



annual report 2015

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Vision & Mission Statements



Vision

Our vision is to establish a position as the premier choice for corporate and consumer sector.

Mission

Our mission is to become a reputable general insurer of the country by providing dedicated service to our customers. This will be accomplished by recognizing the customer needs and providing suitable products at affordable prices and servicing the claims within optimum time frame.

Values

Service: Our hallmark is the excellence of our service to our external clients and internally to each other.

Integrity:

Honesty and integrity consistently guide the conduct of our business and our relationships with those outside of the company and with each other.

Collaboration:

We value and support a spirit of teamwork, cooperation and encouragement, in an environment in which all employees can grow.

Respect:

We respect individuality and the strength that flows from the diversity of backgrounds, experience and perspectives.

Protection:

We take care of and protect our insured in a hostile legal environment better than any other company.

Corporate Information



Board of Directors:

Aameer Karachiwalla	Chairman
Zameer Mohammed Choudrey	Director
Rizwan Pervez	Director
Muhammad Hanif Akhai	Director
Sharjeel Shahid	Director
Asif Saeed Sindhu	Director
Abdul Sattar Vaid	Director
Babar Mahmood Mirza	Chief Executive Officer

Board Audit Committee:

Zameer Mohammed Choudrey	Chairman
Rizwan Pervez	Member
Sharjeel Shahid	Member

Investment Committee:

Zameer Mohammed Choudrey	Chairman
Rizwan Pervez	Member
Muhammad Hanif Akhai	Member
Babar Mahmood Mirza	Member

Human Resource & Compensation Committee:

Sharjeel Shahid	Chairman
Zameer Mohammed Choudrey	Member
Rizwan Pervez	Member
Babar Mahmood Mirza	Member

Chief Financial Officer:

Nadeem Raza

Company Secretary:

Abdul Sattar Vaid

Company Registration No & NTN No:

Current Registration # 00000012978/20060607
New CUIIN Registration # 0057197
NTN # 2798420-6

Rating Agency:

JCR-VIS "A+" (Single A Plus)

Status of Company:

MSC (Medium Size Company)

Auditors:

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisors:

Warsi Associates
(Advocate, Consultants & Legal Advisors)

Website & Contact:

www.ublinsurers.com
Email: info@ublinsures.com
UAN 111-845-111

Registered & Head Office:

126 – C, Jami Commercial,
Street No.14, Phase – VII,
DHA, Karachi.
Postal Code 75500
UAN 111-845-111
Fax : +92-21-35314504

Regulator

Securities and Exchange Commission of Pakistan.

APPROVAL OF CONVENING 10th ANNUAL GENERAL MEETING

For placing before and obtaining approval for the share holders in respect of the following agenda items, it is proposed to hold 10th annual General Meeting (AGM) of UBL Insurers on Friday 22, April 2016 at Karachi.

Ordinary Business

1. To confirm minutes of the Annual General Meeting held on 30th March, 2015.
2. To receive and adopt Annual Audited Accounts of UBL Insurers Limited as at 31 December, 2015 together with Director's and Auditor's reports thereon.
3. To approve appointment of external auditors for the year 2016.
4. To elect seven directors for the term of three years.

If the Board of Directors agrees, the following resolution shall be passed:

"RESOLVED that the holding of the 10th Annual General Meeting of the shareholders of UBL at Karachi on Friday 22, April 2016 or such other date which may be found convenient for approval of the agenda items as listed above, be and is hereby approved.

FURTHER RESOLVED that the share transfer books of UBL Insurers Limited would remain closed from 12th April 2016 to 22nd April 2016 (both days inclusive).



Abdul Sattar Vaid
Company Secretary

Directors' Report for the year ended 31 December, 2015



On behalf of the Board of Directors, I present the ninth annual report of UBL Insurers Limited for the year ended 31 December, 2015.

The financial highlights for the year under review are as follows:

	‘Rupees 000’		
	December 31, 2015	December 31, 2014	%
Gross premium written	1,600,476	1,114,520	44%
Net premium revenue	534,555	385,189	39%
Net claim expense	(203,788)	(176,738)	15%
Net commission	9,550	24,399	-61%
Management expenses	(191,989)	(128,137)	50%
Underwriting profit	148,329	104,713	42%
Investment & other income	95,257	78,360	22%
General & administrative expenses	(96,784)	(81,180)	19%
Profit before tax	147,078	101,779	45%

Economic Overview

The country's economy outlook comparatively better after many years of slow growth, although security concerns, energy crisis, devastating floods and political instability compounding to low level of business activities and significant decrease in oil prices also impacting low growth prospects of the insurance sector.

Company Performance Review

Despite the above challenges facing the insurance industry, the company has posted a growth of 44% in gross premium written to close at Rs. 1,600 million while net premium revenue increased by 39% to Rs. 535 million.

Net claim expense is increased by 15% during the year ended December 2015 as compared to last year December 2014. The net claim ratio over net premium revenue is 38% compared to 46% last year. The net claim ratio has improved in all classes of business except motor.

The underwriting results reported a profit of Rs. 148 million during the year ended 31 December 2015 as compared to a profit of Rs. 105 million for the year ended 31 December 2014 due to an improvement in net premium revenue and net claim ratio.

Investments and other income is higher at Rs.95 million during the year ended December 2015 as compared to Rs.78 million during the same period in 2014 due to availability of funds.

Improved underwriting results has resulted in achieving a pre-tax profit of Rs. 147 million for the current year as compared with last year same period profit of Rs. 102 million. The company has also charged deferred tax amounting to Rs. 18 million during the year resulting in profit after tax of Rs. 100 million for 2015.

Directors' Report for the year ended 31 December, 2015



Portfolio Analysis

Fire & Property

Fire and property class of business constitutes 36% of the total portfolio. During the year, the Company has underwritten a gross premium of Rs. 568 million (2014: Rs. 398 million). The ratio of net claims to net premium is 13% this year as compared to 39% last year. The Company incurred an underwriting profit of Rs. 9 million as compared to Rs. 2 million in 2014.

Marine and Transport

This class of business constitutes 9% of the total portfolio. The Company has underwritten a gross premium of Rs. 147 million in current year (2014: Rs.114 million). The net claims ratio is 29% as against 53% last year, which resulted in an underwriting profit of Rs. 13 million against Rs. 7 million last year.

Motor

During the year, the Company has underwritten gross premium of Rs. 445 million (2014: Rs. 304 million) which constitutes 28% of the total portfolio. The ratio of net claims to net premium for the current year is 50% as compared to 43% in 2014. The Company incurred an underwriting profit of Rs. 74 million as compared Rs. 80 million in 2014.

Bankers & Blanket

This class of business constitutes 12% of the total portfolio. The Company has underwritten a gross premium of Rs. 195 million in current year (2014: Rs.168 million). The net claims ratio is 5% as against 36% last year, which resulted in an underwriting profit of Rs. 24 million against Rs. 10 million last year.

Other Classes

The other classes of business constitute 15% of the total portfolio. The gross premium written was Rs. 246 million (2014: Rs. 130 million). The ratio of net claims to net premium is 19% as against 76% last year. The portfolio showed an underwriting profit of Rs. 29 million in current year against an underwriting profit of Rs. 6 million in last year.

The profit per share in current year is Rs. 0.86 against a profit of Rs. 0.52 in the year 2014.

Related Parties Transactions

The Board of Directors approve Company's transactions with associated companies / related parties at each board meeting. All the transactions executed with related parties are on arm's length basis.

Insurer Financial Strength (IFS) Rating

The JCR-VIS rating agency has maintained Insurer Financial Strength (IFS) rating of the company as A+ (A plus) during the year under review.

Compliance with Code of Corporate Governance

The requirement of the Code of Corporate Governance set out by the regulatory authorities has been duly complied with. A statement to this effect is annexed with the report.

The changes in the Board during the year due to resignation and filling of the casual vacancies are as under:

Appointed	Date
Mr. Sharjeel Shahid	16-Feb-15
Mr. Muhammad Hanif Akhai	10-April-15
Mr. Asif Saeed Sindhu	15-July-15

Directors' Report for the year ended 31 December, 2015



Resigned by	Date
Mr. Ali Sameer Farooqui	20-Feb-15

The number of Board of Directors meetings attended by each Director is given hereunder:

Serial #	Name of Directors	Number of meetings attended
1.	Mr. Aameer Karachiwalla	5 out of 5
2.	Mr. Zameer Muhammad Choudrey	5 out of 5
3.	Mr. Rizwan Pervez	2 out of 5
4.	Mr. Sharjeel Shahid (Appointment 16-Feb-15)	5 out of 5
5.	Mr. Muhammad Hanif Akhai (Appointment 10-April-15)	4 out of 5
6.	Mr. Asif Saeed Sindhu (Appointment 15-July-15)	3 out of 5
7.	Mr. Ali Sameer Farooqui (Resigned 20-02-2015)	-
8.	Mr. Abdul Sattar Vaid	5 out of 5
9.	Mr. Babar Mahmood Mirza	5 out of 5

Leave of absence was granted to directors who could not attend Board meeting(s).

Board Committees

Audit Committee

The committee consists of three members. During the year 2015, four meetings of the committee were held and attended by the members as under:

Name of Member	Number of meetings attended
Mr. Zameer Muhammad Choudrey	4 out of 4
Mr. Rizwan Pervez	1 out of 4
Mr. Sharjeel Shahid (Appointment 16-Feb-15)	3 out of 4
Mr. Ali Sameer Farooqui (Resigned 20-02-2015)	-

Leave of absence was granted to the members who could not attend Board's Audit Committee meeting(s).

Human Resource & Compensation Committee

The committee consists of four members. During the year three meetings of the committee were held and attended by the members as under:

Name of Member	Number of meetings attended
Mr. Zameer Muhammad Choudrey	3 out of 3
Mr. Rizwan Pervez	2 out of 3
Mr. Sharjeel Shahid (Appointment 16-Feb-15)	3 out of 3
Mr. Babar Mahmood Mirza	3 out of 3

Notice of 9th Annual General Meeting



Investment Committee

The committee consists of four members. During the year 2015, four meetings of the committee were held and attended by the members as under:

Name of Member	Number of meetings attended
Mr. Zameer Muhammad Choudrey	4 out of 4
Mr. Rizwan Pervez	1 out of 4
Mr. Muhammad Hanif Akhai (Appointment 10-April-15)	3 out of 4
Mr. Babar Mahmood Mirza	4 out of 4

Underwriting, Claim Settlement and Re-Insurance & Co-Insurance Committees

The Underwriting committee consists of three members. During the year 2015, three meetings of the committee were held and attended by the members as under:

- Mr. Sharjeel Shahid
- Mr. Babar Mahmood Mirza
- Mr. Rashid Jameel

The Claim committee consists of three members. During the year 2015, three meetings of the committee were held and attended by the members as under:

- Mr. Sharjeel Shahid
- Mr. Babar Mahmood Mirza
- Mr. Abdul Rauf Patel

The Re-Insurance & Co-Insurance committee consists of three members. During the year 2015, three meetings of the committee were held and attended by the members as under:

- Mr. Aameer Karachiwalla
- Mr. Babar Mahmood Mirza
- Mr. Rashid Jameel

Director's Training Programme

The board had not arranged training program for its directors during the year. However, one of the director representing to other Financial institution has completed the said course during the year 2015.

Statement of Ethics and Business Practice

The Board has adopted the statement of ethics and business practices. All employees are informed of this statement and are required to observe these rules of conduct in relation to business and regulations.

Corporate and Financial Reporting Framework

- a) The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
- b) Proper books of accounts have been maintained by the company.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments.
- d) The International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

Directors' Report for the year ended 31 December, 2015



- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts on the Company's ability to continue as a going concern.
- g) There are no significant deviations from last year in operating results of the Company.
- h) There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- i) The key operating and financial data for the last six years is annexed.
- j) During the year the accumulated losses of the company were abolished. Company neither declared cash dividend nor issued bonus shares in previous years.
- k) The company has obtained license to transact Window Takaful Operations in respect of General Takaful products and the company has planned to launch Takaful operations in 2016.
- l) The value of investments of provident and gratuity funds based on their accounts, as on December 31, 2015 were the following.

Provident Fund	Rs. 44 million
Gratuity Fund	Rs. 19 million
- m) The statement of pattern of shareholding in the Company as at 31 December, 2015 is annexed with the report.

No material changes and commitments affecting the financial position of our Company have occurred between the end of financial year to which this balance sheet relates and the date of this report.

The present external auditors M/s. KPMG Taseer Hadi & Co. Chartered Accountants retire and offer themselves for re-appointment. The Board of Audit Committee recommends that they be re-appointed as the statutory auditors for a further term of one year, and the Board endorses this recommendation.

The Company is a subsidiary of Bestway (Holding) Limited incorporated in London(U.K). The Bestway (Holding) Limited holds 55.6% of the issued share capital of UBL Insurers Limited.

The Directors of the Company would like to express their gratitude to Securities and Exchange Commission of Pakistan and the panel of Re-insurers for their continued guidance, co-operation and support.

We also thank our valued clients for their continued patronage and support extended to our Company.

The Directors also wish to acknowledge the hard work and dedicated efforts of UBL Insurers team in achieving the goals of the Company.

