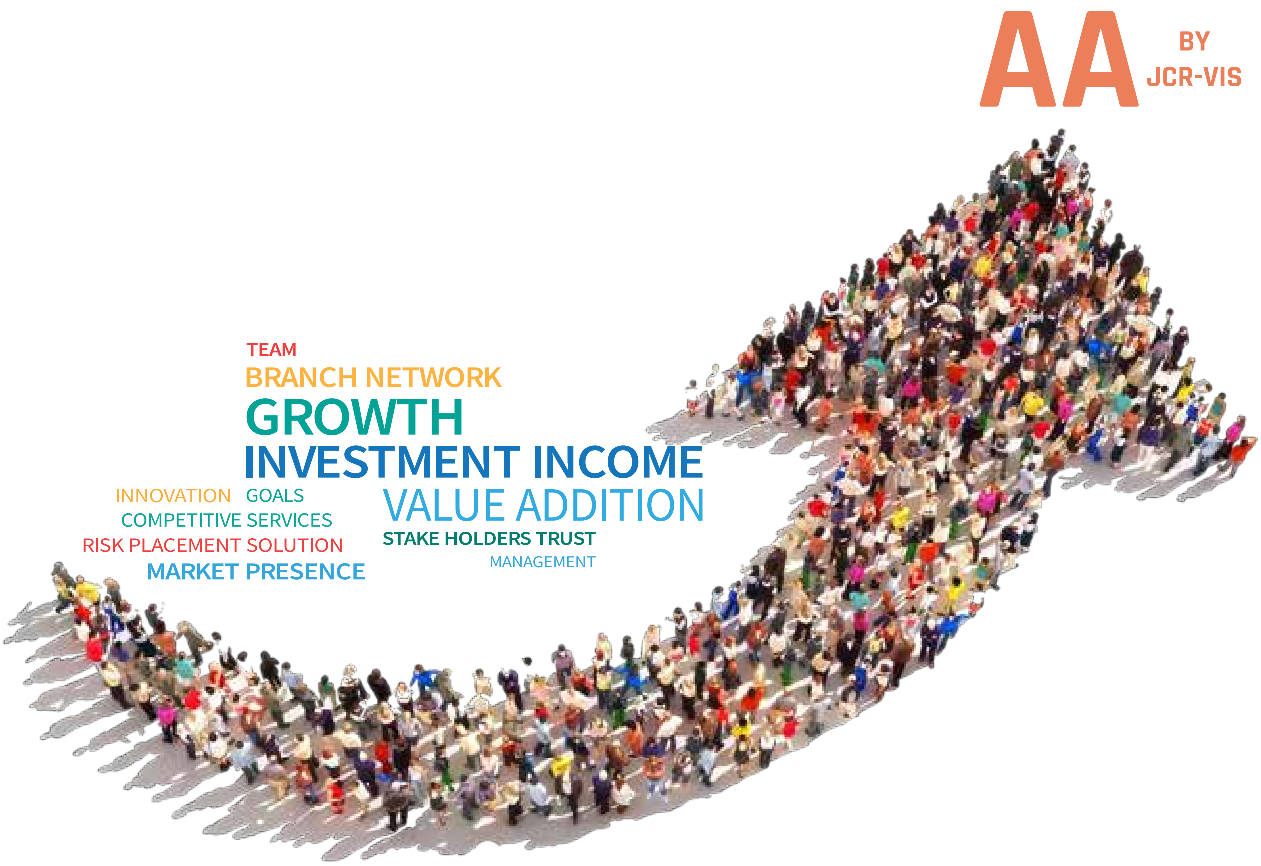
Security General Insurance Company Limited



2017
Annual Report

www.sgicl.com

GROWTH WITH STRENGTH STRATEGIES AND VALUE

CONTENTS

Explore Online

Visit us online for more information at:
www.sgicl.com

For All Our Progress and Success There's Still to do.

AA

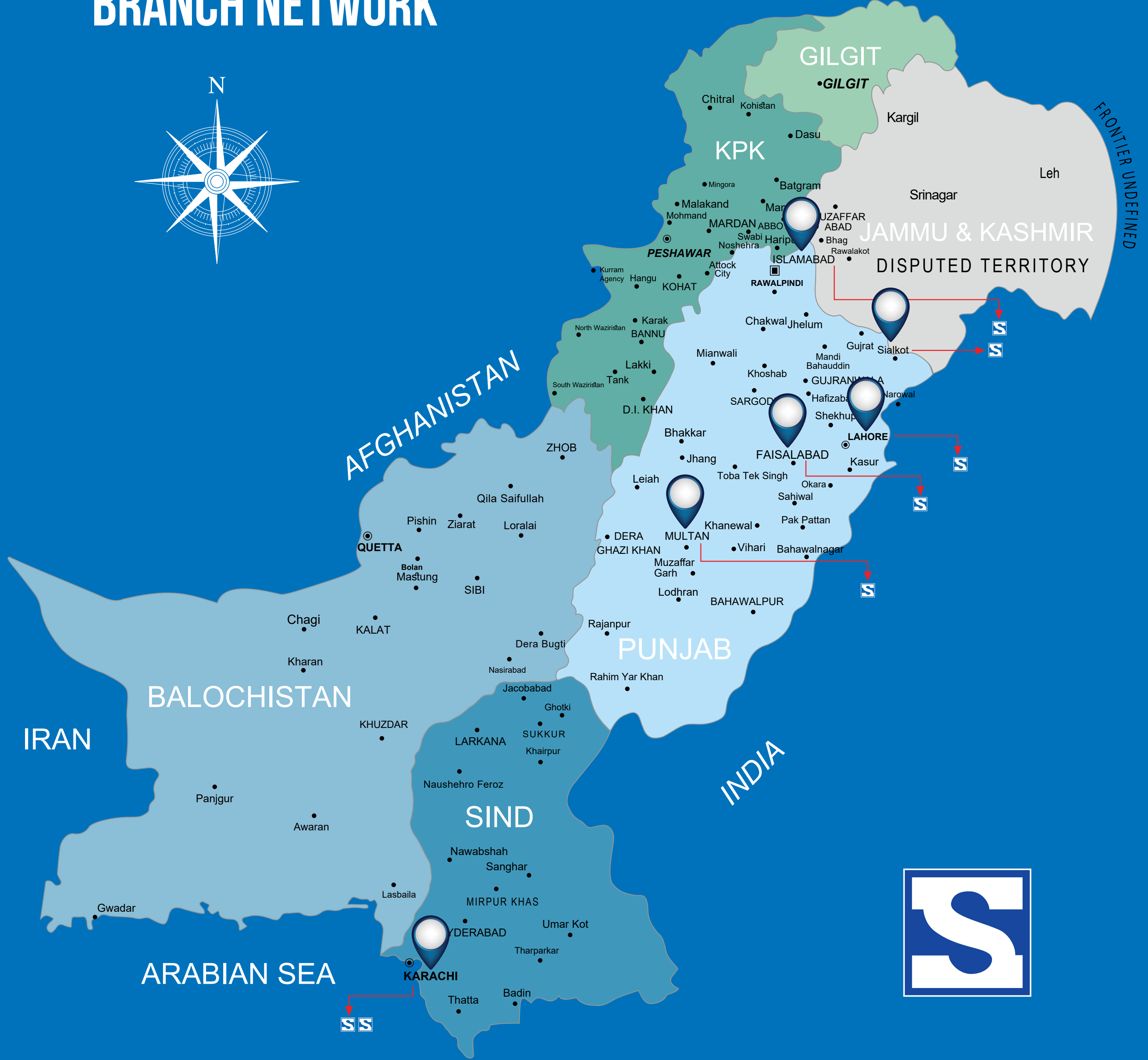
Rated by: JCR-VIS

HIGHLIGHTS

Rupees in Million

Gross Premiums written	Net Premium	Net Claims
2,000	502	94
Net Commission	**Management Expenses**	**Investment Income**
19	79	1,083
Underwriting Results	**Profit before Tax**	**Profit after Tax**
310	1,278	825

BRANCH NETWORK



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

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

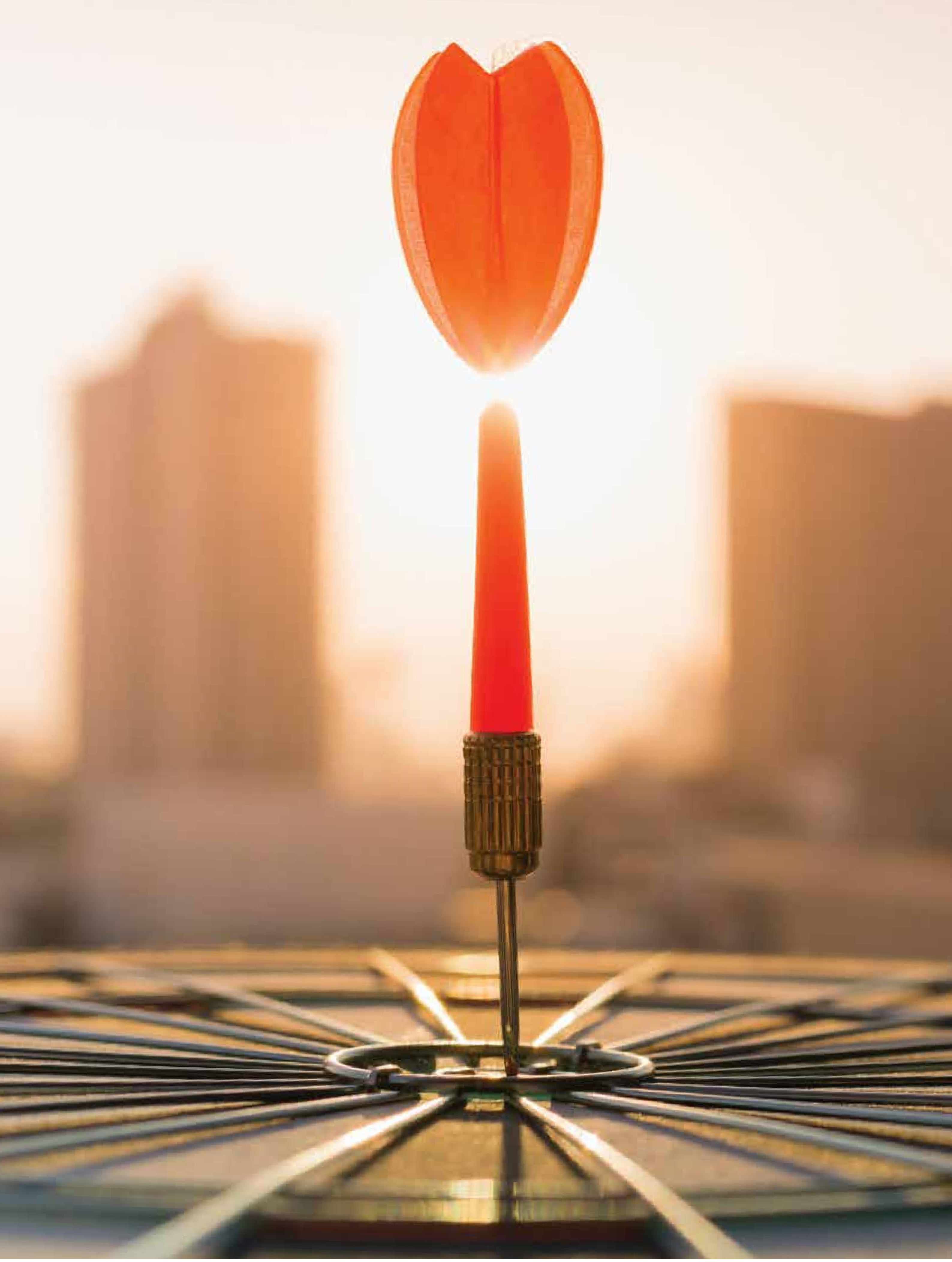
NEW MULTAN BRANCH:
Business City Plaza, Bosan Road, Multan.

ISLAMABAD BRANCH:
Office No. 2, 2nd Floor Vip Square, I-8 Markaz, Islamabad.

KARACHI CITY BRANCH:
House No. 84-P, Ghazali Road Block No. 2,
P.E.C.H.S Karachi.

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

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



MISSION STATEMENT

SGI to become a leader in insurance through innovation, competitive advantage, customers' satisfaction and stakeholders' confidence.

Read more online: www.sgicl.com

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

Read more online: www.sgicl.com

INSURER FINANCIAL STRENGTH RATING

'AA'

JCR-VIS

Read more online: www.sgicl.com

BOARD OF DIRECTORS

"By adopting best practises and measures we are ensuring consistent growth in market share for Security General Insurance Company Limited"

Mian Hassan Mansha

CHAIRMAN

Inayat Ullah Niazi

DIRECTOR

Mahmood Akhtar

DIRECTOR

Farrukh Aleem

CHIEF EXECUTIVE OFFICER

Badar ul Hassan

DIRECTOR

Muhammad Azam

DIRECTOR

Khalid Mahmood Chohan

COMPANY SECRETARY

CEO MESSAGE

Farrukh Aleem
C.E.O

To our policy holders and valued customers,

"We are here to help our valued customers to achieve financial security. We know that when we serve you well, we're helping you create a secure future - a projection that is you to write and is unique to you."

First of all, thanks to Allah Almighty for the successful completion of my second year as CEO, though it was challenging time but with the support of Chairman and Directors, we were able to successfully mark the market, faced those challenges with vigor and skillfully adapt ourselves to meet the industry dynamics.

2017 was a year of resilient growth for Security General Insurance Co. Ltd (SGICL) but with the untiring hard work, dedication and loyalty of team members we finally achieved the rating of "AA" from JCR and this was a milestone we secured this year.

Ever wise practice is to learn from past experiences and to utilize them wisely for right decision at right time for the best interest of all stakeholders. My core intention is to focus on key pre-requisites for the development of strategic plan that will for sure spurt growth.

We continually aim to shape, anticipate and understand the market; with research, knowledge and expertise – furthermore it is a core reason to maintain ourselves as leading "Insurer" hence, we can offer our clients added value that helps them flourish. My aim is to keep expanding our leading position by catering customer needs and their respective solutions.

The challenges for the coming years must not be underestimated, but our strategic priorities are clear, and we are well-positioned to maintain our position in industry, to govern & deliver the strategic goals of sponsors and to provide our clients with proficient and loyal support even in rocky times. It is a privilege to have worked for so long with many of our clients.

For all our progress and success, there's still more to do more because customer preferences shift, competition increases and the regulatory environment evolves more because the world and industry dynamics is in a state of accelerating change that we need to cope with.

Furthermore, finally took decision to offer Takaful Services as Windows Takaful Operations (WTO) that will definitely contribute significantly in overall growth of company in upcoming years.

In the end thanks to all of our valued customers for their trust they endow with us.

COMPANY INFORMATION

Board of Directors

Mian Hassan Mansha
Chairman
Mahmood Akhtar
Director
Badar ul Hassan
Director
Farrukh Aleem
CEO
Inayat Ullah Niazi
Director
Muhammad Azam
Director

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

Ahsan & Ahsan
Chartered Accountants

Lawyers

Hamid Law Associates

Head Office

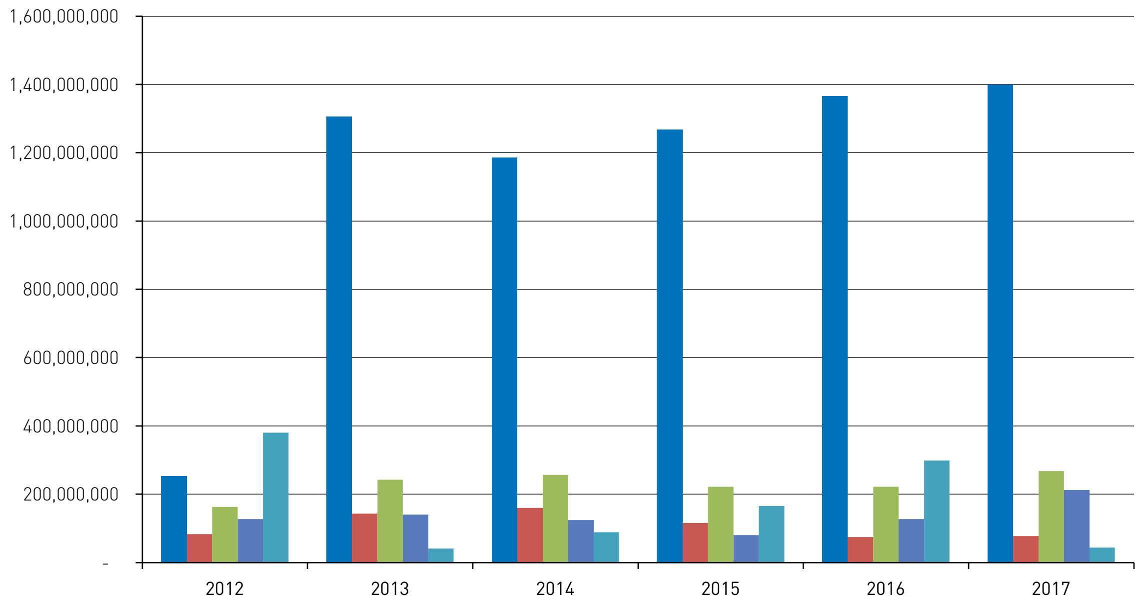
SGI House, 18 C / E1,
Gulberg III, Lahore.
Tel: 92-42-35775024-29
Fax: 92-42-35775030
E-mail: sgi@sgicl.com
Web: www.sgicl.com

Read more online: www.sgicl.com

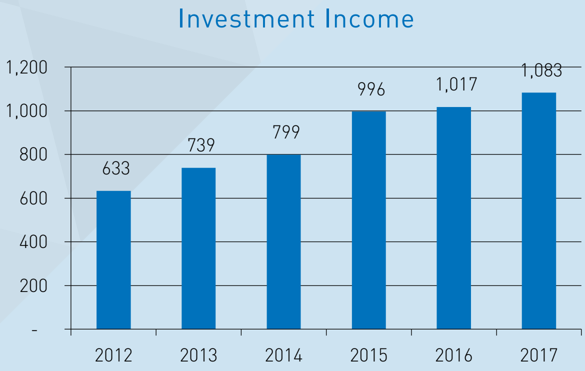
KEY FINANCIAL DATA

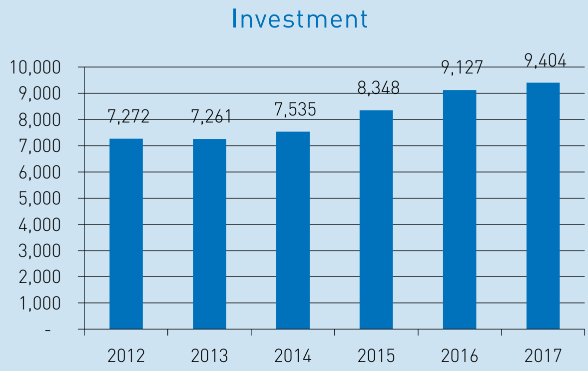
Description	2017	2016	2015	2014	2013	2012
			Rupees in Million			
Gross Premium	2,000	2,087	1,851	1,816	1,872	1,006
Profit after Tax	825	800	914	897	760	527
Profit before Tax	1,278	1,186	1,094	971	826	586
Investment Income	1,083	1,017	996	799	739	633
Underwriting Income	310	271	200	174	177	56
Net Revenue	503	446	441	524	368	198
Net Claims	94	75	125	232	97	70
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	2,152	1,853	1,931	1,395	1,250	863
Investements	9,404	9,127	8,348	7,535	7,261	7,273
Tangible Fixed Assets	117	107	107	120	110	107
Retained Profit	9,364	8,881	8,423	7,812	7,225	6,740

