



Century Insurance  
A Lakson Group Company

Your Trust,  
Our Assurance



## Century Insurance at a Glance

- Century Insurance is a Lakson Group Company.
- Operating since 1989, dealing in all areas of general insurance business.
- One of the premier general insurance companies of Pakistan.
- Rated “A+” with a stable outlook by JCR – VIS, signifying a ‘high capacity to meet policyholders’ and contractual obligations’.
- Total equity in excess of Rs. 1.7 billion.
- Twice awarded ‘Top 25 Companies Award’ by the Karachi Stock Exchange.
- Very strong reinsurance treaty arrangements with highly rated international reinsurers.
- Broad client base consisting of individuals as well as some of the most prestigious local and multinational companies.



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## Our Vision

To be an organization known for integrity and ethical behavior and fully dedicated to our Clients, Business Partners, Shareholders and Employees, providing exceptional quality service and committed to achieving excellence in all areas of our operations.

Our motto: “Customer satisfaction is management’s top priority”

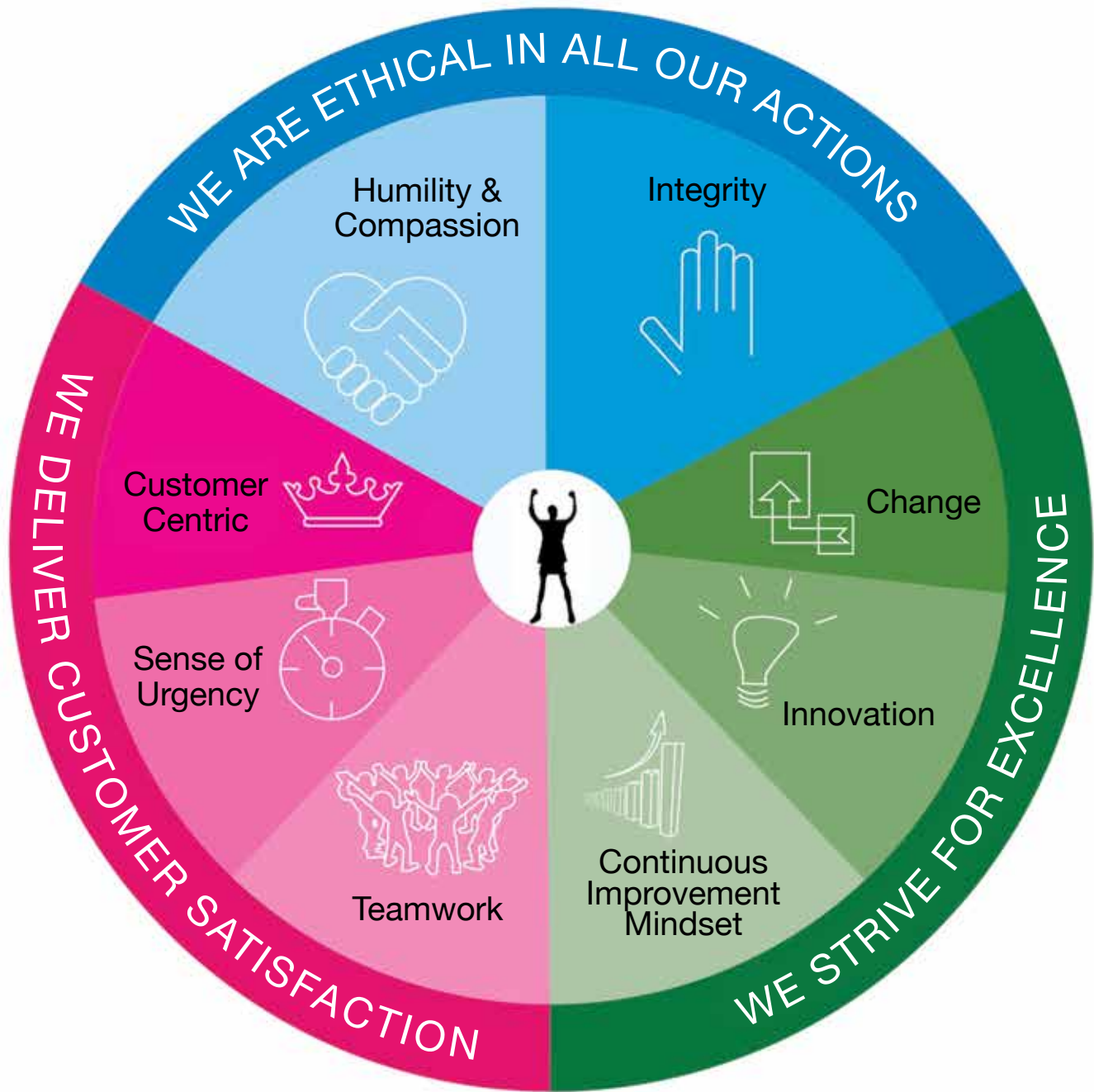
## Our Mission

- To become a company of choice for our valued Clients, Shareholders and Employees.
- To maximize growth and profitability of the Company and provide excellent financial returns to its valued Shareholders.
- The Company culture to be known for Integrity and Ethical behavior.
- The Company to be known as one of the best insurance companies of the country.





# Core Values



# Corporate Information

## Board of Directors

Mr. Iqbal Ali Lakhani - Chairman  
Mr. Zulfiqar Ali Lakhani  
Mr. Amin Mohammed Lakhani  
Mr. Tasleemuddin Ahmed Batlay  
Mr. A. Aziz H. Ebrahim  
Mr. Mohammad Hussain Hirji - Chief Executive  
Mr. Sadrudin Ismail Mohamed

## Advisor

Mr. Sultan Ali Lakhani

## Chief Financial Officer

Mr. Sabza Ali Pirani

## Company Secretary

Mr. Mansoor Ahmed

## Audit Committee

Mr. Sadrudin Ismail Mohamed - Chairman  
Mr. Zulfiqar Ali Lakhani  
Mr. Amin Mohammed Lakhani  
Mr. Tasleemuddin Ahmed Batlay

## Underwriting Committee

Mr. Tasleemuddin Ahmed Batlay - Chairman  
Mr. Mohammad Hussain Hirji  
Mr. Afzal-ur-Rahman

## Claim Settlement Committee

Mr. Amin Mohammed Lakhani - Chairman  
Mr. Mohammad Hussain Hirji  
Mr. Afzal-ur-Rahman

## Reinsurance & Co-Insurance Committee

Mr. Zulfiqar Ali Lakhani - Chairman  
Mr. Mohammad Hussain Hirji  
Mr. Afzal-ur-Rahman  
Ms. Madiha Khalid

## Human Resource & Remuneration Committee

Mr. Amin Mohammed Lakhani - Chairman  
Mr. Tasleemuddin Ahmed Batlay  
Mr. Mohammad Hussain Hirji

## External Auditors

M/s. Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

## Share Registrar

M/s. FAMCO Associates Private Limited  
8-F, Next to Hotel Faran, Nursery,  
Block-6, P.E.C.H.S., Shakra-e-Faisal,  
Karachi.  
Tel: (021) 34380101-2  
Fax: (021) 34380106  
Email: info.shares@famco.com.pk  
Website: www.famco.com.pk

## Bankers

Habib Bank Limited  
Habib Metropolitan Bank Limited  
NIB Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
United Bank Limited

## Registered & Corporate Office

Lakson Square, Building No. 2, Sarwar Shaheed  
Road, Karachi-74200.

## Head Office

11<sup>th</sup> Floor, Lakson Square, Building No. 3,  
Sarwar Shaheed Road, Karachi-74200.

**Website:** www.cicl.com.pk

**UAN:** 111-111-717

**NTN:** 0710008-6





## Products & Services

Fire Insurance | Marine Insurance | Motor Insurance

Engineering Insurance | Health Insurance | Travel Insurance

Miscellaneous Insurance





## Fire Insurance

Your corporate offices, factories and facilities are the primary sources of your income and revenue. Century Insurance understands the importance and value of your business property and operations. So we will work with you to help you prevent losses, protect what matters and help you stay in business. Property insurance solutions include:

- Fire and Allied Perils
- Consequential Loss
- Property All Risk
- Comprehensive Machinery Insurance
- Terrorism Insurance (Property insurance policies in Pakistan now exclude Terrorism including any Riot & Strikes resulting from a terrorist act. These are now covered under a separate Terrorism policy).



## Marine Insurance

We offer our clients tailored solutions for their international and domestic marine exposures. The two standard product lines are:

- Marine Cargo including Inland Transit
- Marine Hull

Marine cargo insurance covers the risks of physical loss or damage to goods and merchandise while in transit by any method of conveyance anywhere in the world. Inland Transit policies cover transit by road and/or rail within the country.

Marine hull provides coverage for all types of vessels and their machinery while navigating anywhere in the world. In addition we can cover ship beaching risks for the ship breaking industry as well as Fire and Allied Perils for the beached vessel.

Losses occurring anywhere in the world are promptly investigated and equitably settled through our international claims settling agents.



## Motor Insurance

### Private Car Insurance

People love their cars, but insuring them can be a chore. At Century Insurance, with fast, fair and convenient services and cover you can depend on, we'll be there for you when it matters. We settle bills with a very wide network of repairers directly – so no waiting for that check in the mail. And because we don't force you to use any particular repairer you are free to take your car to the workshop of your choice. You may opt for comprehensive coverage including own damage, theft and third party legal liability or just third party legal liability coverage to meet the requirements of law.

If you would like to have the added assurance of a good vehicle tracking service, substantial discounts are available on the premium you pay. Or if you would like us to arrange the tracking service for you we can do that too as a complimentary service at economical rates.

### Commercial Vehicle Insurance

Whatever your business, if you have your own commercial vehicles we know how important these vehicles are to your business. No matter how many commercial vehicles you have, we've got a plan to suit you. From fleets of trucks to just one or two pickups, we can tailor the right insurance package for you. If you are insuring many vehicles, our fleet policy can cover them all in a single policy.



## Engineering Insurance

Our qualified engineers can cater to all of your engineering insurance needs. At Century Insurance, we can help by sharing insights, insurance solutions and risk engineering services. From construction related insurances to erection of machinery to electronic equipment, we have the right solution for you. With us, you'll work with specialized underwriting, risk engineering and claims professionals who understand the challenges you face and can deliver quality service when you need it.

Engineering insurance solutions include:

- Contractor's All Risk (CAR) insurance offers comprehensive protection for contract works, construction plant and equipment as well as for Third Party claims.
- Contractor's Plant & Equipment (CP&E).
- Erection All Risk (EAR) for plant and machinery in the course of erection.
- Machinery Breakdown covers sudden and unforeseen loss or damage to machinery.
- Advance Loss of Profits (ALOP) also known as Delayed Startup to cover loss of gross profits arising from a CAR or EAR loss.
- Electronic Equipment Insurance for computers and other electronic equipments.
- Deterioration of stock.
- Boiler and Pressure Vessels.





## Health Insurance

In today's competitive marketplace, employers know that their true competitive advantage frequently lies in their human capital. A good employer will therefore always try to take care of its employees. One of the key variables in an employee's benefit structure is the health insurance provided by the employer.

Century Insurance provides the best possible corporate health insurance packages available in the market. We care for your employees and make every effort to ensure that they receive the best possible care based on the benefits chosen for them by their employer. Whether they need expert advice and guidance related to medical admissions and treatment or whether they just want a better understanding of the benefits available under their policy, we provide service with a smile and a caring attitude. We liaise closely with the hospitals to ensure that your employees receive the care and treatment that they need in the most timely and efficient manner possible.

We also work closely with the Human Resource department of our clients to make sure that they are fully informed of developments involving major hospitalizations of their employees or of the dependents of their employees. We also pay extra attention to ensure that all paperwork, health cards, payments, etc are made correctly and on time. With all of the topmost hospitals on our panel we ensure a smooth and cashless service for your employees so that they are not made to fret and worry about these matters during the difficult time they may be facing on account of either their own hospitalization or that of a loved one.