Aameer Karachiwalla
Chairman

Date: February 17, 2016

Directors' Report for the year ended 31 December, 2015



Key operating and financial data for the last six years

	'Rupees 000'					
	2015	2014	2013	2012	2011	2010
Gross premium Written	1,600,476	1,114,520	885,966	760,356	658,443	632,525
Net premium revenue	534,555	385,189	341,610	278,023	252,755	238,765
Net claims	(203,788)	(176,738)	(207,697)	(190,517)	(165,569)	(165,537)
Premium deficiency (expense) / reversal	-	-	-	-	-	2,777
Management Expenses	(191,989)	(128,137)	(100,196)	(83,541)	(82,158)	(78,656)
Net commission	9,550	24,399	31,455	35,487	28,327	29,317
Underwriting result	148,329	104,713	65,172	39,452	33,354	26,666
Investment income	88,198	74,611	70,947	72,498	70,920	28,769
Exchange gain / (Loss)	276	(114)	1,877	(46)	(644)	-
Other Income	7,060	3,749	(772)	4,091	4,504	3,229
General and administrative expenses	(96,784)	(81,180)	(81,976)	(74,402)	(74,787)	(76,127)
Financial Charges	-	-	-	-	(1)	(181)
Profit / (Loss) before tax	147,078	101,779	55,249	41,592	33,347	(17,644)
Taxation						
– Prior	226	-	-	5,792	(144)	(3,300)
– Current	(29,929)	(790)	(854)	(837)	(3,732)	-
– Deferred	(17,869)	(41,164)	(17,869)	(17,727)	98,455	-
Profit / (Loss) after tax	99,507	59,826	36,526	28,820	127,926	(20,944)

Directors' Report for the year ended 31 December, 2015



Pattern of Shareholding As at December 31, 2015

Number of Shareholders	Shareholdings		Total Shares Held	Percentage %
	From	To		
6	1	100	6	0.00
1	105,001	110,000	108,000	0.09
1	715,001	720,000	720,000	0.62
1	1,081,001	1,085,000	1,081,500	0.94
1	1,295,001	1,300,000	1,296,900	1.13
1	1,945,001	1,950,000	1,945,800	1.69
1	2,880,001	2,885,000	2,883,000	2.50
1	2,495,001	2,500,000	2,500,000	2.17
1	6,050,001	6,055,000	6,052,999	5.25
1	30,000,001	35,000,000	34,565,214	30.00
1	60,000,001	65,000,000	64,063,972	55.60
16			115,217,391	100.00

Category of Shareholders As at December 31, 2015

Categories of shareholders	Number of Shareholders	Shares held	Percentage
Directors, CEO & Children	06	6	0.0000
NIT	00	-	0.0000
Associated Companies, undertaking & related parties	02	98,629,186	85.2027
Banks, DFI & NBFIs	00	-	0.0000
Insurance Companies	00	-	0.0000
Modarabas & Mutual Funds	00	-	0.0000
Government of Pakistan	00	-	0.0000
Govt. Owned Entities / Banks	00	-	0.0000
Foreign Companies	00	-	0.0000
Joint Stock Companies	00	-	0.0000
Charitable Trusts	00	-	0.0000
General Public (Local)	01	2,500,000	2.1698
General Public (Foreign)	07	14,088,199	12.2275
Others	00	-	0.0000
Company Total	16	115,217,391	100.0000

Directors' Report for the year ended 31 December, 2015



- The aggregate shares held by the following are:

Categories of Shareholders	Shares held	Percentage
Directors		
1) Zameer Mohammed Choudrey	1	-
2) Rizwan Pervez	1	-
3) Aameer Karachiwalla	1	-
4) Muhammad Hanif Akhai	1	-
5) Sharjeel Shahid	1	-
6) Asif Saeed Sindhu	1	-
Chief Executive Officer	-	-
Directors/CEO's Spouse	-	-
Executive / Executive's Spouse	-	-
Associated Companies, undertaking and related parties		
Bestway (Holdings) Limited	64,063,972	55.603
United Bank Limited	34,565,214	30.000
NIT and ICP	-	-
Banks, DFIs and NBFIs	-	-
Public sector companies and corporations	-	-
Insurance Companies	-	-
Modaraba	-	-
Mutual Funds	-	-
General Public - Individuals		
Local	2,500,000	2.170
Foreign	14,088,199	12.227
	115,217,391	100.000
Shareholders holding 5% or more voting interest		
Bestway (Holdings) Limited	64,063,972	55.603
United Bank Limited	34,565,214	30.000
H.H. Shaikh Nahayan Mabarak Al Nahayan	6,052,999	5.254

**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 contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **UBL Insurers Limited** (the Company) for the year ended 31 December 2015 to comply with the best practices of Code of Corporate Governance.

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

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

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

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in paragraph references where these are stated in statement of compliance:

Paragraph Reference	Description
1.	There is no independent director serving on the Board of Directors.
4.	Casual vacancy on the Board of Directors has not been filled within 90 days.

9.	A Certified copy of minutes of Annual General Meeting held on 30 March 2015 was not submitted to the Securities and Exchange Commission of Pakistan within 30 days from the holding of such meeting
10.	During the year, no Directors' Training program was arranged by the Board.
11.	The Company has not yet appointed Head of Internal Audit.
16.	The Audit Committee does not have an independent director.
19.	Meetings of underwriting, claim settlement and reinsurance/ co insurance Committees were not held in the 1 st quarter of the financial year.
21.	The Board has not formulated a mechanism for an annual evaluation of the Board's own performance.

Date: 17 February 2016

Karachi

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

This statement is being presented to comply with the Code of Corporate Governance for the purpose of establishing a framework of good governance, whereby the insurance company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code of Corporate Governance in the following manner:

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

Category	Names
Executive Directors	Mr. Babar Mahmood Mirza
Non-Executive Directors	Mr. Aameer Karachiwalla Mr, Zameer M. Choudrey Mr. Rizwan Pervez Mr. Sharjeel Shahid Mr. Muhammad Hanif Akhai Mr. Asif Saeed Sindhu Mr. Abdul Sattar Vaid

There is no independent director serving on the board of directors.

2. The directors have confirmed that none of them is serving as a director on 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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year one casual vacancy occurred on February 20, 2015 on the Board of Directors and was not filled within 90 days.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
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 the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.

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

9. A certified copy of minutes of annual general meeting held on 30 March 2015 was not submitted to the Securities and Exchange Commission of Pakistan within thirty days from the date of holding of such meeting.

10. The board has not arranged training program for its directors during the year. However, one of the director has completed the said course during the year 2015 which was arranged by another Financial Institution.

11. There were no new appointment of CFO and Company Secretary during the year. The Company has not yet appointed the Head of Internal Audit.

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

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

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

15. The company has complied with all the corporate and financial reporting requirements of the CCG.

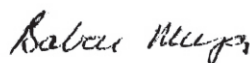
16. The board has formed an Audit Committee. It comprises of three members who are non-executive directors.

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

18. The board has formed a Human Resource & Compensation Committee. It comprises of three members, of whom two are non-executive directors and one is executive director.
19. The Board has formed underwriting, claim settlement and reinsurance/co insurance Committees. However, meetings of above committees were not held in 1st quarter of the financial year.
20. The board has outsourced the internal audit function to UBL Bank who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
21. The Board of Directors has not formulated a mechanism for an annual evaluation of the Board's own performance.
22. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
23. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
24. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied.



Nadeem Raza
Chief Financial Officer



Babar Mahmood Mirza
Chief Executive officer

Dated: 17 February 2016

We have audited the annexed financial statements comprising of:

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

of **UBL Insurers Limited** ("the Company") as at 31 December 2015 together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

- a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for the change disclosed in note 4.1 with which we concur;

Auditors' Report to the Members of UBL Insurers Limited



- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2015 and of the profit, 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.

Date: 17 February 2016

Karachi

KPMG Taseer Hadi & Co.

**KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem**

Balance Sheet

As at December 31, 2015



	Note	2015 (Rupees)	2014		Note	2015 (Rupees)	2014
Share capital and reserves				Cash and bank deposits	13		
Authorised share capital				Cash and other equivalents		1,703,120	1,863,368
[150,000,000 (31 December 2014:				Current and other accounts		76,103,518	31,453,440
150,000,000) ordinary shares of				Deposits maturing within 12 months		-	150,000,000
Rs.10 each]		<u>1,500,000,000</u>	<u>1,500,000,000</u>			<u>77,806,638</u>	<u>183,316,808</u>
Issued, subscribed and paid up capital	5.2	1,152,173,910	1,152,173,910	Loans to employees - unsecured,			
Discount on issue of right shares		(352,173,910)	(352,173,910)	considered good	14	1,302,648	1,008,153
		800,000,000	800,000,000	Investments	15	847,378,808	509,284,722
Accumulated profit / (loss)		<u>51,871,337</u>	<u>(46,947,280)</u>	Deferred tax assets - net	16	3,827,926	21,788,528
Total equity		<u>851,871,337</u>	<u>753,052,720</u>	Security Deposit		4,815,756	2,700,400
Underwriting provisions				Current assets- others			
Provision for outstanding claims				Premiums due but unpaid - unsecured	17	304,090,398	191,761,997
(including IBNR)	6	766,835,943	578,169,353	Amounts due from other insurers /			
Provision for unearned premium		611,958,587	457,059,866	reinsurers	18	292,627,202	257,463,091
Commission income unearned		68,912,419	45,950,873	Accrued investment income		24,147,275	34,404,546
Total underwriting provisions		<u>1,447,706,949</u>	<u>1,081,180,092</u>	Accrued salvage recoverable		7,255,961	8,428,006
Deferred liabilities				Reinsurance and other recoveries		606,801,196	461,890,370
Staff retirement benefits	7	890,986	295,076	against outstanding claims		-	22,722,935
Creditors and accruals				Taxation-payments less provision	9	-	22,722,935
Premiums received in advance		-	442,869	Deferred commission expense		69,310,635	48,156,479
Amounts due to other insurers /				Prepayments			
reinsurers	8	216,579,411	156,488,646	- prepaid reinsurance premium ceded		311,190,109	260,390,777
Taxation-payments less provision	9	296,923	-	- others	19	22,978,050	18,473,948
Accrued expenses	10	33,201,345	22,772,900	Sundry receivables		<u>2,405,431</u>	<u>3,480,191</u>
Other creditors and accruals	11	<u>102,035,140</u>	<u>68,547,276</u>			<u>1,640,806,257</u>	<u>1,307,172,340</u>
		<u>352,112,819</u>	<u>248,251,691</u>	Fixed assets	20		
TOTAL LIABILITIES		<u>1,800,710,754</u>	<u>1,329,726,859</u>	Tangible and intangible			
				Furniture and fixtures		5,493,412	5,048,825
				Office equipment		2,820,223	1,578,468
				Motor vehicles		50,778,843	33,900,778
				Computers and accessories		2,789,028	926,522
				Tracking device		189	4,137
				Mobile phone		113,301	123,959
				Lease hold improvements		14,426,135	15,703,168
				Computer software		<u>222,927</u>	<u>222,771</u>
						<u>76,644,058</u>	<u>57,508,628</u>
TOTAL EQUITY AND LIABILITIES		<u>2,652,582,091</u>	<u>2,082,779,579</u>	TOTAL ASSETS		<u>2,652,582,091</u>	<u>2,082,779,579</u>
CONTINGENCIES	12						

The annexed notes from 1 to 32 form an integral part of these financial statements.

K. K. K.

Babur Ali Khan

Chief Executive

[Signature]

Director

[Signature]

Director

[Signature]

Chairman

Profit and Loss Account

For the year ended December 31, 2015



	Note	Fire and property	Marine and transport	Motor	Bankers Blanket	Other classes	2015 Aggregate	2014 Aggregate
		(Rupees)						
Revenue account								
Net premium revenue		77,395,243	27,616,233	348,429,435	33,552,620	47,561,780	534,555,311	385,188,956
Net claims		(10,369,280)	(7,978,176)	(174,587,644)	(1,708,249)	(9,144,289)	(203,787,638)	(176,737,997)
Expenses	21	(56,463,964)	(14,567,523)	(77,204,775)	(19,360,395)	(24,392,010)	(191,988,667)	(128,136,828)
Net commission		(1,534,994)	7,448,585	(22,882,532)	11,252,274	15,266,924	9,550,257	24,398,622
Underwriting result		9,027,005	12,519,119	73,754,484	23,736,250	29,292,405	148,329,263	104,712,753
Net investment income							88,197,649	74,611,060
Other income	22						7,059,539	3,748,808
Exchange gain / (loss)							276,322	(113,684)
General and administration expenses	23						(96,784,408)	(81,179,594)
Profit before tax							147,078,365	101,779,343
Taxation - net	24						(47,571,794)	(41,953,618)
Profit after tax							99,506,571	59,825,725
Other comprehensive income								
Items not to be reclassified to profit and loss account in subsequent periods								
Re-measurement: actuarial loss on obligation							(595,910)	(773,764)
Related tax impact							(92,044)	270,817
							(687,954)	(502,947)
Total comprehensive income for the year							98,818,617	59,322,778
Profit and loss appropriation account								
Balance of accumulated loss at commencement of the year							(46,947,280)	(106,270,058)
Profit after tax for the year							99,506,571	59,825,725
Other comprehensive income - net of tax							(687,954)	(502,947)
Balance of accumulated profit / (loss) at end of the year							51,871,337	(46,947,280)
							(Rupees)	
Earnings per share - basic and diluted	25						0.86	0.52

The annexed notes from 1 to 32 form an integral part of these financial statements.