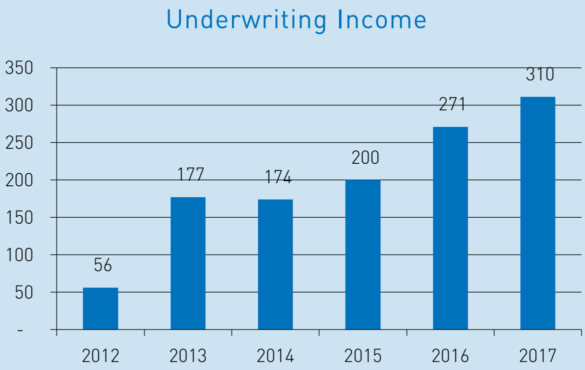
DEPARTMENT WISE PREMIUM GRAPH

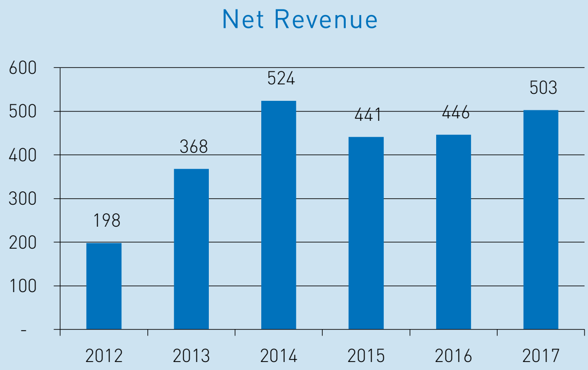


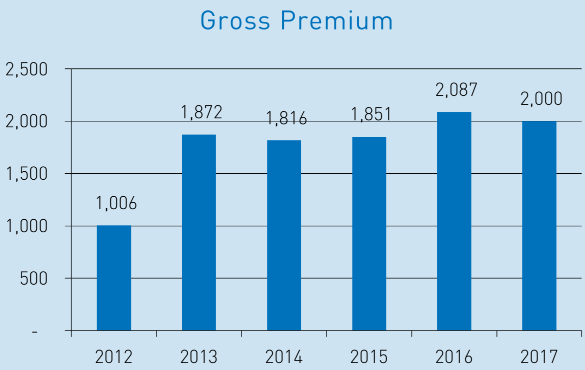
	2012	2013	2014	2015	2016	2017
FIRE	253,949,066	1,306,612,323	1,186,367,424	1,268,179,005	1,366,045,702	1,398,759,807
MARINE	82,860,599	143,095,390	160,250,641	115,468,744	74,319,232	77,409,428
MOTOR	162,820,285	242,333,499	256,417,556	221,940,854	221,403,965	268,003,619
MISC.	126,659,114	139,893,014	124,150,857	79,825,677	126,818,592	212,728,241
ENGG	379,809,765	40,426,760	88,557,759	165,325,119	298,551,641	43,357,061
TOTAL	1,006,098,829	1,872,360,986	1,815,744,237	1,850,739,399	2,087,139,132	2,000,258,156

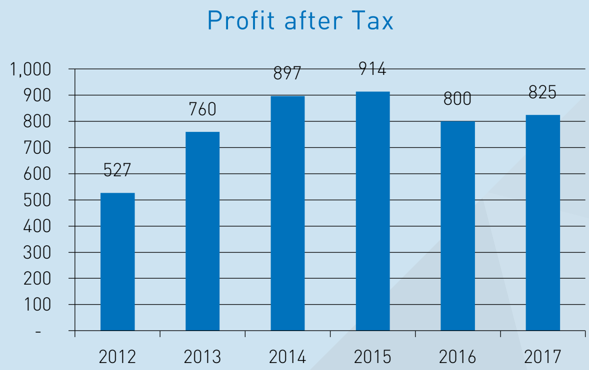

Investment Income
1,200
1,000
800
600
400
200
-
633
739
799
996
1,017
1,083
2012
2013
2014
2015
2016
2017

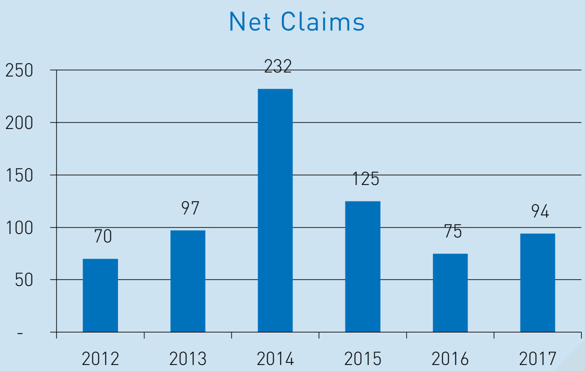

Investment
10,000
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
-
7,272
7,261
7,535
8,348
9,127
9,404
2012
2013
2014
2015
2016
2017

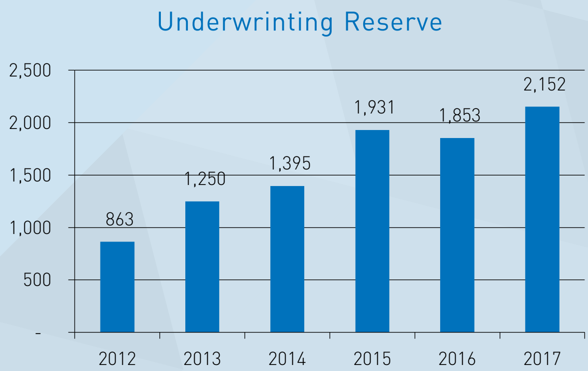

Underwriting Income
350
300
250
200
150
100
50
-
56
177
174
200
271
310
2012
2013
2014
2015
2016
2017

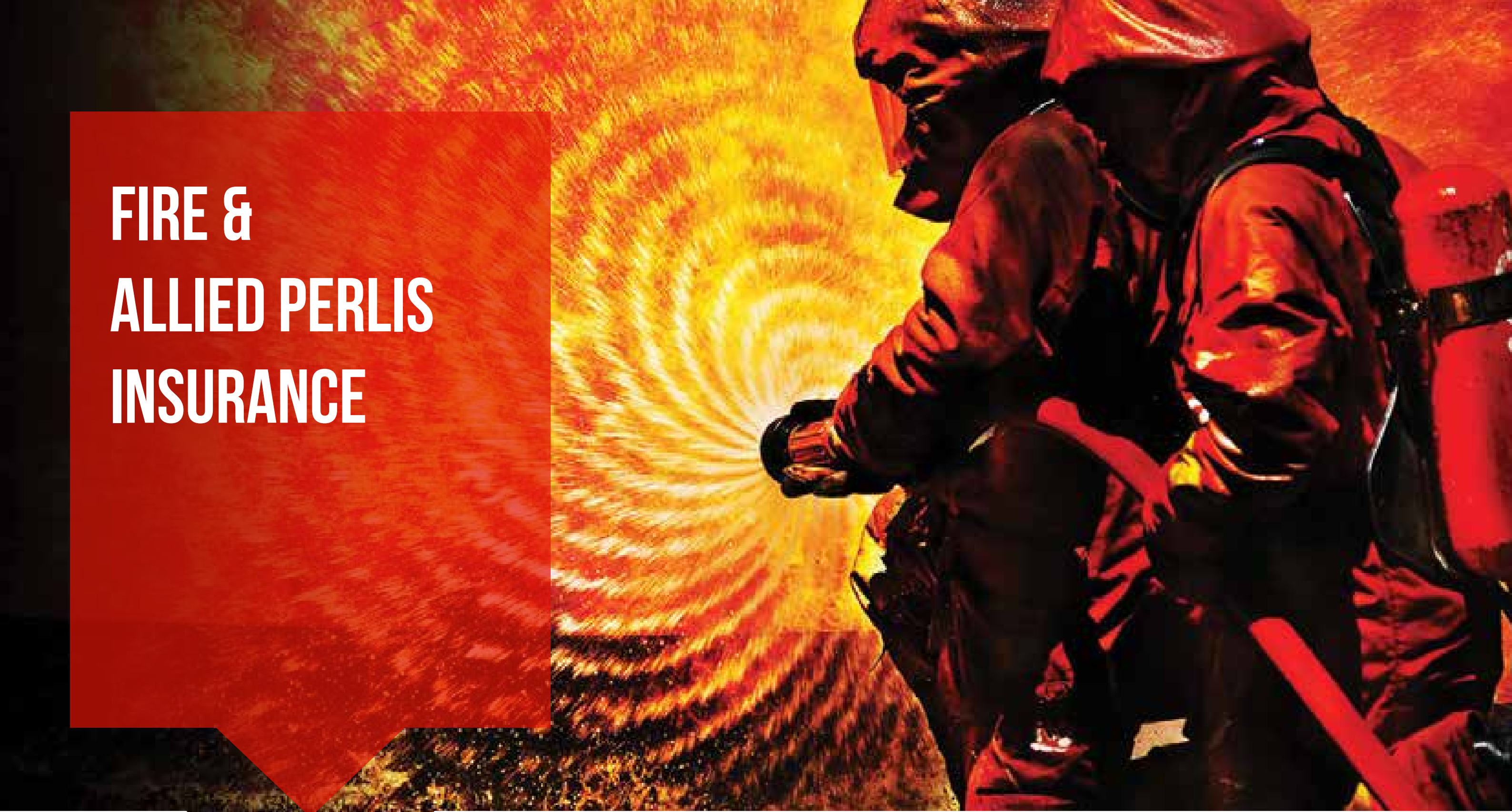

Net Revenue
600
500
400
300
200
100
-
198
368
524
441
446
503
2012
2013
2014
2015
2016
2017


Gross Premium
2,500
2,000
1,500
1,000
500
-
1,006
1,872
1,816
1,851
2,087
2,000
2012
2013
2014
2015
2016
2017


Profit after Tax
1,000
900
800
700
600
500
400
300
200
100
-
527
760
897
914
800
825
2012
2013
2014
2015
2016
2017


Net Claims
250
200
150
100
50
-
70
97
232
125
75
94
2012
2013
2014
2015
2016
2017


Underwrinting Reserve
2,500
2,000
1,500
1,000
500
-
863
1,250
1,395
1,931
1,853
2,152
2012
2013
2014
2015
2016
2017



FIRE & ALLIED PERLIS INSURANCE

Fire is among those four natural elements which is beyond human control once engulfed and results to sever aftermath. Naturally we can take physical measures to control and financially we can take insurance cover to recover the financial loss.

Fire insurance gives the insured the requisite financial protection against assets acquired during his/her lifetime so that in the event of any misfortune the insured would be put in the same financial position he/she enjoyed just before the loss due to fire and lightning only.

There are two (2) main potential buyers of fire insurance

- the individual
- the entity (organization).

The Individuals need Fire Insurance as protection against his/her property including buildings, household goods and personal effects. The Organization including Commercial and Industrial entity could insure its buildings, plant, machinery and equipment, stock of raw materials, finished goods and profits.

Fire & Allied Perils: Adding to the above mentioned cover, this type of policy covers a number of additional perils which may differ from one policy to another but most usually include the following perils:

- Explosions
- Riot & Strike
- Malicious Damage
- Earthquake (Fire & Shock)
- Atmospheric disturbance
- Aircraft Damage
- Impact Damage

Additional Coverages:

1. **Burglary/Theft:**
   In market, it has been practiced that losses due to burglary & theft are endorse under fire policy

2. **Business Interruption (BI)**
   It is also known as Consequential Loss/Loss of Profit Insurance, any business loss that incurred due to fire covered under this policy, insurer pay certain amount till indemnity period define in policy.

MARINE CARGO INSURANCE

Lloyd's Coffee House was the first marine insurance market. It became the meeting place for parties in the shipping industry wishing to insure cargoes and ships, and those willing to underwrite such ventures. These informal beginnings led to the establishment of the insurance market Lloyd's of London and several related shipping and insurance businesses.

Under Marine Insurance Act 1906, Marine Insurance covers the loss or damage to:

- Hull Insurance: Water vessel- Hull & Machinery
- Aviation Insurance: Aero planes
- Cargo Insurance: Goods in transit by sea, air and by rail/road

The Clauses used for by Sea Shipments:

- Institute Cargo Clauses (A) – Covers all except general exclusions OR
- Institute Cargo Clauses (B) - Restricted cover than ICC (A) OR
- Institute Cargo Clauses (C) - Restricted cover than ICC (B)

The Clause used for by Air Shipments:

- Institute Cargo Clauses Air – Covers all except general exclusions

The Clauses used for Inland Transit/Rail/Road:

- Road/Rail Cargo Clauses (A) - Covers all except general exclusions OR
- Road/Rail Cargo Clauses (B) - Restricted cover than R/R (A)

War & Strike cover available in addition to above basic covers:

- Institute War Clauses (Cargo) on payment of additional premium
- Institute Strike Clauses (Cargo) on payment of additional premium
- Road/Rail Strike Clauses (Cargo) on payment of additional premium

Marine Perils

Perils of sea: Storms, lightning, snow, ice-burgs, fog, tides, rocks, sandbanks, volcanic eruption, heavy weather, Fire, explosion, Vessel Stranded, Sunk, burnt, Collision or contact of vessel, Theft, Willful Misconduct of assured, Malicious Damage, General average sacrifice, Jettison, washing overboard, Piracy and Rovers.

MOTOR INSURANCE

Motor insurance protects your vehicle against losses arising from unforeseen risks. It basically covers financial losses arising from accidents, theft and other natural calamities. Motor insurance is a contract for an automobile in which the insurance company agrees to pay for your financial loss resulting from a said specified event.

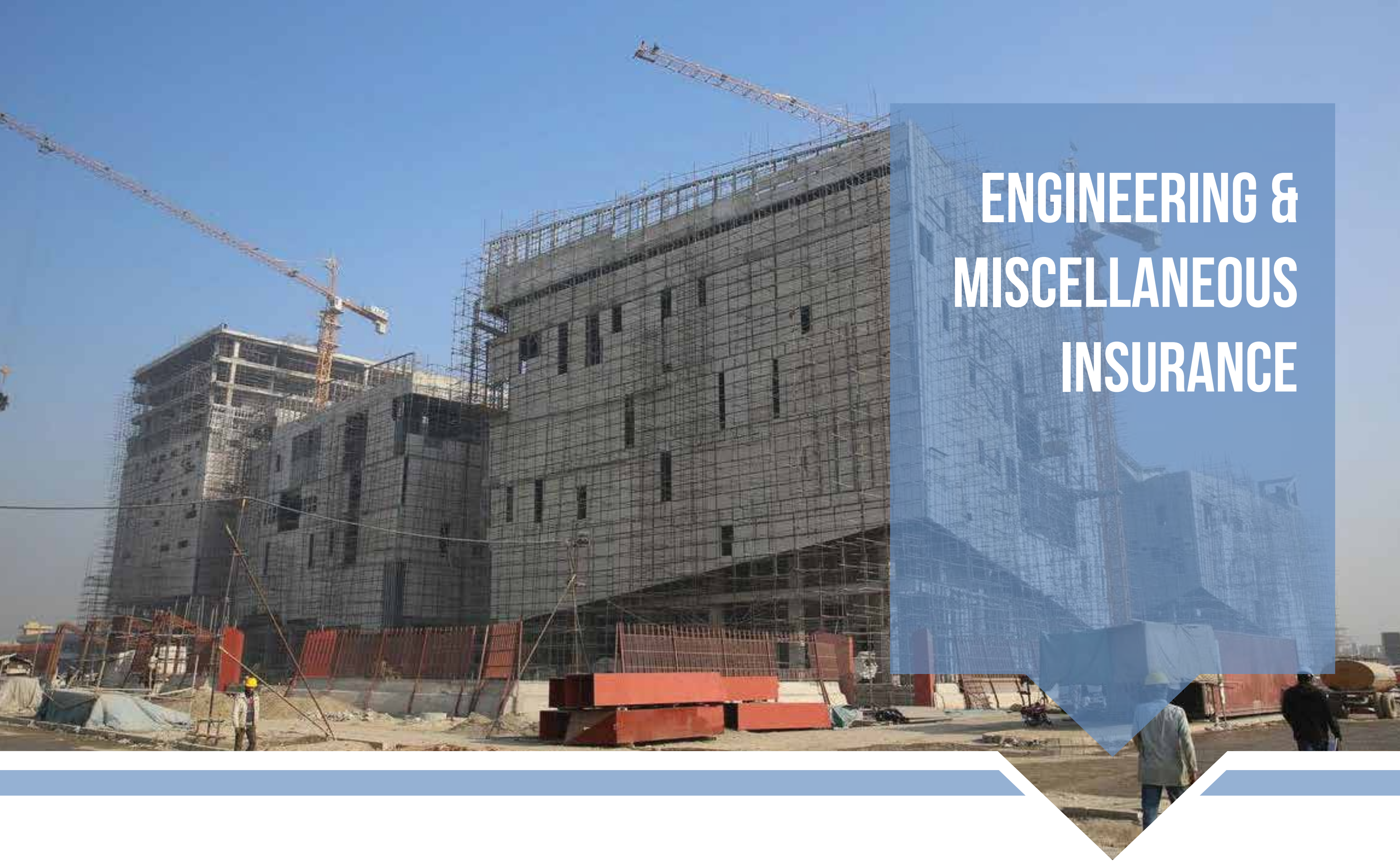
Motor Insurance is very important because too many road accidents reported on road on daily basis and fatalities in road accidents are moving up. Considering the high number and the poor state of roads, Motor insurance is a necessary requirement. By law, Motor Insurance is mandatory. Motor Insurance provides financial cover not only to you but also covers damages to third party (people travelling with you). Motor Insurance also protects you from losses arising from natural calamities like cyclone, earthquake etc.

Motor insurance covers is available for;

1. Private Motor vehicles
2. Commercial Motor vehicles

Private Motor Vehicles – Comprehensive motor covers your car and third party damages up to some extent.

Commercial Motor vehicles – offers comprehensive cover for all commercial vehicles like ambulances, carriage vans, trucks, prime movers etc.



Engineering insurance refers to the insurance that provides economic safeguard to the risks faced by the ongoing construction project, installation project, and machines and equipment in project operation. Product categories: Depending on the project, it can be divided into construction project all risks insurance and installation project all risks insurance; depending on the attribute of the object, it can be divided into project all risks insurance, and machinery breakdown insurance.

Miscellaneous Insurance refers to contracts of insurance other than these of Life, Fire and Marine insurance. This branch of insurance is of recent origin and it covers a variety of risks.

1. Personal Accident Insurance - This means insurance for individuals or groups of person against any personal accident or illness. The risk insured in personal accident insurance is the bodily injury resulting solely and directly from accident caused by violent, external and visible means.

2. Liability Insurance - Just as a person can insure himself against the risk of death and personal injury, or damage, determination or destruction of property, there can also be an insurance against the risk of incurring liability to third parties. The risk of liability arising out of the use of property, comes under the category commonly called "liability insurance". It includes -

i. Public Liability Insurance: That is, insurance against a liability imposed by law. For example, a house owner may obtain an insurance against his liability to invitees or licensees, arising from body injury or damage to property.
ii. Professional Negligence Insurance: These policies give professional indemnity cover to accountants, solicitors, lawyers, from any loss or injury due to any negligence in the conduct of their professional duties.
iii. Employer's Liability Insurance: The liability of an employer under the modern labor laws, has considerably extended and the employers are tempted to take out insurances against such liabilities. For examples, when the employees retire, substantial amount become immediately payable by way of gratuity, commuted pension, leave salary, compensation, etc. and also the uncommuted pension becomes payable in future. Employers often take insurance policies which assure payment of such amounts, as and when these becomes payable.
iv. Guarantee Insurance: The main types of policies included in guarantee insurance are a) insurance for performance of contract, policies, the guarantor / underwriter insures the promisee or employer against the loss arising by non-performance by the promisor or the dishonesty of the employee.

Fidelity policies are the most common type of guarantee policies, taken under contracts of employment where the employee has an opportunity to be dishonest. Such policies cover the risk of losses arising by theft or embezzlement of money or securities, or by fraud, on the part of employees.