## Travel Insurance

Whether you are travelling for business or pleasure, unfortunate surprises can occur either before or during your trip. Medical emergencies or accidents can result in costly trip cancellations or medical bills leaving the traveler stranded in an unfamiliar country. Children may be left unattended with perhaps no one to accompany them on their return back home. Loss of baggage or mere flight delay may also result in unexpected and unbudgeted expenses. Our 24 hour, 7days of the week hotline will be available to assist you no matter where you are or what language you are comfortable communicating in.

Century Insurance provides the best available travel insurance plans for you and your family, to suit every budget and need. We also have special plans available for senior citizens no matter where in the world they may be planning to travel to. Claims can be paid directly to hospitals in most instances, anywhere in the world. So the next time you travel, give up your worries and get the best travel insurance solution from Century Insurance.



## Miscellaneous Insurance

This is a broad category and includes any insurance product or service that does not fall into any of the above categories. The most important of these include the following:

- General or Public Liability to protect you and/or your business against liability to third parties for accidental bodily injury or property damage, such as when they come upon your business premises.
- Professional Indemnity to protect you and/or your business against liability that may be incurred in the course of discharging your professional duties, whether you are a doctor, lawyer or architect or in any other profession.
- Product Liability to protect you and/or your business against any liability for injury or damage that may arise from the use of a defective product that your company may have provided.
- Personal Accident provides 24/7 worldwide cover for accidental bodily injury to the insured person resulting in death or permanent disablement.
- Employer's Liability provides protection to you and/or your business against liability to your employees for bodily injury or property damage occurring in the course of their employment.
- Workmen's Compensation provides protection for accidents to workmen in your employ resulting in death or disablement that may occur in the course of their employment.
- Cash on Premises indemnifies you and/or your business for cash belonging to the business that may be stolen from the business premises consequent upon forcible entry or under the threat of force.
- Cash in Transit indemnifies you and/or your business for loss of cash stolen forcibly during transit between specific points during normal business hours.
- Fidelity Guarantee indemnifies you and/or your business for loss sustained on account of fraud or theft conducted by your employees.



## Claims Service

For us, every customer claim is an opportunity to deliver when it matters and to differentiate the Century Insurance customer experience. As soon as you report a claim, our team will come into action, delivering swift and transparent claims assistance wherever you need it. Our team consists of experienced claims professionals dedicated to fairness and transparency in the handling of all claims.

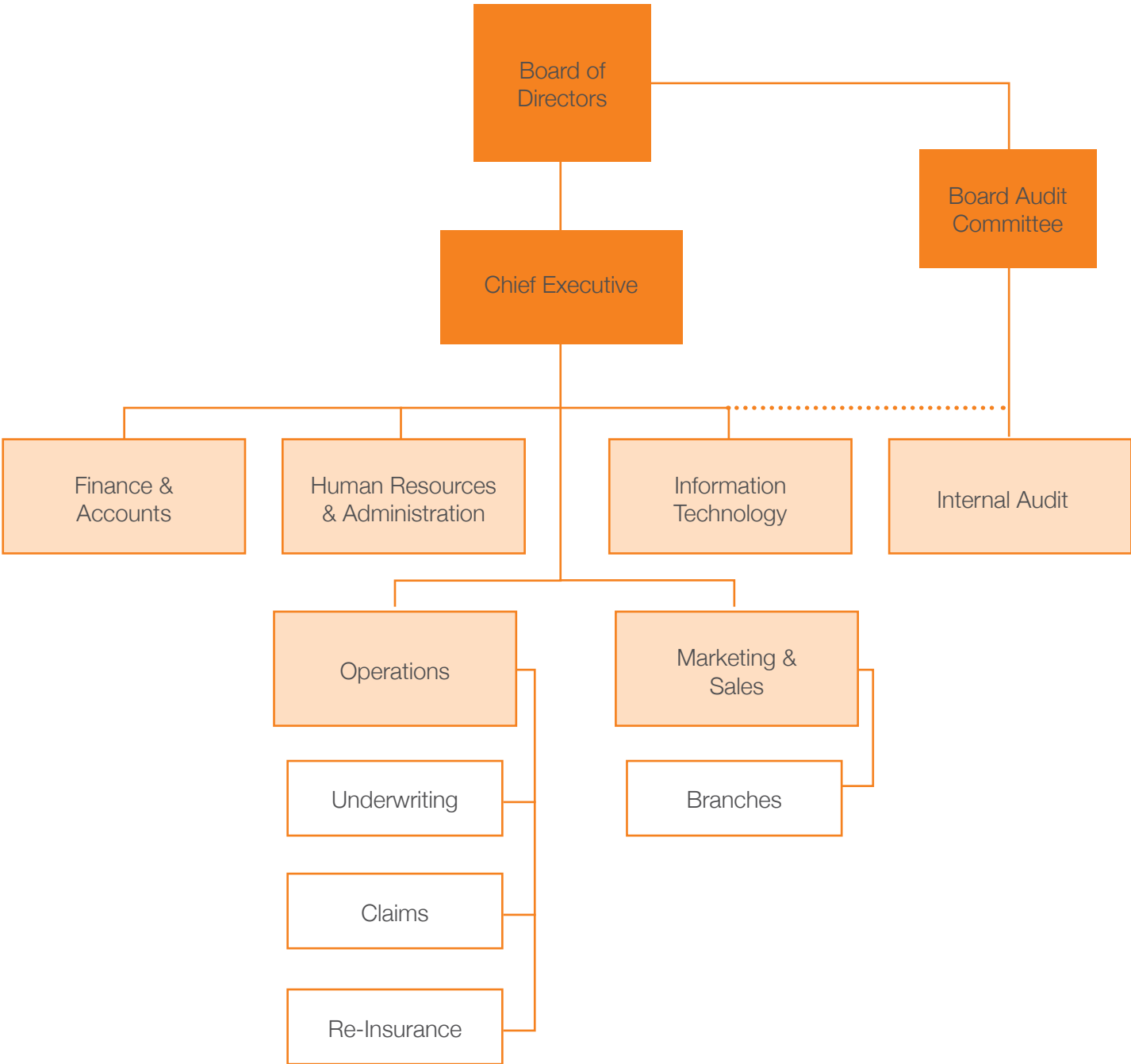
Combining international experience and local knowledge, we will partner with you to give you the assistance you need while helping you to reduce your overall claim costs over time.

## Risk Management

Working closely with you, our underwriters and risk engineers can identify and control risk in a broad range of environments, both in the manufacturing and service sectors. With Century Insurance's specialized underwriting knowledge, experienced risk assessments and excellent claims handling, we'll be there to support you should a claim occur. Our Risk Engineers identify, assess and guide you to improve risks helping you reduce losses and the overall risk to your business.



# Organisation Chart



# Code of Conduct

## 1. RELATIONSHIP WITH EMPLOYEES

- Century Insurance Company Limited (CICL) takes pride in the strong personal commitment of its people towards the progress and success of the Company. CICL's policy is to treat individuals in all aspects of employment solely on the basis of merit irrespective of race, religion, color, age, gender, and marital status. CICL believes in individuals' respect and their rights.

The Company is committed to the growth of its employees. This is achieved through building a culture of mutual trust, learning and motivation.

- CICL's vision is based on inspiring and developing individuals as their success depends on their ability to make meaningful contributions to the progress of the Company.

## 2. RELATIONSHIP WITH COMPANY

- The employees of the Company strive to adhere to its guidelines and objectives and to give their best efforts to improve its performance. They recognize the trust placed by the Company in them and act with integrity and honesty in all situations - to preserve that trust and confidence. They avoid conflicts of interest and other situations that are potentially harmful to the progress of the Company.
- The employees of the Company use its assets, facilities and services only for lawful, proper and authorized purposes. They intend to make best use of the Company's equipment, systems and technology in order to have fast and reliable communication and a strong MIS system to further the aims and objectives of the Company.

## 3. RELATIONSHIP WITH BUSINESS COMMUNITY

- Each employee is responsible for how he or she is perceived by clients and other business partners; it is essential that they maintain the Company's reputation for honesty and fair dealing with these people and organizations.

- It is CICL's policy to respect the trade secrets and proprietary information of others. This is particularly pertinent if one has knowledge of trade secrets and proprietary information of a former employer.

## 4. RELATIONSHIP WITH CLIENTS

- CICL's reputation has been built upon the trust and quality service it is providing. Our commitment to excellence in quality of service and building strong client relationships is essential to the continued growth and success of the Company. Also, vital for success is to meet the challenges of the highly competitive market with our expertise, innovative and creative marketing.

*CICL's motto: "Customer satisfaction is management's top priority"*

## 5. RELATIONSHIP WITH GOVERNMENT AND THE LAW

- CICL supports free enterprise and a competitive market system. The Company's policy is to comply fully with all applicable laws irrespective to the extent to which they are enforced. The Company cooperates fully with all government and regulatory bodies and is committed to high standards of corporate governance. Penalties for non-compliance can be severe and can involve criminal proceedings.
- CICL's financial policies for conducting business are based on trust, transparency, integrity, and following the principles of accounting and finance as approved by regulations and applicable accounting codes. Any unsupportive or false entry, infringement of accounts for individual or Company gain is contrary to our business codes and ethics.

## 6. RELATIONSHIP WITH SOCIETY

- CICL strives to operate as a responsible corporate citizen within both the local and global communities.
- CICL is an equal opportunity employer for all levels of employees irrespective of color, race, gender, age, ethnicity or religious beliefs.

- CICL provides a safe and healthy workplace, protecting human health and the environment.
- CICL pays its employees a remuneration that enables them to meet at least their basic needs, and provides employees the opportunity to improve their skills and capabilities.
- CICL respects employees' freedom of association.
- CICL works with governments and the communities in which it does business to improve the educational, cultural, economic and social wellbeing of those communities.

## 7. RELATIONSHIP WITH THE ENVIRONMENT

- Protecting the world in which we live is a vital concern and a continuing commitment. CICL is dedicated to contributing to the overall quality of life. We recognize and constantly reaffirm the value of a healthy and clean environment.

## 8. RELATIONSHIP WITH THE SHAREHOLDERS

- CICL strives to serve the best interests of its shareholders to provide consistent growth and a fair rate of return on their investment and to maintain its position and reputation as one of the leading insurance companies, dedicated to protecting

shareholders' investments and providing full and timely information. By conducting our business in accordance with the principles of fairness, decency and integrity set forth here, we help to build shareholders' value.

## 9. RESPONSIBILITY FOR COMPLIANCE

- In accepting employment with the Company, each of us becomes accountable for compliance with these standards of conduct and with all laws and regulations. Managers are responsible for communicating these standards to employees to ensure that they understand and abide by them, and for creating a climate where employees can discuss ethical and legal issues freely.

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 30<sup>th</sup> Annual General Meeting of Century Insurance Company Limited will be held on Thursday, April 28, 2016 at 10:30 a.m. at Avari Towers Hotel, Fatima Jinnah Road, Karachi to transact the following business:

## ORDINARY BUSINESS

1. To receive, consider and adopt the audited financial statements of the Company for the year ended December 31, 2015 together with the Directors' and Auditors' reports thereon.
2. To declare final dividend in cash @ 50% i.e. Rs.5/- per share of Rs.10/- each as recommended by the Board of Directors.
3. To appoint Auditors and fix their remuneration.

## SPECIAL BUSINESS

### Special Resolutions

4. To consider to increase the Authorized Capital of the Company from Rs.500,000,000 to Rs.700,000,000 divided into 70,000,000 shares of Rs.10 each and if thought fit, to pass, the following special resolution in the matter:

**RESOLVED THAT**, "the Authorized Capital of the Company be and is hereby increased to Rs.700,000,000 by creation of 20,000,000 new shares of Rs.10 each and that Clause V of the Memorandum of Association and Clause 3 of the Articles of Association of the Company be and are hereby amended accordingly."