Krishna

Baldev Mehta

Chief Executive
Officer

[Signature]

Director

[Signature]

Director

[Signature]

Chairman

[Signature]

Statement of Changes in Equity

For the year ended December 31, 2015



	Issued, subscribed and paid-up capital	Discount on issue of right shares (Rupees)	Accumulated (loss) / profit	Total
Balance as at January 01, 2014	1,152,173,910	(352,173,910)	(106,270,058)	693,729,942
Total comprehensive income for the year ended December 31, 2014				
Profit after tax	-	-	59,825,725	59,825,725
Other comprehensive income - net of tax	-	-	(502,947)	(502,947)
Total comprehensive income for the year ended December 31, 2014	-	-	59,322,778	59,322,778
Balance as at December 31, 2014	1,152,173,910	(352,173,910)	(46,947,280)	753,052,720
Total comprehensive income for the year ended December 31, 2015				
Profit after tax	-	-	99,506,571	99,506,571
Other comprehensive income - net of tax	-	-	(687,954)	(687,954)
Total comprehensive income for the year ended December 31, 2015	-	-	98,818,617	98,818,617
Balance as at December 31, 2015	1,152,173,910	(352,173,910)	51,871,337	851,871,337

The annexed notes from 1 to 32 form an integral part of these financial statements.

K. M. M.

Rabir Mung

Chief Executive
Officer

[Signature]

Director

[Signature]

Director

[Signature]

Chairman

[Signature]

Statement of Cash Flows

For the year ended December 31, 2015



Operating Cash Flows	2015	2014
	(Rupees)	
(a) Underwriting activities		
Premiums received	1,423,205,724	993,825,573
Reinsurance premiums paid	(850,931,281)	(623,386,436)
Claims paid	(469,381,879)	(448,155,194)
Reinsurance and other recoveries received	310,522,050	298,437,227
Commissions paid	(138,634,365)	(92,432,262)
Commissions received	179,344,100	120,877,174
Net cash inflows from underwriting activities	454,124,349	249,166,082
(b) Other operating activities		
Income tax paid	(8,631,354)	(6,796,941)
General management expenses paid	(256,749,793)	(195,115,062)
Loans advanced	(3,245,724)	(2,447,652)
Loans repayments received	2,951,229	2,400,650
Net cash outflows from other operating activities	(265,675,642)	(201,959,005)
Total cash generated from all operating activities	188,448,707	47,207,077
Investment activities		
Profit / return received	75,566,404	23,560,966
Payments for investments	(2,297,212,196)	(1,624,297,044)
Proceeds from disposal of investments	2,114,817,489	1,721,018,341
Payments for purchase of term deposits	-	(150,000,000)
Proceeds from disposal of fixed assets	3,174,009	1,202,306
Fixed capital expenditure	(38,189,227)	(15,193,191)
Total cash used in investing activities	(141,843,521)	(43,708,622)
Financing activities		
Security deposits paid	(2,115,356)	(1,209,360)
Total cash used in financing activities	(2,115,356)	(1,209,360)
Net cash generated from all activities	44,489,830	2,289,095
Cash at beginning of the year	33,316,808	31,027,713
Cash at end of the year	77,806,638	33,316,808

Krishna

Reconciliation to profit and loss account



	2015	2014
	(Rupees)	
Operating cash flows	188,448,707	47,207,077
Depreciation expense	(18,100,446)	(13,194,437)
Amortisation expense	(149,844)	(108,690)
Decrease in assets other than cash	343,697,133	257,815,918
Decrease in liabilities	(470,982,049)	(274,983,650)
	<u>42,913,501</u>	<u>16,736,218</u>
Other adjustments		
Interest on government securities / term finance certificates	64,687,368	50,776,373
Income tax paid	8,631,354	6,796,941
Capital gain	18,591,940	4,512,426
Profit on term deposits	1,400,341	19,322,261
Exchange gain / (loss)	276,322	(113,684)
Taxation	(47,571,794)	(41,953,618)
Dividend Income	3,518,000	-
Gain on sale of fixed assets	2,370,502	182,738
Other income	4,689,037	3,566,070
	<u>56,593,070</u>	<u>43,089,507</u>
	<u><u>99,506,571</u></u>	<u><u>59,825,725</u></u>

Definition of cash

Cash comprises of cash in hand, policy stamps, and bank balances which are readily convertible to cash in hand and which are used in the cash management function on a day-to-day basis.

Cash for the purposes of the Statement of Cash Flows consists of:

Cash and bank deposits

Cash and other equivalents

- Cash in hand	621,636	440,000
- Policy stamps	1,081,484	1,423,368
	<u>1,703,120</u>	<u>1,863,368</u>

Current and other accounts

- Current accounts	18,007,936	10,290,886
- profit and loss sharing accounts	58,095,582	21,162,554
	<u>76,103,518</u>	<u>31,453,440</u>

Cash and bank deposits as per balance sheet

	<u><u>77,806,638</u></u>	<u><u>33,316,808</u></u>
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The annexed notes from 1 to 32 form an integral part of these financial statements.

K. Ramesh

Baldev Mehta

Chief Executive
Officer

[Signature]

Director

[Signature]

Director

[Signature]

Chairman

[Signature]

Statement of Premiums

For the year ended December 31, 2015



Business underwritten inside Pakistan

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	2015 Net premium revenue	2014 Net premium revenue
		Opening	Closing			Opening	Closing			
(Rupees)										
Direct and facultative										
1. Fire and property	568,459,537	217,669,909	260,818,750	525,310,696	468,187,905	183,575,585	203,848,037	447,915,453	77,395,243	44,699,697
2. Marine and transport	146,660,754	14,455,678	12,739,349	148,377,083	118,488,999	11,731,561	9,459,710	120,760,850	27,616,233	20,935,006
3. Motor	444,871,798	142,269,059	213,167,920	373,972,937	25,910,096	3,137,814	3,504,408	25,543,502	348,429,435	263,141,677
4. Bankers Blanket	194,913,722	21,318,475	32,625,578	183,606,619	157,961,510	16,496,466	24,403,977	150,053,999	33,552,620	22,283,522
5. Other classes	245,570,267	61,346,745	92,606,990	214,310,022	191,272,868	45,449,351	69,973,977	166,748,242	47,561,780	34,129,054
Total	1,600,476,078	457,059,866	611,958,587	1,445,577,357	961,821,378	260,390,777	311,190,109	911,022,046	534,555,311	385,188,956
Treaty										
Proportional / non-proportional	-	-	-	-	-	-	-	-	-	-
Grand total	1,600,476,078	457,059,866	611,958,587	1,445,577,357	961,821,378	260,390,777	311,190,109	911,022,046	534,555,311	385,188,956

The annexed notes from 1 to 32 form an integral part of these financial statements.

Karam

Baluch Muzaffar

Chief Executive Officer

[Signature]

Director

[Signature]

Director

[Signature]

Chairman

[Signature]

Statement of Claims

For the year ended December 31, 2015



Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received (Rupees)	Reinsurance and other recoveries in respect of outstanding claims*		Reinsurance and other recoveries revenue	2015 Net claims expense	2014 Net claims expense
		Opening	Closing			Opening	Closing			
Direct and facultative										
1. Fire and property	126,590,016	131,900,889	174,476,691	169,165,818	122,221,240	121,100,264	157,675,562	158,796,538	10,369,280	17,347,067
2. Marine and transport	40,047,860	81,979,764	97,457,164	55,525,260	34,352,871	67,660,493	80,854,706	47,547,084	7,978,176	11,195,111
3. Motor	167,792,485	73,236,803	112,217,792	206,773,474	34,962,365	13,095,129	10,318,594	32,185,830	174,587,644	114,210,670
4. Bankers Blanket	48,284,271	186,958,987	269,996,994	131,322,278	40,428,751	179,626,560	268,811,838	129,614,029	1,708,249	8,015,435
5. Other classes	86,667,247	104,092,910	112,687,302	95,261,639	78,556,823	88,835,930	96,396,457	86,117,350	9,144,289	25,969,714
Total	469,381,879	578,169,353	766,835,943	658,048,469	310,522,050	470,318,376	614,057,157	454,260,831	203,787,638	176,737,997
Treaty										
Proportional / non-proportional	-	-	-	-	-	-	-	-	-	-
Grand total	469,381,879	578,169,353	766,835,943	658,048,469	310,522,050	470,318,376	614,057,157	454,260,831	203,787,638	176,737,997

* These are unsecured and considered to be good.

The annexed notes from 1 to 32 form an integral part of these financial statements.

Kraon

Balcer Muz

Chief Executive Officer

[Signature]

Director

[Signature]

Director

[Signature]

Chairman

[Signature]

Statement of Expenses

For the year ended December 31, 2015



Business underwritten inside Pakistan

Class	Commission paid or payable	Deferred commission		Net commission expense	Other management expenses (note 21)	Underwriting expenses	Commission from reinsurers*	2015	2014
		Opening	Closing					Net underwriting expense	Net underwriting expense
Direct and facultative									
1. Fire and property	89,573,934	30,862,708	40,260,318	80,176,324	56,463,964	136,640,288	78,641,330	57,998,958	25,389,378
2. Marine and transport	24,336,837	2,396,157	2,269,449	24,463,545	14,567,523	39,031,068	31,912,130	7,118,938	3,063,544
3. Motor	32,977,724	9,234,787	18,425,520	23,786,991	77,204,775	100,991,766	904,459	100,087,307	69,139,852
4. Bankers Blanket	4,398,422	576,780	1,588,905	3,386,297	19,360,395	22,746,692	14,638,571	8,108,121	4,081,361
5. Other classes	16,699,536	5,086,047	6,766,443	15,019,140	24,392,010	39,411,150	30,286,064	9,125,086	2,064,071
Total	167,986,453	48,156,479	69,310,635	146,832,297	191,988,667	338,820,964	156,382,554	182,438,410	103,738,206
Treaty									
Proportional / non-proportional	-	-	-	-	-	-	-	-	-
Grand total	167,986,453	48,156,479	69,310,635	146,832,297	191,988,667	338,820,964	156,382,554	182,438,410	103,738,206

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

The annexed notes from 1 to 32 form an integral part of these financial statements.

Kiran

Baloch Muneer

Chief Executive Officer

[Signature]

Director

[Signature]

Director

[Signature]

Chairman

[Signature]

Statement of Investment Income

For the year ended December 31, 2015



	Note	2015 (Rupees)	2014
Income From Non-trading Investments			
Available-For-Sale			
Gain on sale of investments		18,591,940	4,512,426
Return on government securities / term finance certificat		63,908,794	56,181,392
Amortization of discount / (premium) of government securities / term finance certificates		778,574	(5,405,019)
Dividend income		3,518,000	-
Profit on term deposits - with a related party		1,400,341	19,322,261
Net Investments Income		<u>88,197,649</u>	<u>74,611,060</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

K. Ramesh

Rabani Aliyev

Chief Executive
Officer

[Signature]

Director

[Signature]

Director

[Signature]

Chairman

[Signature]

1. Status and Nature of Business

UBL Insurers Limited (the Company) is an unlisted public limited company incorporated in Pakistan on June 29, 2006. The Company is a subsidiary of Bestway (Holding) Limited. The Company received the Certificate of Commencement of Business on December 27, 2006. The principal objective of the Company is to conduct general insurance business. The Company received the Certificate of Registration under Section 6 of the Insurance Ordinance, 2000 on January 05, 2007. The Company currently operates a network of 14 (2014: 11) branches at various cities. The registered office of the Company is situated at 126-C, Jami Commercial, Street No. 14, Phase VII, Defence Housing Authority, Karachi.

The Company was granted authorisation on 29 December 2015 under Rule 6 of the Takaful Rules, 2012 to undertake Takaful Window Operation in respect of general takaful products by Securities and Exchange of Pakistan (SECP) bearing authorization reference number 14. Necessary changes were accordingly made in Memorandum and Articles of Association and Rs. 50 million were transferred to a separate bank account for window takaful operations only. For the purpose of carrying on the takaful business, the company is in the process of forming a waqf/participants' takaful fund under a trust deed. During the year, the company has not transacted any takaful business.

2. Basis of Preparation

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

2.1 Statement of Compliance

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

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

2.2 Basis of Measurement

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

KPMG

Notes to the Financial Statements

For the year ended December 31, 2015



2.3 Functional and Presentation Currency

These financial statements are presented in Pak Rupees which is also the Company's functional currency. All financial information presented in Pak Rupees has been rounded to the nearest rupees, unless otherwise stated.

2.4 Use of Estimates and Judgements

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the financial statements, or judgments was exercised in application of accounting policies, are as follows:

- Provision for outstanding claims including IBNR (note 4.4)
- Provision for unearned premium (note 4.5)
- Premium deficiency reserve (note 4.6)
- Defined benefit plan (note 4.8.2)
- Classification of investments and impairment (note 4.11)
- Useful lives of assets and methods of depreciation (note 4.14)
- Provision for current and deferred tax (note 4.17)
- Premium due but unpaid (note 4.12 & 17)

3. Standards and IFRIC Interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2016:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016] clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Company's financial statements.

KPMG

Notes to the Financial Statements

For the year ended December 31, 2015



- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Company's financial statements.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Company's financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Company's financial statements.
- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:
 - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
 - IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
 - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
 - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have an impact on Company's financial statements.

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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 years presented.

4.1 Standards, Interpretations and Amendments Effective in Current Year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except for the following standards, which became effective during the year:

IFRS10 'Consolidated Financial Statements', IFRS11 'Joint Arrangements', IFRS12 'Disclosure of Interests in Other Entities', IFRS13 'Fair Value Measurements'. These standards became applicable from 1 January 2015, as per the adoption status of IFRS in Pakistan.

IFRS 10 replaces the current guidance on consolidation in IAS 27 Consolidated and Separate Financial Statements. It introduces a single model of assessing control where by an investor controls an investee when it has the power, exposure to variable returns and the ability to use its power to influence the returns of the investee. IFRS 10 also includes specific guidance on defacto control, protective rights and the determination of whether a decision maker is acting as principal or agent, all of which influence the assessment of control. The application of IFRS 10 did not result in any investee being in control of the company.

IFRS11 replaces IAS31 Interests in Joint Ventures. It requires all joint ventures to be equity accounted thereby removing the option in IAS31 for proportionate consolidation. It also removes the IAS31 concept of jointly controlled assets. The application of IFRS 11 did not result in identification of any associate as a joint venture.