Money Policies – We insure "cash" either in transit or premises, two wide range of covers available

- Cash in Transit (CIT) - cash is insured while transit between designated locations.
- Cash in Safe (CIS) – cash is insured whilst in safe.

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 due to natural disasters, such as hail, drought, and floods, or the loss of revenue due to declines in the prices of agricultural commodities. The two general categories of crop insurance are called crop-yield insurance and crop-revenue insurance.

Farming is no easy task. It is one of the riskiest enterprises in the world, defined by uncontrollable conditions that are unlike any other profession. Bad weather, blight, insects, natural disasters, price fluctuations, and global subsidization all make it hard to make a living as a farmer.

That's where crop insurance comes in. It's basically no different than auto insurance or homeowner's insurance. Banks require farmers to purchase it, just as they require insurance from homebuyers, but because of the risks unique to agriculture, it can be cost prohibitive. Without a strong infrastructure and investment, crop insurance would be too costly for most farmers to afford or for most private-sector insurance companies to widely provide.

In Pakistan, Government is offering incentives for farmers by offering loan from various private and government banks, in this capacity banks as well as farmers possess this insurance for any unfortunate event(s).

This insurance is very helpful for farmers to have financial safeguard in case of calamity.

HOME INSURANCE

Home Owner's Insurance:
Homeowners insurance provides you with financial protection in the event of a disaster or accident involving your home.

A standard homeowner's insurance policy insures your home's structure (house,) and your belongings in the event of a destructive event, such as a fire.

In addition, homeowner's insurance policies are generally "package policies", this means that the coverage includes not only damage to your property, but also your liability—that is, legal responsibility—for any injuries and property damage to others caused by you or members of your family.

The most common forms of household insurance are:
Home insurance – covers financial losses associated with damage or loss of a property you own.

Contents insurance – covers financial losses caused by the loss, theft or damage of your possessions. In addition to home insurance. A policy may be issue in combination of both.

Tenant's insurance – a low-cost contents policy for tenants that provides limited cover for events such as fire and theft.

Landlord's insurance – covers the risks associated with renting out a property.

Cattle and livestock are the bread and butter for millions of farmers in Pakistan and all across the world. With this regard the insurance policy covers animals such as cows, buffaloes, bullocks, sheep and goats owned by the different individuals and which are used for commercial and for personal purposes against the risk of permanent total disablement or death due to accident and/or any diseases which the animal may contract during the policy period.

The policy covers death caused by: Accident inclusive of fire, lighting, flood, storm, hurricane, earthquake, cyclone, tornado etc. Diseases contracted or occurring during the period of the policy.

REVIEW REPORT TO THE MEMBERS

ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices ('the Statement') contained in the Code of Corporate Governance for Insurers, 2016 ('the Code') for the year ended December 31, 2017 prepared by the Board of Directors of Security General Insurance Company Limited ('the Company') to comply with the Code issued by the Securities and Exchange Commission of Pakistan applicable to non-listed insurance companies.

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

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

Based on our review nothing has come to our attention, which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2017.

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

Lahore.
Dated: March 21, 2018

STATEMENT OF COMPLIANCE

WITH THE CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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

1. As the Company is an unlisted company, therefore, it is not mandatory for the Company to have Independent Non-executive Director as well as minority interest.

   At present the Board includes:

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

2. The directors have confirmed that none of them is serving as a Director in more than seven listed companies.

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

4. No casual vacancy occurred on the Board during the year.

5. The Company has prepared a "Statement of Ethics and Business Practices" as Code of Conduct and has ensured that appropriate steps have been taken to disseminate among all the directors and employees of the company.

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

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

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

9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company has adopted and complied with all the necessary aspects of internal controls given in the Code.

10. The Management of the company has submitted a booklet to the Board of Directors to consider it as an orientation course for its Directors and to apprise them of their duties and responsibilities. The course booklet also apprised the Director about changes in Code of Corporate Governance for insurers, 2016.

11. There was no appointment of Chief Financial Officer (CFO) and Corporate Secretary. The Board has, revised the remuneration of CFO. The Board has approved the appointment of Internal auditors including the remuneration, terms and conditions during the year.

12. The Directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance for insurers, 2016 and fully describes the salient matters required to be disclosed.

13. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.

14. The Directors, Chief Executive Officer and other executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

STATEMENT OF COMPLIANCE

WITH THE CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016
FOR THE YEAR ENDED DECEMBER 31, 2017

15. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance for insurers, 2016.

16. The Board has formed the following Management Committees:

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

Claims Settlement Committee:	
Name of Member	**Category**
Mr. Farrukh Aleem	Chairman
Mr. Hafiz Khuram Shahzad	Member
Mr. Imran Sohail	Member

Reinsurance and co-insurance Committee:	
Name of Member	**Category**
Mr. Farrukh Aleem	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Umer Haroon	Member
Mr. Muhammad Haris	Member

Risk Management & Compliance Committee:	
Name of Member	**Category**
Mr. Farrukh Aleem	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Hafiz Khuram Shahzad	Member

17. The Board has formed the following Board Committees:

Ethics, Human Resource and Remuneration Committee:	
Name of Member	**Category**
Mian Hassan Mansha	Chairman
Mr. Badar Ul Hassan	Member
Mr. Farrukh Aleem	Member

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

Nomination Committee:	
Name of Member	**Category**
Mian Hassan Mansha	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Badar Ul Hassan	Member

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

Audit Committee:	
Name of Member	**Category**
Mian Hassan Mansha	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Badar Ul Hassan	Member

19. The meetings of the Committees, except Ethics, Human Resource and Remuneration Committee, were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code of Corporate Governance for insurers, 2016 .The terms of references of the Committees have been formed and advised to the Committees for compliance.

20. The Board has outsourced the internal audit function to Ahsan and Ahsan Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and their representatives are involved in the internal audit function on a regular basis.

STATEMENT OF COMPLIANCE

WITH THE CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016
FOR THE YEAR ENDED DECEMBER 31, 2017

21. The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the Code of Corporate Governance for insurers, 2016. Moreover, the persons heading the underwriting, claim, reinsurance, risk management and grievance function possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000):

Name of the Person	Designation
Mr.Farrukh Aleem	Chief Executive Officer
Mr. Hafiz Khuram Shahzad	Chief Financial Officer
Mr. Muhammad Asim Rauf Khan	Compliance Officer
Mr. Khalid Mahmood Chohan	Company Secretary
Ahsan and Ahsan Chartered Accountants	Internal Auditors
Mr. Syed Mehmood Ul Hassan	Head Of Underwriting
Mr. Imran Sohail	Head of Claims
Mr. Umer Haroon	Head of Reinsurance & Risk Management
Mr. Shafiq-ur-Rehman	Head of Grievance Function

During the year S.M Masood & Co. Chartered Accountants did not wish to continue as internal auditor, so the board has outsourced the internal audit function to Ahsan and Ahsan Chartered Accountants.

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

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

24. The Board ensures that the investment policy of the insurer has been drawn up in accordance with the provisions of the Code of Corporate Governance for insurers, 2016.

25. The Board ensures that the risk management system of the insurer is in place as per the requirements of the Code of Corporate Governance for insurers, 2016.

26. The company has set up a risk management function which carries out its tasks as covered under the Code of Corporate Governance for insurers, 2016.

27. The Board ensures that as part of this risk management system, the insurer gets itself rated from JCR-VIS which is being used by its risk management function and the respective Committee as a risk monitoring tool. The rating assigned by the said rating agency is AA with stable outlook on September 14, 2017.

28. The Board has set up grievance function in compliance with the requirement of the Code of Corporate Governance for Insurers, 2016.

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

On behalf of Board of Directors

LAHORE
MARCH 21, 2018

(FARRUKH ALEEM)
CEO

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, 2018 (Monday) at 04:30 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, 2017 together with the Directors' and Auditors' reports thereon.

2. To approve Final Cash Dividend @ 25% (i.e. Rs. 2.50 per Share) for the year 2017, as recommended by the Board, in addition to 25% interim dividend already paid.

3. To elect Five (5) Directors of the Company, as fixed by the Board of Directors, for the next term of three years, in accordance with the provisions of Section 159 of the Companies Act, 2017, in place of following retiring Directors who are eligible to offer themselves for re-election:

   1. Mian Hassan Mansha
   2. Mr. Mahmood Akhtar
   3. Mr. Muhammad Azam
   4. Mr. Inayat Ullah Niazi (I.U. Niazi)
   5. Mr. Badar Ul Hassan

4. To appoint Statutory Auditors of the Company for the year 2018 and fix their remuneration.

By order of the Board

LAHORE
MARCH 21, 2018

(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. 2.50 per share) from 24-04-2018 to 30-04-2018 (both days inclusive). Transfers received in order at SGI House, 18-C/E-1, Gulberg III, Lahore, upto 1:00 p.m. on 23-04-2018 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.

NOTICE OF ANNUAL GENERAL MEETING

Statement Under Rule 4(2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017

Name of Investee Company	D. G. Khan Cement Co. Ltd.	Nishat Hotels and Properties Ltd.		Adamjee Insurance Co. Ltd.	Nishat Mills Ltd.
Total Investment Approved:	PKR 500,000,000 (Rupees Five Hundred Million Only) by way of purchase of shares was approved by members in EOGM held on October 31, 2015 for the period of three (3) years.	PKR 500,000,000 (Rupees Five Hundred Million Only) by way of purchase of shares was approved by members in EOGM held on May 16, 2016 for the period of three (3) years.	PKR 500,000,000 (PKR Five Hundred Million Only) in Nishat Hotels and Properties Limited in the form of working capital loan was approved by members in EOGM held on December 17, 2016 for the period of three (3) years.	PKR Rs. 1,218,750,000 (Rupees One Billion Two Hundred Eighteen Million Seven Hundred Fifty Thousand Only) by way of purchase of shares was approved by members in EOGM held on December 17, 2016 for the period of three (3) years.	PKR 500,000,000 (Rupees Five Hundred Million Only) by way of purchase of shares was approved by members in EOGM held on May 16, 2016 for the period of three (3) years
Amount of Investment Made to date:	Rs. 19.516 Million	Rs. 210.62 Million	Nil	Rs. 356.37 Million	Nil
Reasons for deviations from the approved timeline of investment, where investment decision was 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. There is no deviation from the approved timeline.	Partial investment has been made in investee company. Further investment will be made depending on market conditions at appropriate time. There is no deviation from the approved timeline.	No Loan has been extended after the approval because funds request has not yet been made by the investee company. There is no deviation from the approved timeline.	Partial investment has been made in investee company. Further investment will be made depending on market conditions at appropriate time. There is no deviation from the approved timeline.	No investment has been made yet: investments will be made depending on market conditions at appropriate time. There is no deviation from the approved timeline.
Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company:	At the time of approval, as per then available latest financial statements for the year ended June 30, 2015, the basic Earnings per Share was Rs. 17.40 and Break-up Value per Share was Rs.142.19. As per Latest available financial statements for the half year ended 31 December 2017, the Basic Earnings per share is Rs. 8.52 and Break-up Value per Share is Rs. 170.68.	At the time of approval, as per then available latest financial statements for the year ended June 30, 2016, the basic Loss per Share was Rs. (0.05) and Break-up Value per Share was Rs. 9.87. As per Latest available financial statements for period ended 31 December 2017, the Basic Loss per share is Rs. (0.18) and Break-up Value per Share is Rs. 9.42.	At the time of approval, as per then available latest financial statements for the year ended June 30, 2016, the basic Loss per Share was Rs. (0.05) and Break-up Value per Share was Rs. 9.87. As per Latest available financial statements for period ended 31 December 2017, the Basic Loss per share is Rs. (0.18) and Break-up Value per Share is Rs. 9.42.	At the time of approval, as per then available latest financial statements for the period ended September 30, 2016, the basic Earnings per Share was Rs. 8.11 and Break-up Value per Share was Rs.49.81. As per Latest available financial statements for period ended 31 December 2017, the Basic Earnings per share is Rs. 4.67 and Break-up Value per Share is Rs. 49.26.	At the time of approval, as per then available latest financial statements for the year ended June 30, 2015, the basic Earnings per Share was Rs. 11.62 and Break-up Value per Share was Rs. 215.56. As per Latest available financial statements for period ended 31 December 2017, the Basic Earnings per share is Rs. 7.59 and Break-up Value per Share is Rs. 224.43.

INVESTORS' EDUCATION

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

DIRECTORS' REPORT TO THE MEMBERS

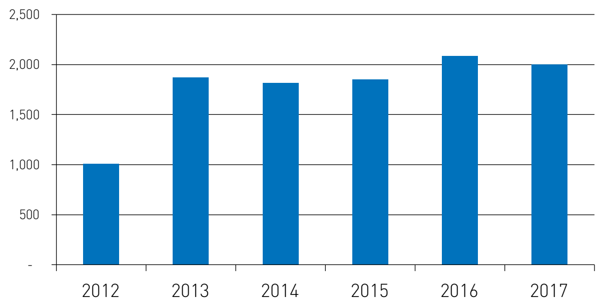
On behalf of the Board of Directors of Security General Insurance Company Limited, I am pleased to present the 22nd annual report of your company for the year ended December 31, 2017.

COMPANY'S PERFORMANCE DURING 2017:

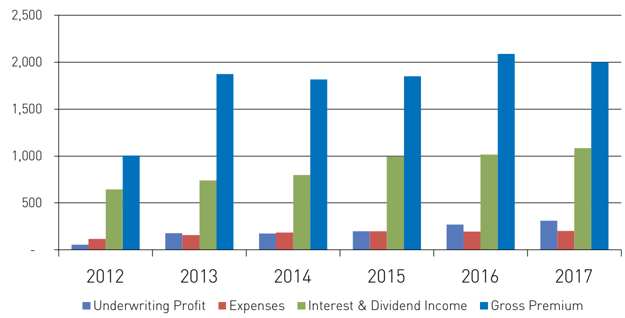
SGI underwrote a gross premium of Rs.2 billion during the year 2017.

	Dec, 2017	Dec, 2016	Increase/ Decrease
	Rupees in Million		%
Gross Premium	2,000	2,087	(4)
Net Premium	503	446	13
Net Commission	19	26	(27)
Net Claims	94	75	25
Profit from underwriting business	310	271	14
Other income (not attributable to Investment activities)	16	22	(27)
Investment income	1,083	1,017	6
Financial charges	7	7	-
Profit before tax	1,278	1,186	8
Profit after tax	825	800	3

Gross Premium

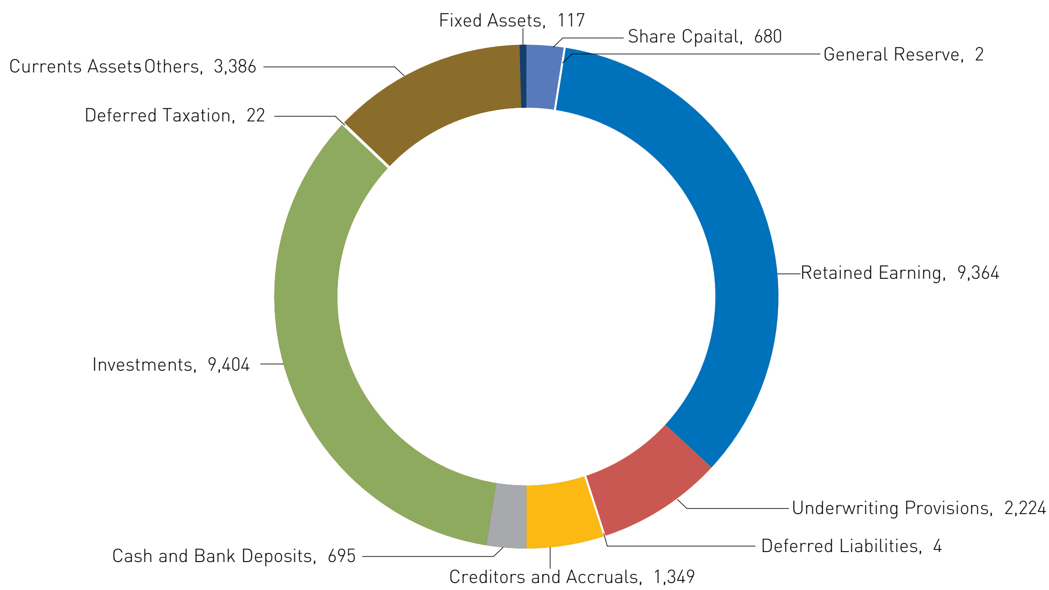


Highlight



Assets & Liabilities As At December 31, 2017

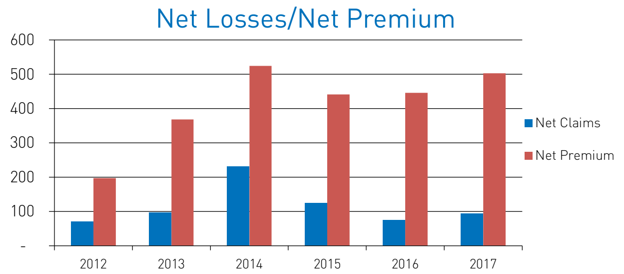
Rupees in million



DIRECTORS' REPORT TO THE MEMBERS

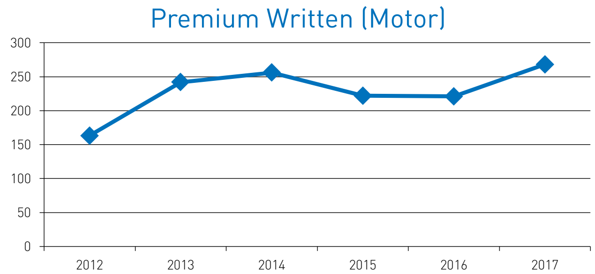
UNDERWRITING ACTIVITY:

SGI underwrote a gross premium of Rs. 2 billion during the year 2017. Underwriting profit for the year stands at Rs. 310 million (2016 Rs. 271 million). Underwriting profit bears a percentage of 62% to the net premium revenue.



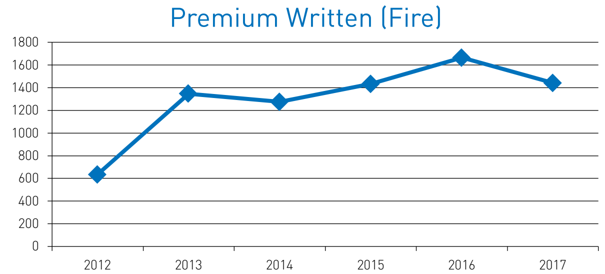
MOTOR

The gross premium from motor business has increased from Rs. 221 million during the year ended December 31st 2016 to Rs. 268 million during the year ended December 31st 2017. The underwriting profit from motor business for the year ended December 31st 2017 is 53%.



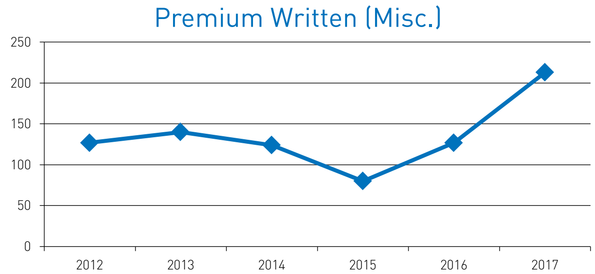
FIRE & PROPERTY DAMAGE:

Premium written in Fire business has decreased as compared to same period during last year by 13%. The underwriting profit from fire business for year ended December 31st 2017 is 66%. Fire and property portfolio represent 72% of the total underwriting portfolio of SGI.



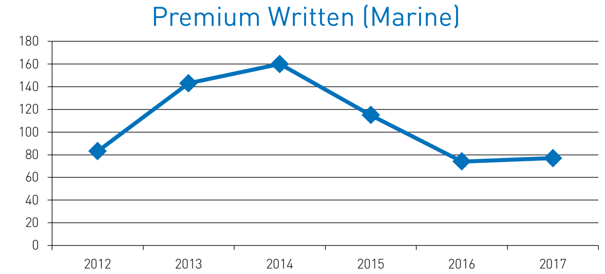
MISCELLENOUS

The gross premium from miscellaneous business is increased from Rs. 127 million for the Year ended December 31st 2016 to Rs. 213 million for the year ended December 31st 2017. The underwriting profit from miscelleneous business for the year ended December 31st 2017 is 45%.