5. To consider and if thought fit, to pass the following resolution as special resolution with or without modification, to amend/alter the Clause III of the Memorandum of Association of the Company by inserting a new object Clause 1(a) after the object Clause 1:

**RESOLVED THAT**, "the necessary alteration in the Memorandum of Association of the Company (the 'MOA') be and is hereby considered and approved. The following sub-Clause 1(a) be and is hereby inserted after the existing Clause 1 under the Clause III of the MOA:

To undertake and carry on the business of all kinds of General Takaful & General Re-Takaful in Pakistan and/or in any part of the world."

**FURTHER RESOLVED THAT**, "The Chief Executive and/or Company Secretary be and is/are hereby authorized singly to do all acts, deeds and things, take any and all necessary steps to fulfill the legal, corporate and procedural formalities and file all necessary documents/returns to the Securities & Exchange Commission of Pakistan for seeking approval as he/they deem(s) necessary, expedient and desirable to give effect to the above resolution."

6. To consider, and if thought fit, to pass the following resolution as special resolution:

**RESOLVED THAT**, "the Articles of Association of the Company be amended by adding a new sub-Clause 55(a) after the Clause 55 of the Articles of Association of the Company as under:

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



## Ordinary Resolutions

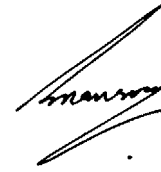
7. a) To consider, and if thought fit, to pass with or without modification the following resolutions:

**RESOLVED THAT**, “the transactions carried out in normal course of business with associated companies as disclosed in Note No.29 of the audited financial statements for year ended December 31, 2015 be and are hereby ratified and approved.”

- b) **RESOLVED THAT**, “the Chief Executive of the Company be and is hereby authorized to approve all the transactions carried out and to be carried out in normal course of business with associated companies during the ensuing year ending December 31, 2016 and in this connection the Chief Executive be and is hereby also authorized to take any and all necessary actions and sign/execute any and all such documents/indebtures as may be required in this regard on behalf of the Company.”

Statement under Section 160 of the Companies Ordinance, 1984 in the above matters pertaining to item Nos.4 to 7 is annexed.

By Order of the Board



(MANSOOR AHMED)  
Company Secretary

Karachi: March 21, 2016

## NOTES

1. The share transfer books of the Company will remain closed from April 22, 2016 to April 28, 2016 (both days inclusive). Transfers received in order by the Share Registrar of the Company, M/s. FAMCO Associates (Private) Limited, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shakra-e-Faisal, Karachi up to the close of business on April 21, 2016 will be treated in time for entitlement of the dividend.
2. A member, who has deposited his/her shares into Central Depository Company of Pakistan Limited, must bring his/her participant's ID number and CDC account/sub-account number along with original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.
3. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend, speak and vote instead of him/her.
4. Forms of proxy, in order to be valid must be properly filled-in/executed and received at the registered office of the Company situated at Lakson Square, Building No.2, Sarwar Shaheed Road, Karachi not later than 48 hours before the time of the meeting.
5. Members are requested to promptly notify Share Registrar of the Company of any change in their addresses.
6. Pursuant to the directive of the Securities & Exchange Commission of Pakistan (SECP), CNIC numbers of shareholders are mandatorily required to be mentioned on dividend warrants. Shareholders are therefore requested to submit a copy of their CNIC (if not already provided) to the Share Registrar. Henceforth, issuance of dividend warrant(s) will be subject to submission of copy of CNIC by individual shareholders.

7. In compliance with the SECP's Circular No.8(4)SM/CDC 2008 dated April 05, 2013, the Company wishes to inform its shareholders that under the law they are also entitled to receive their cash dividend directly in their bank accounts instead of receiving it through dividend warrants. Shareholders, wishing to exercise this option, may submit their application to the Company's Share Registrar, giving particulars relating to their name, folio number, bank account number, title of account and complete mailing address of the bank. CDC account holders should submit their request directly to their broker (participant)/CDC.
8. Pursuant to Notification vide SRO.787(1)/2014 of September 08, 2014, SECP has directed to facilitate the members of the company receiving Annual Financial Statements and Notices through electronic mail system (e-mail). We are pleased to offer this facility to our members who desire to receive Annual Financial Statements and Notices of the Company through e-mail in future. In this respect members are hereby requested to convey their consent via e-mail on a standard request form which is available at the Company website i.e. [www.cicl.com.pk](http://www.cicl.com.pk). Please ensure that your e-mail has sufficient rights and space available to receive such e-mail which may be larger than 1 MB file in size. Further, it is the responsibility of the member to timely update the Share Registrar of any change in the registered e-mail address.
9. (i) Pursuant to the provisions of the Finance Act 2015 effective July 1, 2015, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance, 2001 have been revised as follows:
  1. For filer of income tax return 12.5%
  2. For non-filers of income tax return 17.5%

To enable the Company to make tax deduction on the amount of cash dividend @ 12.5% instead of 17.5%, shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered in ATL before the first day of book closure, otherwise tax on their cash dividend will be deducted @ 17.5% instead of 12.5%.

(ii) Withholding Tax exemption from the dividend income, shall only be allowed if copy of valid tax exemption certificate or stay order from a competent court of law is made available to FAMCO Associates (Private) Limited., by the first day of Book Closure.

(iii) Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint-holder(s) based on their shareholding proportions, in case of joint accounts.

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

Company Name	Folio/CDS Account #	Total Shares	Principal Shareholder		Joint Shareholder(s)	
			Name and CNIC #	Shareholding Proportion (No. of Shares)	Name and CNIC #	Shareholding Proportion (No. of Shares)

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

(iv) For any query/problem/information, the investors may contact the Company Secretary at phone: 35698082 and email address mansoor@lakson.com.pk and/or FAMCO Associates (Private) Limited at phone: 34380101-5 and email address: info.shares@famco.com.pk

(v) Corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the company or FAMCO Associates (Private) Limited. Shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers. Without the NTN, company would not be in a position to check filer status on the ATL and hence higher tax of 17.5% may be applied in such cases.

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

“I/We, \_\_\_\_\_ of \_\_\_\_\_, being a member of Century Insurance Company Limited, holder of \_\_\_\_\_ ordinary share(s) as per registered Folio No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_.”

10. Form of Proxy is enclosed.

### **STATEMENT OF MATERIAL FACTS CONCERNING SPECIAL BUSINESS PURSUANT TO SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984**

This statement sets out the material facts concerning the Special Business, given in agenda item Nos.4 to 7 of the Notice will be considered to be passed by the members. The purpose of the Statement is to set forth the material facts concerning such Special Business.

#### **1. Agenda item No.4 of the Notice – Increase in Authorized Capital of the Company**

At present the authorized capital of the Company is Rs.500,000,000 and the paid-up capital is Rs.457,243,660. The Board of Directors recommends to increase the authorized capital to Rs.700,000,000 in order to facilitate increase in the paid-up capital as and when required to do so.

#### **2. Agenda item No.5 of the Notice – Amendment/change in Memorandum of Association of the Company**

The Board of Directors have recommended to the members to approve amendment/change in Memorandum of Association of the Company by inserting a new object clause.

As per the present business circumstances it is proposed by the Board to enter in the business of all kinds of General Takaful and Re-Takaful. Subject to approval of the members the proposed resolution will be considered to be passed by the members as a special resolution.

#### **3. Agenda item No.6 of the Notice – Amendment/change in Articles of Association of the Company**

To give effect to the Companies (E-Voting) Regulation 2016, shareholders' approval is being sought to amend

the Articles of Association of the Company to enable e-voting. The Board of Directors have recommended to the members to approve and adopt amendment/change in Articles of Association of the Company by inserting a new sub-Clause 55 (a) after the Clause 55 of the Articles of Association of the Company.

Subject to approval of the members the proposed resolution will be considered to be passed by the members as a special resolution.

**4. Agenda Item No.7(a) of the Notice – Transactions carried out with associated companies during the year ended December 31, 2015 to be passed as an Ordinary Resolution**

The transactions carried out in normal course of business with associated companies (Related parties) were being approved by the Board as recommended by the Audit Committee on quarterly basis pursuant to clause 5.19.6 (b) of the Code of Corporate Governance, 2012.

During the Board Meeting it was pointed out by the Directors that as the majority of Company Directors were interested in these transactions due to their common directorship and holding of shares in the associated companies, the quorum of directors seemingly could not be formed for approval some of these transactions specifically, therefore, these transactions have to be approved by the shareholders in the General Meeting.

In view of the above, the transactions conducted during the financial year ended December 31, 2015 with associated companies shown in note No. 29 of the financial statements are being placed before the shareholders for their consideration and approval/ratification.

**Agenda Item No.7(b) of the Notice – Authorization to the Chief Executive for the transactions carried out and to be carried out with associated companies during the ensuing year ending December 31, 2016 to be passed as an Ordinary Resolution**

The Company would be conducting transactions with associated companies in the normal course of business. The majority of Directors are interested in these transactions due to their common directorship and shareholding in the associated companies. Therefore, such transactions with associated companies have to be approved by the shareholders.

In order to comply with the provisions of clause 5.19.6 (b) of the Code of Corporate Governance, 2012, the shareholders may authorize the Chief Executive to approve transactions carried out and to be carried out in normal course of business with associated companies during the ensuing year ending December 31, 2016.

The Directors are interested in the resolutions to the extent of their common directorships and shareholding in the associated companies and the privileges attached thereto only.

The Directors have also declared that all the takaful undertakings will be in accordance with the injunction of Shariah.



# Corporate Calendar

Meetings	Date
Audit Committee meeting to consider accounts of the Company for the year ended 31 December 2014	25 February 2015
Board of Directors' meeting to consider accounts of the Company for the year ended 31 December 2014	27 February 2015
Audit Committee meeting to consider accounts of the Company for the quarter ended 31 March 2015	23 April 2015
Board of Directors' meeting to consider accounts of the Company for the quarter ended 31 March 2015	24 April 2015
Annual General meeting of shareholders to consider accounts of the Company for the year ended 31 December 2014	28 April 2015
Audit Committee meeting to consider accounts of the Company for the half year ended 30 June 2015	17 August 2015
Board of Directors' meeting to consider accounts of the Company for the half year ended 30 June 2015	19 August 2015
Audit Committee meeting to consider accounts of the Company for the quarter ended 30 September 2015	26 October 2015
Board of Directors' meeting to consider accounts of the Company for the quarter ended 30 September 2015	27 October 2015

# Access to Reports and Enquiries

## Annual Report

Annual report 2015 may be downloaded from the Company's website: [www.cicl.com.pk](http://www.cicl.com.pk) or printed copies obtained by writing to:

The Company Secretary  
Century Insurance Company Limited  
Registered & Corporate Office  
Lakson Square Building No. 2, Sarwar Shaheed  
Road, Karachi 74200, Pakistan.

## Quarterly Reports

The Company publishes interim reports at the end of first, second and third quarters of the financial year. The interim reports for the year 2015 can be accessed at Century Insurance website: [www.cicl.com.pk](http://www.cicl.com.pk) or printed copies can be obtained by writing to the Company Secretary.