IFRS12 prescribes additional disclosures around significant judgements and assumptions made in determining whether an entity controls another entity and has joint control or significant influence over another entity. The standard also requires disclosures on the nature and risks associated with interests in unconsolidated structured entities. The application of IFRS 12 did not result in additional disclosures.

IFRS13 Fair Value Measurement, consolidates the guidance on how to measure fair value, which was spread across various IFRS, into one comprehensive standard. It introduces the use of an exit price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments in to the fair value hierarchy. As a result, the Company has included additional disclosures in this regard (see Note 28.3).

4.2 Insurance Contracts

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

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

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

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Notes to the Financial Statements

For the year ended December 31, 2015



These contracts are normally one year insurance contracts except marine and some contracts of fire and property and miscellaneous class. Normally all marine insurance contracts and some fire and property contracts have three months period. In miscellaneous class, some engineering insurance contracts have more than one year period whereas normally travel insurance contracts expire within one month time.

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

Fire and property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. 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.

Marine, aviation and transport insurance covers the loss or damage of ships, cargo, terminals, and any transport or property by which cargo is transferred, acquired, or held between the points of origin and final destination.

Motor insurance is to provide protection against losses incurred as a result of traffic accidents and against liability that could be incurred in an accident.

Miscellaneous insurance includes various types of coverage mainly burglary, loss of cash in safe and cash in transit, engineering losses, accident and health, money and other coverage.

Bankers blanket insurance covers losses as a result of dishonest or fraudulent acts by officers and employees of the bank, including on premises coverage of cash, coverage of cash during transit and coverage of forged cheques.

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

4.3 Reinsurance Contracts Held

These are contracts entered into by the Company with reinsurers for compensation of losses suffered on insurance contracts issued. These reinsurance contracts include both facultative and treaty arrangements contracts and are classified in same categories of insurance contracts for the purpose of these financial statements.

Reinsurance assets represent balances due from reinsurance companies and reinsurance recoveries against outstanding claims. Due from reinsurance companies are carried at cost less any provision for impairment. Cost represents the fair value of the consideration to be received. Reinsurance recoveries against outstanding claims are measured at the amount expected to be received.

Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contract are not offset against expenses or income from related insurance assets.

Reinsurance liabilities represent balances due to reinsurance companies. Due to reinsurance companies are carried at cost which is the fair value of the consideration to be paid.

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

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4.4 Provision for Outstanding Claims Including Incurred but not Reported (IBNR)

The Company recognises liability in respect of all claims incurred up to the balance sheet date which is measured at the undiscounted value of the expected future payments. These liabilities are known as provision for outstanding claims. The claims are considered at the time of the incident giving rise to the claim except as otherwise expressly indicated in the insurance contract. The liability for claims includes amount in relation to unpaid reported claim, claims incurred but not reported (IBNR) and expected claims settlement cost.

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. Claims incurred but not reported (IBNR) are accounted for based on the management's best estimate which takes into account the past trends, expected future pattern of reporting of claims and the claims actually reported subsequent to the balance sheet date.

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

4.5 Provision for Unearned Premium

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage and is recognised as a liability by the Company. This liability is calculated by applying the 1/24th method as specified in the SEC (Insurance) Rules, 2002.

4.6 Premium Deficiency Reserve

The Company maintains a provision in respect of premium deficiency for the class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve is recorded as an expense / income in the profit and loss account for the year.

For this purpose, loss ratios for each class are estimated based on historical claim development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, premium deficiency is determined. Further actuarial valuation has been carried out to determine the amount of premium deficiency reserve in respect of Accident and Health insurance as required by SRO 16 (I) / 2012 issued by Securities and Exchange Commission of Pakistan on January 9, 2012.

Based on an analysis of combined operating ratio for the expired period of each reportable segment and also on the advice of actuary, the unearned premium reserve for all classes of business as at the year end is adequate to meet the expected future liability after reinsurance, from 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.

4.7 Commission Income Unearned

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

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4.8 Staff Retirement Benefits

4.8.1 Defined Contributory Plan

The Company operates a recognised provident fund scheme for all its eligible employees. Equal contributions are made by the Company and the employees at the rate 8.33% of basic salary.

4.8.2 Staff Retirement Benefits

Gratuity Scheme - Defined Benefit Plan

The Company operates an approved funded gratuity fund for all permanent employees who have completed minimum prescribed period of service under the scheme. Contributions are made to the scheme on the basis of independent actuarial recommendations using "Projected Unit Credit Method". Remeasurement of the defined benefit liability(asset), which comprises actuarial gain and losses are recognised immediately in other comprehensive income. The company determines the net interest expense (income) on the net defined benefit liability (asset) for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual year to the then net defined benefit liability (asset), taking into account and change in the net defined benefit liability (asset) during the year as a result of contribution and benefit payments. Net interest expense and other expense related to defined benefit plans are recognised in profit and loss account.

When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised immediately in profit and loss account. The company recognises gain and loss on the settlement of a defined benefit plan when the settlement occurs.

4.9 Compensated Absence

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

4.10 Creditors, Accruals and Provisions

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

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and 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 estimate.

4.11 Investments

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs except for held-for-trading investments in which case transaction costs are charged to the profit and loss account. All purchase and sale of investments that require delivery within the required 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 investments. These investments are recognised and classified as follows:

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4.11.1 Investments at Fair Value Through Profit and Loss Account

Held for trading investments are included in this category. At the time of acquisition, quoted investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or are part of portfolio for which there is a recent actual pattern of short term profit taking are classified as held-for-trading.

Subsequent to initial recognition these are remeasured at fair value by reference to quoted market prices with the resulting gain or loss being included in net profit or loss for the period in which it arises.

4.11.2 Available-for-Sale

Available for sale investments are those non-derivative instruments that are designated as available for sale or are not classified in any other category. These are primarily those investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates, are classified as available-for-sale.

Subsequent to initial recognition at cost, quoted investments are stated at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002.

4.11.3 Held-to-Maturity

At the time of acquisition, investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held to maturity.

Subsequently, these are measured at amortised cost less provision for impairment in value, if any. Amortised cost is calculated by taking into account any discount or premium on acquisition by using the effective interest rate method.

4.12 Receivables Related to Insurance Contracts

Receivables related to insurance contracts are known as premium due but unpaid. These are recognised at cost, which is the fair value of the consideration given less provision for impairment, if any.

4.13 Deferred Commission

Commission expense incurred in obtaining and recording policies is deferred and recognised in the profit and loss account as an expense in accordance with the pattern of recognition of premium revenue.

4.14 Operating fixed Assets and Depreciation

4.14.1 Tangible - Owned

These are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated so as to write off the depreciable amount of the assets over their expected economic lives at the rates specified in note 20.1 to the financial statements, after taking into account residual value, if any. The useful lives, residual values and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

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Notes to the Financial Statements

For the year ended December 31, 2015



Depreciation on additions is charged on a straight line method from the month the asset is available for use and on disposals upto the month preceding the month of disposal.

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

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

The carrying value of tangible fixed assets is 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.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalised and assets so replaced, if any, are retired.

4.14.2 Assets Subject to Finance Lease

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, at the fair value of the lease property or, if lower at the present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets acquired under the finance lease are depreciated using the same basis as for owned assets.

4.14.3 Intangible

These are stated at cost less accumulated amortisation and any impairment in value. Amortisation of intangible fixed assets is charged to income applying the straight line method at the rates specified in note 20.2 to the financial statements after taking into account residual value, if any.

Full month's amortisation is calculated from the month the assets are available for use using the straight-line method, whereby the cost of the intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortisation method is reviewed, and adjusted if appropriate, at each balance sheet date.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable, if any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

4.14.4 Capital Work-in-Progress

Capital work-in-progress is stated at cost less any impairment in value. It consists of advances made to suppliers in respect of tangible and intangible assets.

4.15 Revenue Recognition

Premium

Premium received / receivable under a policy is recognised as written from the date of attachment of the policy to which it relates. Premium income under a policy is recognised over the period of insurance from inception to expiry as follows:

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

Income

- b) For proportional reinsurance business, evenly over the period of underlying insurance policies; and
- c) For non-proportional reinsurance business, in accordance with the pattern of the reinsurance service.

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.

Administrative surcharge is recognised as premium at the time the policies are written.

Commission Income

Commission income from reinsurers is recognised at the time of issuance of the underlying insurance policy by the Company. This income is deferred and accounted for as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission, if any, which the Company may be entitled to under the terms of reinsurance, is recognised on an accrual basis.

Dividend Income

Dividend income is recognised when the right to receive the dividend is established.

Gain / Loss on Sale of Investment

Gain / loss on sale / redemption of investments is taken to profit and loss account in the year of sale / redemption.

Income on Held to Maturity Investment

Profit on held to maturity instruments is recognised on a time proportion basis taking into account the effective yield on the investment.

Profit on Bank Accounts and Deposits

Interest / profit on bank deposit accounts is accounted for on an accrual basis.

4.16 Management Expenses

Management expenses allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated to the various classes of business on the basis of gross premium written. Expenses not allocable to the underwriting business are charged as administrative expenses.

4.17 Taxation

4.17.1 Current

Provision for current taxation is the higher of the amount computed on taxable income at the current tax rate after taking into account tax credits / rebates, if any, and the minimum tax computed at the prescribed rate on turnover. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalized during the current year for such years.

4.17.2 Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Continued

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

4.18 Segment Reporting

The Company's operating business is organised and managed separately according to the nature of the services provided with each segment representing a strategic business unit that serves different markets.

4.18.1 Fire

The fire and property insurance provides coverage against damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and other related perils.

4.18.2 Marine

Marine insurance provides coverage against cargo risk, war risk and damages occurring in inland transport.

4.18.3 Motor

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

4.18.4 Bankers blanket

Bankers blanket insurance covers losses as a result of dishonest or fraudulent acts by officers and employees of the bank

4.18.5 Miscellaneous

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

4.19 Financial Instruments

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

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Notes to the Financial Statements

For the year ended December 31, 2015



4.20 Off Setting

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

4.21 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 consists of cash in hand, stamps in hand and deposits with banks.

4.22 Currency Transactions

4.22.1 Foreign Currency Translations

Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange prevailing on the balance sheet date. Gain and losses on translation are taken into income currently. Non monetary-items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

4.23 Impairment

The carrying amount of the 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 assets is estimated and the impairment losses are recognised in the profit and loss account currently.

Provisions for impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Changes in the provisions are recognised as income / expense currently.

5. Share Capital

5.1 Authorised Share Capital

2015 (Number of shares)	2014		2015 (Rupees)	2014
<u>150,000,000</u>	150,000,000	Ordinary shares of Rs. 10 each	<u>1,500,000,000</u>	1,500,000,000

5.2 Issued, Subscribed and Paid-up Capital

<u>115,217,391</u>	115,217,391	Ordinary shares of Rs. 10 each fully paid in cash	<u>1,152,173,910</u>	1,152,173,910
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5.3 Major Shareholders of the Company are :

Number of shares held		Name of Shareholder	Percentage of Shareholding	
2015	2014		2015	2014
64,063,972	64,063,972	Bestway (Holding) Limited	55.6	55.6
34,565,214	34,565,214	United Bank Limited	30.0	30.0
14,088,200	14,088,200	Abu Dhabi Group	12.2	12.2

6. Provision for Outstanding Claims- (Including IBNR)

	2015 (Rupees)	2014
Related parties	182,021,056	193,585,753
Others	584,814,887	384,583,600
	<u>766,835,943</u>	<u>578,169,353</u>

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Notes to the Financial Statements

For the year ended December 31, 2015



7. Staff Retirement Benefits

Defined Benefit Plan - Funded Gratuity Scheme

The latest valuation of scheme was carried out as at December 31, 2015 by Akhter Hassan and Actuaries (Private) Limited using the Projected Unit Credit Method. Provision has been made in the financial statements to cover the related obligation in accordance with the actuarial recommendations.