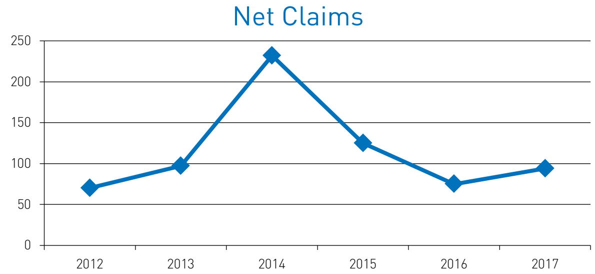
MARINE AVIATION AND TRANSPORT BUSINESS:

Premium written in marine business has increased as compare to same period during last year by 4%. The underwriting profit from marine business for year ended December 31, 2017 is 69%. Marine Business represents 4% of the total underwriting Portfolio of SGI.



CLAIMS:

The net claims expenses has increased from Rs. 75 million during the year ended December 31st 2016 to Rs. 94 million during the year ended December 31st 2017.Net Claims are 19% of premium (2016: 17%).



DIRECTORS' REPORT TO THE MEMBERS

INVESTMENT:

The market value of our investment portfolio Increased from Rs. 16 billion to Rs.17 billion on the December 31st 2017 the Company earned dividend of Rs.1,044 million from its investment portfolio (2016:979 million).

CASH FLOW:

As of December 31st 2017 the net cash flow generated from underwriting activities is positive.

EARNING PER SHARE:

Earnings per share has increased from Rs.11.75 during the period ended December 31st 2016 to Rs 12.12 during the period ended December 31st 2017. The insurance industry faced harsh tax regime in the year 2017 owing to change in the tax provision of insurance companies. Income from all sources of income are now taxed @ 30%, whereas up till June 30, 2016 dividend income was taxed at 12.5%.

APPROPIRATIONS:

Directors, in their meeting held on March 21, 2018, have recommended a 25% cash dividend. This is in addition to 25% interim cash dividend paid on the basis of half yearly results for 2017.

CREDIT RATING:

JCR-VIS Credit Rating Company Limited has upgraded the Insurer Financial Strength (IFS) Rating of SGI at 'AA'

BOARD AUDIT COMMITTEE

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

Name of Member	Category
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 2017.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

In Compliance with the financial reporting framework of the code of corporate governance the directors confirm the following:

- The Financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance 2000 and Companies Ordinance 1984. These statements present fairly the company's state of affair, results of its operations, cash flow and changes in equity.
- Proper books of accounts have been maintained by the company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The international accounting standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.
- Key operating and financial data of last six years is available in the annual report.
- All applicable statutory payments on account of taxes, duties etc were regularly and timely deposited in the Government treasury.
- Value of investment of Provident Fund as at 31st December 2017 stands at Rs.29,185,353 and investment of Gratuity fund as at December 31st 2017, stands at Rs.23,963,153.

DIRECTORS' REPORT TO THE MEMBERS

- During the year under review Four Board meetings were held and the attendance is as follows:

Name of Member	No. of Meetings
Mian Hassan Mansha (Chairman)	4
Muhammad Azam	2
Mr. Mahmood Akhtar	4
Mr. Inayat Ullah Niazi	4
Mr. Badar ul Hassan	4
Mr. Farrukh Aleem (CEO)	4

- The aggregate shares held by the Associated Companies are:

  1. Nishat Mills Limited 10,226,244

- The pattern of shareholding is given on page 104 of this report.

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

FUTURE OUTLOOK 2018

Our strategy for 2018 is designed to deliver sustainable, profitable growth in a changing and competitive business environment in order to maintain a strengthen position in the industry.

We are focusing more closely on the markets and customers segments where we have a competitive edge, those where we can offer a superior value proposition to our customers.

The Window Takaful Operations are growing in the industry. Keeping in view of strong growth in Takaful market, We are in the process of applying license for Window Takaful Operation from SECP.

Going forward, however, we expect uptick in inflation in 2018 and interest rates are also expected to increase. For investment, the Company will adopt a balanced strategy to benefit from equity markets performance along with upward revision in interest rates.

ACKNOWLEDGEMENTS:

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

On behalf of Board of Directors

LAHORE
MARCH 21, 2018

(FARRUKH ALEEM)
CEO

ڈائریکٹرز کی اراکین کو رپورٹ

فیوچر آوٹ لک 2018

2018 کے لئے ہماری حکمت عملی کو صنعت میں معروف حیثیت برقرار رکھنے کے لئے ایک تبدیل اور مسابقتی کاروباری ماحول میں پائیدار، منافع بخش ترقی فراہم کرنے کے لئے ڈیزائن کیا گیا ہے.

ہم انشورنس مارکیٹ اور گاہکوں کے حلقوں پر زیادہ قریب سے توجہ مرکوز کر رہے ہیں. ہم مسابقتی برتری رکھتے ہیں، جہاں ہم اپنے گاہکوں کے لئے اقدار پیش کرتے ہیں.

ونڈو تکافل آپریشنز صنعت میں بڑھ رہے ہیں. ونڈو تکافل مارکیٹ کی مظبوط ترقی کو مدنظر رکھتے ہوے ۔ ہم اس عمل میں ہیں۔ کہ ایس۔ ای۔ سی۔ پی سے ونڈو تکافل کے لائسنس کے لیے دخواست دے رہے ہیں۔

تاہم پیش رفت کرتے ہوئے ہمیں توقع ہے کہ 2018میں افراط زر اور شرح سود میں اضافہ ہو گا کمپنی سرمایاکاری کے لیے ایک متوازن حکمت عملی پر عمل کرے گی ، تاکہ ایکوئٹی مارکیٹ اور شرح سود میں اضافہ سے فائدہ اٹھا سکے۔

اظہار تشکر

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

بورڈ آف ڈائریکٹرز کی جانب سے

فرخ علیم
سی ای او

لاہور
مارچ 21, 2018

ڈائریکٹرز کی اراکین کو رپورٹ

سرمایاکاری

اختتام سال 31 دسمبر 2016 میں ہمارے سرمایاکاری کے پورٹ فولیو کی قدر میں 16 ارب روپے سے 17 ارب روپے کا اضافہ ہوا کمپنی نے حصص کا منافع (ڈیویڈنڈ انکم) 1,044 ملین روپے اپنی سرمایاکاری کے پورٹ فولیو سے کمایا (2016: 979 ملین روپے) ہے۔

کیش فلو

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

فی حصص آمدنی

فی حصص آمدنی میں اضافہ دیکھنے میں آیا ہے دوران سال31 دسمبر2016 میں یہ 11.75 سےاختتام سال31 دسمبر 2017 میں12.12 روپے ہے۔ جو کہ بیمہ کمپنیوں کے ٹیکس اسٹرکچر میں تبدیلی کے تحت سال 2017 میں بیمہ کی صنعت کو سخت ٹیکس نظام کا سامنا کرنا پڑا آمدن کے تمام ذریعے سے آمدن کی شرح 30 فیصد ٹیکس شدہ ہے۔ جبکہ دسمبر 2016 تک منافع منقسمہ کی آمدنی پر12.5 فیصد ٹیکس ادا کیا جاتا تھا۔

منافع اور فوائد کا مختص کرنا

21مارچ 2018 کو جو میٹنگ منعقد ہوئی ۔ اس میں ڈائریکٹرز نے 25% نقدمنافع برائے حصص کی سفارش کی ہے ۔ یہ حصص کا منافع جو کہ نصف سال 2017 میں25 فیصد ادا کیا گیا اس کے علاوہ ہے۔

کریڈٹ ریٹنگ

JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے سیکورٹی جنرل انشورنس کی مالیاتی طاقت کواپ گریڈ کر کے 'AA' کر دیا ہے۔

بورڈ آڈٹ کمیٹی

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

ممبرز کے نام	کیٹیگری
میاں حسن منشا	چیئرمین
جناب عنایت اللہ نیازی	ممبر
جناب بدر الحسن	ممبر

سٹیچوٹری آڈٹ

آڈیٹر نے کمپنی کی سال 2017 کی مالیاتی رپورٹ کو (unqualified) بیان کیا ہے

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک

کوڈ آف کارپوریٹ اور فنانشل رپورٹنگ فریم ورک کے مطابق مالیاتی رپورٹ کے ضمن میں ڈائریکٹرز مندرجہ ذیل کی تصدیق کرتے ہیں۔

- مالیاتی گوشوارے جو کہ انشورنس آرڈیننس 2000 اور کمپنی آرڈیننس 1984 کے مطابق تیار کیے ہیں اور یہ گوشوارے کاروباری معاملات ، آپریشن ، نقد بہاؤ اور ایکوئٹی میں تبدیلی کی عکاسی کرتے ہیں۔
- کمپنی کے اکاؤنٹس باقاعدہ طور پر منعقد کیے گئے ہیں۔
- مالیاتی گوشوارے ترتیب دیتے ہوئے مناسب اکاؤنٹنگ پالیسیوں کو ملحوظ خاطر رکھا گیا ہے ۔ مالیاتی گوشوارے اور اکاؤنٹنگ تخمینے مناسب اور محتاط فیصلوں پر مبنی ہیں۔
- پاکستان میں لاگو بین الاقوامی اکاؤنٹنگ کے معیارات کی مالیاتی گوشوارے کی تیاری میں پیروی کی گئی ہے۔ اور اگر کوئی اس میں تبدیلی ہے تو مناسب طور پر بیان کی گئی ہے۔
- داخلی کنڑول کا نظام مستحکم طور پر ترتیب دیا گیا ہے۔ اور مؤثر طور پر عملدرآمد کے ساتھ اسکی نگرانی بھی کی جاتی ہے۔
- کاروبار کو جاری رکھنے میں کمپنی کی صلاحیت شکوک وشبھات سے بالاتر ہے۔
- کارپوریٹ گورنس کے طریقہ کار سے کوئی قابل اثر انداز انکشافات نہیں کیا گیا۔
- گزشتہ چھ سال کے لیے نمایاں آپریٹنگ اور مالیاتی اعداد و شمار سالانہ رپورٹ میں دستیاب ہے۔
- تمام لاگو قانونی ادائیگیاں جو کہ بحساب ٹیکس، ڈیوٹیز وغیرہ باقاعدگی اور وقت کے ساتھ سرکاری خزانہ میں ادا کی گئی ہیں۔
- پرووئڈنٹ فنڈ کی سرمایاکاری کی مالیت 31 دسمبر 2017 پر 29,185,353 روپے پر ہے اور سرمایاکاری گریجوئٹی فنڈ 31دسمبر 2017 پر 23,963,153 روپے ہے۔
- زیر جائزہ سال کے دوران چار بورڈ میٹنگ منعقد ہوئیں حاضری کی پوزیشن مندرجہ ذیل ہے۔

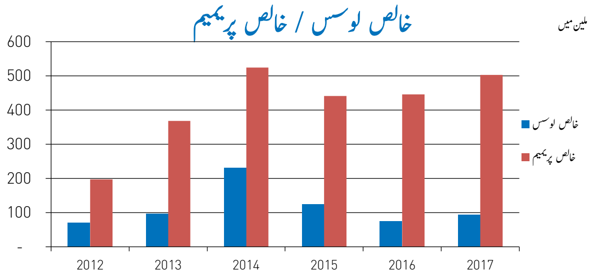
ممبرز کے نام	میٹنگز کی تعداد
میاں حسن منشاء (چیئرمین)	4
جناب محمود اختر	4
جناب عنایت اللہ نیازی	4
جناب بدر الحسن	4
جناب محمد اعظم	2
جناب فرخ علیم (چیف ایگزیکٹوآفیسر)	4

- ایسوسی ایٹ کمپنیز کے حصص درج ذیل ہے۔
  نشاط ملز لمیٹڈ 10,226,244
- پیٹرن آف شیر ہولڈنگ رپورٹ کے صفہ نمبر104 پر دیا گیا ہے۔
- اختتام سال اور اس رپورٹ کے دستخط ہونے کے دوران کوئی موثر تبدیلی یا وعدہ نہیں ہے ماسوائے ان کے جو Appropriation میں ہے۔

ڈائریکٹرز کی اراکین کو رپورٹ

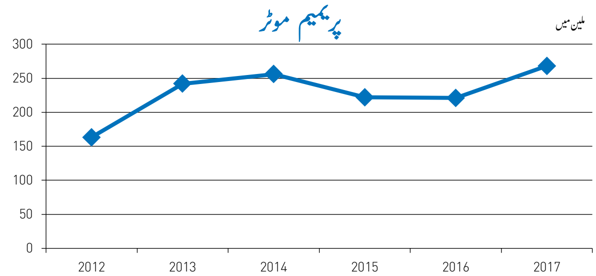
انڈر رائٹنگ عمل

سیکورٹی جنرل نے دوران سال 2017 میں مجموعی پریمیم 2 ارب روپے کیا ہے۔ منافع انڈر رائٹنگ برائے سال 2017 میں 310 ارب روپے ہے . (2016 میں 271 ملین روپے) منافع برائے انڈر رائٹنگ بلحاظ خالص پریمیم آمدنی کا 62 فیصد ہے۔



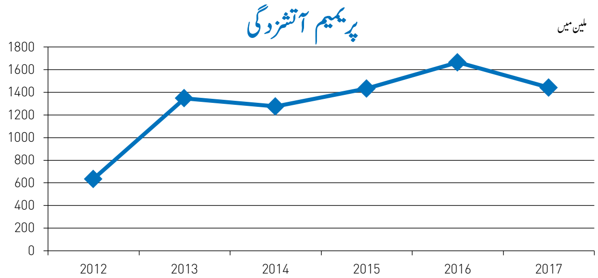
موٹر

موٹر کے مجموعی پریمیم میں دوران سال 31 دسمبر 2016 سے اختتام سال 31 دسمبر 2017 تک 221 ملین روپے سے 268 ملین روپے کا اضافہ ہوا ہے۔ موٹر کے کاروبار کا انڈر رائٹنگ منافع % 53 ہے۔



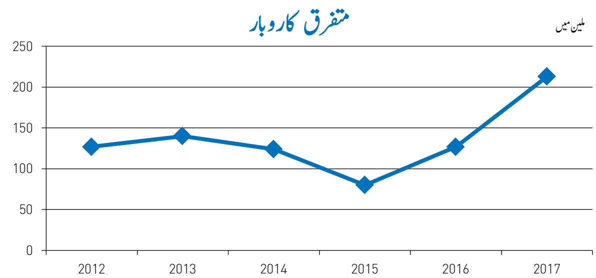
آتشزدگی اور جائیداد

آتشزدگی کے شعبے میں 13 فیصد کی دیکھنے میں آئی ہے۔ بلحاظ 2016 کے اسی دورانیہ کے منافع آتشزدگی کے شعبہ میں اختتام سال 31 دسمبر 2017 پر 66 فیصد ہے - یہ شعبہ سیکورٹی جنرل کے 72 فیصد مجموعی پریمیم کی نمائندگی کرتا ہے۔



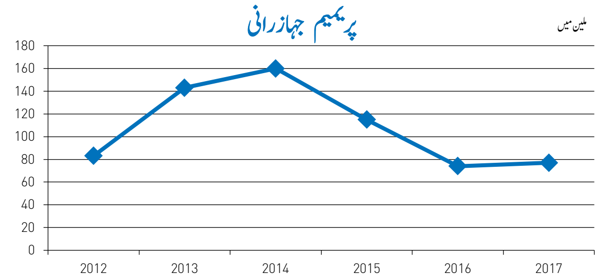
متفرق

متفرق کاروبار کے مجموعی پریمیم میں اضافہ 127 ملین اختتام سال 31 دسمبر 2016 سے 213 ملین اختتام سال 31 دسمبر 2017 ہوا ہے۔ جو کہ اختتام سال 31 دسمبر 2017 پر انڈر رائٹنگ منافع 45 فیصد ہے۔



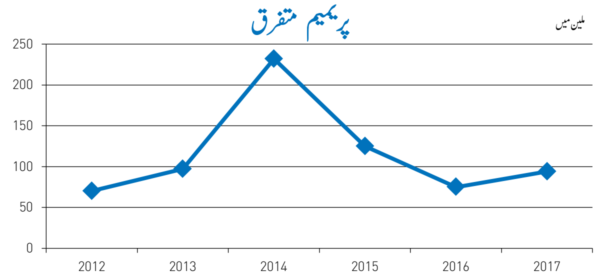
جہاز رانی ، ہوا بازی اور نقل و حمل

موازنہ برائے پچھلے سال کے جہاز رانی میں 4 فیصد اضافہ دیکھنے میں آیا ہے۔ جہاز رانی کا انڈر رائٹنگ منافع اختتام سال 31 دسمبر 2017 میں 69 فیصد رہا۔ سیکورٹی جنرل کے جہاز رانی کا کاروبار مجموعی پریمیم کے 4 فیصد کی نمائندگی کرتا ہے



کلیمز

اختتام سال 31 دسمبر 2016 میں نیٹ کلیمز کا خرچہ 75 ملین روپے رہا ، جو کہ زیادہ ہو کر اختتام سال 31دسمبر 2017 پر 94 ملین روپے ہو گیا ، خالص کلیمز 19 فیصد ہے۔ بلحاظ خالص پریمیم آمدنی کے (2016 میں 17 فیصد) ہے۔



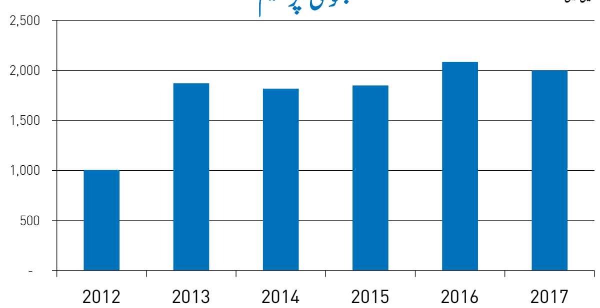
ڈائریکٹرز کی اراکین کو رپورٹ

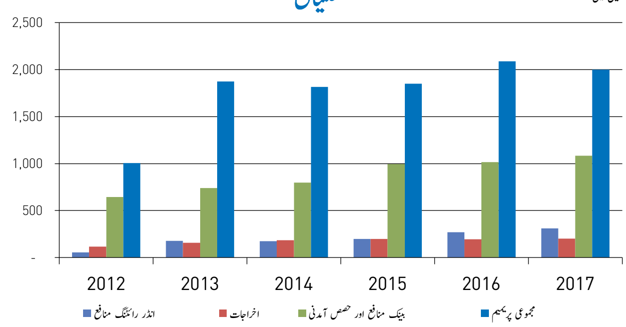
سیکورٹی جنرل انشورنس کمپنی کے بورڈ آف ڈائریکٹر کی جانب سے بائیسوی سالانہ رپورٹ برائے اختتام سال 31 دسمبر 2017 پیش کرتے ہوئے مجھے خوشی ہو رہی ہے

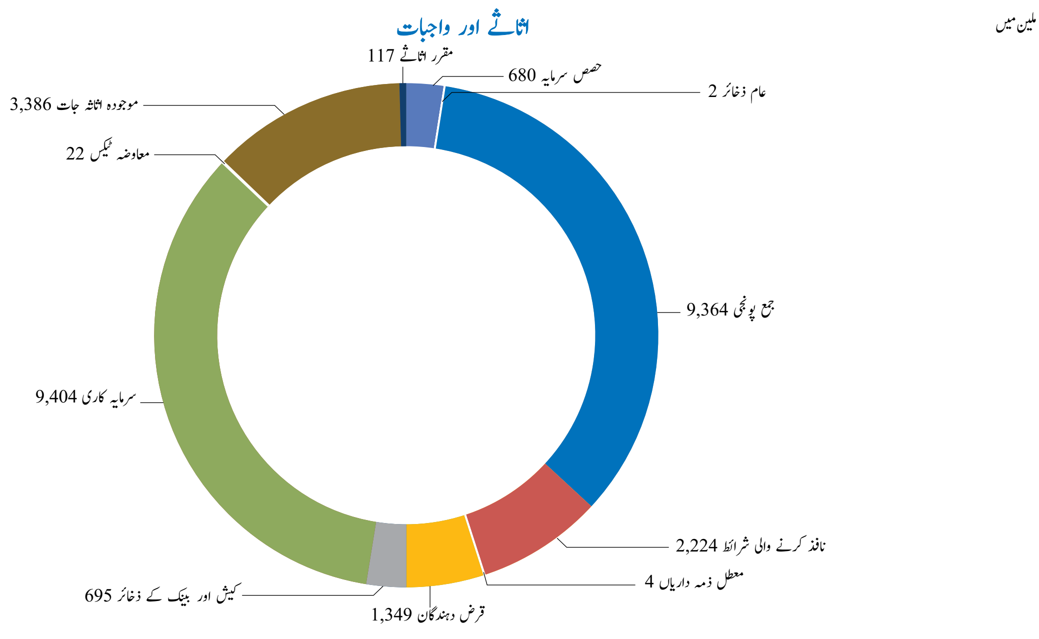
کمپنی کی کارکردگی دوران سال 2017

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

	دسمبر 2017	دسمبر 2016	کمی / اضافہ
	روپیہ ملین		%
مجموعی پریمیم	2,000	2,087	(4)
خالص پریمیم آمدنی	503	446	13
خالص کمیشن	19	26	(27)
خالص کلیمز	94	75	25
منافع انڈر رائٹنگ کاروبار	310	271	14
دوسری آمدنی (سرمایا کاری کی سرگرمیوں سے منسوب نہیں)	16	22	(27)
سرمایا کاری آمدنی	1,083	1,017	6
مالیاتی خرچہ	7	7	-
قبل از ٹیکس منافع	1,278	1,186	8
بعد از ٹیکس منافع	825	800	3







AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:

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

of Security General Insurance Company Limited ('the company') as at December 31, 2017 together with the notes forming part thereof for the year then ended.