## Shareholders' Enquiries

Shareholders' enquiries about their holding, dividends or share certificates should be directed either to Company's registered office or share registrar at the following address:

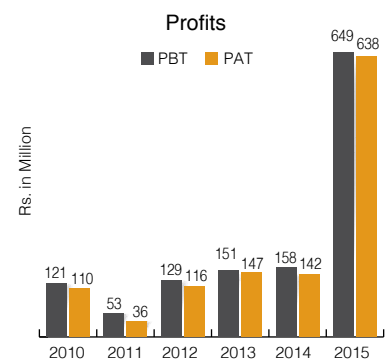
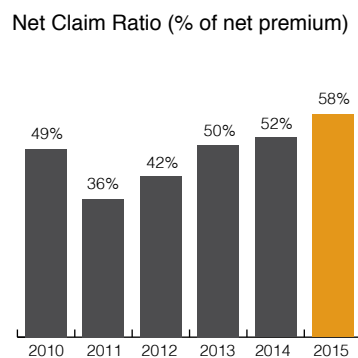
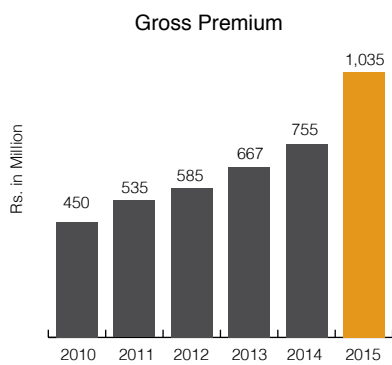
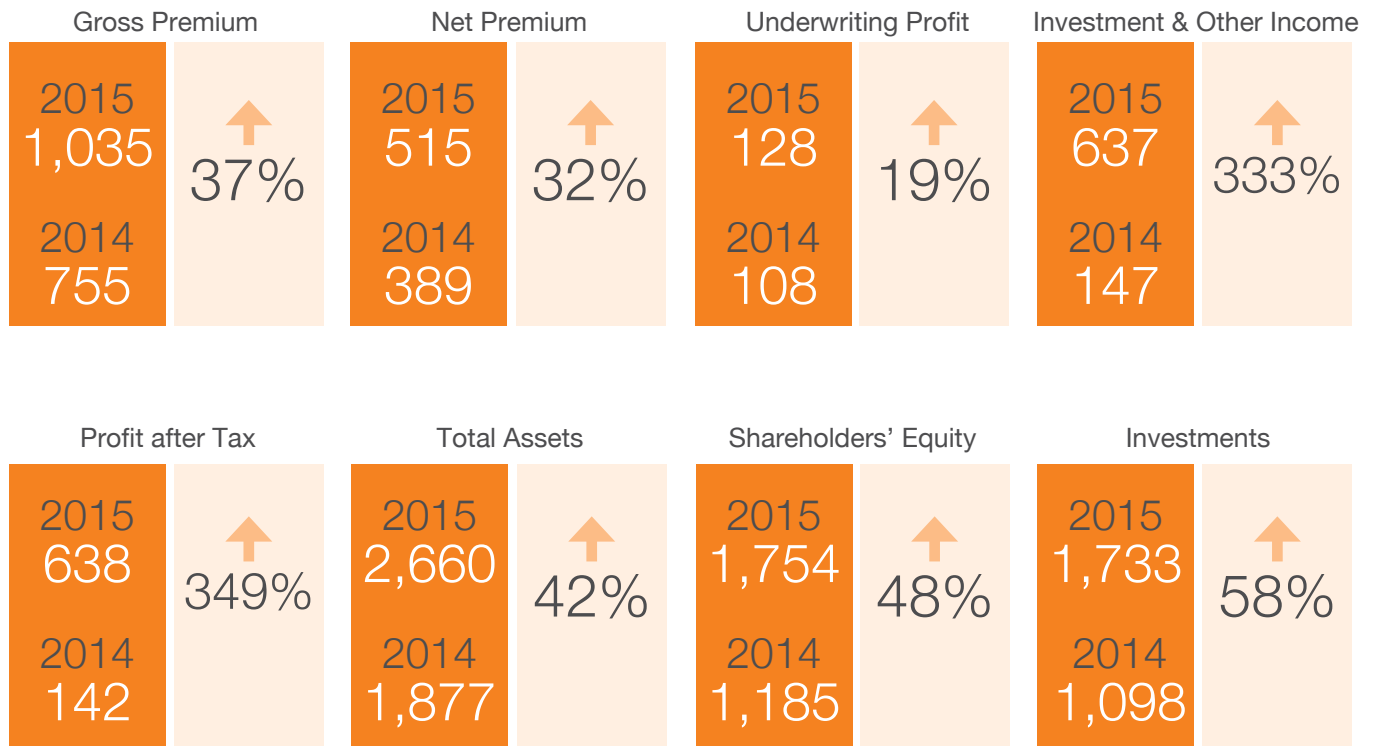
M/s. FAMCO Associates (Private) Limited 8-F,  
Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S.,  
Shahra-e-Faisal, Karachi.

## Stock Exchange Listing

Shares of Century Insurance Company Limited are listed on Pakistan Stock Exchange Limited. The symbol code for dealing in shares of the Company is CENI.

# Performance Highlights

(Rupees in million)



# Horizontal Analysis

	2015	2014	2013	2012	2011	2010
<b>BALANCE SHEET</b>						
<b>Assets</b>						
Cash and bank deposits	-29.3%	132.9%	16.3%	-7.2%	12.0%	15.6%
Investments	57.8%	-1.3%	11.5%	16.1%	2.4%	14.1%
Deferred taxation	130.9%	17.1%	33.5%	19.5%	-28.0%	425.7%
Premiums due but unpaid	96.4%	13.7%	37.2%	-11.1%	8.3%	24.0%
Amounts due from other insurers / reinsurers	54.0%	-23.5%	-15.1%	31.7%	-5.0%	-4.4%
Reinsurance recoveries due but unpaid	7.6%	77.4%	-27.8%	165.4%	35.1%	-14.2%
Salvage recoveries accrued	-48.5%	31.3%	-5.0%	-18.4%	-33.3%	49.5%
Accrued investment income	-100.0%	-88.0%	10.4%	-3.8%	-31.8%	-5.6%
Reinsurance recoveries against outstanding claims	-1.0%	-3.8%	-27.4%	-15.9%	166.0%	427.0%
Taxation - net	287.4%	-78.1%	-7.5%	-36.1%	21.7%	378.4%
Deferred commission expense	26.2%	11.7%	12.6%	15.2%	24.9%	10.4%
Prepayments	15.9%	7.1%	6.1%	5.1%	31.9%	-10.6%
Sundry receivables	52.7%	-17.0%	15.1%	-28.7%	79.6%	75.2%
Fixed assets (tangible & intangible)	16.2%	2.7%	7.1%	-9.8%	9.3%	4.6%
<b>Total assets</b>	<b>41.8%</b>	<b>7.9%</b>	<b>7.9%</b>	<b>9.4%</b>	<b>10.7%</b>	<b>15.5%</b>
<b>Shareholders' equity and liabilities</b>						
Paid-up capital	-	-	-	-	-	-
Retained earnings	160.1%	26.2%	46.0%	57.9%	-7.1%	504.5%
Reserves	-	-	-	-	-	-
Provision for outstanding claims (including IBNR)	27.2%	-10.0%	-5.8%	-8.9%	59.8%	71.5%
Provision for unearned premium	57.6%	10.9%	22.3%	4.8%	28.8%	-11.6%
Commission income unearned	15.1%	15.5%	7.7%	23.1%	22.0%	6.0%
Staff retirement benefits	51.3%	-38.8%	566.3%	100.0%	0.0%	0.0%
Premiums received in advance	77.4%	125.8%	34.3%	-78.8%	-52.8%	-12.2%
Amounts due to other insurers / reinsurers	3.8%	41.9%	-11.7%	54.2%	80.1%	113.0%
Accrued expenses	36.7%	6.5%	4.0%	12.4%	15.4%	14.9%
Other creditors and accruals	26.8%	-8.5%	24.3%	25.7%	12.5%	39.7%
Unclaimed dividend	28.7%	29.3%	40.5%	25.7%	65.0%	0.0%
<b>Total shareholders' equity and liabilities</b>	<b>41.8%</b>	<b>7.9%</b>	<b>7.9%</b>	<b>9.4%</b>	<b>10.7%</b>	<b>15.5%</b>
<b>PROFIT AND LOSS ACCOUNT</b>						
Net premium revenue	32.6%	20.8%	19.9%	19.1%	2.8%	6.0%
Net claims	48.5%	26.8%	42.2%	39.2%	-24.5%	64.8%
Management expenses	15.5%	10.0%	8.6%	15.3%	12.6%	5.1%
Net commission	37.4%	106.7%	2.6%	-34.2%	-5.2%	9.4%
Investment income	367.1%	2.0%	26.9%	370.0%	-78.9%	245.0%
Other income - net	35.1%	11.9%	-36.0%	-19.8%	37.6%	-63.2%
General and administration expenses	20.3%	10.8%	10.7%	16.3%	14.4%	10.2%
Share of (loss) / profit of associates	-129.8%	-67.6%	-7.5%	351.3%	251.4%	-84.7%
(Impairment) / reversal in value of investment in associates	-250.2%	-68.7%	-94.7%	2366.8%	-106.7%	116.1%
Taxation - net	-31.9%	370.9%	-74.0%	-22.7%	48.8%	-61.9%
<b>Profit after tax</b>	<b>348.3%</b>	<b>-3.4%</b>	<b>26.7%</b>	<b>219.8%</b>	<b>-66.8%</b>	<b>256.7%</b>



# Vertical Analysis

	2015	2014	2013	2012	2011	2010
<b>BALANCE SHEET</b>						
<b>Assets</b>						
Cash and bank deposits	6.5%	13.1%	6.1%	5.6%	6.6%	6.5%
Investments	65.1%	58.5%	64.0%	61.9%	58.4%	63.1%
Deferred taxation	0.4%	0.2%	0.2%	0.2%	0.1%	0.2%
Premiums due but unpaid	10.0%	7.2%	6.9%	5.4%	6.7%	6.8%
Amounts due from other insurers / reinsurers	3.6%	3.3%	4.7%	6.0%	5.0%	5.8%
Reinsurance recoveries due but unpaid	1.9%	2.5%	1.5%	2.2%	0.9%	0.8%
Salvage recoveries accrued	0.1%	0.3%	0.2%	0.2%	0.3%	0.5%
Accrued investment income	0.0%	0.0%	0.1%	0.1%	0.2%	0.3%
Reinsurance recoveries against outstanding claims	2.3%	3.2%	3.6%	5.4%	7.0%	2.9%
Taxation - net	0.5%	0.2%	1.0%	1.1%	2.0%	1.8%
Deferred commission expense	1.1%	1.3%	1.2%	1.2%	1.1%	1.0%
Prepayments	5.9%	7.2%	7.3%	7.4%	7.7%	6.5%
Sundry receivables	0.4%	0.4%	0.5%	0.5%	0.8%	0.5%
Fixed assets (tangible & intangible)	2.1%	2.6%	2.7%	2.7%	3.3%	3.4%
Total assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

## Shareholders' equity and liabilities

Paid-up capital	17.2%	24.4%	26.3%	28.4%	31.0%	34.4%
Retained earnings	34.7%	18.9%	16.2%	12.0%	8.3%	9.9%
Reserves	14.0%	19.9%	21.5%	23.1%	25.3%	28.0%
Provision for outstanding claims (including IBNR)	5.9%	6.6%	7.9%	9.0%	10.9%	7.5%
Provision for unearned premium	14.6%	13.1%	12.8%	11.3%	11.8%	10.1%
Commission income unearned	1.5%	1.9%	1.8%	1.8%	1.6%	1.4%
Staff retirement benefits	0.1%	0.1%	0.2%	0.0%	0.0%	0.0%
Premiums received in advance	0.1%	0.1%	0.0%	0.0%	0.1%	0.3%
Amounts due to other insurers / reinsurers	7.5%	10.2%	7.8%	9.5%	6.7%	4.1%
Accrued expenses	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Other creditors and accruals	4.0%	4.4%	5.2%	4.6%	4.0%	3.9%
Unclaimed dividend	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%
Total shareholders' equity and liabilities	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