	2015	2014
7.1		
The number of employees covered under the defined benefit scheme are:	<u>172</u>	<u>133</u>
7.2		
The following principal actuarial assumptions were used for the valuation of above mentioned scheme:		
	2015	2014
Financial assumptions		
Discount rate (per annum compounded)	9.00%	10.50%
Salary Increase (per annum)	8.00%	9.50%
Rate of return on investment (per annum)	9.00%	10.50%
Demographic assumptions		
Normal retirement	60 years	60 years
Mortality rate	SLIC(2001-05)	SLIC(2001-05)
Rate of employee turnover	Moderate	Moderate
7.3		
Net Liability in Balance Sheet	2015	2014
	(Rupees)	
Present value of defined benefit obligations	19,867,732	15,550,236
Fair value of plan assets	(18,976,746)	(15,255,160)
Liability in balance sheet	<u>890,986</u>	<u>295,076</u>
7.4		
Reconciliation of the Present Value of Defined Benefit Obligations		
Present value of defined benefit obligation as at January 1,	15,550,236	12,615,318
Current service cost	3,156,237	2,638,514
Interest cost	1,766,020	1,740,716
Benefits paid / payable during the year	(943,058)	(1,842,518)
Re-measurement loss on obligation	338,297	398,206
Present value of defined benefit obligation as at December 31	<u>19,867,732</u>	<u>15,550,236</u>
7.5		
Movement in Fair Value of Plan Assets		
Opening balance	15,255,160	13,094,009
Expected return on plan assets	1,736,545	1,798,195
Contribution made by the Company	3,185,712	2,581,032
Benefits paid / payable during the year	(943,058)	(1,842,518)
Re-measurements loss on plan assets	(257,613)	(375,558)
Closing balance	<u>18,976,746</u>	<u>15,255,160</u>

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Notes to the Financial Statements

For the year ended December 31, 2015



7.6 Movement in the Net Defined Benefit Asset	2015	2014
	(Rupees)	
Opening balance	295,076	(478,691)
Expenses recognised in profit and loss account for the year	3,185,712	2,581,035
Contribution paid during the year	(3,185,712)	(2,581,032)
Net re-measurement loss recognized in other comprehensive income during the year	595,910	773,764
Closing balance	890,986	295,076

7.7 Charge For the Defined Benefit Plan

7.7.1 Cost Recognised in Profit and Loss Account

Current service cost	3,156,237	2,638,514
Interest cost on defined benefit obligation	1,766,020	1,740,716
Interest income on plan assets	(1,736,545)	(1,798,195)
Net Interest cost /(income)	29,475	(57,479)
Cost recognized in profit and loss for the year	3,185,712	2,581,035

7.7.2 Re-measurements Recognised in Other Comprehensive Income

Re-measurement of Gain / (loss) on obligation		
- Gain / (loss) due to change in financial assumptions	160,448	(1,155,886)
- (Loss) / gain due to change in experience adjustments	(498,745)	757,680
Total actuarial loss on obligations	(338,297)	(398,206)
Re-measurements loss on plan assets over interest income	(257,613)	(375,558)
Net re-measurement recognized in other comprehensive income during the year	(595,910)	(773,764)
Weighted average duration of the defined benefit obligation (years)	8.36	8.68
Actual return on plan assets	1,478,932	1,422,637

7.8 Sensitivity Analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

Discount rate + 1%	18,312,060
Discount rate - 1%	21,650,789
Long term salary increase + 1%	21,750,793
Long term salary increase - 1%	18,200,048

The sensitivity analysis presented above may not be representative of the actuarial change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

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Notes to the Financial Statements

For the year ended December 31, 2015



7.9 Components of Plan Assets

	2015		2014	
	Fair value (Rupees)	Percentage %	Fair value (Rupees)	Percentage %
Composition of fair value of plan assets				
Cash and cash equivalent - net of current liabilities	163,844	0.9%	106,446	0.7%
Mutual Funds	1,884,368	9.9%	771,669	5.1%
Treasury Bills	8,961,158	47.2%	6,351,100	41.6%
Pakistan Investment Bonds	7,967,376	42.0%	8,025,945	52.6%
Fair value of plan net assets	<u>18,976,746</u>	<u>100%</u>	<u>15,255,160</u>	<u>100%</u>

7.10 Expected accrual of expenses in respect of defined benefit scheme in the next financial year on the advice of the actuary is Rs. 4.388 million.

8. Amounts Due to Other Insurers / Reinsurers

	2015 (Rupees)	2014
Foreign reinsurers	88,183,371	65,833,401
Local reinsurers	110,000,832	73,756,339
Co-insurers	18,395,208	16,898,906
	<u>216,579,411</u>	<u>156,488,646</u>

9. Taxation - Payments Less Provision

Balance as at January 1,	22,722,935	19,342,513
Tax paid / adjusted	6,683,378	4,170,096
Provision for taxation	(29,703,236)	(789,674)
Balance as at December 31,	<u>(296,923)</u>	<u>22,722,935</u>

10. Accrued Expenses

Rent	88,000	-
Utilities	840,515	557,923
Audit fee	637,050	656,500
Advertisement expense	1,897,411	1,175,991
Annual rating fees	440,000	417,750
SECP annual supervision fees	3,180,841	2,207,434
Provision for bonus	10,000,000	3,132,984
Communication charges	7,548,000	5,532,000
Coinurance service charges	5,128,112	5,861,056
Others	3,441,416	3,231,262
	<u>33,201,345</u>	<u>22,772,900</u>

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Notes to the Financial Statements

For the year ended December 31, 2015



11. Other Creditors and Accruals

		2015	2014
		(Rupees)	
Federal insurance fee		792,711	827,363
Federal excise duty		12,326,573	11,596,156
Agent commission payable	11.1	70,510,973	41,158,885
Salary payable		880,063	690,999
Cash margin against insurance policies		3,984,107	3,102,489
Workers welfare fund		2,851,343	2,169,363
Unclaimed insurance benefits	11.2	8,048,849	6,549,366
Others		2,640,521	2,452,655
		<u>102,035,140</u>	<u>68,547,276</u>

11.1 This includes commission payable of Rs. 3.708 million (2014: Rs. 0.574 million) to related parties.

11.2 This represents outstanding claims in respect of which cheques have been issued by the Company for claim settlement but the same have not been encashed by the claimant. The following is the ageing as required by SECP circular No. 11 dated 19 May 2014:

- More than 6 months	8,048,849	6,549,366
- 1 to 6 months	<u>23,999,892</u>	<u>30,937,959</u>

	2015					
	(Age-wise Breakup)					
	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 Months	Total
	(Rupees)					
Claims not Encashed	<u>23,999,892</u>	<u>611,535</u>	<u>2,408,936</u>	<u>422,716</u>	<u>4,605,662</u>	<u>32,048,741</u>

	2014					
	(Age-wise Breakup)					
	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 Months	Total
	(Rupees)					
Claims not encashed	<u>30,937,959</u>	<u>1,513,288</u>	<u>430,416</u>	<u>506,830</u>	<u>4,098,832</u>	<u>37,487,325</u>

12. Contingencies

Section 113(2)(c) of the Income Tax Ordinance 2001, was interpreted by a Divisional Bench of the Sindh High Court (SHC) in the Income Tax Reference Application (ITRA) No. 132 of 2011 dated May 7 2013, whereby it was held that the benefit of carry forward of minimum tax is only available in the situation where the actual tax payable (on the basis of net income) in a tax year is less than minimum tax. Therefore, where there is no tax payable, inter alia, due to brought forward tax losses, minimum tax could not be carried forward for adjustment with future tax liability. As per the provisions of Income Tax Ordinance 2001, the Company has minimum tax as at December 31, 2014 of Rs.15,002,983 which has not been recorded as tax expense.

A leave to appeal against the aforesaid decision has already been filed before the Supreme Court of Pakistan which is pending for hearing. The Company based on tax advisor's advice considers that if tax authorities initiate similar proceedings against the Company, there are reasonable grounds whereby the decision can be challenged before Superior Courts. In view of above, the Company is confident that the ultimate outcome in this regard would be favourable. Hence no provision in this respect has been made in the financial statements.

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Notes to the Financial Statements

For the year ended December 31, 2015



13. Cash and Bank Deposits		2015	2014
		(Rupees)	
Cash and Other Equivalents			
- Cash in hand		621,636	440,000
- Policy stamps		1,081,484	1,423,368
		<u>1,703,120</u>	<u>1,863,368</u>
Current and Other Accounts			
- Current accounts	13.1	18,007,936	10,290,886
- Profit and loss sharing accounts	13.2, 13.3 & 13.4	58,095,582	21,162,554
		<u>76,103,518</u>	<u>31,453,440</u>
- Deposits maturing within 12 months (related party)		-	150,000,000
		<u>77,806,638</u>	<u>183,316,808</u>

13.1 This represents balance with a related party amounting to Rs. 17.965 million (2014: Rs. 10.291 million).

13.2 This includes balance with a related parties amounting to Rs. 4.329 million (2014: Rs. 9.690 million).

13.3 These carry profit rates ranging between 2.6% to 6% (2014: 6.5% to 8%) per annum.

13.4 This includes Rs. 50 million deposited in a separate bank in a scheduled bank account in respect of window takaful business as required by SECP vide circular No. 8 dated 16 May 2014

14. Loans to Employees - unsecured, considered good

Executives	320,834	4,167
Employees	981,814	1,003,986
	<u>1,302,648</u>	<u>1,008,153</u>

Loans to employees are granted in accordance with the rules specified in the SEC (Insurance) Rules, 2002. These loans are interest free and are recoverable in monthly instalments over a period of one year.

14.1 Reconciliation of Carrying Amount of Loans

Opening balance	1,008,153	961,151
Disbursements during the year	3,245,724	2,447,652
	<u>4,253,877</u>	<u>3,408,803</u>
Repayments during the year	(2,951,229)	(2,400,650)
Closing balance	<u>1,302,648</u>	<u>1,008,153</u>

15. Investments

15.1 Type of Investments

Available-for-sale			
Market Treasury Bills	15.2.1.1 & 15.3	99,660,476	50,904,798
Pakistan Investment Bonds	15.2.1.2 & 15.3	409,789,459	329,187,373
Term Finance Certificates	15.2.2 & 15.3	44,583,538	60,280,800
Investment in listed equity securities	15.2.3	64,638,580	-
Mutual Funds	15.2.4 & 15.3	228,706,755	68,911,751
		<u>847,378,808</u>	<u>509,284,722</u>

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Notes to the Financial Statements

For the year ended December 31, 2015



15.2 Available-for-Sale Investments

15.2.1 Government Securities

15.2.1.1 Market Treasury Bills (MTBs) have face value of Rs. 100 million (market value of Rs. 99.634 million) [(2014: face value of Rs.51 million (market value of Rs 50.891 million)]. These carry mark-up at 6.26% to 6.44% (2014: 9.96%) per annum and will mature latest by February 04, 2016.

15.2.1.2 Pakistan Investment Bonds (PIBs) have face value of Rs. 410 million (market value of Rs. 430.985 million) [(2014: face value of Rs.335 million (market value of Rs 345.619 million)]. PIBs having face value of Rs. 123 million (market value of Rs 126.170 million) [(2014: face value of Rs.123 million (market value of Rs 126.126 million)] are deposited with the State Bank of Pakistan in accordance with the requirements of circular No. 15 of 2008 dated July 7, 2008 issued by Securities and Exchange Commission of Pakistan. These carry mark-up at 11.25% (2014: 11.25%) per annum and will mature latest by July 17, 2017.

15.2.2 Term Finance Certificates

Name	Mark-up rate	Maturity	Repayment Terms	Unsecured / details of security	Rating
Bank Alfalah Limited - IV	6 months KIBOR + 250 bps	2 December 2017	Semi-annually	Unsecured	AA-
Bank Alfalah Limited - IV	15.00%	2 December 2017	Semi-annually	Unsecured	AA-

The aggregate market value of the above investments is Rs. 46.607 million (2014: Rs. 61.425 million).

15.2.3 Ordinary Shares of Quoted Companies

2015 (Number of Shares)	2014	Face value (Rupees)	Name of the Investee Entity	2015 (Rupees)	2014
503,500	-	10	Saif Power Limited	18,876,835	-
471,000	-	10	Nishat Chunian Power Limited	28,242,745	-
185,000	-	10	Kot Addu Power Company Limited	17,519,000	-
				<u>64,638,580</u>	<u>-</u>

Market value of the above investments is Rs. 57.403 million. The Company uses stock exchange quotation, at the balance sheet date to determine the market value of quoted equity securities.

15.2.4 Units of Open End Mutual Funds

2015 (Number of units)	2014	Face value (Rupees)	Name of the investee entity		2015	2014
7,320,440	-	10	NAFA Income Opportunity Fund	15.2.4.1	81,450,148	-
4,082,341	-	10	NAFA Islamic Aggressive Income Fund	15.2.4.1	40,000,000	-
549,908	-	100	Atlas Sovereign Liquid Fund	15.2.4.1	56,683,958	-
75,795	-	500	Atlas Income Fund	15.2.4.1	40,000,000	-
599,245	-	10	ABL Government Securities Fund	15.2.4.1	6,232,694	-
426,399	-	10	ABL Income Fund	15.2.4.1	4,339,955	-
-	667,644	100	UBL Government Securities Fund - related party	15.2.4.1	-	68,911,751
					<u>228,706,755</u>	<u>68,911,751</u>

15.2.4.1 Market value of the above investments is Rs. 229.393 million (2014: Rs. 72.750 million). The company uses net assets value issued by the fund manager at the balance sheet date to determine the market value.

15.3 Had these investments been measured at fair value as required by International Accounting Standard (IAS) – 39, the carrying value of investments of the Company as at December 31, 2015 would have been higher by Rs. 16.645 million (2014: higher by Rs. 21.4 million).