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

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

In our opinion:

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

(b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;

(c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2017 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended, in accordance with approved Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

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

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

Lahore.
Dated: March 27, 2018

BALANCE SHEET
AS AT DECEMBER 31, 2017

	Note	2017 Rupees	2016 Rupees
SHARE CAPITAL AND RESERVES			
AUTHORISED SHARE CAPITAL			
100,000,000 (2016 : 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 (2016: 68,062,500) ordinary shares of Rs 10 each	5	680,625,000	680,625,000
General reserve		2,000,000	2,000,000
Retained earnings		9,364,124,487	8,880,612,468
		10,046,749,487	9,563,237,468
UNDERWRITING PROVISIONS			
Provision for outstanding claims (including IBNR)	6	1,111,319,453	893,348,200
Provision for unearned premium		1,041,058,216	959,220,535
Commission income unearned		71,125,433	52,233,161
Total underwriting provisions		2,223,503,102	1,904,801,896
DEFERRED LIABILITIES			
Staff retirement benefits	7	4,484,559	5,016,555
CREDITORS AND ACCRUALS			
Amount due to other insurers/reinsurers		1,024,848,715	777,755,507
Accrued expenses		29,913,695	24,417,089
Taxation - provision less payments		127,672,806	58,853,864
Other creditors and accruals	8	166,989,380	154,060,669
		1,349,424,596	1,015,087,129
BORROWINGS			
Finances under mark-up arrangements - secured	9	-	100,000,000
TOTAL LIABILITIES		3,577,412,257	3,024,905,580
TOTAL EQUITY AND LIABILITIES		13,624,161,744	12,588,143,048

CONTINGENCIES AND COMMITMENTS 10

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

Chairman	Director	Director	Principal & Chief Executive Officer

BALANCE SHEET
AS AT DECEMBER 31, 2017

	Note	2017 Rupees	2016 Rupees
CASH AND BANK DEPOSITS			
Cash and other equivalents	11	1,131	11,242
Current and other accounts	12	644,194,652	386,171,422
Deposits maturing within 12 months	13	50,350,000	50,350,000
		694,545,783	436,532,664
INVESTMENTS	14	9,404,207,897	9,126,921,677
DEFERRED TAXATION	15	21,703,471	23,517,000
CURRENT ASSETS - OTHERS			
Premiums due but unpaid - unsecured	16	853,946,096	789,657,074
Amounts due from other insurers/reinsurers - unsecured	17	691,902,635	542,488,964
Salvage recoveries accrued		2,750,000	4,963,000
Accrued investment income		3,243,277	3,243,277
Reinsurance recoveries against outstanding claims		971,912,491	753,612,279
Deferred commission expense		82,532,438	65,223,056
Prepayments	18	771,657,668	720,742,486
Sundry receivables	19	8,511,262	13,780,691
		3,386,455,867	2,893,710,827
FIXED ASSETS			
TANGIBLE AND INTANGIBLE	20		
Freehold land		22,671,528	22,671,528
Leasehold improvements		1,667,787	900,067
Buildings		21,837,101	24,263,445
Computer equipment		3,315,954	3,470,665
Furniture and fixtures		5,178,081	4,580,521
Motor vehicles		50,834,196	42,228,180
Office equipment		4,790,456	5,231,093
Capital work in progress - tangibles		3,227,513	937,770
Capital work in progress - intangible		3,726,110	3,177,611
		117,248,726	107,460,880
TOTAL ASSETS		13,624,161,744	12,588,143,048

Hasan Mansha
Chairman

Director

Director

Principal & Chief Executive Officer

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	Fire and property damage	Marine aviation and transport	Motor	Others including miscella-neous	2017	2016
		Rupees					
REVENUE ACCOUNT							
Net premium revenue		321,683,989	20,907,972	135,560,063	24,380,854	502,532,878	445,682,159
Net claims		(31,753,347)	(4,950,594)	(47,751,415)	(9,986,067)	(94,441,423)	(74,703,767)
Management expenses	21	(56,138,683)	(3,948,082)	(10,409,851)	(8,546,448)	(79,043,064)	(74,814,500)
Net commission		(20,208,151)	2,456,232	(6,080,403)	5,168,053	(18,664,269)	(25,503,942)
UNDERWRITING RESULT		213,583,808	14,465,528	71,318,394	11,016,392	310,384,122	270,659,950
Investment income						1,082,585,036	1,016,531,578
Income on saving accounts and other deposits						16,029,805	22,489,295
Financial charges	22					(6,864,504)	(7,140,372)
Other income	23					300,032	4,165,042
General and administration expenses	24					(124,316,671)	(120,426,863)
						967,733,698	915,618,680
PROFIT BEFORE TAXATION						1,278,117,820	1,186,278,630
Provision for taxation	25					(453,395,253)	(386,699,038)
PROFIT FOR THE YEAR						824,722,567	799,579,592
Profit and loss appropriation account							
Balance of unappropriated profit at commencement of the year						8,880,612,468	8,422,541,988
Profit after taxation for the year						824,722,567	799,579,592
Other comprehensive loss						(898,048)	(1,196,612)
Final dividend for the year 2016 : Rs 2.5 per share (2015: Rs 2.5 per share)						(170,156,250)	(170,156,250)
Interim dividend for the year 2017 : Rs 2.5 per share (2016: Rs 2.5 per share)						(170,156,250)	(170,156,250)
BALANCE OF UNAPPROPRIATED PROFIT AT END OF THE YEAR						9,364,124,487	8,880,612,468

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

Chairman   Director   Director   Principal & Chief Executive Officer

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 Rupees	2016 Rupees
PROFIT FOR THE YEAR	824,722,567	799,579,592
OTHER COMPREHENSIVE LOSS FOR THE YEAR		
Items that may be reclassified subsequently to profit and loss account	-	-
Items that will not be subsequently reclassified to profit and loss account:		
Remeasurement of staff retirement benefits-net	(898,048)	(1,196,612)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	823,824,519	798,382,980

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 CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017 Rupees	2016 Rupees
OPERATING CASH FLOWS			
UNDERWRITING ACTIVITIES			
Premiums received		1,892,157,706	2,180,130,522
Reinsurance premiums paid		(1,332,044,377)	(1,489,096,339)
Claims paid		(407,370,794)	(2,406,081,479)
Reinsurance and other recoveries received		316,239,435	2,341,209,804
Commission paid		(172,807,147)	(161,549,619)
Commission received		145,521,058	126,042,483
Other underwriting payments		(9,747,747)	(8,642,425)
Other underwriting receipts		13,169,848	15,097,211
NET CASH INFLOW FROM UNDERWRITING ACTIVITIES		445,117,982	597,110,158
OTHER OPERATING ACTIVITIES			
Income taxes paid		(382,762,782)	(261,482,237)
General & management expenses paid		(154,861,457)	(149,534,893)
NET CASH OUTFLOW FROM OTHER OPERATING ACTIVITIES		(537,624,239)	(411,017,130)
TOTAL CASH (OUTFLOW)/INFLOW FROM ALL OPERATING ACTIVITIES		(92,506,257)	186,093,028
INVESTING ACTIVITIES			
Profit / return received		26,135,361	29,953,801
Dividends received		1,044,280,445	979,474,280
Payments for purchase of investments		(1,472,431,996)	(1,405,115,086)
Proceeds from disposal of investments		1,226,048,200	655,685,622
Fixed capital expenditure		(26,358,781)	(16,402,568)
Proceeds from disposal of fixed assets		918,694	2,455,024
TOTAL CASH INFLOW FROM INVESTING ACTIVITIES		798,591,923	246,051,073
FINANCING ACTIVITIES			
Dividends paid		(340,312,500)	(340,312,500)
Financial charges paid		(7,760,047)	(8,846,702)
TOTAL CASH OUTFLOW FROM FINANCING ACTIVITIES		(348,072,547)	(349,159,202)
NET CASH INFLOW FORM ALL ACTIVITIES		358,013,119	82,984,899
CASH AT THE BEGINNING OF THE YEAR		336,532,664	253,547,765
CASH AT THE END OF THE YEAR	26.1	694,545,783	336,532,664

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 CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

	Share Capital	Revenue Reserve General Reserve	 Retained Earnings	Total
	- - - - - - - - - - - - - - - - - -	- - - - - - Rupees	- - - - - - - - - - - -	- - - - - -
BALANCE AS AT JANUARY 01, 2016	680,625,000	2,000,000	8,422,541,988	9,105,166,988
Profit after taxation for the year	-	-	799,579,592	799,579,592
Other comprehensive loss	-	-	(1,196,612)	(1,196,612)
Total comprehensive income for the year	-	-	798,382,980	798,382,980
TRANSACTIONS WITH OWNERS, RECOGNISED DIRECTLY IN EQUITY				
Final dividend for the year 2015 at the rate of Rs 2.5 (25%) per share	-	-	(170,156,250)	(170,156,250)
Interim dividend for the year 2016 at the rate of Rs 2.5 (25 %) per share	-	-	(170,156,250)	(170,156,250)
	-	-	(340,312,500)	(340,312,500)
BALANCE AS AT DECEMBER 31, 2016	680,625,000	2,000,000	8,880,612,468	9,563,237,468
Profit after taxation for the year	-	-	824,722,567	824,722,567
Other comprehensive loss	-	-	(898,048)	(898,048)
Total comprehensive income for the year	-	-	823,824,519	823,824,519
TRANSACTIONS WITH OWNERS, RECOGNISED DIRECTLY IN EQUITY				
Final dividend for the year ended 2016 at the rate of Rs 2.5 (25 %) per share	-	-	(170,156,250)	(170,156,250)
Interim dividend for the year ended 2017 at the rate of Rs 2.5 (25 %) per share	-	-	(170,156,250)	(170,156,250)
	-	-	(340,312,500)	(340,312,500)
BALANCE AS AT DECEMBER 31, 2017	680,625,000	2,000,000	9,364,124,487	10,046,749,487

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, 2017

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

Direct and facultative	Premiums Written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Other income	Net premium revenue	
		Opening	Closing			Opening	Closing			2017	2016
	----- Rupees -----										
CLASS											
Fire and property damage	1,442,116,868	785,627,485	770,194,243	1,457,550,110	1,116,771,261	619,175,091	596,446,674	1,139,499,678	3,633,557	321,683,989	284,079,223
Marine, aviation and transport	77,409,428	10,119,853	10,144,582	77,384,699	58,589,390	8,253,427	7,590,714	59,252,103	2,775,376	20,907,972	22,633,638
Motor	268,003,619	104,646,411	137,488,294	235,161,736	119,375,520	44,544,155	60,644,175	103,275,500	3,673,827	135,560,063	110,433,736
Miscellaneous	212,728,241	58,826,786	123,231,097	148,323,930	185,157,631	46,604,725	104,732,192	127,030,164	3,087,088	24,380,854	28,535,562
TOTAL	2,000,258,156	959,220,535	1,041,058,216	1,918,420,475	1,479,893,802	718,577,398	769,413,755	1,429,057,445	13,169,848	502,532,878	445,682,159
Treaty - Proportional	-	-	-	-	-	-	-	-	-	-	-
GRAND TOTAL	2,000,258,156	959,220,535	1,041,058,216	1,918,420,475	1,479,893,802	718,577,398	769,413,755	1,429,057,445	13,169,848	502,532,878	445,682,159

Note: Other income includes administrative surcharge of Rs 10.921 million (2016: Rs 10.134 million) earned on insurance policies issued by the company.

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

Chairman | Director | Director | Principal & Chief Executive Officer

STATEMENT OF CLAIMS
FOR THE YEAR ENDED DECEMBER 31, 2017

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

Direct and facultative	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing			Opening	Closing		2017	2016
	---------- Rupees ----------									
CLASS										
Fire and property damage	242,420,367	582,162,113	792,365,467	452,623,721	211,270,696	522,306,099	731,905,777	420,870,374	31,753,347	7,802,189
Marine, aviation and transport	15,177,879	36,755,650	41,875,219	20,297,448	11,039,920	18,096,734	22,403,668	15,346,854	4,950,594	3,166,095
Motor	103,885,427	74,735,447	69,406,485	98,556,465	52,146,086	33,765,606	32,424,570	50,805,050	47,751,415	43,118,420
Miscellaneous	48,837,121	199,694,990	207,672,282	56,814,413	41,093,710	179,443,840	185,178,476	46,828,346	9,986,067	20,617,063
TOTAL	410,320,794	893,348,200	1,111,319,453	628,292,047	315,550,412	753,612,279	971,912,491	533,850,624	94,441,423	74,703,767
Treaty - Proportional	-	-	-	-	-	-	-	-	-	-
GRAND TOTAL	410,320,794	893,348,200	1,111,319,453	628,292,047	315,550,412	753,612,279	971,912,491	533,850,624	94,441,423	74,703,767

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, 2017

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

Direct and facultative	Commissions paid or payable	Deferred commission		Net commission expenses	Other management expenses	Underwriting expense	Commissions from reinsurers	Net underwriting expense	
		Opening	Closing					2017	2016
	---------- Rupees ----------								
					Refer note21		Refer note below		
CLASS									
Fire and property damage	93,294,005	44,303,701	49,471,590	88,126,116	56,138,683	144,264,799	67,917,965	76,346,834	78,882,327
Marine, aviation and transport	18,010,513	2,209,233	2,272,024	17,947,722	3,948,082	21,895,804	20,403,954	1,491,850	5,162,311
Motor	28,918,579	11,876,484	14,772,079	26,022,984	10,409,851	36,432,835	19,942,581	16,490,254	12,233,410
Miscellaneous	25,022,950	6,833,638	16,016,745	15,839,843	8,546,448	24,386,291	21,007,896	3,378,395	4,040,394
TOTAL	165,246,047	65,223,056	82,532,438	147,936,665	79,043,064	226,979,729	129,272,396	97,707,333	100,318,442
Treaty - Proportional	-	-	-	-	-	-	-	-	-
GRAND TOTAL	165,246,047	65,223,056	82,532,438	147,936,665	79,043,064	226,979,729	129,272,396	97,707,333	100,318,442

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, 2017

	2017 Rupees	2016 Rupees
Income from non-trading investments		
Held-to-maturity		
Return on Government securities	9,000,000	8,940,000
Add : Amortization of discount / premium		
relative to par	376,500	402,225
	9,376,500	9,342,225
Available-for-sale		
Dividend income		
- Dividend income from related parties	28,203,536	27,860,786
- Dividend income from others	1,016,076,909	951,613,494
	1,044,280,445	979,474,280
Gain on sale of available-for-sale investments	11,395,516	9,702,145
Provision for impairment in value of investments		
Reversal of impairment in available-for-sale investments	19,130,408	19,695,625
Less: Investment related expenses	(1,597,833)	(1,682,697)
NET INVESTMENT INCOME	1,082,585,036	1,016,531,578

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 an unquoted public limited company, incorporated in Pakistan, on May 13, 1996 under the repealed Companies Ordinance, 1984. The company operates through 8 (2016: 8) branches in Pakistan. The company is engaged in providing non-life general insurance services in spheres of fire and property damage, marine aviation and transport, motor and others including miscellaneous. The registered office and the principal place of business is situated at SGI House, 18-C/E1, Gulberg III, Lahore.

2 BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

2.1 BASIS OF PRESENTATION

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

2.2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. During the year, the Companies Ordinance, 1984 (hereinafter referred to as the 'Ordinance') has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP vide Circular No. 23/2017 dated October 4, 2017 and further clarified by the Institute of Chartered Accountants of Pakistan through its Circular No. 17/2017 dated October 06, 2017, companies whose financial year, closes on or before December 31, 2017, shall prepare financial statements in accordance with the provisions of the repealed Ordinance. Furthermore, the SECP vide S.R.O. 89(I)/2017 dated February 9, 2017 has issued the Insurance Rules, 2017 (the 'Rules') and Insurance Accounting Regulations, 2017, which were applicable from February 9, 2017.However,The company applied for the extension relating to the applicability of the said regulations for preparation of the financial statements for the year ended December 31,2017 which was allowed by SECP vide letter No. ID/OSM/SGI/2017/12363, dated October 18,2017. Hence, The financial statements for the year ended December 31,2017 are prepared with the requirements of SEC (Insurance) Rules, 2002.

Major impact in accordance with format prescribed by Rules is on presentation and disclosures of financial statements as per Annexure II of Rules and on valuation of available-for-sale investments, the impact of which has been disclosed in note 4.10

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

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

2.3 INITIAL APPLICATION OF STANDARDS, AMENDMENTS OR AN INTERPRETATION TO EXISTING STANDARDS

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

2.3.1 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO APPROVED ACCOUNTING STANDARDS THAT ARE EFFECTIVE IN THE CURRENT YEAR

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on January 1, 2017 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except for the following:

International Accounting Standard ('IAS') 7, 'Cash flow statements: Disclosure initiative' (effective for periods beginning on or after January 1, 2017). This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers balance sheet items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided. The Company's current accounting treatment is already in line with the requirements of this standard.

2.3.2 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED BY THE COMPANY

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the company's accounting periods beginning on or after January 01, 2018 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.

IFRS 9, 'Financial instruments': (effective for periods beginning on or after January 1, 2018). This standard has been notified by the SECP to be effective for annual periods beginning on or after July 1, 2018. This standard replaces the guidance in IAS 39, 'Financial instruments: Recognition and measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The Company is yet to assess the full impact of the standard.

IFRS 15, 'Revenue from contracts with customers': (effective for periods beginning on or after January 1, 2018). This standard has been notified by the SECP to be effective for annual periods beginning on or after July 1, 2018. This standard deals with revenue recognition and establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, 'Revenue', and IAS 11, 'Construction contracts', and related interpretations. The Company is yet to assess the full impact of the standard.