## PROFIT AND LOSS ACCOUNT

Net premium revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100%
Net claims	-58.2%	-52.0%	-49.5%	-41.8%	-35.7%	-48.7%
Management expenses	-21.7%	-25.0%	-27.4%	-30.3%	-31.3%	-28.6%
Net commission	4.9%	4.7%	2.7%	3.2%	5.8%	6.3%
Investment income	123.2%	35.0%	41.4%	39.1%	9.9%	48.3%
Other income - net	1.5%	1.5%	1.6%	3.1%	4.6%	3.4%
General and administration expenses	-22.5%	-24.8%	-27.0%	-29.3%	-30.0%	-26.9%
Share of (loss) / profit of associates	-0.1%	0.4%	1.5%	2.0%	0.5%	-0.4%
(Impairment) / reversal in value of investment in associates	-1.0%	0.9%	3.5%	2.2%	-0.1%	1.7%
Taxation - net	-2.1%	-4.1%	-1.1%	-4.9%	-7.6%	-5.2%
Profit after tax	123.9%	36.6%	45.8%	43.3%	16.1%	50.0%

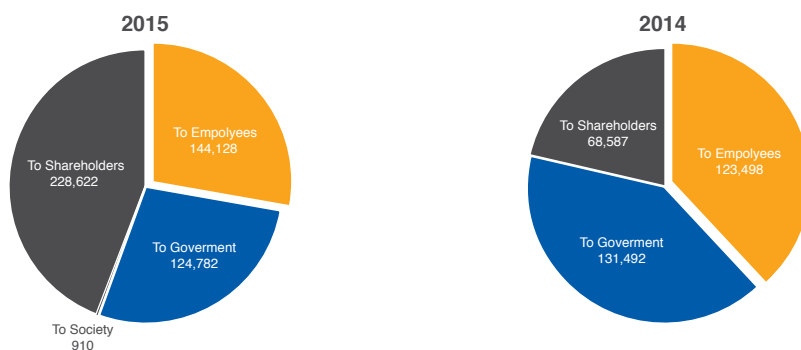
# Statement of Value Addition

(Rupees in '000)

	2015	2014
<b>WEALTH GENERATED</b>		
Net premium (including FED & FIF)	628,840	503,912
Commission income	25,101	18,271
Investment income	628,898	141,020
Other income	7,949	5,885
	<b>1,290,788</b>	<b>669,088</b>
Management & other expenses	(373,585)	(263,025)
	<b>917,203</b>	<b>406,063</b>
<b>WEALTH DISTRIBUTED</b>		
To Employees	144,128	123,498
<b>To Government:</b>		
Company taxation	10,947	16,083
Levies (including FED & FIF)	113,835	115,410
	<b>124,782</b>	<b>131,492</b>
<b>To Society:</b>		
Donation	910	-
	<b>910</b>	<b>-</b>
<b>To Shareholders:</b>		
Dividend *	228,622	68,587
	<b>228,622</b>	<b>68,587</b>
<b>Retained in Business:</b>		
Depreciation and amortisation	9,071	8,702
Net earnings	409,691	73,784
	<b>418,762</b>	<b>82,486</b>
	<b>917,203</b>	<b>406,063</b>

\* Includes cash dividend amounting to Rs. 228.622 million (2014: 68.587 million) proposed by the Board of Directors subsequent to the year end.

## Distribution of Value Added



# Directors' Report

Dear Fellow Shareholders!

The Directors of Century Insurance Company Limited (the Company) take pleasure in presenting the annual report of your Company, together with the audited financial statements for the year ended December 31, 2015.

## The Year in Review

There have been noticeable improvements in most macroeconomic indicators during 2015 and the country seems poised for further improvement in 2016.

The government has envisaged growth of 5.5% in fiscal year 2016 which seems a bit optimistic on account of lackluster agricultural performance due to depressed prices of agricultural products and also due to poor weather conditions that have had an adverse effect on the rice and cotton crops. Industrial activity, though, has gathered space with large-scale manufacturing registering growth of 3.9% in the first quarter of fiscal year 2016 thanks to a softening in the international price of raw materials as well as slightly better and more consistent supplies of power and gas to industrial units. Demand in this sector also increased on account of the rise in construction activity and improvements in auto-financing. The services sector also performed reasonably well in 2015 thanks to a good recovery in banking and insurance. Banks enjoyed improved earnings on account of their investments in government securities and insurance companies also did well on account of the better law and order situation in the country and the resulting decline in automobile thefts. Inflation was sharply lower, registering 4.5% in fiscal year

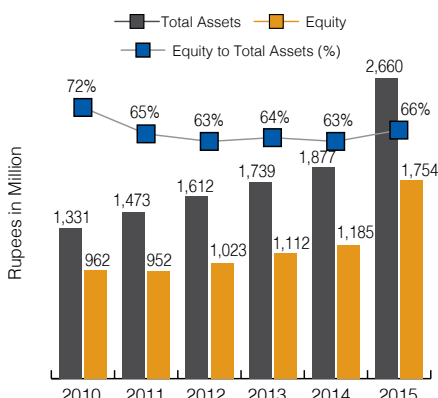
2015 as compared to 8.6% in fiscal year 2014. This lower than expected inflation was a result of falling commodity and oil prices in the international markets as well as a relatively stable exchange rate for the Pak Rupee for much of the year, though it depreciated 2.8% against the US\$ during the first quarter of fiscal year 2016.

The external sector showed considerable improvement with the current account deficit narrowing to US\$ 2.6 billion in fiscal year 2015 in spite of a widening trade deficit. However, the inflows from robust growth in workers' remittances, the issuance of Eurobond and IMF support were enough to fund this deficit. The country's foreign exchange reserves swelled to an all time high of US\$ 18.7 billion by June 2015 and to US\$ 20.1 billion by the end of the first quarter of fiscal year 2016.

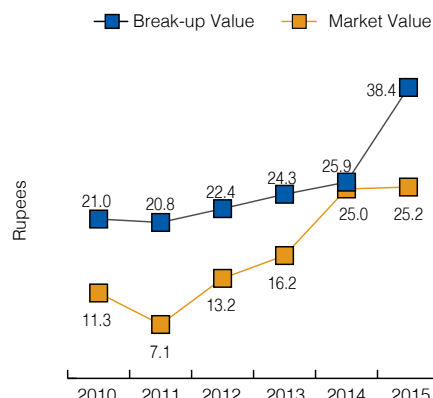
The fiscal deficit improved slightly in fiscal year 2015 to 5.3% of GDP on the back of a 17.7% increase in tax revenue. However, this growth in tax revenue was well below the targeted figure of 30%. As a result public sector development expenditure could only increase by 14.1% instead of the target of 35.8%. The current tax-to-GDP ratio of 11% is still amongst the lowest in the region highlighting a need to broaden the tax base.

The improvements in macroeconomic indicators, i.e. reduction in inflation, narrowing of the current account deficit and the containment of the fiscal deficit, provided room for the State Bank to adopt an easing monetary stance and it reduced its policy rate by 350 basis points during fiscal year 2015 followed by a further 50 basis points during the first quarter of fiscal year 2016. This

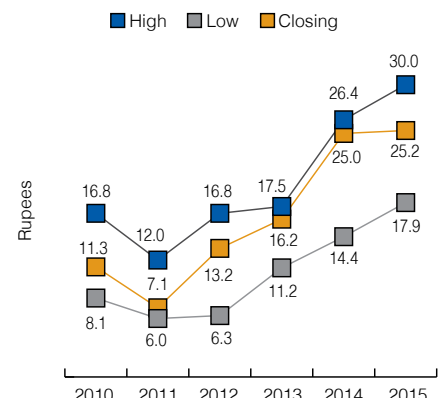
Equity and Total Assets



Break-up and Market Value per Share



Share's Market Trend



has resulted in growth in economic activity as witnessed, among others, in construction and allied industries.

Going forward, we are optimistic that this growth trend will continue, thanks to a marked improvement in the security condition, better availability of electricity and gas, continued downward pressure on the international oil price and on the prices of industrial raw materials.

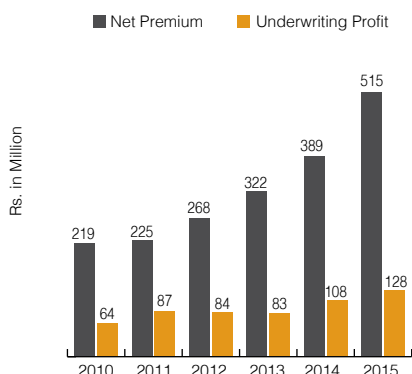
## Performance Highlights

Alhamdulillah, your Company stands in the forefront of the domestic insurance industry and is widely recognized for its professionalism as one of the premier general insurance companies of the country. In order to meet the challenges of continued growth and to increase its market share and profitability, the Company is in the process of further increasing and strengthening its sales force.

The comparative financial highlights for the years 2015 and 2014 are presented as follows:

Rupees in millions (except as otherwise stated)	2015	2014
Gross Premium Written	1,035	755
Net Premium	515	389
Net Claims	(300)	(202)
Underwriting Profit	128	108
Investment and Other Income	637	147
Profit after tax	638	142
Total Assets	2,660	1,877
Paid-up Capital	457	457
Total Equity	1,754	1,185
Earnings per Share – Rs.	13.96	3.11

Net Premium and Underwriting Profit



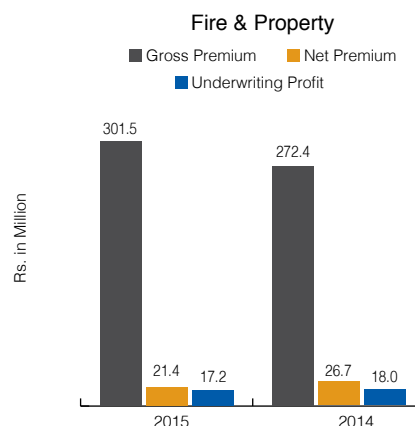
During the year under review, gross premium grew to Rs. 1,035 million from Rs. 755 million in 2014, an increase of 37%. Net premium also grew to Rs. 515 million from Rs. 389 in 2014, an increase of Rs. 126 million or 32%. Net claims have increased by Rs. 98 million. Underwriting profit recorded this year is Rs. 128 million as compared to Rs. 108 million in 2014.

## Segments at a Glance

Segment-wise performance of each class of business is given below:

### Fire & Property

Fire & Property class of business constitutes 29% of the total premium portfolio. Gross premium underwritten during the year was Rs. 301.5 million as compared to Rs. 272.4 million in 2014, an increase of 11%. However, net premium stood at Rs. 21.4 million as against Rs. 26.7 million in 2014. The net claim to net premium ratio for the year under review was 43% resulting in an underwriting profit of Rs. 17.2 million as against Rs. 18 million in 2014.

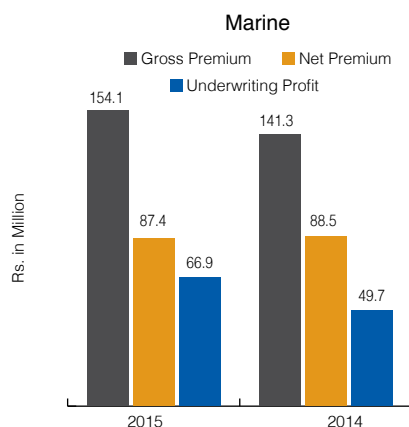


### Marine, Aviation and Transport

Marine, Aviation & Transport class of business constitutes 15% of the total premium portfolio. Gross premium underwritten grew to Rs. 154.1 million from Rs. 141.3 million in 2014, registering an increase of 9%. Net premium stood at Rs. 87.4 million as against Rs. 88.5 million in

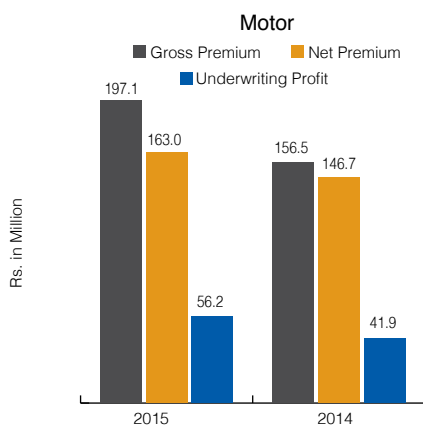


2014. The net claim to net premium ratio for the year under review was 9% resulting in an underwriting profit of Rs. 66.9 million as against Rs. 49.7 million in 2014.