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Notes to the Financial Statements

For the year ended December 31, 2015



16. Deferred Tax Assets - Net

16.1 Deferred taxation comprises of deductible /(taxable) temporary difference relating to following:

	2015 (Rupees)	2014
Deferred tax asset arising in respect of:		
- staff retirement benefit	178,773	270,817
- accelerated depreciation	600,070	527,446
- unutilized tax losses carried forward	-	19,813,832
- provision for bad debts	49,083	79,889
- provision for employee bonus	3,000,000	1,096,544
	<u>3,827,926</u>	<u>21,788,528</u>

16.2 Movement in deferred tax assets / (liability) is as follows:

	Balance as at January 1, 2014	Recognised in profit and loss account	Recognised in other comprehensive income	Balance as at December 31, 2014	Recognised in profit and loss account	Recognised in other comprehensive income	Balance as at December 31, 2015
	(Rupees)						
Deductible Temporary Differences Arising in Respect of:							
- Remeasurement of defined benefit liability	-	-	270,817	270,817	-	(92,044)	178,773
- Accelerated tax deprecation allowance	142,500	384,946	-	527,446	72,624	-	600,070
- unutilized tax losses carried forward	60,464,449	(40,650,617)	-	19,813,832	(19,813,832)	-	-
- provision for bad debts	97,970	(18,081)	-	79,889	(30,806)	-	49,083
- provision for employee bonus	1,976,736	(880,192)	-	1,096,544	1,903,456	-	3,000,000
	<u>62,681,655</u>	<u>(41,163,944)</u>	<u>270,817</u>	<u>21,788,528</u>	<u>(17,868,558)</u>	<u>(92,044)</u>	<u>3,827,926</u>

17. Premiums Due But Unpaid - Unsecured

	2015 (Rupees)	2014
Considered good	304,090,398	191,761,997
Considered doubtful	<u>163,610</u>	<u>158,979</u>
	<u>304,254,008</u>	<u>191,920,976</u>
Provision against doubtful debts	<u>(163,610)</u>	<u>(158,979)</u>
	<u>304,090,398</u>	<u>191,761,997</u>

17.1 This includes an amount of Rs. 42.055 million (2014: Rs. 31.560 million) due from related parties.

17.2 Provision Against Doubtful Debts

Balance as on January 1,	158,979	279,915
Written off during the year	(158,979)	(279,915)
Charge for the year	163,610	158,979
Balance as on December 31,	<u>163,610</u>	<u>158,979</u>

18. Amounts Due From Other Insurers / Reinsurers - Unsecured

Considered Good		
- Foreign reinsurers	838,313	18,861,808
- Local reinsurers	7,252,643	18,564,121
- Co-insurers	284,536,246	220,037,162
Considered Doubtful		
- Co-insurers	-	69,276
	<u>292,627,202</u>	<u>257,532,367</u>
Provision against doubtful balances	<u>-</u>	<u>(69,276)</u>
	<u>292,627,202</u>	<u>257,463,091</u>

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Notes to the Financial Statements

For the year ended December 31, 2015



18.1 Provision Against Doubtful Balances

	2015	2014
	(Rupees)	
Balance as on January 1,	69,276	-
Written off during the year	(69,276)	
Charge for the year	-	69,276
Balance as on December 31,	-	69,276

19. Prepayments - Others

Tracker monitoring charges	18,402,203	14,179,825
Office rent	3,152,042	3,528,156
Others	1,423,805	765,967
	<u>22,978,050</u>	<u>18,473,948</u>

20. Fixed Assets

Tangible - operating fixed assets	20.1	76,421,131	57,285,857
Intangible - computer software	20.2	222,927	222,771
		<u>76,644,058</u>	<u>57,508,628</u>

20.1 Tangible - Operating Fixed Assets

		2015							
		Cost		Depreciation		Written down	Depreciation		
		As at	Additions /	As at	As at	value as at	rate		
		January 1,	(disposals)	December 31,	January 1,	December 31,			
		2015		2015	2015	2015	%		
(Rupees)									
Owned									
Furniture and fixtures		11,149,280	1,703,114 (144,402)	12,707,992	6,100,455	1,211,905 (97,780)	7,214,580	5,493,412	10
Office equipment		10,372,462	1,900,253 (573,836)	11,698,879	8,793,994	649,509 (564,847)	8,878,656	2,820,223	20
Motor vehicles		59,651,721	30,162,055 (4,943,864)	84,869,912	25,750,943	12,590,958 (4,250,832)	34,091,069	50,778,843	20
Computer and accessories		7,765,927	2,592,984 (1,550,420)	8,808,491	6,839,405	675,614 (1,495,556)	6,019,463	2,789,028	25
Tracking device	20.1.1	4,280,429	-	4,280,429	4,276,292	3,948	4,280,240	189	33
Mobile phone		352,030	60,000 (80,000)	332,030	228,071	70,658 (80,000)	218,729	113,301	33
Leasehold improvements		28,020,332	1,620,821	29,641,153	12,317,164	2,897,854	15,215,018	14,426,135	10
		121,592,181	38,039,227 (7,292,522)	152,338,886	64,306,324	18,100,446 (6,489,015)	75,917,755	76,421,131	
		2014							
		Cost		Depreciation		Written down	Depreciation		
		As at	Additions /	As at	As at	value as at	rate		
		January 1,	(disposals)	December 31,	January 1,	December 31,			
		2014		2014	2014	2014			
(Rupees)									
Owned									
Furniture and fixtures		9,977,924	1,197,184 (25,828)	11,149,280	5,111,508	1,007,229 (18,282)	6,100,455	5,048,825	10
Office equipment		9,598,060	914,099 (139,697)	10,372,462	8,617,648	316,043 (139,697)	8,793,994	1,578,468	20
Motor vehicles		52,233,348	9,611,667 (2,193,294)	59,651,721	19,179,687	8,721,618 (2,150,362)	25,750,943	33,900,778	20
Computer and accessories		7,107,826	658,101	7,765,927	6,591,689	247,716	6,839,405	926,522	25
Tracking device	20.1.1	4,280,429	-	4,280,429	4,262,942	13,350	4,276,292	4,137	33
Mobile phone		326,530	95,000 (69,500)	352,030	177,964	84,387 (34,280)	228,071	123,959	33
Leasehold improvements		28,493,981	2,697,640 (3,171,289)	28,020,332	11,750,489	2,804,094 (2,237,419)	12,317,164	15,703,168	10
		112,018,098	15,173,691 (5,599,608)	121,592,181	55,691,927	13,194,437 (4,580,040)	64,306,324	57,285,857	

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Notes to the Financial Statements

For the year ended December 31, 2015



20.1.1 Represents tracking devices installed in the motor vehicles insured by the Company and therefore are not in the possession of the Company.

20.2 Intangible Assets

	Cost		Amortisation			Written down value as at December 31,	Amortisation rate %
	As at January 1,	Additions	As at December 31,	As at January 1, (Rupees)	For the year	As at December 31,	
Computer Software							
2015	7,878,245	150,000	8,028,245	7,655,474	149,844	7,805,318	25
2014	7,858,745	19,500	7,878,245	7,546,784	108,690	7,655,474	25

20.3 The depreciation charge for the year has been allocated as follows:

		2015 (Rupees)	2014
Management expenses	21	10,028,764	6,880,466
General and administrative expenses	23	8,071,682	6,313,971
		18,100,446	13,194,437

20.4 The amortization charge for the year has been allocated to general and administrative expenses

21. Management Expenses

Salaries, wages and benefits	21.1	99,818,862	62,758,556
Rent, rates and taxes		9,005,346	6,446,801
Medical		707,053	612,051
Utilities		3,769,545	2,296,523
Communication		5,856,924	4,070,203
Printing and stationery		897,024	545,901
Travel		902,327	1,426,049
Entertainment		955,937	727,380
Repair and maintenance		2,037,649	1,011,683
Vehicle running and maintenanc		16,335,976	9,512,284
Advertising expenses		17,000	143,310
Depreciation	20.3	10,028,764	6,880,466
Legal and professional expenses		25,260	22,115
Tracker charges		33,016,537	25,624,399
Service charges		6,515,691	4,802,876
Bank charges		15,973	13,447
Other expenses		2,082,799	1,242,784
		191,988,667	128,136,828

21.1 This includes staff retirement benefits amounting to Rs. 3.959 million (2014: Rs. 2.805 million).

22. Other Income

Income From Financial Assets

Profit on bank accounts	3,753,055	3,490,305
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Income From Non-Financial Assets

Gain on sale of fixed assets	2,370,502	182,738
Miscellaneous income	935,982	75,765
	3,306,484	258,503
	7,059,539	3,748,808

Notes to the Financial Statements

For the year ended December 31, 2015



23. General and Administration Expenses

		2015	2014
		(Rupees)	
Salaries, wages and benefits	23.1	38,503,850	34,301,269
Rent, rates and taxes		6,254,563	5,000,730
Medical		1,404,059	1,639,725
Utilities		3,032,869	2,451,582
Communication		3,484,575	4,253,229
Printing and stationery		2,047,077	1,734,305
Travel		3,619,823	1,630,270
Advertisement expense		2,485,974	1,114,934
Entertainment		1,108,754	1,186,959
Repair and maintenance		2,105,254	1,284,119
Vehicle running and maintenance		6,345,843	6,065,986
Depreciation	20.3	8,071,682	6,313,971
Amortisation	20.2	149,844	108,690
Insurance expense		2,908,989	2,040,383
Legal and professional		6,960,150	5,944,569
Auditors' remuneration	23.2	920,900	907,000
Bank charges		2,212,661	1,302,044
Office expense		2,279,745	1,594,445
Provision against doubtful debts	17.2	163,610	228,255
Workers' welfare fund		2,724,186	2,077,129
		96,784,408	81,179,594

23.1 This includes staff retirement benefits amounting to Rs. 3.177 million (2014: Rs. 3.064 million).

23.2 Auditors' Remuneration

Annual audit	445,200	441,000
Interim review	222,600	220,500
Other certifications	143,100	115,500
Out of pocket expenses	110,000	130,000
	920,900	907,000

24. Taxation - Net

Current	29,928,857	789,674
Prior	(225,621)	-
Deferred	17,868,558	41,163,944
	47,571,794	41,953,618

24.1 Relationship Between Tax Expense and Accounting Profit

Profit before taxation for the year	147,078,365	101,779,343
Tax at the applicable rate of 32% (2014: 33%)	47,065,077	33,587,183
Tax effect of change in tax rate	1,882,721	2,035,587
Tax effect of permanent difference	438,632	452,339
Tax effect of capital gains subject to separate rate of tax	(3,160,630)	(789,675)
Tax effect of unutilised tax losses	-	5,057,294
Others	1,345,994	1,610,890
	47,571,794	41,953,618

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Notes to the Financial Statements

For the year ended December 31, 2015



24.2 The assessment of the Company upto and including tax year 2015 have been finalized under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) which is subject to audit under section 177 of the Ordinance.

25. Earnings Per Share - Basic and Diluted

The Company's earnings per share has been calculated based on the following

	2015 (Rupees)	2014 (Rupees)
Profit after tax for the year	<u>99,506,571</u>	<u>59,825,725</u>
	(Number of shares)	
Weighted average number of shares of Rs. 10 each	<u>115,217,391</u>	<u>115,217,391</u>
	(Rupees)	
Earnings per share - basic and diluted	<u>0.86</u>	<u>0.52</u>

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

26. Remuneration of Chief Executive and Executives

The aggregate amount charged to in the financial statements, including all benefits, to the Chief Executive, Directors and Executives / Key Management Personnel of the Company are as follows:

	Chief executive		Director		Executive / key management personnel		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	(Rupees)		(Rupees)		(Rupees)		(Rupees)	
Managerial remuneration	3,627,432	4,897,659	200,000	-	21,252,689	15,417,659	25,080,121	20,315,318
House rent allowance	1,632,348	2,203,951	90,000	-	9,563,707	6,937,945	11,286,055	9,141,896
Utilities	725,484	979,527	40,000	-	4,571,149	3,142,439	5,336,633	4,121,966
Medical	365,880	1,043,939	20,000	-	3,270,529	1,541,765	3,656,409	2,585,704
Retirement benefits	453,429	612,207	-	-	2,742,360	2,078,919	3,195,789	2,691,126
Others	4,046,683	2,392,622	-	-	14,338,926	7,780,826	18,385,609	10,173,448
	<u>10,851,256</u>	<u>12,129,905</u>	<u>350,000</u>	<u>-</u>	<u>55,739,360</u>	<u>36,899,553</u>	<u>66,940,616</u>	<u>49,029,458</u>
Number of persons	<u>1</u>	<u>2*</u>	<u>7</u>	<u>5</u>	<u>24</u>	<u>19</u>	<u>32</u>	<u>26</u>

* During 2014, there was change in Chief Executive Officer.

26.1 This includes provident fund and gratuity fund (retirement benefits) expenses relating to the company's employee.

26.2 In addition, the Chief Executive Officer and other executives are provided with company maintained cars in accordance with their entitlements.

27. Transactions with Related Parties

27.1 Related parties of the Company comprise of associated companies, companies with common directors, major shareholders, staff retirement funds, directors and key management personnel. Transaction with related parties are carried out at commercial terms and conditions except for compensation to key management personnel which are on employment terms.

Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

Transactions and Balances with Related Parties

Transactions during the year with associated companies.

	2015 (Rupees)	2014 (Rupees)
Premium underwritten	<u>353,937,676</u>	<u>340,905,539</u>
Profit on bank accounts	<u>3,159,634</u>	<u>3,233,404</u>
Payments for investments	<u>343,000,000</u>	<u>732,864,048</u>
Term deposits	<u>-</u>	<u>150,000,000</u>
Proceeds from disposal of investments	<u>422,960,201</u>	<u>689,864,048</u>
Insurance claims expense	<u>136,622,269</u>	<u>145,210,136</u>
Commission paid	<u>-</u>	<u>660,119</u>
Bank charges	<u>2,228,634</u>	<u>1,296,800</u>
Gain on sale of investment	<u>11,048,450</u>	<u>4,512,426</u>
Communication charges	<u>2,016,000</u>	<u>2,016,000</u>
Internal audit fees	<u>350,000</u>	<u>350,000</u>
Secretarial fees	<u>29,168</u>	<u>16,667</u>

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Notes to the Financial Statements

For the year ended December 31, 2015



	2015	2014
	(Number of units)	
Bonus units received	-	20,806
Balances with associated companies	(Rupees)	
Premium due but unpaid*	42,054,826	31,560,301
Profit receivable on bank accounts	101,052	77,717
Profit receivable on term deposits	-	16,224,659
Commission payable	3,708,469	573,818
Communication charges payable	7,548,000	5,532,000
Secretarial fee payable	-	16,667
Transactions during the year with other related parties including key management personnel		
Contribution to provident fund	3,949,943	3,287,386
Contribution to gratuity fund	3,185,712	2,581,032
Sale proceeds of motor vehicles	-	201,000

* Age analysis of premium due but unpaid from related parties at the reporting date was:

	2015		2014	
	Gross	Impairment	Gross	Impairment
	(Rupees)			
Upto 1 year	38,792,978	-	30,878,689	-
1-2 years	3,261,848	-	679,233	-
Over 3 years	-	-	2,379	2,379
Total	42,054,826	-	31,560,301	2,379

27.2 Remuneration to the key management personnel are in accordance with the terms of their employment (refer note 26). Contribution to the provident fund is in accordance with the Company's staff services rules.