IFRS 16, 'Leases': (effective for periods beginning on or after January 1, 2019). However, this standard is yet to be notified by the SECP. This standard replaces the current guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. The Company is yet to assess the full impact of this standard.

IFRIC 22, 'Foreign currency transactions and advance consideration' (effective for periods beginning on or after January 1, 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. It is unlikely that the interpretation will have any significant impact on the Company's financial statements.

IFRIC 23, 'Uncertainty over income tax treatments': (effective for periods beginning on or after January 1, 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The company is yet to assess the full impact of the interpretation.

Amendment to IFRS 4 'Insurance Contracts'- Applying IFRS 9 'Financial Instruments' with IFRS 4 (effective for annual periods beginning on or after July 1, 2018). The amendment address issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from July 1, 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. The amendments are not likely to have an impact on company's financial statements.

3 BASIS OF MEASUREMENT

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

3.1 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

a) Premium deficiency reserve (liability adequacy test) (note 4.2.2)
b) Provision for outstanding claims including, incurred but not reported claims (IBNR) (note 4.3.1)
c) Provision for taxation and deferred tax (note 4.11 and note 25)
d) Provision for doubtful receivables (note 4.6, note 16 and note 17)
e) Useful lives and residual values of operating 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 underwrites non-life insurance contracts only under four main classes of business i.e. fire and property damage, marine aviation and transport, motor and others including miscellaneous and are issued to corporate and individual clients. The tenure of these insurance contracts depend upon terms of the policies written and vary accordingly.

- Fire and property damage insurance contracts generally cover the policy holders against damages caused by one or more of the following: fire, earthquake, riot and strike, explosion, atmospheric disturbance, flood, burglary, etc. according to the terms and conditions of the policy. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

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

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

- All other insurances like crop, cash in hand, cash in transit, personal accident, infidelity, public liabilities, livestock, travel, bankers and other financial institutions packages, product liabilities, professional indemnity, mobilization and performance bonds, workers compensation etc. are included under miscellaneous insurance cover.

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

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

4.2 UNEXPIRED INSURANCE RISK

4.2.1 PROVISION FOR UNEARNED PREMIUM

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

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

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

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

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

4.2.2 PREMIUM DEFICIENCY RESERVE (LIABILITY ADEQUACY TEST)

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

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

	Loss ratios based on current estimates of known claims	
	2017	2016
Fire and property damage	12%	14%
Marine, aviation and transport	27%	28%
Motor	42%	43%
Miscellaneous	41%	31%

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

4.3 CLAIMS

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

4.3.1 PROVISION FOR OUTSTANDING CLAIMS (INCLUDING IBNR)

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

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

4.3.2 CLAIMS REPORTED BUT NOT SETTLED

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

4.3.3 CLAIMS INCURRED BUT NOT REPORTED (IBNR)

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

4.4 REINSURANCE CONTRACTS

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

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

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

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

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

The movement in reinsurance assets and their credit rating for the year ended December 31, 2017 is referred to in note 18.1 and note 31.2 (a) to the financial statements, respectively.

4.5 AMOUNTS DUE TO / FROM OTHER INSURERS / REINSURERS / AGENTS

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

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

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

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

4.6 PROVISION FOR DOUBTFUL RECEIVABLES

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

4.7 CREDITORS, ACCRUALS, PROVISIONS AND CONTINGENT LIABILITIES

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.

Contingent liability is disclosed when:

-there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company; or

- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

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, cash at bank and saving accounts, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and short term finances under mark-up arrangements.

4.10 INVESTMENTS

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

HELD-TO-MATURITY

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

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

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

AVAILABLE-FOR-SALE

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

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

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

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

This policy of stating available-for-sale investments at lower of cost and market value is not in compliance with IAS 39, which states that investments available-for-sale, at subsequent reporting dates should be measured at fair value. The market value of available-for-sale investments as at December 31, 2017 is Rs 16,968,486,280 (2016: Rs 16,004,567,449). Had the company complied with IAS 39 - Financial Instruments: Recognition and Measurement, the carrying value of investments as at December 31, 2017 would have been greater by Rs 7,639,310,806.

4.11 TAXATION

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in other comprehensive income or below equity, in which case it is recognised in other comprehensive income or below equity.

CURRENT

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

DEFERRED

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

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

4.12 REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS

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

4.13 PREPAID REINSURANCE EXPENSE

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

4.14 FIXED ASSETS - TANGIBLE AND INTANGIBLE

a) TANGIBLE

Owned fixed assets except for freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Depreciation on all operating fixed assets is charged to profit and loss account 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, 2017 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 account during the period in which they are incurred.

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

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

b) INTANGIBLE

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

c) CAPITAL WORK IN PROGRESS

Capital work in progress is stated at cost less any impairment in value. It consists of advances made to suppliers in respect of operating fixed assets. These are transferred to operating fixed assets as and when these are available for use.

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, 2017 using the "Projected Unit Credit Method" based on the following assumptions;

	2017	2016
- Discount rate	9.50%	10.00%
- Expected rate of increase in salary	8.50%	9.50%
- Average duration of the defined benefit plan	12 years	12 years

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

4.16 FINANCIAL INSTRUMENTS

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

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

4.17 REVENUE RECOGNITION

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

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

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

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

4.22 COMMISSION ON REINSURANCE PREMIUM

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

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

4.23 PREMIUMS DUE BUT UNPAID / PREMIUMS RECEIVED IN ADVANCE

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

4.24 ADMINISTRATIVE SURCHARGE

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

4.25 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

4.26 IMPAIRMENT

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

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

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

4.27 SEGMENT REPORTING

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

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

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

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

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

4.28 LEASES

The company is the lessee

4.28.1 OPERATING LEASES

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease term.

4.29 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.

4.30 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

2017	2016		2017	2016
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:

	Note	2017	2016
		(Number of shares)	
5.1 NAME OF ASSOCIATED UNDERTAKING	5.2		
Nishat Mills Limited		10,226,244	10,226,244
5.2 This undertaking is associated by virtue of common directorship.			

6 Provision for outstanding claims [including IBNR] includes Rs 74.209 million (2016: Rs 95.928 million) due to related parties.

		Note	2017 Rupees	2016 Rupees
7	STAFF RETIREMENT BENEFITS			
7.1	THE AMOUNTS RECOGNIZED IN BALANCE SHEET ARE AS FOLLOWS:			
	Present value of defined benefit obligations	7.2	28,447,712	22,427,328
	Fair value of plan assets	7.3	(23,963,153)	(17,410,773)
	Net payable to defined benefit plan		4,484,559	5,016,555
	Opening balance of payable		5,016,555	829,108
	Expense recognised		3,586,511	2,990,835
	Contributions to the fund during the year		(5,016,555)	-
	Recognition in other comprehensive income - net		898,048	1,196,612
	Closing balance of payable		4,484,559	5,016,555
7.2	MOVEMENT IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS IS AS FOLLOWS;			
	Present value of obligations as at January 01		22,427,328	20,635,228
	Current service cost		3,348,225	2,907,924
	Interest cost		2,130,596	1,858,656
	Benefits paid		-	(4,097,333)
	Experience adjustments - net		541,563	1,122,853
	Present value of defined benefit obligations as at December 31		28,447,712	22,427,328
7.3	MOVEMENT IN THE FAIR VALUE OF PLAN ASSETS IS AS FOLLOWS;			
	Fair value of plan assets as at January 01		17,410,773	19,806,120
	Contribution made to the fund during the year		5,016,555	-
	Interest income on plan assets		1,892,310	1,775,745
	Benefits paid		-	(4,097,333)
	Return on plan assets, excluding interest income		(356,485)	(73,759)
	Fair value of plan assets as at December 31		23,963,153	17,410,773
7.4	COMPOSITION OF PLAN ASSETS			
	Pakistan Investment Bonds		14,716,055	14,745,392
	Cash at bank		9,247,098	2,665,381
	Fair value of plan assets as at December 31		23,963,153	17,410,773

		2017 Rupees	2016 Rupees
7.5	**CHARGE FOR THE YEAR**		
	The following amounts have been charged to the profit and loss account in respect of defined benefit plan:		
	Current service cost	3,348,225	2,907,924
	Interest cost	2,130,596	1,858,656
	Expected return on plan assets	(1,892,310)	(1,775,745)
		3,586,511	2,990,835
7.6	**RECOGNITION IN OTHER COMPREHENSIVE INCOME**		
	The following amounts have been recognized in other comprehensive income:		
	Experience adjustments - net	898,048	1,196,612
		898,048	1,196,612

7.7 SENSITIVITY ANALYSIS

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

	Discount rate + 100 bps	Discount rate - 100 bps	Salary increase rate + 100 bps	Salary increase rate - 100 bps
	---------------- Rupees			----------------
	25,423,994	32,003,125	32,003,125	25,372,162

7.8 The company expects to pay Rs 4.485 million in contributions to defined benefit plan during the year ending December 31, 2018.

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

	2017	2016	2015	2014	2013
	--------------------		Rupees		--------------------
Present value of defined benefit obligations	28,447,712	22,427,328	20,635,228	20,148,184	12,690,814
Fair value of plan assets	(23,963,153)	(17,410,773)	(19,806,120)	(15,437,289)	(6,392,397)
Deficit	4,484,559	5,016,555	829,108	4,710,895	6,298,417

	2017	2016	2015	2014	2013
7.10 EXPERIENCE ADJUSTMENT					
Experience adjustments on defined benefit obligations	-2%	-5%	15%	-17%	-21%
Experience adjustments on plan assets	-1%	0%	0%	-1%	-3%

	Note	2017 Rupees	2016 Rupees
8 OTHER CREDITORS AND ACCRUALS			
Cash margin		12,594,170	19,036,353
Agents commission payable		112,698,988	111,092,897
Mark-up accrued on finances under mark-up arrangements		11,837	907,380
Federal insurance fee payable	8.1	924,035	450,729
Federal excise duty/ sales tax payable	8.1	12,803,957	6,425,158
Withholding taxes payable		2,006,544	641,563
Payable to Employees' Provident Fund	8.2	752,168	-
Others		25,197,681	15,506,589
		166,989,380	154,060,669

8.1 Government duties outstanding at the reporting date on account of Federal insurance fee, Federal excise duty and sales tax were paid after December 31, 2017 within the stipulated time period allowed by the relevant laws.

8.2 The details of investment made by the Provident Fund:

	Note	2017	2016
i) Size of the Fund - total assets		33,258,025	28,514,944
ii) Cost of investments		28,833,019	24,378,664
iii) Fair value of investments	8.2.1	29,185,353	24,517,824
iv) Percentage of investments made		88%	86%

	2017		2016	
	Rupees	%age of investment	Rupees	%age of investment
8.2.1 BREAK UP OF INVESTMENTS				
Government Securities	19,608,436	67%	19,639,160	80%
Bank Balances	3,833,019	13%	4,878,664	20%
Mutual Funds	5,743,898	20%	-	0%
	29,185,353	100%	24,517,824	100%

8.2.2 The figures as at December 31, 2017 and December 31, 2016 are based on un-audited financial statements of the Provident Fund. Investments out of Provident Funds have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

	Note	2017 Rupees	2016 Rupees
9 FINANCES UNDER MARK-UP ARRANGEMENTS - SECURED			
Running finances	9.1	-	-
Short term finances		-	100,000,000
	9.2	-	100,000,000

9.1 RUNNING FINANCES - SECURED

Short term running finance facility is available from Habib bank Limited ('HBL') under mark-up arrangements amount to Rs 200 million (2016: Rs 200 million). Running finance facility is available at mark-up rate of three month Karachi Inter Bank Offered Rate ('KIBOR') plus 1.5% per annum, payable quarterly, on the balance outstanding. The mark-up charged during the year on the outstanding balances ranges from 7.57% to 7.65% per annum (2016: 7.48% to 8.42%). The facility will expire on March 31, 2018. Running finances is secured against a pledge on shares of Adamjee Insurance Company Limited held by the company.

9.2 SHORT TERM FINANCES- SECURED

Short term finance facility amounts to Nil (2016: Rs 100 million).Short term finance facility is available from HBL under mark-up arrangements as a sub limit to running finance facility. Short term finance facility is available at mark-up rate of average of one month KIBOR plus 0.75% per annum, payable monthly. The mark-up rate charged during the year on the outstanding balance ranges from 6.75% to 7.01% (2016: 6.81% to 6.86%) per annum. Short term finances are secured against a pledge on shares of Adamjee Insurance Company Limited held by the company.

10 CONTINGENCIES AND COMMITMENTS

10.1 CONTINGENCIES

10.1.1 The company is contingently liable for Rs 6.448 million (2016: Rs 7.491 million) 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 favour of the company.

10.1.2 Guarantee issued by Habib Metro Bank Limited on behalf of the company, fixed at GBP 5,000 amounting to Rs 0.690 million (2016: Rs 0.644 million).

10.1.3 For tax years 2009 and 2011 to 2014, the tax authorities raised an aggregate demand of Rs 664.953 million that primarily pertains to rate of tax on dividend income. The company had filed appeals before Appellate Tribunal Inland Revenue('ATIR') against the above demands and ATIR decided the case in the favour of the company. However, the Commissioner Inland Revenue has filed a petition against the order of ATIR in Honourable Lahore High Court and the case is now pending adjudication. The company has not made any provision in these financial statements against the above demands as the management is confident that the ultimate outcome of the appeals would be in favour of the company, inter alia on the basis of the advice of the legal counsel and the relevant law and the facts.

10.2 COMMITMENTS

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

	2017 Rupees	2016 Rupees
Not later than one year	3,946,209	3,284,621
Later than one year and not later than five years	1,237,412	1,411,740
Later than five years	-	-
	5,183,621	4,696,361
11 CASH AND OTHER EQUIVALENT		
Cash in hand	1,131	11,242

		Note	2017 Rupees	2016 Rupees
12	**CURRENT AND OTHER ACCOUNTS**			
	Current accounts		38,403,419	26,466,939
	Saving accounts	12.1	605,791,233	359,704,483
			644,194,652	386,171,422

12.1 The rate of return on saving accounts from various banks ranges from 3.75% to 4.25% per annum (2016: 2.82% to 4.25% per annum) depending on the size of average deposits.

		Note	2017 Rupees	2016 Rupees
13	**DEPOSITS MATURING WITHIN 12 MONTHS**			
	Cash deposit with the State Bank of Pakistan		350,000	350,000
	Term deposit receipts with banks	13.1	50,000,000	50,000,000
			50,350,000	50,350,000

13.1 The rate of return on term deposit certificates issued by various banks ranges from 2.94% to 3.90% (2016: 3.85% to 7.00%) per annum, depending on tenure. This term deposit certificate has maturity up to January 2018.

		Note	2017 Rupees	2016 Rupees
14	**INVESTMENTS**			
	The investments comprise:			
	Available-for-sale	14.1	9,329,175,474	9,052,265,754
	Held-to-maturity	14.2	75,032,423	74,655,923
			9,404,207,897	9,126,921,677
14.1	**AVAILABLE-FOR-SALE**			
	In related parties			
	Listed securities	14.1.1	201,135,273	201,135,273
	Unlisted securities	14.1.2	710,620,000	710,620,000
			911,755,273	911,755,273
	Others			
	Listed securities	14.1.3	7,912,483,512	7,580,792,479
	Mutual funds	14.1.4	504,936,689	578,848,410
	Provision for impairment in the value of investments	14.3	-	(19,130,408)
			8,417,420,201	8,140,510,481
			9,329,175,474	9,052,265,754

		Note	2017 Rupees	2016 Rupees
14.1.1	LISTED SECURITIES			
	DG Khan Cement Company Limited			
	228,500 (2016: 228,500) ordinary shares of Rs 10 each		19,515,542	19,515,542
	Equity held: 0.05% (2016: 0.05%)			
	Market value Rs 30.555 million (2016: Rs 50.665 million)		19,515,542	19,515,542
	Pakgen Power Limited			
	6,407,796 (2016: 6,407,796) ordinary shares of Rs 10 each	14.1.1.1	88,899,557	88,899,557
	Equity held: 1.72% (2016: 1.72%)			
	Market value Rs 141.805 million (2016: Rs 171.537 million)		88,899,557	88,899,557
	Lalpir Power Limited			
	6,837,097 (2016: 6,837,097) ordinary shares of Rs 10 each	14.1.1.1	92,720,174	92,720,174
	Equity held: 1.80% (2016: 1.80%)			
	Market value Rs 154.039 million (2016: Rs 164.458 million)		92,720,174	92,720,174
			201,135,273	201,135,273

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

		Note	2017 Rupees	2016 Rupees
14.1.2	UNLISTED SECURITIES			
	Nishat Hotels and Properties Limited			
	71,062,000 (2016: 71,062,000) ordinary shares of Rs 10 each	14.1.2.1	710,620,000	710,620,000
	Equity held: 7.4% (2015: 7.4%)		710,620,000	710,620,000

14.1.2.1 This represents investment in the ordinary shares of Nishat Hotels and Properties Limited ("NHPL") which is principally engaged in establishing and managing a multi-purpose facility including a shopping mall, hotel and banquet halls in Johar Town, Lahore by the name of Nishat Emporium. Since NHPL's ordinary shares are not listed, the company has determined the fair value of Rs 39.54 per ordinary share as at December 31, 2017 by internally generated valuation model instead of involving independent professionally qualified valuer through a valuation technique based on discounted cash flow analysis of NHPL. Hence, it has been classified under level 3 of fair value hierarchy as further explained in note 31.3 to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

		Note	2017 Rupees	2016 Rupees
	OTHERS			
14.1.3	LISTED SECURITIES			
	Adamjee Insurance Company Limited			
	27,538,587 (2016: 22,815,587) ordinary shares of Rs 10 each	14.1.3.1	1,147,317,454	815,626,421
	Equity held: 7.87% (2016: 6.52%)			
	Market value Rs 1,431.180million (2016: Rs 1,691.548 million)		1,147,317,454	815,626,421
	MCB Bank Limited			
	55,508,176 (2016: 55,508,176) ordinary shares of Rs 10 each	14.1.3.2	6,658,245,500	6,658,245,500
	Equity held: 4.68% (2016: 4.99%)			
	Market value Rs 11,785.495 million (2016: Rs 13,200.954 million)		6,658,245,500	6,658,245,500
	Kohinoor Energy Limited			
	30,000 (2016: 30,000) ordinary shares of Rs 10 each		577,600	577,600
	Equity held: 0.02% (2016: 0.02%)			
	Market value Rs 1.215 million (2016: Rs 1.290 million)		577,600	577,600
	United Bank Limited			
	70,413 (2016: 70,413) ordinary shares of Rs 10 each		11,125,700	11,125,700
	Equity held: 0.01% (2016: 0.01%)			
	Market value Rs 13.235 million (2016: Rs 16.822 million)		11,125,700	11,125,700
	Pakistan Petroleum Limited			
	434,782 (2016: 434,782) ordinary shares of Rs 10 each	14.3	95,217,258	95,217,258
	Equity held: 0.02% (2016: 0.02%)			
	Market value Rs 89.525 million (2016: Rs 81.817 million)		95,217,258	95,217,258
			7,912,483,512	7,580,792,479

14.1.3.1 5,500,000 shares (2016: 3,500,000 shares) of Adamjee Insurance Company Limited are pledged with banks as referred to in note 9.1 & 9.2 to the financial statements.

14.1.3.2 The company holds 4.68% 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 Honorable 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.