### Motor

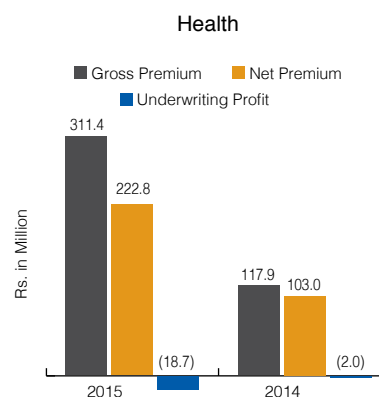
Motor business grew significantly during the year. Gross premium under this class constitutes 19% of the total premium portfolio. The Company underwrote gross premium of Rs. 197.1 million in 2015 as compared to Rs. 156.5 million in 2014, an increase of 26%. Net premium also increased to Rs. 163 million from Rs. 146.7 million in 2014, an increase of 11%. The net claim to net premium ratio for the year under review was 44%, resulting in an underwriting profit of Rs. 56.2 million in 2015 as against Rs. 41.9 million in 2014.



### Health

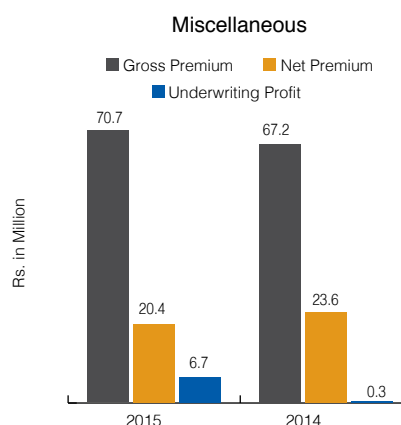
Health class of business grew significantly during the year. Gross premium under this class constitutes 30% of the total premium portfolio. The Company underwrote gross premium of Rs. 311.4 million as compared to Rs. 117.9 million in 2014, an increase of 164%. Net premium also increased to Rs. 222.8 million as against Rs. 103 million in

2014, an increase of 116%. The net claim to net premium ratio for the year under review was 91% resulting in an underwriting loss of Rs. 18.7 million in 2015 after allocation of expenses. Loss ratios are expected to improve in 2016.



### Miscellaneous

Gross premium under Miscellaneous class constitutes 7% of the total premium portfolio. The Company underwrote gross premium of Rs. 70.7 million as compared to Rs. 67.2 million in 2014. Net premium stood at Rs. 20.4 million as against Rs. 23.6 million in 2014. The net claim to net premium ratio for the year under review was 42% resulting in an underwriting profit of Rs. 7 million in 2015.



### Investment Activities

During the year under review, Investment and Other Income contributed Rs. 636.8 million to the bottom line of the Company as against Rs. 146.9 million in 2014. The Company has realized a gain in its shares and mutual

funds portfolio of Rs. 622.9 million during the year under review as against Rs. 131.4 million in 2014.

Investment income includes dividend income of Rs. 13.8 million and returns earned on government securities of Rs. 7.1 million. Other income includes interest on bank deposits of Rs. 7.3 million.

Management's policy is to make diversified and secure investments while ensuring safety and a sound balance between risks and returns.

### Claim Settlement

Prompt settlement of claims and customer satisfaction is the Company's highest priority. This is a most important function which builds trust and a good image of your Company in the eyes of its valued clients.

### Reinsurance Treaties

The Company has strong reinsurance arrangements with some of the best rated reinsurers in the international market who have full faith and confidence in its underwriting practices. We are thankful to all our reinsurers for their unwavering support and continued cooperation.



### Insurer Financial Strength Rating (IFSR)

JCR-VIS, an affiliate of Japan Credit Rating Agency Ltd. has assigned your Company an "A+" rating with a 'stable outlook' which signifies a "high capacity to meet policyholders' and contractual obligations".

### Human Resource Initiatives

The management is of the firm belief that complete alignment of the human resource mission and vision with corporate goals is vital for the success of any organization. In today's competitive environment, we realize that it is important to place emphasis on retaining and developing existing staff and implementing effective performance reviews. During the year under review, your Company has been successful in hiring quality professionals particularly

in the area of business development. Our continued focus on creating a meritocratic work environment with equal opportunity for all goes a long way in maintaining a pool of knowledgeable, experienced and skilled employees who remain our most valuable asset.

### Paid-up Capital

Your Company has a strong financial base with a paid up capital of Rs. 457.2 million which is well above the threshold for general insurance companies as specified by the regulator. Factoring in retained earnings and reserves, the total equity of your Company as at December 31, 2015 was Rs. 1,753.9 million. The larger equity base will enhance the financial strength and underwriting capability of the Company.

### Earnings per Share

Your Company has earned a profit after tax of Rs. 638.3 million which translates into earnings per share of Rs. 13.96 as compared to Rs. 3.11 for the previous year.

### Appropriation of Profit

Profits for the year ended December 31, 2015 has been appropriated as follows:

	(Rupees)
Balance at commencement of the year	355,042,959
Final cash dividend for the year ended December 31, 2014	(68,586,783)
Profit after tax for the year	638,312,753
Other comprehensive loss	(1,146,358)
	<hr/>
Amount available for appropriation	923,622,571
<b>Appropriations:</b>	
Proposed final cash dividend @ 50%	(228,621,830)
	<hr/>
Un-appropriated amount carried forward	<b>695,000,741</b>

### Future Outlook

Your Company plans to focus its energies on increasing premium in order to further bring down expense ratios. The Company has made significant progress in recruiting quality business producers and in this way hopes to increase its customer base. We firmly believe that rapid progress can only be achieved by continuously striving to

better understand what our customers want and ensuring that we obtain competitive advantage by being perceived as the insurer 'of highest value'. Your dedicated and committed management is sanguine about the future and will strive hard to make 2016 a still better year, InshaAllah.

### Auditors

M/s. Ernst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants retire at the conclusion of the Annual General Meeting. Being eligible they have offered themselves for re-appointment. The Audit Committee has recommended their re-appointment.

The audit firm has confirmed that it has been awarded a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of Accountants' (IFAC) guidelines on code of ethics, as adopted by the ICAP.

### Corporate Social Responsibility

Your Company believes in regulating its own behaviour to ensure that it stays at all times within both the letter and spirit of the law and adheres to the highest ethical standards and norms within the insurance industry, both national and international. Moreover, your Company strives to make an actual social contribution whenever possible by supporting and promoting social inclusion of the marginalized and disabled within the local community and by supporting education for the underprivileged as well as teacher education aimed at enhancing the pedagogical skills of local teachers.

Your Company is also active in promoting insurance awareness and understanding in the country by participating in such activities and projects undertaken by the Insurance Association of Pakistan.

### Contribution to National Exchequer

Your Company contributed an amount of Rs. 185 million into the Government Treasury on account of taxes, levies and Federal Excise Duty.

### Compliance with the Code of Corporate Governance

The Statement of Compliance with the Code of Corporate Governance is annexed with the report.

### Board of Directors

The Board of Directors has always been a source of guidance and inspiration. They have contributed immensely in terms of their experience and practical

advice. I would like to place on record my appreciation and gratitude for their valued participation and wisdom.

### Board of Directors' Meetings

During the year, four board meetings were held. The number of meetings attended by each Director is given hereunder:-

Name of Directors	No. of Meetings Attended
Mr. Iqbal Ali Lakhani - Chairman	3
Mr. Zulfiqar Ali Lakhani	3
Mr. Amin Mohammed Lakhani	2
Mr. Tasleemuddin Ahmed Batlay	4
Mr. A. Aziz H. Ebrahim	4
Mr. Mohammad Hussain Hirji - Chief Executive	4
Mr. Sadrudin Ismail Mohamed	4

### Board Committees

During the year, the Board Audit Committee, Underwriting Committee, Claims Settlement Committee and Reinsurance & Co-Insurance Committee held four (04) meetings each. The Human Resource & Remuneration Committee held one (01) meeting during the year. The names of the members of the Board Committees and their terms of reference are given in the annexure to this report.

### Code of Conduct

The Board has adopted a code of conduct and all employees have been informed of this code. All employees understand that they are required to observe these rules of conduct in relation to business and regulations.

### Corporate and Financial Reporting Framework

The Directors are pleased to state that the Company is compliant with the provisions of the Code of Corporate Governance as required by the Securities & Exchange Commission of Pakistan (SECP).

Following are the statements on Corporate and Financial Reporting Framework:

- The financial statements together with the notes thereon have been drawn up by the management in conformity with the Insurance Ordinance, 2000 and Companies Ordinance, 1984. These Statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.

- Proper books of accounts have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of these financial statements.
- The system of internal control is sound in design. The system is being continuously monitored by an internal audit function and through other such monitoring procedures. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring in improvements in the system.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- The key operating and financial data for the last six years is annexed.
- Information about taxes and levies is given in the notes to and forming part of financial statements.
- In accordance with the criteria specified on clause (xi) of CCG, majority of Directors of the Company are exempted from the requirement of director's training program and rest of the Directors of the Company has completed the same. The Board arranged orientation course for its Directors during the year to apprise them of their duties and responsibilities and briefed them regarding amendments in the Corporate Laws.
- The value of investments in respect of retirement benefit funds based on their respective accounts as on December 31, 2015 are as follows:

Provident Fund	Rs. 30.99 million
Gratuity Fund	Rs. 18.27 million

### Pattern of Shareholding

A statement showing pattern of shareholding of the Company and additional information as at December 31, 2015 is annexed with the report.

The Board has determined the threshold under clause xvi (l) of CCG-2012 in respect of trading of Company's shares by executives and employees who are drawing annual basic salary of Rs. 1 million or above.

There have been no transactions carried out by Directors, Chief Executive, CFO, Company Secretary and their spouses and minor children in the shares of the Company during the year.

### Acknowledgments

On behalf of all the Directors, I would like to thank our shareholders who continue to place their trust and confidence in the Company and assure them of our best efforts to ensure optimum utilization of their investment in the Company. I also wish to place on record our appreciation of the devotion, loyalty and hard work of the management and members of the staff that have contributed towards the growth of the Company and success of its operations.



Iqbal Ali Lakhani  
Chairman

Karachi: 26 February 2016

# Board Committees

## Audit Committee:

### Terms of reference:

1. Determination of appropriate measure to safeguard the company's assets.
2. Review of preliminary announcements of results prior to publication.
3. Review of quarterly, half-yearly and annual financial statements of the company, prior to their approval by the Board of Directors, focusing on.
  - a. Major judgemental areas;
  - b. Significant adjustments resulting from the audit;
  - c. The going-concern assumption;
  - d. Any changes in accounting policies and practices;
  - e. Compliance with applicable accounting standards;
  - f. Compliance with listing regulations and other statutory and regulatory requirements; and
  - g. Significant related party transactions.
4. Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audit and any matter that the auditors may wish to highlight (in the absence of management, where necessary).
5. Review of management letter issued by external auditor and management's response thereto.
6. Ensuring coordination between the internal and external auditor of the company.
7. Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the company.
8. Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto.
9. Ascertaining that the internal control systems including financial and operational controls, accounting systems and the reporting structure are adequate and effective.