28. Management of Insurance and Financial Risk

The Company issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Company manages them.

28.1 Insurance Risk Management

Insurance Risk

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

Continued

Notes to the Financial Statements

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The Company accepts insurance through issuance of general insurance contracts. For these general insurance contracts the most significant risks arise from fire, atmospheric disturbance, earthquakes, transit, theft and third party liabilities etc.

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

(a) Frequency and Severity of Claims

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

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

(b) Uncertainty in the Estimation of Future Claim Payments

Claims on general insurance contracts are payable on a claim occurrence basis. The company is liable for all insured events as per terms and condition of the insurance contract.

An estimated amount of the claim is recorded immediately on the intimation to the company. The estimation of the amount is based on management judgement or preliminary assessment by the independence surveyor appointed for the purpose. The initial estimates include expected settlement cost of the claims. Provision for IBNR is based on the management's best estimate which takes into account the past trends, expected future patterns of reporting of claims and the claim actually reported subsequent to the balance sheet date.

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

(c) Key Assumptions

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

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Notes to the Financial Statements

For the year ended December 31, 2015



(d) Changes in Assumptions

The Company did not change its assumptions for the insurance contracts as disclosed in above (b) and (c).

(e) Sensitivity Analysis

The insurance claim liabilities are sensitive to the incidence of insured events and severity / size of claims. The impact of 10% increase / decrease in incidence of insured events on gross claim liabilities, underwriting results, net claim liabilities, profit before tax and shareholder's equity is as follows:

Average Claim Cost	Underwriting results		Shareholder's equity	
	2015	2014	2015	2014
	(Rupees)			
Fire and property	1,036,928	1,734,707	758,568	1,127,560
Marine and transport	797,818	1,119,511	733,153	727,682
Motor	17,458,764	11,421,067	10,833,878	7,423,694
Bankers Blanket	146,606	801,544	745,692	521,004
Others	938,648	2,596,971	786,267	1,688,031
	<u>20,378,764</u>	<u>17,673,800</u>	<u>13,857,558</u>	<u>11,487,971</u>

Concentration of Risk

To optimise benefits from the principle of average and law of large numbers, geographical spread of risk is of extreme importance. There are a number of parameters which are significant in assessing the accumulation of risk with reference to the geographical location, the most important of which is risk survey.

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the commercial/ industrial/ residential occupation of the insured. Details regarding the fire separation/ segregation with respect to the manufacturing process, storage, utilities, etc are extracted from the layout plan of the insured facility. Such details are formed part of the reports which are made available to the underwriters/ reinsurance personnel for their evaluation. Reference is made to the standard construction specification 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 building within a insured's premises. It is basically the property contained within an area which is separated by another property by sufficient distance to confine insured damage from uncontrolled fire and explosion under the most adverse conditions to that one area.

The ability to manage catastrophic risk is tied managing the density of risk within a particular area. For catastrophic aggregates, the system assigns precise geographic CRESTA (Catastrophe Risk Evaluating and standardising Target Accumulations) codes with reference to the accumulation of sum insured in force at any particular location against natural perils.

For marine risks, complete underwriting details such as sums insured, mode of transport (air / inland transit), vessel identification, sailing dates, origin and destination of the shipments, per carry limits, accumulation of sum insured on a single voyage etc. are taken into consideration.

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Notes to the Financial Statements

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A number of proportional and non-proportional reinsurance arrangements are in place to protect the net account. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional treaty, any loss over and above the said limit would be recovered from the non-proportional treaty which is very much in line with the risk management philosophy of the Company.

The Company minimises its exposure to significant losses by obtaining reinsurance from a number of reinsurers, who are dispersed over several geographical regions.

The concentration of risk by type of contracts based on single risk with maximum exposure is summarised below.

	Gross sum insured		Reinsurance		Net	
	2015	2014	2015	2014	2015	2014
	(Rupees)					
Fire and property	17,333,438,000	16,630,188,140	17,308,438,000	16,610,188,140	25,000,000	20,000,000
Marine and transport	399,999,999	851,366,800	379,999,999	830,082,630	20,000,000	21,284,170
Motor	11,100,000	12,000,000	10,100,000	11,000,000	1,000,000	1,000,000
Banker's Blanket	2,192,750,001	2,192,750,001	2,177,087,501	2,129,160,251	15,662,500	63,589,750
Others	20,000,000	80,000,000	17,500,000	78,400,000	2,500,000	1,600,000
	19,957,288,000	19,766,304,941	19,893,125,500	19,658,831,021	64,162,500	107,473,920

Claims Development Tables

The following table shows the development of claims over a period of time on gross basis. For each class of business the uncertainty about the amount and timings of claims payment is usually resolved within a year.

Analysis on Gross Basis

Accident Year	2011 & prior years	2012	2013	2014	2015	Total
	(Rupees)					
Estimate of ultimate claims cost:						
At end of accident year	1,421,247,917	459,087,232	582,353,802	611,464,874	782,611,023	3,856,764,848
One year later	2,048,767,393	371,612,554	643,083,916	559,599,492	-	3,623,063,355
Two years later	2,019,011,289	376,535,920	616,245,359	-	-	3,011,792,568
Three years later	2,022,243,996	362,028,229	-	-	-	2,384,272,225
Four years later	1,943,573,162	-	-	-	-	1,943,573,162
Estimate of cumulative claims	1,943,573,162	362,028,229	616,245,359	559,599,492	782,611,023	4,264,057,265
Cumulative payment made to date	(1,934,615,752)	(335,849,350)	(563,492,821)	(434,406,489)	(228,856,910)	(3,497,221,322)
Liability for outstanding claims	8,957,410	26,178,879	52,752,538	125,193,003	553,754,113	766,835,943

28.2 Financial Risk Management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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Notes to the Financial Statements

For the year ended December 31, 2015



28.2.1 Risk Management Framework

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

28.2.2 Credit Risk

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

28.2.2.1 Exposure to Credit Risk

Credit risk of the Company arises principally from the balances with banks, loans to employees, investments (except for investment in government securities, units of mutual funds and listed equity shares), premium due but unpaid, amount due from other insurers / reinsurers, reinsurance and other recoveries against outstanding claims and sundry receivable. To reduce the credit risk the management continuously reviews and monitors the credit exposure towards the policyholders and other insurers / reinsurers and makes provision against those balances considered doubtful of recovery.

In summary, compared to the amount included in statement of assets and liabilities, the maximum exposure to credit risk as at December 31, 2015 is as follows:

		December 31, 2015		December 31, 2014	
		Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure
(Rupees)					
Bank balances	13	76,103,518	76,103,518	181,453,440	181,453,440
Loans to employees	13	1,302,648	1,302,648	1,008,153	1,008,153
Investments	15	847,378,808	44,583,538	509,284,722	60,280,800
Premiums due but unpaid	17	304,090,398	304,090,398	191,761,997	191,761,997
Amounts due from other insurers / reinsurers	18	292,627,202	292,627,202	257,463,091	257,463,091
Accrued investment income		24,147,275	24,147,275	34,404,546	34,404,546
Reinsurance recoveries against outstanding claims		606,801,196	606,801,196	461,890,370	461,890,370
Sundry receivables		2,405,431	2,405,431	3,480,191	3,480,191
		2,154,856,476	1,352,061,206	1,640,746,510	1,191,742,588

Differences in the balances as per financial statements and maximum exposure in investments is due to investments in government securities of Rs. 509.450 million (2014: Rs. 380.092 million) which are not exposed to credit risk.

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

	Rating		Rating Agency	2015	2014
	Short term	Long term		(Rupees)	
United Bank Limited	A-1+	AA+	JCR-VIS	21,971,431	19,780,805
Summit Bank Limited	A-1	A	JCR-VIS	3,460,437	11,472,696
Meezan Bank Limited	A-1+	AA	JCR-VIS	50,349,445	-
Khushhali Bank Limited	A-1	A	JCR-VIS	322,205	199,939
				76,103,518	31,453,440

The credit quality of Company's exposure in Term Finance Certificates are disclosed in note 15.2.2 of the financial statements.

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Notes to the Financial Statements

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The management monitors exposure to credit risk in premium receivable from customers through regular review of credit exposure and prudent estimates of provisions for doubtful receivables as disclosed in note 17 to the financial statements.

Concentration of Credit Risk

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The company manages concentration of credit risk through diversification of activities among individuals, groups and industry segments.

Sector-Wise Analysis of Premium Due But Unpaid at the Reporting Date Was:

	December 31, 2015		December 31, 2014	
	(Rupees)	%	(Rupees)	%
Automobiles	107,018,697	35.17	46,791,962	24.4
Banks, Modaraba and leasing	93,212,603	30.64	70,327,485	36.6
Textile and composite	51,098,941	16.80	45,057,584	23.5
Sugar	1,992,616	0.65	798,664	0.4
Chemicals and allied industries	19,635,517	6.45	10,627,427	5.5
Glass, Ceramics and tiles	1,918,704	0.63	660,982	0.3
Food and confectionary	18,331,918	6.03	7,049,724	3.7
Fuel and energy	9,904,183	3.26	3,103,563	1.6
Others	1,140,829	0.37	7,503,585	4.0
	304,254,008	100	191,920,976	100.0

Age Analysis of Premium Due But Unpaid at the Reporting Date Was:

	December 31, 2015		December 31, 2014	
	Gross	Impairment	Gross	Impairment
	(Rupees)		(Rupees)	
Upto 1 year	269,963,092	-	165,107,138	-
1-2 years	32,696,192	-	18,011,536	-
2-3 years	1,431,114	-	8,643,323	-
Over 3 years	163,610	163,610	158,979	158,979
Total	304,254,008	163,610	191,920,976	158,979

The Company enters into re-insurance / co-insurance arrangements with re-insurers / other insurers having sound credit ratings accorded by reputed credit rating agencies. Further, the Company is required to comply with the requirements of circular no. 32 / 2009 dated October 27, 2009 issued by SECP which requires an insurance company to place at least 80% of their outward treaty cessions with reinsurers rated 'A' or above by Standard & Poors with the balance being placed with entities rated at least 'BBB' by reputable ratings agency. An analysis of all reinsurance assets recognised by the rating of the entity from which it is due is as follows:

	Amount due from other insurers / reinsurers	Reinsurance and other recoveries against outstanding claim	Prepaid reinsurance premium ceded	2015	2014
	(Rupees)				
A or above (including PRCL)	286,622,653	594,349,969	304,804,659	1,185,777,281	926,992,216
BBB	5,749,508	11,922,366	6,114,230	23,786,104	52,145,052
Others	255,041	528,861	271,220	1,055,122	606,970
	292,627,202	606,801,196	311,190,109	1,210,618,507	979,744,238

Notes to the Financial Statements

For the year ended December 31, 2015



Age analysis of amount due from other insurers / reinsurers at the reporting date was:

	2015		2014	
	Gross	Impairment	Gross	Impairment
	(Rupees)			
Upto 1 year	247,054,417	-	202,883,296	-
1-2 years	30,786,850	-	46,246,066	-
Over 2-3 years	14,785,935	-	8,333,729	-
Over 3 years	-	-	69,276	69,276
	292,627,202	-	257,532,367	69,276

Age analysis of reinsurance recoveries against outstanding claims at the reporting date was:

	2015		2014	
	Gross	Impairment	Gross	Impairment
	(Rupees)			
Up to 1 year	413,053,431	-	285,976,894	-
1-2 years	114,516,219	-	95,302,199	-
Over 2 years	79,231,546	-	80,611,277	-
	606,801,196	-	461,890,370	-

In respect of the aforementioned insurance and reinsurance assets, the Company takes into account its past history / track record of recoveries and financial position of the counterparties while creating provision for impairment. Further, reinsurance recoveries are made when corresponding liabilities are settled.

28.2.3 Liquidity Risk

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

The following are the contractual maturities of financial liabilities:

	Carrying Amount	
	2015	2014
	(Rupees)	
Non-Derivative Financial Liabilities		
Provision for outstanding claims	766,835,943	578,169,353
Amount due to other insurers / reinsurers	216,579,411	156,488,646
Accrued expenses	30,020,504	20,565,466
Other creditor and accruals	86,064,513	53,954,394
	1,099,500,371	809,177,859

The carrying amounts represent contractual cash flows maturing within one year.

28.2.4 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices may affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. All transactions are carried in Pak Rupees therefore, the Company is not exposed to currency risk. However, the Company is exposed to interest rate risk and other price risk.

