign	-	-	-
Others			
a - Joint stock companies	1	643,667	0.95
b - All others	7	25,600,935	37.61
Total	17	68,062,500	100.00

Shareholders Holding ten percent or more Voting Interest:-

	# of Shareholders	Shares Held	Percentage
Allied Bank Limited	1	12,401,871	18.22
Nishat Mills Limited	1	10,226,244	15.02
Mian Hassan Mansha	1	9,049,371	13.30
Mian Umer Mansha	1	9,049,371	13.30
Mian Raza Mansha	1	8,133,467	11.95

ASSOCIATED COMPANY:

Nishat Mills Limited	1	10,226,244	15.02

Pattern of Share Holding
as at December 31, 2015

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

Classification of Shares by Categories
as at December 31, 2015

Categories of Members	Number	Shares held	Percentage
Individuals	12	34,652,306	50.91
Investment Companies	0	0	0.00
Insurance Companies	2	10,138,412	14.90
Joint Stock Companies	2	10,869,911	15.97
Financial Institutions	1	12,401,871	18.22
Modaraba Companies	0	0	0.00
Foreign Investors	0	0	0.00
Others	0	0	0.00
Total	17	68,062,500	100.00

FORM OF PROXY

Security General Insurance Company Limited

I ____

of ____

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

____

of ____

also a Shareholder of the said company, to be my proxy and to vote for me at the annual general meeting of the Company to be held on the 30th day of April, 2016 and at any time adjournment thereof in the same manner as I myself would vote if personally present at such meeting.

As witness my hand in this day of ____________________________ 2016.

Signature ______________________________

Address ______________________________

____

Folio/ CDC No.______________________________

witness:

Name ______________________________

Address ______________________________

CNIC. No ______________________________

Signature ______________________________

پراکسی فارم

سکیورٹی جنرل انشورنس کمپنی لمیٹیڈ

میں --

بحثییت ممبرسکیورٹی جنرل انشورنس کمپنی لمیٹیڈ میرے پاس ------------------عام حصص رکھتے ہیں

بذریعہ فولیو/ سی ڈی سی اکاؤنٹ نمبر ---------------کوبطور پراکسی مقرر کرتا ہوں / کرتی ہوں یا بصورتِ دیگر

---------کوجوضلع---------سے ہے اورممبر بذریعہ فولیونمبر / سی ڈی سی اکاؤنٹ نمبر---------بھی

ہے کو پراکسی مقرر کرتا ہوں/ کرتے ہیں وہ میری غیر حاضری میں کمپنی کے سالانہ عام اجلاس میں جو بتاریخ-------

منعقد ہو رہا ہے اس میں اوراس کے کسی ملتوی شدہ اجلاس میں شرکت کرے اورووٹ ڈالے۔

میرے/ہمارے دستخط بتاریخ-----------------------2016

فولیونمبر/ سی ڈی سی -------------------------------

گواہ:

نام:---------------------

پتہ:---------------------

شناختی کارڈنمبر:---------------

دستخط:--------------------