10. Review of the company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports.
11. Instituting special projects, value for money studies or other investigations in any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body.
12. Determination of compliance with relevant statutory requirements.
13. Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
14. Consideration of any other issue or matter as may be assigned by the Board of Directors.

The Committee comprises of four members, including the Chairman of the committee, three of them are non-executive directors and one is an independent director. During the year 2015 four meetings of this committee were held and the attendance of meeting is as follows:

Name of Members	Meetings Attended
Mr. Sadrudin Ismail Mohamed - Chairman	4
Mr. Zulfiqar Ali Lakhani	4
Mr. Amin Mohammad Lakhani	2
Mr. Tasleemuddin Ahmed Batlay	4

## Underwriting Committee

The committee shall review matters relating to assessing, monitoring and management of underwriting operations. It also assesses the overall effectiveness of the underwriting strategy and changes required in its business portfolio and the market development. In addition the committee shall examine any other matter referred to it.

The Committee comprises of three members, including the Chairman of this committee who is non-executive director. During the year 2015 four meetings of this committee were held and the attendance of meeting is as follows:



Name of Members	Meetings Attended
Mr. Tasleemuddin Ahmed Batlay – Chairman	4
Mr. Mohammad Hussain Hirji	4
Mr. Afzal-ur-Rahman	4

### Claim Settlement Committee

The committee shall review matters relating to management of claims. It oversees the claims position of the company and ensures that adequate claims reserves are made. The committee shall review significant claims cases reported during the period. The committee shall determine the circumstances under which the claims disputes shall be brought to its attention. In addition the committee shall examine any other matter referred to it.

The Committee comprises of three members, including the Chairman of this committee who is non-executive director. During the year 2015 four meetings of this committee were held and the attendance of meeting is as follows:

Name of Members	Meetings Attended
Mr. Amin Mohammad Lakhani – Chairman	4
Mr. Mohammad Hussain Hirji	4
Mr. Afzal-ur-Rahman	4

### Reinsurance & Co-insurance Committee

The committee shall review matters relating to assessing, monitoring and management of reinsurance & co-insurance operations. The committee shall also assess the effectiveness of the reinsurance arrangements for future reference in light of market developments. In addition the committee shall examine any other matter referred to it.

The Committee comprises of four members, including the Chairman of this committee who is non-executive director. During the year 2015 four meetings of this committee were held and the attendance of meeting is as follows:

Name of Members	Meetings Attended
Mr. Zulfiqar Ali Lakhani – Chairman	4
Mr. Mohammad Hussain Hirji	4
Mr. Afzal-ur-Rahman	4
Ms. Madiha Khalid	4

### Human Resource and Remuneration Committee

#### Terms of reference:

The committee shall be responsible for:

1. Recommending human resource management policies to the Board.
2. Recommending to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of CEO.
3. Recommending to the board the selection, evaluation, compensation (including retirement benefits) of Chief Financial Officer, Company Secretary and Head of Internal Audit.
4. Consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO.

The Committee comprises of three members, including the Chairman of the committee. Two members including the Chairman are non-executive directors. During the year 2015 one meeting of this committee was held and the attendance of meeting is as follows:

Name of Members	Meetings Attended
Mr. Amin Mohammad Lakhani – Chairman	1
Mr. Tasleemuddin Ahmed Batlay	1
Mr. Mohammad Hussain Hirji	1

# Pattern of Shareholding

As at December 31, 2015

Incorporation No.K-192/8927 1985-86

CUIN Registration No.0013587

No. of Shareholders	From	Shareholding	To	Total Shares Held
358	1		100	5,884
227	101		500	79,902
158	501		1,000	133,936
319	1,001		5,000	878,292
118	5,001		10,000	903,860
44	10,001		15,000	563,778
22	15,001		20,000	403,988
18	20,001		25,000	406,555
11	25,001		30,000	307,784
5	30,001		35,000	162,442
6	35,001		40,000	231,099
6	40,001		45,000	260,446
7	45,001		50,000	341,962
3	50,001		55,000	157,034
1	55,001		60,000	55,599
1	65,001		70,000	65,800
2	70,001		75,000	143,967
5	75,001		80,000	392,954
2	80,001		85,000	165,238
3	85,001		90,000	264,000
1	95,001		100,000	99,377
1	120,001		125,000	122,500
1	125,001		130,000	129,000
1	130,001		135,000	134,549
2	145,001		150,000	297,031
1	155,001		160,000	159,300
1	180,001		185,000	180,540
1	185,001		190,000	190,000
2	195,001		200,000	400,000
1	245,001		250,000	249,500
1	285,001		290,000	285,500
1	350,001		355,000	355,000
1	385,001		390,000	386,812
1	600,001		605,000	601,892
1	1,145,001		1,150,000	1,147,500
1	4,535,001		4,540,000	4,539,185
1	6,505,001		6,510,000	6,506,692
1	10,770,001		10,775,000	10,774,674
1	13,240,001		13,245,000	13,240,794
<b>1,337</b>		<b>Total</b>		<b>45,724,366</b>

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive, their spouse and minor children	38,635	0.08
Associated Companies, undertakings and related parties	35,066,623	76.69
NIT and ICP	Nil	-
Banks, Development Financial Institutions, Non Banking Financial Institutions	1,147,500	2.51
Insurance Companies	20,000	0.04
Modaraba & Mutual Funds	386,812	0.85
Shareholders holding 10% or more	30,522,160	66.75
General Public	8,104,375	17.72
Others	960,421	2.11

NOTE: Some of the shareholders are reflected in more than one category.

# Details of Pattern of Shareholding

As per requirement of code of corporate governance  
As at December 31, 2015

Categories of Shareholders	No. of Shares Held	
<b>i) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</b>		
1. M/s. SIZA (Pvt.) Limited	6,506,692	
2. M/s. SIZA Services (Pvt.) Limited	10,774,674	
3. M/s. SIZA Commodities (Pvt.) Limited	4,539,185	
4. M/s. Premier Fashions (Pvt.) Limited	13,240,794	
5. Mr. Sultan Ali Lakhani	540	
6. Mrs. Shaista Sultan Ali Lakhani	360	
7. Mr. Babar Ali Lakhani	1,560	
8. Mr. Bilal Ali Lakhani	329	
9. Mr. Danish Ali Lakhani	1,321	
10. Ms. Anushka Zulfiqar Lakhani	566	
11. Ms. Anika Amin Lakhani	602	
<b>ii) MUTUAL FUNDS</b>		
Golden Arrow Selected Stocks Fund Limited	386,812	
<b>iii) DIRECTORS, CHIEF EXECUTIVE, THEIR SPOUSE AND MINOR CHILDREN</b>		
1. Mr. Iqbal Ali Lakhani	Chairman/Director	1,670
2. Mr. Zulfiqar Ali Lakhani	Director	900
3. Mr. Amin Mohammed Lakhani	Director	1,605
4. Mr. Tasleemuddin Ahmed Batlay	Director	29,632
5. Mr. A. Aziz H. Ebrahim	Director	3,014
6. Mr. Mohammad Hussain Hirji	Director/Chief Executive	500
7. Mr. Sadrudin Ismail Mohamed	Director	500
8. Mrs. Ronak Iqbal Lakhani		
W/o. Mr. Iqbal Ali Lakhani		360
9. Mrs. Fatima Lakhani		
W/o. Mr. Zulfiqar Ali Lakhani		180
10. Mrs. Saira Amin Lakhani		
W/o. Mr. Amin Mohammed Lakhani		274
<b>iv) EXECUTIVE</b>		500
<b>v) PUBLIC SECTOR COMPANIES AND CORPORATIONS</b>		Nil
<b>vi) BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, TAKAFUL, MODARABAS AND PENSION FUNDS</b>		1,453,000
<b>vii) SHAREHOLDERS HOLDING 5% OR MORE (Other than those reported at (i) (1, 2, 3 &amp; 4)</b>		Nil
<b>viii) INDIVIDUAL AND OTHER THAN THOSE MENTIONED ABOVE</b>		8,778,796
		<b>45,724,366</b>

# Key Operating and Financial Data

Rupees in million

	2015	2014	2013	2012	2011	2010
<b>FINANCIAL DATA</b>						
Paid-up Capital	457.2	457.2	457.2	457.2	457.2	457.2
Reserves & Retained Earnings	1296.6	728.1	654.4	565.7	495.0	504.4
Equity	1,753.8	1,185.3	1,111.6	1,022.9	952.3	961.6
Underwriting Premium Reserves	585.9	405.2	389.9	355.7	356.2	253.5
Investments	1732.9	1098.2	1112.7	998.1	859.9	840.0
Fixed Assets (Tangible & Intangible)	56.2	48.4	47.1	44.0	48.7	44.6
Cash & Bank Deposits	173.5	245.2	105.3	90.5	97.5	87.1
Total Assets	2,660.4	1,876.7	1,738.9	1,612.1	1,473.2	1,330.5

## OPERATING DATA

Gross Premium	1034.8	755.3	667.1	585.1	534.8	449.7
Net Premium	515.0	388.5	321.7	268.2	225.2	219.1
Net Claims	299.8	201.9	159.3	112.0	80.5	106.6
Underwriting Profit	128.3	107.8	83.0	83.6	87.3	63.6
Investment & Other Income	636.8	146.9	154.7	124.3	33.5	116.4
Profit Before Tax (PBT)	649.3	158.5	150.8	129.4	53.4	121.1
Taxation - Net	10.9	16.1	3.4	13.2	17.0	11.4
Profit After Tax (PAT)	638.3	142.4	147.3	116.2	36.3	109.6

## CASH FLOW SUMMARY

Operating Activities	10.1	46.4	45.1	50.8	57.4	8.9
Investing Activities	(13.8)	161.7	26.4	(12.3)	(1.5)	2.9
Financing Activities	(68.1)	(68.2)	(56.8)	(45.5)	(45.4)	-
Cash & Cash Equivalents at the year end	172.8	244.5	104.6	89.8	96.8	87.1

## FINANCIAL RATIOS

<b>Profitability</b>							
Profit Before Tax / Net Premium	(%)	126.1	40.8	46.9	48.2	23.7	55.3
Profit After Tax / Net Premium	(%)	123.9	36.7	45.8	43.3	16.1	50.0
Underwriting Results / Net Premium	(%)	24.9	27.7	25.8	31.2	38.8	29.1
Total Expenses / Gross Premium	(%)	22.0	25.6	26.2	27.3	25.8	27.0
Total Expenses / Net Premium	(%)	44.2	49.8	54.4	59.5	61.2	55.5
Net Claims / Net Premium	(%)	58.2	52.0	49.5	41.8	35.7	48.7
Combined Ratio	(%)	97.6	97.0	101.2	98.1	91.2	97.9

## Return to Shareholders

Return on Equity	(%)	36.4	12.0	13.3	11.4	3.8	11.4
Return on Assets	(%)	24.0	7.6	8.5	7.2	2.5	8.2
Return on Investment	(%)	45.0	13.3	14.7	13.4	4.0	14.8
Earnings per Share	(Rs.)	13.96	3.11	3.22	2.54	0.79	2.40
Dividend *	(%)	50.0	15.0	15.0	12.5	10.0	10.0
Dividend Yield	(%)	19.8	6.0	9.3	9.5	14.1	8.9
Dividend Payout	(%)	35.8	48.2	46.6	49.2	126.6	41.7
Price Earning Ratio	(Times)	1.8	8.0	5.0	5.2	9.0	4.7
Market Price per Share	(Rs.)	25.2	25.0	16.2	13.2	7.1	11.3

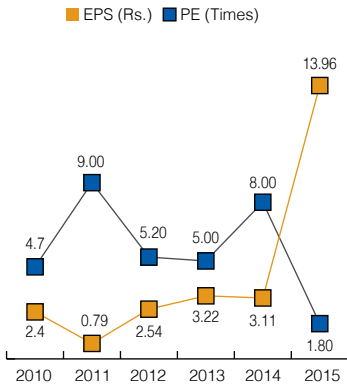
## Liquidity / Leverage

Break-up Value per Share	(Rs.)	38.4	25.9	24.3	22.4	20.8	21.0
Current Ratio	(Times)	5.1	4.0	4.2	3.7	4.0	5.5
Total Assets Turnover Ratio	(Times)	0.4	0.4	0.4	0.4	0.4	0.3
Total Liabilities / Equity	(Times)	0.5	0.6	0.6	0.6	0.5	0.4
Paid-up Capital / Total Assets	(%)	17.2	24.4	26.3	28.4	31.0	34.4
Equity / Total Assets	(%)	65.9	63.2	63.9	63.5	64.6	72.3

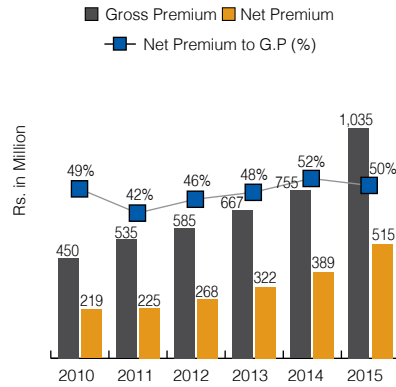
\* Includes cash dividend amounting to Rs. 228.622 million proposed by the Board of Directors subsequent to the year end.