		Note	2017 Rupees	2016 Rupees
14.1.4	**MUTUAL FUNDS**			
	JS Large Capital Fund			
	53,565 (2016: 53,565) units of Rs 100 par value each		460,000	460,000
	Market value Rs 7.013 million (2016: Rs 7.915 million)		460,000	460,000
	MCB Arif Habib Asset Allocation Fund			
	3,745,546 (2016: 3,561,882) units of Rs 100 par value each		292,535,576	277,842,804
	Market value Rs 290.685 million (2016: Rs 315.848 million)		292,535,576	277,842,804
	MCB Arif Habib Cash Management Optimizer Fund			
	Nil (2016: 2,920,940) units of Rs 100 par value each		-	300,545,606
	Market value Nil (2016: Rs 300.712 million)			
			-	300,545,606
	MCB Pakistan Sovereign Fund			
	3,929,901 (2016: Nil) units of Rs 100 par value each		211,941,113	-
	Market value Rs 213.943 million (2016: Nil)		211,941,113	-
			504,936,689	578,848,410
14.2	**HELD-TO-MATURITY - GOVERNMENT SECURITIES**			
	12% Pakistan Investment Bonds of the Government of Pakistan. 4 bonds of face value of Rs 2,000,000 each, 1 bond of face value of Rs 62,000,000 and 1 bond of face value of Rs 5,000,000 (2016: 4 bonds of face value of Rs 2,000,000 each, 1 bond of face value of Rs 62,000,000 and 1 bond of face value of Rs 5,000,000) market value as at December 31, 2017 Rs 75.032 million (2016: Rs 74.518 million).	14.2.1	75,032,423	74,655,923
			75,032,423	74,655,923

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

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

14.3 RECONCILIATION OF PROVISION FOR IMPAIRMENT IN THE VALUE OF INVESTMENTS

	Note	2017 Rupees	2016 Rupees
Balance as at 01 January		19,130,408	38,826,033
Impairment for the year		-	-
Reversal of impairment for the year	14.3.1	(19,130,408)	(19,695,625)
Balance as at 31 December		-	19,130,408

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

15 DEFERRED TAXATION

Opening balance as on January 1		23,517,000	29,455,759
(Debited) / credited to profit and loss account		(1,813,529)	(5,938,759)
Closing balance as on December 31		21,703,471	23,517,000
Debit / (credit) balance arising from:			
Accelerated tax depreciation		(3,100,625)	(3,415,433)
Provisions for doubtful receivables		24,804,096	21,193,310
Provision for impairment in available-for-sale investment		-	5,739,123
Deferred tax asset		21,703,471	23,517,000

16 PREMIUMS DUE BUT UNPAID - UNSECURED

-Considered good	16.1	853,946,096	789,657,074
-Considered doubtful		57,822,843	45,786,891
		911,768,939	835,443,965
Provision for doubtful receivables	16.2	(57,822,843)	(45,786,891)
		853,946,096	789,657,074

		2017 Rupees	2016 Rupees
16.1	This includes due from related parties as follows:		
	DG Khan Cement Company Limited	22,173,477	13,719,979
	Lalpir Power Limited	255,473,020	250,995,236
	Nishat Dairy (Private) Limited	37,944	13,181
	Nishat Hotels and Properties Limited	1,030,285	2,029,537
	Nishat Mills Limited	717,748	2,740,635
	Nishat Power Limited	94,592,597	94,637,803
	Pakgen Power Limited	264,803,466	259,612,112
	Nishat Developers (Private) Limited	6,090	6,090
	Nishat Linen (Private) Limited	86,008	245,785
	Nishat Paper Product Company Limited	72,571	86,346
	Nishat Agriculture Farming (Private) Limited	57,081	44,086
	Nishat Commodities (Private) Limited	-	273,512
	Pakistan Aviators & Aviation (Private) Limited	1,818,173	10,207
	Nishat Real Estate Development Company (Private) Limited	111,923	-
		640,980,383	624,414,509

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

	Up to 1 year	More than 1 Year	2017	2016
	- - - - - - - - - - - -	Rupees	- - - - - - - - - - - -	
DG Khan Cement Company Limited	21,910,604	262,873	22,173,477	13,719,979
Lalpir Power Limited	255,473,020	-	255,473,020	250,995,236
Nishat Dairy (Private) Limited	24,763	13,181	37,944	13,181
Nishat Hotels and Properties Limited	959,358	70,927	1,030,285	2,029,537
Nishat Mills Limited	671,663	-	671,663	2,694,550
Nishat Power Limited	94,591,715	882	94,592,597	94,637,803
Nishat Spinning (Private) Limited	-	46,085	46,085	46,085
Pakgen Power Limited	264,803,466	-	264,803,466	259,612,112
Nishat Developers (Private) Limited	-	6,090	6,090	6,090
Nishat Linen (Private) Limited	25,811	60,197	86,008	245,785
Nishat Paper Product Company Limited	-	72,571	72,571	86,346
Nishat Agriculture Farming (Private) Limited	57,081	-	57,081	44,086
Nishat Commodities (Private) Limited	-	-	-	273,512
Pakistan Aviators & Aviation (Private) Limited	1,807,966	10,207	1,818,173	10,207
Nishat Real Estate Development Company (Private) Limited	111,923	-	111,923	-
	640,437,370	543,013	640,980,383	624,414,509

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

		Note	2017 Rupees	2016 Rupees
16.2	**PROVISION FOR DOUBTFUL RECEIVABLES**			
	Balance as at January 1		45,786,891	17,419,232
	Provision made during the year	24	12,035,952	28,367,659
	Balance as at December 31		57,822,843	45,786,891
17	**AMOUNTS DUE FROM OTHER INSURERS / REINSURERS - UNSECURED**			
	Amounts due from other insurers / reinsurers - unsecured			
	-Considered good		691,902,635	542,488,964
	-Considered doubtful		24,857,478	24,857,478
			716,760,113	567,346,442
	Provision for doubtful receivables	17.1	(24,857,478)	(24,857,478)
			691,902,635	542,488,964
17.1	**PROVISION FOR DOUBTFUL RECEIVABLES**			
	Balance as at January 1		24,857,478	20,324,928
	Provision made during the year	24	-	4,532,550
	Balance as at December 31		24,857,478	24,857,478
18	**PREPAYMENTS**			
	Prepaid reinsurance premium ceded	18.1	769,413,755	718,577,398
	Prepaid rent		433,180	890,800
	Others		1,810,733	1,274,288
			771,657,668	720,742,486
18.1	**MOVEMENT IN PREPAID REINSURANCE PREMIUM CEDED**			
	As at January 1		718,577,398	698,736,892
	Reinsurance premium ceded during the year		1,479,893,802	1,590,138,160
	Reinsurance expense for the year		(1,429,057,445)	(1,570,297,654)
	As at December 31		769,413,755	718,577,398

		Note	2017 Rupees	2016 Rupees
19	SUNDRY RECEIVABLES			
	Advances to employees - considered good	19.1	1,014,400	878,940
	Accrued return on deposits and other accounts		1,880,339	2,939,470
	Other receivables - considered good		2,335,576	6,600,883
	Security deposits - considered good		3,280,947	3,361,398
			8,511,262	13,780,691

19.1 This includes advances given to executives amounting to Rs 0.130 million (2016: Rs 0.114 million).

		Note	2017 Rupees	2016 Rupees
20	FIXED ASSETS			
	Operating fixed assets - tangibles	20.1	110,295,103	103,345,499
	Capital work-in-progress - tangibles	20.2	3,227,513	937,770
	Capital work-in-progress - intangible	20.3	3,726,110	3,177,611
			117,248,726	107,460,880

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

20.1 OPERATING FIXED ASSETS - TANGIBLES

	Freehold land	Leasehold improvements	Buildings	Computer equipment	Furniture and fixtures	Motor vehicles	Trackers	Office equipment	Total
					-Rupees-				
Year ended December 31, 2017									
Opening net book value	22,671,528	900,067	24,263,445	3,470,665	4,580,521	42,228,180	-	5,231,093	103,345,499
Additions (at cost)	-	865,074	-	403,884	1,263,446	19,548,644	-	501,721	22,582,769
Disposals (at NBV)	-	-	-	-	(105,232)	(499,599)	-	(60,181)	(665,012)
Depreciation charge for the year	-	(97,354)	(2,426,344)	(558,595)	(560,654)	(10,443,029)	-	(882,177)	(14,968,153)
Net book value as at December 31, 2017	22,671,528	1,667,787	21,837,101	3,315,954	5,178,081	50,834,196	-	4,790,456	110,295,103
At December 31, 2017									
Cost	22,671,528	2,560,709	62,655,929	6,432,281	9,541,548	94,537,180	-	15,705,347	214,104,522
Accumulated depreciation	-	(892,922)	(40,818,828)	(3,116,327)	(4,363,467)	(43,702,984)	-	(10,914,891)	(103,809,419)
Net book value as at December 31, 2017	22,671,528	1,667,787	21,837,101	3,315,954	5,178,081	50,834,196	-	4,790,456	110,295,103
Year ended December 31, 2016									
Opening net book value	22,671,528	1,000,074	26,959,383	3,345,679	4,007,737	42,467,977	-	5,415,125	105,867,503
Additions (at cost)	-	-	-	866,844	1,053,042	11,236,331	-	737,917	13,894,134
Disposals (at NBV)	-	-	-	(163,529)	-	(2,241,482)	-	(16,326)	(2,421,337)
Depreciation charge for the year	-	(100,007)	(2,695,938)	(578,329)	(480,258)	(9,234,646)	-	(905,623)	(13,994,801)
Net book value as at December 31, 2016	22,671,528	900,067	24,263,445	3,470,665	4,580,521	42,228,180	-	5,231,093	103,345,499
At December 31, 2016									
Cost	22,671,528	1,695,635	62,655,929	6,028,397	8,596,767	76,909,492	12,246,301	15,286,699	206,090,748
Accumulated depreciation	-	(795,568)	(38,392,484)	(2,557,732)	(4,016,246)	(34,681,312)	(12,246,301)	(10,055,606)	(102,745,249)
Net book value as at December 31, 2016	22,671,528	900,067	24,263,445	3,470,665	4,580,521	42,228,180	-	5,231,093	103,345,499
Depreciation rates (%)	-	10	10	15	10	20	20	15	

20.1.1 The assets disposed off during the year comprise furniture and fixtures, motor vehicles and office equipment of which the original cost was Rs 318,665, Rs 1,920,956 and Rs 83,074 and accumulated depreciation was Rs 213,433, Rs 1,421,357 and Rs 22,893 hence, the book value was Rs 105,232, Rs 499,599 and Rs 60,181 respectively.

	Note	2017 Rupees	2016 Rupees
20.1.2 ALLOCATION OF DEPRECIATION			
Management expenses	21	7,371,752	8,230,601
General and administration expenses	24	7,596,401	5,764,200
		14,968,153	13,994,801

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

20.3 This represents capital expenditure in respect of development of new IT software and system of the company.

		Note	2017 Rupees	2016 Rupees
21	MANAGEMENT EXPENSES			
	Salaries, wages and benefits	21.1	47,866,538	42,512,493
	Rent, rates, taxes and utilities		6,175,026	4,028,923
	Communications		2,080,069	1,691,404
	Printing and stationery		607,550	744,730
	Travelling and entertainment		1,544,804	1,431,037
	Car maintenance and fuel expenses		6,561,583	5,954,208
	Depreciation on operating fixed assets	20.1.2	7,371,752	8,230,601
	Repairs and maintenance		958,401	853,906
	Service charges charged by co-insurers		3,305,564	7,898,184
	Charges for vehicle tracking devices		243,579	228,590
	Other expenses		2,328,198	1,240,424
			79,043,064	74,814,500

21.1 Included in salaries, wages and benefits are Rs 1.747 million (2016: Rs 1.536 million) in respect of Employees' Provident Fund contribution by the company and Rs 1.058 million (2016: Rs 0.882 million) in respect of Gratuity Fund.

		2017 Rupees	2016 Rupees
22	FINANCIAL CHARGES		
	Mark-up on finances under markup arrangements	5,032,531	5,756,227
	Bank charges	1,831,973	1,251,096
	Exchange loss	-	133,049
		6,864,504	7,140,372
23	OTHER INCOME		
	Income from non- financial assets		
	-Gain on sale of operating fixed assets	253,682	33,687
	Income from financial assets/liabilities		
	-Liabilities written back	-	4,131,355
	-Exchange gain	46,350	-
		300,032	4,165,042

		Note	2017 Rupees	2016 Rupees
24	**GENERAL AND ADMINISTRATION EXPENSES**			
	Salaries, wages and benefits	24.1	67,377,475	58,332,111
	Repair and maintenance		1,362,144	2,346,399
	Legal and professional charges		12,859,924	9,586,030
	Travelling and entertainment		2,198,999	1,538,119
	Depreciation on operating fixed assets	20.1.2	7,596,401	5,764,200
	Rent, rates, taxes and utilities		2,111,644	2,570,547
	Communication		1,314,377	1,238,557
	Printing and stationery		2,522,758	2,561,303
	Insurance		1,727,904	1,644,941
	Car maintenance and fuel expenses		4,777,976	3,583,550
	Provision for doubtful receivables	16.1 & 17.1	12,035,952	24,648,383
	Fees and subscription		6,983,921	4,573,921
	Other expenses		1,447,196	2,038,802
			124,316,671	120,426,863

24.1 Included in salaries, wages and benefits are Rs 2.728 million (2016: Rs 2.306 million) in respect of Employees' Provident Fund contribution by the company and Rs 2.528 million (2016: Rs 2.108 million) in respect of the Gratuity Fund.

		Note	2017 Rupees	2016 Rupees
25	**PROVISION FOR TAXATION**			
	Current			
	- For the year		381,665,114	346,616,158
	- Prior years	25.1	69,916,610	34,144,121
			451,581,724	380,760,279
	Deferred tax	15	1,813,529	5,938,759
			453,395,253	386,699,038

25.1 It includes Rs 34.342 million super tax at the rate of 3% on income for the year ended December 31, 2016,Tax Year 2017, (Rs 34.566 million super tax at the rate of 3 % on income for the year ended 31 December 2015, Tax Year 2016), imposed by the Federal Government vide Finance Act 2017 and Finance Act 2016. This tax has been levied for financing the rehabilitation of internally displaced persons affected by the ongoing war on terror. Accordingly, provisions for super tax have been made for the prior year.

	2017 %	2016 %
25.2 TAX CHARGE RECONCILIATION		
Numerical reconciliation between the average effective tax rate and the applicable tax rate:		
Applicable tax rate	30.00	31.00
Effect of:		
- prior year tax	2.78	(0.04)
- super tax	2.69	2.91
- change in tax rate and others	0.01	(1.27)
Effective tax rate	35.48	32.60

	2017 Rupees	2016 Rupees
26 Reconciliation to profit and loss account		
Operating cash flows	(92,506,257)	186,093,028
Depreciation expense	(14,968,153)	(13,994,801)
Financial charges expense	(6,864,504)	(7,140,372)
Profit on disposal of operating fixed assets	253,682	33,687
Increase/(decrease) in assets other than cash	405,862,318	(335,293,587)
(Increase)/ decrease in liabilities other than borrowings	(483,846,622)	30,490,214
Others		
- Increase in provision for unearned premium	(81,837,681)	(86,256,530)
- Increase in commission income unearned	(18,892,272)	(2,280,136)
- Income on saving and other deposits and other income	16,029,805	18,357,940
- Investment income	1,065,052,461	998,518,650
- Increase/(decrease) in commission expense deferred	17,309,382	(8,644,126)
- Reversal of impairment in available-for-sale investments	19,130,408	19,695,625
	824,722,567	799,579,592
26.1 CASH AT THE END OF THE YEAR		
Cash for the purposes of the Statement of Cash Flows consists of:		
Cash and other equivalent	1,131	11,242
Current and other accounts	644,194,652	386,171,422
Deposits maturing within 12 months	50,350,000	50,350,000
Finances under mark-up arrangements - secured	-	(100,000,000)
	694,545,783	336,532,664

27 REMUNERATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES

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

	Directors		Chief Executive		Executives	
	2017	2016	2017	2016	2017	2016
	Rupees					
Short term employee benefits						
Managerial remuneration	-	-	6,600,000	5,225,000	26,628,219	20,350,154
Bonus	-	-	1,650,000	2,500,000	6,774,657	5,399,001
Leave encashment	-	-	550,000	434,789	2,335,685	1,520,233
Contribution to Provident Fund	-	-	440,000	348,333	1,775,215	1,356,677
Gratuity	-	-	366,667	328,706	1,557,123	1,161,669
Medical expenses	-	-	60,254	66,651	1,588,185	1,224,671
Reimbursable expenses	-	-	341,471	211,978	4,538,864	3,663,885
	-	-	10,008,392	9,115,457	45,197,948	34,676,290
Number of persons	5	5	1	1	22	16

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

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

28 TRANSACTIONS WITH RELATED PARTIES

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

	2017 Rupees	2016 Rupees
i) Related parties		
Transactions		
Premiums underwritten	737,056,628	738,531,985
Claims paid	67,814,704	1,103,095,874
Dividends received	28,203,536	27,860,786
Dividends paid	51,141,220	51,141,220
Payment in respect of services	740,962	383,543

	2017 Rupees	2016 Rupees
ii) Key management personnel		
Dividend paid	45,246,855	45,246,855
iii) Employees' retirement funds		
Transactions		
Charge in respect of Gratuity Fund	3,586,511	2,990,835
Charge in respect of Provident Fund	4,475,613	3,842,396
Contribution to Gratuity Fund	5,016,555	-
Contribution to Provident Fund	8,957,651	7,684,792
Balances		
Payable to Gratuity Fund	4,484,559	5,016,555
Payable to Provident Fund	752,168	-

29 SEGMENT REPORTING

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

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

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

	Fire and property damage		Marine, aviation and transport		Motor		Miscellaneous		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	Rupees									
Other information										
Corporate segment assets	2,063,608,135	1,872,565,625	64,118,271	62,214,986	168,452,796	134,328,349	415,098,326	288,942,927	2,711,277,528	2,358,051,887
Unallocated corporate assets									10,912,884,216	10,230,091,161
Consolidated total assets									13,624,161,744	12,588,143,048
Corporate segment liabilities	1,537,992,600	1,411,941,929	57,455,826	52,674,027	221,998,556	192,672,647	368,759,703	293,548,646	2,186,206,685	1,950,837,249
Unallocated corporate liabilities									1,391,205,572	1,074,068,331
Consolidated total liabilities									3,577,412,257	3,024,905,580

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

30 MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

	2017						
	Interest / mark-up bearing			Non-interest / mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
	---------- Rupees ----------			---------- Rupees ----------			Rupees
Financial assets							
On balance sheet							
Loans and receivables							
Cash and other equivalent	-	-	-	1,131	-	1,131	1,131
Current and other accounts	605,791,233	-	605,791,233	38,403,419	-	38,403,419	644,194,652
Deposits maturing within 12 months	50,000,000	-	50,000,000	350,000	-	350,000	50,350,000
Premiums due but unpaid - unsecured	-	-	-	853,946,096	-	853,946,096	853,946,096
Amounts due from other insurers/ reinsurers - unsecured	-	-	-	691,902,635	-	691,902,635	691,902,635
Accrued investment income	-	-	-	3,243,277	-	3,243,277	3,243,277
Reinsurance recoveries against outstanding claims	-	-	-	971,912,491	-	971,912,491	971,912,491
Sundry receivables	-	-	-	7,496,862	-	7,496,862	7,496,862
	655,791,233	-	655,791,233	2,567,255,911	-	2,567,255,911	3,223,047,144
Available- for- sale							
Investments	-	-	-	9,329,175,474	-	9,329,175,474	9,329,175,474
Held to maturity							
Investments	64,142,785	10,889,638	75,032,423	-	-	-	75,032,423
	719,934,018	10,889,638	730,823,656	11,896,431,385	-	11,896,431,385	12,627,255,041
Off balance sheet	-	-	-	-	-	-	-
TOTAL	719,934,018	10,889,638	730,823,656	11,896,431,385	-	11,896,431,385	12,627,255,041
Financial liabilities							
On balance sheet							
Provision for outstanding claims [including IBNR]	-	-	-	1,111,319,453	-	1,111,319,453	1,111,319,453
Amounts due to other insurers/reinsurers	-	-	-	1,024,848,715	-	1,024,848,715	1,024,848,715
Accrued expenses	-	-	-	29,913,695	-	29,913,695	29,913,695
Other creditors and accruals	-	-	-	166,989,380	-	166,989,380	166,989,380
Finances under mark-up arrangements - secured	-	-	-	-	-	-	-
	-	-	-	2,333,071,243	-	2,333,071,243	2,333,071,243
Off balance sheet							
Guarantees	-	-	-	643,650	-	643,650	643,650
Contingencies	-	-	-	671,400,571	-	671,400,571	671,400,571
	-	-	-	672,044,221	-	672,044,221	672,044,221
TOTAL	-	-	-	3,005,115,464	-	3,005,115,464	3,005,115,464
On balance sheet gap	719,934,018	10,889,638	730,823,656	9,563,360,142	-	9,563,360,142	10,294,183,798
Off balance sheet gap	-	-	-	(672,044,221)	-	(672,044,221)	(672,044,221)