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Notes to the Financial Statements

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28.2.4.1 Interest Rate Risk

Interest rate risk is the risk that fair value of future cash flow of the financial instrument will fluctuate due to changes in the market interest rates. The Company is exposed to interest rate risk only in respect of the following:

Profit rate % per annum	2015							Total
	Profit / mark-up bearing financial instruments			Non profit / mark-up bearing financial instruments				
	Maturity upto one year	Maturity over one to five year	Sub total	Maturity upto one year	Maturity over one to five year	Sub total		
	(Rupees)							
Financial Assets								
Cash and bank deposits	2.6 - 6.0	58,095,582	-	58,095,582	18,007,936	-	18,007,936	76,103,518
Loans		-	-	-	1,302,648	-	1,302,648	1,302,648
Investments	6.26 - 15.0	99,660,476	454,372,997	554,033,473	228,706,755		228,706,755	782,740,228
Security deposits		-	-	-	-	4,815,756	4,815,756	4,815,756
Premium due but unpaid		-	-	-	304,090,398	-	304,090,398	304,090,398
Amount due to other insurers / reinsurers		-	-	-	292,627,202	-	292,627,202	292,627,202
Accrued investment income		-	-	-	24,147,275	-	24,147,275	24,147,275
Reinsurance recoveries against outstanding claims		-	-	-	606,801,196	-	606,801,196	606,801,196
Sundry receivable		-	-	-	2,405,431	-	2,405,431	2,405,431
		157,756,058	454,372,997	612,129,055	1,478,088,841	4,815,756	1,482,904,597	2,095,033,652
Financial Liabilities								
Provision for outstanding claims (including IBNR)			-	-	766,835,943	-	766,835,943	766,835,943
Amount due to other insurers / reinsurers		-	-	-	216,579,411	-	216,579,411	216,579,411
Accrued expenses		-	-	-	30,020,504	-	30,020,504	30,020,504
Other creditors and accruals		-	-	-	86,064,513	-	86,064,513	86,064,513
		-	-	-	1,099,500,371	-	1,099,500,371	1,099,500,371
Interest rate risk sensitivity gap		157,756,058	454,372,997	612,129,055				
Cumulative interest rate risk sensitivity gap		157,756,058	612,129,055					

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For the year ended December 31, 2015



	Profit rate % per annum	2014 Profit / mark-up bearing financial instruments			2014 Non profit / mark-up bearing financial instruments			Total
		Maturity upto one year	Maturity over one to five year	Sub total	Maturity upto one year	Maturity over one to five year	Sub total	
		----- (Rupees) -----						
Financial Assets								
Cash and bank deposits	6.50-11.75	171,162,554	-	171,162,554	10,290,886	-	10,290,886	181,453,440
Loans		-	-	-	1,008,153	-	1,008,153	1,008,153
Investments	9.96-15.0	50,904,798	389,468,173	440,372,971	68,911,751	-	68,911,751	509,284,722
Security deposits		-	-	-	-	2,700,400	2,700,400	2,700,400
Premium due but unpaid		-	-	-	191,761,997	-	191,761,997	191,761,997
Amount due to other insurers / reinsurers		-	-	-	257,463,091	-	257,463,091	257,463,091
Accrued investment income		-	-	-	34,404,546	-	34,404,546	34,404,546
Reinsurance recoveries against outstanding claims		-	-	-	461,890,370	-	461,890,370	461,890,370
Sundry receivable		-	-	-	3,480,191	-	3,480,191	3,480,191
		222,067,352	389,468,173	611,535,525	1,029,210,985	2,700,400	1,031,911,385	1,643,446,910
Financial Liabilities								
Provision for outstanding claims (Including IBNR)		-	-	-	578,169,353	-	578,169,353	578,169,353
Amount due to other insurers / reinsurers		-	-	-	156,488,646	-	156,488,646	156,488,646
Accrued expenses		-	-	-	20,565,466	-	20,565,466	20,565,466
Other creditors and accruals		-	-	-	53,954,394	-	53,954,394	53,954,394
		-	-	-	809,177,859	-	809,177,859	809,177,859
Interest rate risk sensitivity gap		222,067,352	389,468,173	611,535,525				
Cumulative interest rate risk sensitivity gap		222,067,352	611,535,525					

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Fair Value Sensitivity Analysis For Fixed Rate Instruments

The Company does not account for any fixed rate financial assets at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account and equity of the Company.

Cash Flow Sensitivity Analysis For Variable Rate Instruments

The Company is exposed to cash flow interest rate risk in respect of its balances with profit and loss sharing account with banks and term finance certificates. A change of 100 basis points in interest rates at the year end would not have material impact on profit for the year and equity of the Company.

28.2.4.2 Equity Price Risk

Equity price risk is the risk of changes in the fair value of equity securities as the result of changes in the levels of KSE-100 Index and the value of individual shares. The equity price risk exposure arises from the Company's investments in equity securities and units of mutual funds. This arises from investments held by the Company for which prices in the future are uncertain. The Company policy is to manage price risk through diversification and selection of securities within specified limits set by the management.

The Management monitors the fluctuations of prices of equity securities on regular basis. The Company also has necessary skills for monitoring and managing the equity portfolio in line with fluctuations of the market.

Market prices are subject to fluctuation and consequently the amount realised in the subsequent sale of an investment may significantly differ from the reported market value. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

28.2.4.3 Foreign Currency Risk

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

Fair Value of Financial Instruments

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

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Notes to the Financial Statements

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28.3 Fair Value of Financial Instruments

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

On Balance Sheet Financial Instruments

	2015						Fair value			
	Carrying Amount									
	HFT	FVTPL	Available for sale	HTM	Loans and receivables	Other financial liabilities	Level 1	Level 2	Level 3	Total
	(Rupees in '000)									
Financial Assets Measured At Fair Value										
- Investments										
Equity securities (Shares)	-	-	64,638,580	-	-	-	57,403,175	-	-	57,403,175
securities (Units of open end mutual funds)	-	-	228,706,755	-	-	-	229,398,156	-	-	229,398,156
Debt securities (TFCs)	-	-	44,583,538	-	-	-	-	46,607,257	-	46,607,257
Government Securities (Tbills + PIBs)	-	-	509,449,935	-	-	-	-	530,620,365	-	530,620,365
Financial Liabilities Not Measured At Fair Value										
- Balances with banks *	-	-	-	-	76,103,518	-	-	-	76,103,518	76,103,518
	-	-	847,378,808	-	76,103,518	-	286,801,331	577,227,622	76,103,518	940,132,471

On Balance Sheet Financial Instruments

	2014						Fair value			
	Carrying Amount									
	HFT	FVTPL	Available for sale	HTM	Loans and receivables	Other financial liabilities	Level 1	Level 2	Level 3	Total
	(Rupees in '000)									
Financial Assets Measured At Fair Value										
- Investments										
securities (Units of open end mutual funds)	-	-	68,911,751	-	-	-	72,749,869	-	-	72,749,869
Debt securities (TFCs)	-	-	60,280,800	-	-	-	-	61,424,940	-	61,424,940
Government Securities (Tbills + PIBs)	-	-	380,092,171	-	-	-	-	396,510,269	-	396,510,269
Financial Assets Not Measured At Fair Value										
- Balances with banks *	-	-	-	-	181,453,440	-	-	-	181,453,440	181,453,440
	-	-	509,284,722	-	181,453,440	-	72,749,869	457,935,209	181,453,440	712,138,518

* The Company has not disclosed the fair value of these items because their carrying amounts are a reasonable approximation of fair value.

Fair value measurement of traded investments, debt and government securities are disclosed in the relevant notes. Other financial liabilities are based on the present value of expected payment, discounted using a risk adjusted discount rate.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs use in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Signature

Notes to the Financial Statements

For the year ended December 31, 2015



29. Capital Management

The Company's objective when managing capital is to safe guard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

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

The Company currently meets the paid up capital requirement as required by Securities and Exchange Commission of Pakistan.

30. Provident Fund Related Disclosure

The following is based on un-audited financial statements for the year ended December 31, 2015 and audited financial statement for the year ended December 31, 2014:

	2015 (Rupees)	2014
Size of the fund - Net Assets	43,457,727	34,590,200
Cost of investments	41,176,094	31,979,674
Percentage of investments made	94.75%	92.45%
Fair value of investments	41,874,798	32,365,124

30.1 The breakup-value of fair value of investments is as follows:

	2015 Percentage	2014	2015 (Rupees)	2014
Bank balances	1.4%	1.0%	575,147	330,085
Pakistan investment bonds	41.0%	53.5%	17,174,835	17,285,388
Market treasury bills	46.4%	36.8%	19,411,354	11,918,475
Mutual Funds	11.2%	8.7%	4,713,462	2,831,176
	100.0%	100.0%	41,874,798	32,365,124

30.2 The above investments of funds in special bank account has been made in accordance with the provision of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

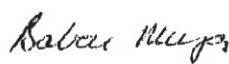
31. Number of Employees


The number of employees as at / average during the year are as follows:


	2015	2014
At the year end	238	173
Average during the year	216	167


32. Date of Authorisation for Issue


These financial statements were authorised for issue by the Board of Directors in their meeting held on February 17, 2016


Chief Executive Officer


Director


Director


Chairman



Head Office & Branches Information



HEAD OFFICE

126-C, Jami Commercial, Street No.
14, Phase-VII, DHA, Karachi, Pakistan.
UAN: 111-845-111
Fax: (92-21) 35314504

CITY BRANCH

6th Floor, Office No. 608-609, Uni
Tower, I.I. Chundrigar Road, Karachi,
Pakistan.
Tel: (021) 32424699, 32415539,
Fax: (92-21) 32424689

CORPORATE BRANCH

126-C, Jami Commercial, Street No.
14, Phase-VII, DHA, Karachi, Pakistan.
UAN: 111-845-111
Fax: (92-21) 35314516

SEA VIEW BRANCH

126-C, Jami Commercial, 4th floor,
Street No. 14, Phase-VII, DHA, Karachi,
Pakistan.
UAN: 111-845-111 Ext: 7862,
Fax: (92-21) 35314504.

D.H.A. BRANCH

126-C, Jami Commercial, Street No.
14, Phase-VII, DHA, Karachi, Pakistan.
UAN: 111-845-111 Ext: 7856,
Fax: (92-21) 35314504

Jami Commercial Branch

4th Floor, 126-C, Jami Commercial,
Street No. 14, Phase-VII, DHA, Karachi,
Pakistan. UAN: 111-845-111,
Fax: (92-21) 35314504.

KARACHI BRANCH

6th Floor, Office No. 608-609, Uni
Tower, I.I. Chundrigar Road, Karachi,
Pakistan
Tel: (021) 32465123, 32465124,
Fax: (92-21) 32424689

HYDERABAD BRANCH

Office # 3, 4 & 5, Mazanine Floor,
Muskan Centre, (old Rahat Cinema)
Near Risala Road, Hyderabad.
Ph: 022-2784501, Fax: 022-2784439

LAHORE (Regional Office)

3rd Floor, C-306 City Tower, 6 K Main
Boulevard, Gulberg-II, Lahore.
UAN: +92 42 111-845-111
Fax: 042-35770406

FAISALABAD (Regional Office)

P-72/2 3rd Floor, Chiragh Plaza,
Liaquat Road, Faisalabad.
UAN: (041) 111 845 111
Fax: (041) 2606058

MULTAN (Regional Office)

3rd Floor, ChenOne Tower, 74-Abdali
Road, Multan.
UAN: (061) 111 845 111
Fax: (92-61) 4500170

ISLAMABAD (Regional Office)

4th Floor, Redco Plaza, Jinnah Avenue,
Blue Area, Islamabad, Pakistan.
U.A.N. (051) 111-845-111,
Ph: 051-2344345-7, Fax: 051-2344349

PESHAWAR OFFICE

Unit #. TF-53 & TF-54, 3rd Floor, Deans
Trade Centre, Peshwar Cantt.
Phone : (091) 5250306-07
Fax : (091) 5250301

CANTT BRANCH LAHORE:

3rd Floor, Executive Plaza,
92-Commercial Area, Cavalry Ground,
Lahore Cantt, Lahore.
Ph: 042-36619851-3,
Fax: (042) 36619854

MALL ROAD BRANCH FAISALABAD:

P-18, First Floor, Bilal Road, Civil
lines, Faisalabad.
Ph: 041-2623655, Fax: 041-2624455

BOSSAN ROAD BRANCH MULTAN:

Business City Plaza Bossan Road,
Multan.
Ph: 061-6220026-27,
Fax: 061-6220026.

BAHAWALPUR OFFICE:

Raheem Plaza, Fareed Gate,
Bahawalpur.
Ph: 062-2884090-91,
Fax: 062-2884091

the 1990s, the number of people in the world who are under 15 years of age is expected to increase from 1.1 billion to 1.5 billion.

As the world's population grows, the demand for food and other resources will increase. This will put pressure on the environment and on the world's food supply.

One way to meet this demand is to increase the amount of food that is produced. This can be done by using more land for agriculture, or by increasing the productivity of the land that is already being used.

Another way to meet this demand is to reduce the amount of food that is wasted. This can be done by improving the way that food is stored and distributed, or by changing the way that people eat.

There are many other ways to meet this demand, and it is important that we find ways to do so that do not harm the environment or the world's food supply.

One of the most important ways to meet this demand is to ensure that everyone has access to the food that they need. This means that we need to find ways to reduce the number of people who are hungry and malnourished.

There are many ways to do this, and it is important that we find ways to do so that do not harm the environment or the world's food supply.

One of the most important ways to do this is to ensure that everyone has access to the land that they need to grow their own food. This means that we need to find ways to protect the land that is used for agriculture.

There are many ways to do this, and it is important that we find ways to do so that do not harm the environment or the world's food supply.

One of the most important ways to do this is to ensure that everyone has access to the water that they need to grow their own food. This means that we need to find ways to protect the water that is used for agriculture.

There are many ways to do this, and it is important that we find ways to do so that do not harm the environment or the world's food supply.

One of the most important ways to do this is to ensure that everyone has access to the knowledge that they need to grow their own food. This means that we need to find ways to improve the way that people are educated.

There are many ways to do this, and it is important that we find ways to do so that do not harm the environment or the world's food supply.

One of the most important ways to do this is to ensure that everyone has access to the resources that they need to grow their own food. This means that we need to find ways to protect the resources that are used for agriculture.

There are many ways to do this, and it is important that we find ways to do so that do not harm the environment or the world's food supply.

One of the most important ways to do this is to ensure that everyone has access to the technology that they need to grow their own food. This means that we need to find ways to improve the way that people are educated.

There are many ways to do this, and it is important that we find ways to do so that do not harm the environment or the world's food supply.