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

30 MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (CONT'D)

	2016						
	Interest / mark-up bearing			Non-interest / mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
	---------- Rupees ----------			---------- Rupees ----------			Rupees
Financial assets							
On balance sheet							
Cash and other equivalent	-	-	-	11,242	-	11,242	11,242
Current and other accounts	359,704,483	-	359,704,483	26,466,939	-	26,466,939	386,171,422
Deposits maturing within 12 months	50,000,000	-	50,000,000	350,000	-	350,000	50,350,000
Premiums due but unpaid - unsecured	-	-	-	789,657,074	-	789,657,074	789,657,074
Amounts due from other insurers/ reinsurers - unsecured	-	-	-	542,488,964	-	542,488,964	542,488,964
Accrued investment income	-	-	-	3,243,277	-	3,243,277	3,243,277
Reinsurance recoveries against outstanding claims	-	-	-	753,612,279	-	753,612,279	753,612,279
Sundry receivables	-	-	-	12,901,751	-	12,901,751	12,901,751
	409,704,483	-	409,704,483	2,128,731,526	-	2,128,731,526	2,538,436,009
Available- for- sale							
Investments	-	-	-	9,052,265,754	-	9,052,265,754	9,052,265,754
Held to maturity							
Investments	-	74,655,923	74,655,923	-	-	-	74,655,923
Off balance sheet	-	-	-	-	-	-	-
TOTAL	409,704,483	74,655,923	484,360,406	11,180,997,280	-	11,180,997,280	11,665,357,686
Financial liabilities							
On balance sheet							
Provision for outstanding claims [including IBNR]	-	-	-	893,348,200	-	893,348,200	893,348,200
Amounts due to other insurers/reinsurers	-	-	-	777,755,507	-	777,755,507	777,755,507
Accrued expenses	-	-	-	24,417,089	-	24,417,089	24,417,089
Other creditors and accruals	-	-	-	154,060,669	-	154,060,669	154,060,669
Finances under mark-up arrangements - secured	100,000,000	-	100,000,000	-	-	-	100,000,000
	100,000,000	-	100,000,000	1,849,581,465	-	1,849,581,465	1,949,581,465
Off balance sheet							
Guarantees	-	-	-	643,650	-	643,650	643,650
Contingencies	-	-	-	7,491,451	-	7,491,451	7,491,451
	-	-	-	8,135,101	-	8,135,101	8,135,101
TOTAL	100,000,000	-	100,000,000	1,857,716,566	-	1,857,716,566	1,957,716,566
On balance sheet gap	309,704,483	74,655,923	384,360,406	9,331,415,815	-	9,331,415,815	9,715,776,221
Off balance sheet gap	-	-	-	(8,135,101)	-	(8,135,101)	(8,135,101)

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

31 MANAGEMENT OF INSURANCE AND FINANCIAL RISK

31.1 INSURANCE RISK

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

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

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

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

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

31.1.1 FREQUENCY AND SEVERITY OF CLAIMS

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

31.1.2 CONCENTRATION OF INSURANCE RISK

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

	Gross aggregate exposure		Maximum Reinsurance cover		Net	
	2017	2016	2017	2016	2017	2016
	- - - - - - - Rupees - - - - - - -		- - - - - - - Rupees - - - - - - -		- - - - - - - Rupees - - - - - - -	
Fire and property damage	459,962,486,033	408,423,010,951	423,717,846,207	377,669,566,673	36,244,639,826	30,753,444,278
Marine, aviation and transport	52,088,056,691	62,867,740,055	39,939,372,828	40,213,498,484	12,148,683,863	22,654,241,571
Motor	6,539,350,505	8,966,453,994	3,806,201,141	2,578,983,109	2,733,149,364	6,387,470,885
Others including miscellaneous	11,400,331,784	7,143,633,929	10,103,451,742	5,650,274,903	1,296,880,042	1,493,359,026
	529,990,225,013	487,400,838,929	477,566,871,918	426,112,323,169	52,423,353,095	61,288,515,760

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	
	2017	2016	2017	2016	2017	2016
	- - - - - - - Rupees - - - - - - -		- - - - - - - Rupees - - - - - - -		- - - - - - - Rupees - - - - - - -	
Fire and property damage	242,420,367	2,247,917,614	211,270,696	2,234,256,244	31,149,671	13,661,370
Marine, aviation and transport	15,177,879	26,631,910	11,039,920	19,445,214	4,137,959	7,186,696
Motor	103,885,427	111,506,846	52,146,086	73,336,635	51,739,341	38,170,211
Others including miscellaneous	48,837,121	24,988,109	41,093,710	11,575,075	7,743,411	13,413,034
	410,320,794	2,411,044,479	315,550,412	2,338,613,168	94,770,382	72,431,311

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

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

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

31.1.3 REINSURANCE RISK

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

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

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

31.1.4 SOURCES OF UNCERTAINTY IN ESTIMATION OF FUTURE CLAIM PAYMENTS

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

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

31.1.5 PROCESS USED TO DECIDE ON ASSUMPTIONS

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

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

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

31.1.6 SENSITIVITY ANALYSIS

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

Particulars	Profit before taxation		Shareholders' equity	
	2017	2016	2017	2016
	------------- Rupees -------------			
Effect of 10% increase / (decrease) in amount of claims:				
Fire and property damage	3,175,335	780,219	2,222,735	538,351
Marine, aviation and transport	495,059	316,610	346,541	218,461
Motor	4,775,142	4,311,842	3,342,599	2,975,171
Miscellaneous	998,607	2,061,706	699,025	1,422,577
	9,444,143	7,470,377	6,610,900	5,154,560

31.1.7 CLAIMS DEVELOPMENT

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

Reporting year	2013	2014	2015	2016	2017	Total
	Rupees					
Estimate of ultimate claims costs:						
- At the end of reporting year	406,858,760	823,008,526	1,781,426,094	421,179,859	612,366,853	-
- One year later	355,314,598	871,258,218	3,656,854,401	383,941,442	-	-
- Two years later	352,968,254	827,355,442	3,649,493,165	-	-	-
- Three years later	348,297,090	883,802,946	-	-	-	-
- Four years later	353,435,609	-	-	-	-	-
Current estimate of cumulative claims	353,435,609	883,802,946	3,649,493,165	383,941,442	612,366,853	5,883,040,015
Cumulative payments to date	320,592,026	625,335,877	3,416,612,670	257,219,502	228,339,271	4,848,099,346
Liability recognized in balance sheet	32,843,583	258,467,069	232,880,495	126,721,940	384,027,582	1,034,940,669
Liability reserve prior to 2013						76,378,784
Total liability in balance sheet						1,111,319,453

31.2 FINANCIAL RISK

FINANCIAL RISK FACTORS

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's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

The Board of Directors has overall responsibility for establishment and oversight of the companies risk management framework. There are management committees for developing and monitoring the risk management policies. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

The company finances its operations through equity, borrowings and management of working capital. The company's overall risk management procedures to minimise the potential adverse effects of financial market on the company's performance are as follows:

(a) CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk represents the accounting loss that would be recognised 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, receivable from customers 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 assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted. 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 company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying amount of financial assets represents the maximum credit exposure, as specified below:

	2017 Rupees	2016 Rupees
Financial assets		
Bank balances and deposits	694,544,652	436,521,422
Investments	9,404,207,897	9,126,921,677
Premiums due but unpaid - unsecured	853,946,096	789,657,074
Amount due from other insurers / reinsurers - unsecured	691,902,635	542,488,964
Accrued investment income	3,243,277	3,243,277
Reinsurance recoveries against outstanding claims	971,912,491	753,612,279
Sundry receivables	7,496,862	12,901,751
	12,627,253,910	11,665,346,444

As of December 31, 2017, premium due but unpaid and amount due from other insurers/reinsurers of Rs 1,545.848 million (2016: Rs 1,332.146 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. 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:

	2017 Rupees	2016 Rupees
- Up to one year	1,050,467,282	1,051,554,649
- Past one but less than three years	109,327,973	179,150,707
- Over three but less than five years	158,320,118	82,002,540
- More than five years	227,733,358	19,438,142
	1,545,848,731	1,332,146,038

The management estimates the recoverability of premium due but unpaid and amounts due from other insurers/reinsurers on the basis of financial position and past history of its customers based on the objective evidence that it shall not receive the amount due from the particular customer. The provision is written off by the company when it expects that it cannot recover the balance due. Any subsequent repayments in relation to amount written off, are credited directly to profit and loss account.

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

Rating	Amounts due from reinsurers	Reinsurance recoveries against outstanding claims	Other reinsurance assets	2017	2016
	Rupees				
A and above (including Pakistan Reinsurance Company Limited)	336,581,621	629,758,706	203,036,505	1,169,376,832	876,179,445
A-	4,267,084	39,200,989	18,690,329	62,158,402	44,014,992
BBB	3,267,152	7,275,645	3,355,723	13,898,520	5,851,156
Others	51,833,243	295,677,151	544,331,198	891,841,592	850,226,444
	395,949,100	971,912,491	769,413,755	2,137,275,346	1,776,272,037

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

	Rating Short term	Rating Long term	Rating Agency	Rating 2017 Rupees	2016 Rupees
Current and other accounts					
MCB Bank Limited	A1+	AAA	PACRA	566,348,524	310,407,554
MCB Islamic Bank Limited	A1	A	PACRA	22,115,670	28,589,420
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	18,324,928	8,415,603
United Bank Limited	A1+	AAA	JCR-VIS	14,567,855	7,438,964
Dubai Islamic Bank Limited	A1	AA-	JCR-VIS	11,497,412	18,070,888
Faysal Bank Limited	A1+	AA	JCR-VIS	5,357,328	1,941,798
Bank Alfalah Limited	A1+	AA+	JCR-VIS	3,090,637	8,913,735
National Bank of Pakistan	A1+	AAA	JCR-VIS	1,742,595	-
Habib Bank Limited	A1+	AAA	JCR-VIS	755,333	1,452,705
Silk Bank Limited	A2	A-	JCR-VIS	211,050	211,050
Summit Bank Limited	A1	A-	JCR-VIS	99,124	111,425
Allied Bank Limited	AA+	A1+	PACRA	34,881	34,881
JS Bank Limited	A1+	AA-	PACRA	27,566	27,080
Albaraka Islamic Bank Limited	A1	A+	JCR-VIS	9,812	35,452
Soneri Bank Limited	A1+	AA-	PACRA	7,343	7,344
Askari Bank Limited	A1+	AA+	PACRA	4,594	513,523
				644,194,652	386,171,422

	Rating Short term	Rating Long term	Rating Agency	2017 Rupees	2016 Rupees
Deposits maturing within 12 months					
Askari Bank Limited	A1+	AA+	PACRA	-	50,000,000
MCB Islamic Bank Limited	A1	A	PACRA	50,000,000	-
State Bank of Pakistan		Not Available		350,000	350,000
				50,350,000	50,350,000

	Rating	Rating Agency	2017 Rupees	2016 Rupees
Mutual Funds				
JS Large Capital Fund	AM2	JCR-VIS	460,000	460,000
MCB Arif Habib Asset Allocation Fund	AM2	JCR-VIS	292,535,576	277,842,804
MCB Arif Habib Cash Management Optimizer Fund	AM2	JCR-VIS	-	300,545,606
MCB Pakistan Sovereign Fund	AM2	JCR-VIS	211,941,113	-
			504,936,689	578,848,410

(b) LIQUIDITY RISK

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. Liquidity risk represents the risk that the company shall encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the company's businesses, the company's finance department maintains flexibility in funding by maintaining availability under committed credit lines. 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, 2017, the company had Rs 200 million (2016: Rs 200 million) of available borrowing limits from financial institutions and Rs 644.195 million (2016: Rs 386.171 million) of cash and bank balances.

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

	2017			
	Carrying amount	Less than one year	One to five years	More than five years
	- - - - - - - - - - - - - Rupees - - - - - - - - - - - - -			
Financial liabilities				
Provision for outstanding claims [including IBNR]	1,111,319,453	1,111,319,453	-	-
Amounts due to other insurers/reinsurers	1,024,848,715	1,024,848,715	-	-
Accrued expenses	29,913,695	29,913,695	-	-
Other creditors and accruals	166,989,380	166,989,380	-	-
Finances under mark-up arrangements - secured	-	-	-	-
	2,333,071,243	2,333,071,243	-	-

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

(c) MARKET RISK

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

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

(i) CASH FLOW AND FAIR VALUE 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.
As the company has no significant floating interest rate assets, the company's income is substantially independent of changes in market interest rates.

The company's interest rate risk arises from short term borrowings. These borrowings issued at variable rates expose the company to cash flow interest rate risk. The company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

	2017	2016	2017	2016
	Effective interest rate		Rupees	Rupees
Fixed rate instruments				
Financial assets				
Term deposit receipts with banks	3.4%	5.4%	50,000,000	50,000,000
Bank balances - saving accounts	4.0%	3.5%	605,791,233	359,704,483
Investments - Government securities	12.0%	12.0%	75,000,000	75,000,000
TOTAL EXPOSURE			730,791,233	484,704,483
Financial liabilities				
Variable rate instruments				
Finances under mark-up arrangements - secured	7.6%	7.9%	-	100,000,000
TOTAL EXPOSURE			-	100,000,000

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 and loss account. 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 0.662 million (2016: Rs 0.728 million) and shareholders equity would have been lower / higher by Rs 0.463 million (2016: Rs 0.502 million), mainly as a result of higher / lower interest expense on floating rate borrowings.

(ii) OTHER PRICE RISK

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

The company's equity investments amounting to Rs 8,618.555 million (2016: Rs 8,341.645 million) 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. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board. The primary goal of the company's investment strategy is to maximise investment returns.

The company's investments in equity of other entities that are publicly traded are included in the Pakistan Stock Exchange.

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 991.108 million (2016: Rs 1,104.315 million).

(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 at the balance sheet date.

(d) CAPITAL RISK MANAGEMENT

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

The company's objective when managing capital are:

- to be in compliance with the paid-up capital requirement set by the SECP. The company's current paid-up capital is in excess of the limit prescribed by the SECP vide SRO 828(I)2015.

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

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders

- to maintain strong ratings and provide an adequate return to shareholders; and

- to ensure a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

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

31.3 FAIR VALUE ESTIMATION

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting 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 company's assets where fair value is only disclosed and is different from their carrying value:

	2017			
	Level 1	Level 2	Level 3	Total
	Rupees			
Available-for-sale investments	14,158,694,800	-	2,809,791,480	16,968,486,280

At December 31

	2016			
	Level 1	Level 2	Level 3	Total
	Rupees			
Available-for-sale investments	16,004,567,449	-	710,620,000	16,715,187,449

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in Level 1.The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to measure fair value of an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

There were no other material Level 1, 2 or 3 assets or liabilities during current or prior year.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

Valuation techniques used to derive level 3 fair values

In the absence of current prices in an active market, the fair value is determined by discounted cash flow analysis of NHPL. The company has determined the fair value as on December 31, 2017 by internally generated valuation model instead of involving independent professionally qualified valuer. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation. The major assumptions used in valuation model and valuation result at balance sheet date are as follows:

Discount rate is determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to NHPL. Long term growth rate is estimated based on historical performance of NHPL and current market information for similar type of companies.

The significant assumptions used in this valuation technique are as follows:
-Discount rate of 8.72%.
-Long term growth rate of 4% for computation of terminal value.
-Annual growth in costs and revenues is linked to inflation at 6.62% per annum.

		2017	2016
32	NUMBER OF PERSONS EMPLOYED		
	Number of persons employed as at December 31	140	137
	Average number of persons employed during the year	139	128

33 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on March 21, 2018 by the Board of Directors f the company.

34 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors have proposed a final dividend for the year ended December 31, 2017 of Rs 2.5 per share (2016: Rs 2.5 per share), amounting to Rs 170.156 million (2016: Rs 170.156 million) at their meeting held on March 21, 2018 for approval of the members at the Annual General Meeting to be held on April 30, 2018.

35 CORRESPONDING FIGURES

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison. However, no significant reclassifications have been made.

Hasan Mansha

Chairman	Director	Director	Principal & Chief Executive Officer

DISCLOSURE OF CATEGORIES OF SHAREHOLDING
AS AT DECEMBER 31, 2017

Description	No of Shareholders	Shares Held	Percentage
Directors, CEO & their spouse minor childern			
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,	1	12,401,871	18.22
Non-Banking Financial Institution.			
Insurance Companies	2	10,138,412	14.90
Modarabas and Mutual Funds"	-		
General Public			
a. Local	-		
b. Foreign	-		
Others			
a - Joint stock companies	2	3,043,121	4.50
b - All others (Individuals)	6	23,201,481	34.06
Total	17	68,062,500	100.00

SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTEREST
AS AT DECEMBER 31, 2017

	Name of Shareholder	No of Shareholders	Shares Held	Percentage
1	Allied Bank Limited	1	12,401,871	18.22
2	Nishat Mills Limited	1	10,226,244	15.02
3	Adamjee Insurance Co. Ltd	1	9,681,374	14.22
4	Mrs. Naz Mansha	1	5,101,740	7.50
5	Mian Hassan Mansha	1	9,049,371	13.30
6	Mian Umer Mansha	1	9,049,371	13.30
7	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, 2017

	Shareholding		
Number of Shareholders	From	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, 2017

Categories of Members	Numbers	Shares Held	Percentage
Individuals	11	29,853,398	43.86
Investment Companies	0	0	0.00
Insurance Companies	2	10,138,412	14.90
Joint Stock Companies	3	15,668,819	23.02
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 appint

____

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 April, 2018 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 ____ 2018.

Signature ____

Address ____

____

Folio / CDC No. ______________________________________

Witness:

Name ____

Address ____

CNIC. No. ____

Signature ____

پراکسی فارم

سیکورٹی جنرل انشورنس کمپنی لمیٹڈ

میں -- بحیثیت ممبر سیکورٹی جنرل انشورنس کمپنی لمیٹڈ میرے پاس ------------------------------------- عام حصص رکھتے ہیں۔ بذریعہ فولیو / سی ڈی سی اکاؤنٹ نمبر ------------------ کو بطور پراکسی مقرر کرتا ہوں / کرتی ہوں یا بصورت دیگر ---------- کو جو ضلع ---------- سے ہے۔ اور ممبر بذریعہ فولیو نمبر / سی ڈی سی اکاؤنٹ نمبر -------- بھی ہے کو پراکسی مقرر کرتا ہوں / کرتے ہیں۔ وہ میری گیر حاضری میں کمپنی کے سالانہ عام اجلاس میں جو ب بتاریخ 30اپریل2018 منعقد ہو رہا ہے . اس میں اور اس کے کسی ملتوی شدہ اجلاس میں شرکت کرے اور ووٹ ڈالے۔

میرے / ہمارے دستخط بتاریخ -------------------------- 2018

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

گواہ

نام :------------------------------

پتہ :------------------------------

شناختی کارڈ نمبر :----------------------

دستخط :-----------------------------

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