# Graphical Presentation

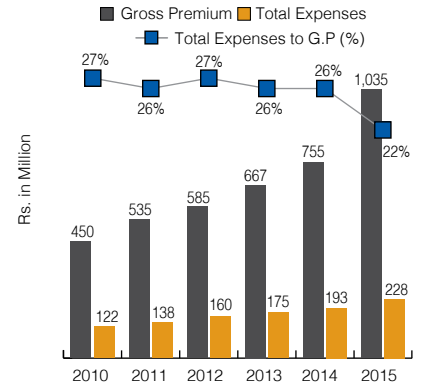
Earnings per Share (EPS) and Price Earning (PE) Ratio



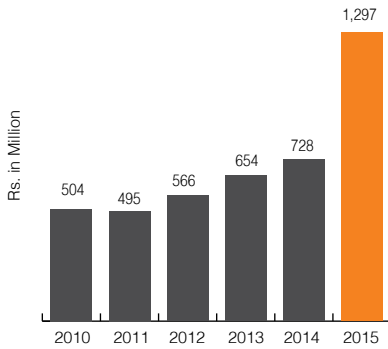
Gross Premium and Net Premium



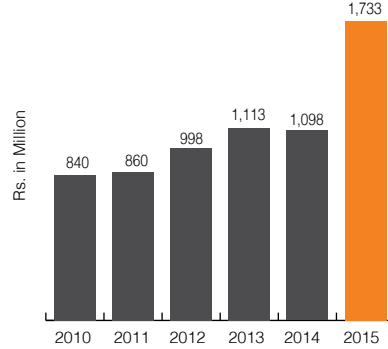
Total Expenses to Gross Premium



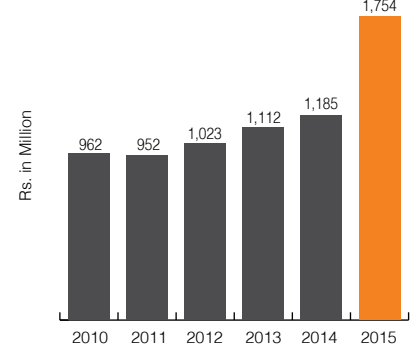
Reserves



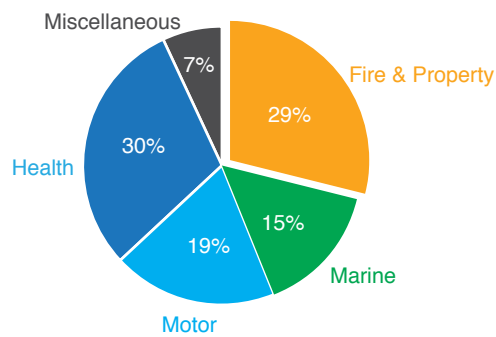
Investments



Equity



Gross Premium (Class Wise)





# Statement of Compliance with the Code of Corporate Governance

For the year ended December 31, 2015

This statement is being presented to comply with the requirements of Rule Book of Pakistan Stock Exchange Limited Chapter 5, Clause 5.19.23 (b) of the code of corporate governance where the Company is listed for the purpose of establishing a framework of good governance, whereby a listed insurance company is managed in compliance with the best practices of corporate governance.

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

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

Category	Names
Independent Director	Mr. Sadrudin Ismail Mohamed
Executive Director	Mr. Mohammad Hussain Hirji
Non-Executive Directors	Mr. Iqbal Ali Lakhani Mr. Zulfiqar Ali Lakhani Mr. Amin Mohammed Lakhani Mr. Tasleemuddin Ahmed Batlay Mr. A. Aziz H. Ebrahim

The independent director meets the criteria of independent under clause 5.19.1 (b) of the CCG.

2. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies, including this Company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.

4. No casual vacancy occurred on the board during the current year.
5. The Company has adopted 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. The Company has placed the above document on its website as required by clause 5.19.4 (b)(i) of CCG.
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, determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met atleast once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven (7) days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In accordance with the criteria specified in clause 5.19.7 of CCG, majority of Directors of the Company are exempted from the requirement of director's training program and rest of the Directors of the Company has completed the same. The Board arranged orientation course for its Directors during the year to apprise them of their duties and responsibilities and briefed them regarding amendments in the Corporate Laws.

10. The Board has approved appointments of Chief Financial Officer (CFO) and Head of Internal Audit, including their remuneration and terms and conditions of employment as determined by the CEO. Mr. Mansoor Ahmed was assigned the responsibilities of the Company Secretary of Century Insurance Company Limited in addition to his responsibilities in other Group Companies.
11. 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.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. 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.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee comprises of one independent and three non-executive directors. The Chairman of the Committee is an independent director.
16. The meetings of the Audit Committee, as required by the CCG, were held at least once every quarter prior to approval of interim and final results of the Company. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises two non-executive Directors and one executive Director. The Chairman of the Committee is a non-executive Director.
18. The Board has formed Underwriting / Claim Settlement / Re-insurance and Co-insurance Committee(s).
19. The Board has set up an effective internal audit function which is headed by suitable qualified and experienced person for the purpose and conversant with the policies and procedure of the Company.
20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
21. 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.
22. The 'closed period' prior to the announcement of interim/final results and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and stock exchange.
23. Material and price sensitive information has been disseminated among all market participants at once through stock exchange.
24. We confirm that all other material principles enshrined in the CCG have been complied with.



**Iqbal Ali Lakhani**  
Chairman

Karachi: February 26, 2016



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Chartered Accountants  
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## Review Report to the Members on the Statement of Compliance with the 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 Century Insurance Company Limited (the Company) for the year ended 31 December 2015 to comply with the requirements of Rule Book of Pakistan Stock Exchange Limited Chapter 5, Clause 5.19.23 (b) of the code of corporate governance where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement 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 a 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 undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement 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.

Chartered Accountants  
Date: February 26, 2016

Karachi

## Auditors' Report to the Members

We have audited the annexed financial statements comprising of:

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

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

In our opinion:

- (a) proper books of 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 changes as stated in note 4.1 with which we concur;





- (c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2015 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- (d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of the Ordinance.

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: February 26, 2016

Karachi

# Balance Sheet

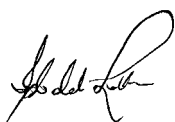
As at December 31, 2015

	Note	2015	2014
		----- (Rupees) -----	
<b>Share capital and reserves</b>			
Authorised share capital [50,000,000 (December 31, 2014: 50,000,000) Ordinary shares of Rs.10 each]		500,000,000	500,000,000
Paid-up share capital	5	457,243,660	457,243,660
Retained earnings		923,622,571	355,042,959
Reserves		373,024,260	373,024,260
		1,753,890,491	1,185,310,879
<b>Underwriting provisions</b>			
Provision for outstanding claims (including IBNR)		157,298,790	123,619,908
Provision for unearned premium		388,001,402	246,257,537
Commission income unearned		40,664,654	35,324,607
Total underwriting provisions		585,964,846	405,202,052
<b>Creditors and accruals</b>			
Premiums received in advance		2,229,476	1,256,977
Amounts due to other insurers / reinsurers	6	199,147,518	191,926,887
Accrued expenses	7	7,202,891	5,270,472
Other creditors and accruals	8	109,640,261	85,981,352
		318,220,146	284,435,688
<b>Other liabilities</b>			
Unclaimed dividend		2,282,987	1,773,806
<b>TOTAL LIABILITIES</b>		<b>906,467,979</b>	<b>691,411,546</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,660,358,470</b>	<b>1,876,722,425</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	9		

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



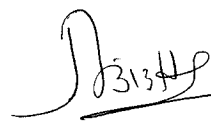
	Note	2015	2014
		----- (Rupees) -----	
<b>Cash and bank deposits</b>	10		
Cash and other equivalents		1,013,229	648,699
Current and other accounts		172,438,187	244,556,217
		173,451,416	245,204,916
<b>Investments</b>	11	1,732,983,684	1,098,239,204
<b>Deferred taxation</b>	12	9,520,206	4,122,216
<b>Current assets - others</b>			
Premiums due but unpaid	13	266,758,993	135,850,416
Amounts due from other insurers / reinsurers	14	96,375,488	62,568,278
Reinsurance recoveries due but unpaid		49,657,347	46,135,307
Salvage recoveries accrued		2,420,000	4,700,000
Accrued investment income	15	-	299,863
Reinsurance recoveries against outstanding claims	16	60,249,843	60,855,662
Taxation - net	17	14,378,136	3,711,517
Deferred commission expense		30,015,561	23,781,744
Prepayments	18	156,734,791	135,266,602
Sundry receivables	19	11,615,106	7,607,368
		688,205,265	480,776,757
<b>Fixed assets</b>	20		
<b>Tangible and intangible</b>			
Office improvement		5,373,775	5,288,771
Furniture and fixtures		5,636,673	5,358,797
Office equipment		4,692,080	3,164,080
Computer and related accessories		917,780	918,392
Motor vehicles		31,759,228	32,899,276
Capital work-in-progress		6,160,500	750,000
Computer software		1,657,863	16
		56,197,899	48,379,332
<b>TOTAL ASSETS</b>		<b>2,660,358,470</b>	<b>1,876,722,425</b>



Iqbal Ali Lakhani  
Chairman



Tasleemuddin Ahmed Batlay  
Director



A. Aziz H. Ebrahim  
Director




Mohammad Hussain Hirji  
Director & Chief Executive

# Profit and Loss Account

For the year ended December 31, 2015

	Note	Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	2015 Aggregate	2014 Aggregate
----- (Rupees) -----								
<b>Revenue account</b>								
Net premium revenue	21	21,441,123	87,357,113	163,011,271	222,826,786	20,368,703	515,004,996	388,502,366
Net claims		(9,127,193)	(7,441,681)	(71,855,706)	(202,917,606)	(8,493,899)	(299,836,085)	(201,946,014)
Management expenses	22	(32,633,062)	(16,682,368)	(21,335,504)	(33,708,172)	(7,649,569)	(112,008,675)	(96,999,275)
Net commission		37,474,294	3,684,829	(13,640,214)	(4,862,054)	2,444,377	25,101,232	18,270,722
<b>Underwriting result</b>		17,155,162	66,917,893	56,179,847	(18,661,046)	6,669,612	128,261,468	107,827,799
Net investment income							634,704,287	135,887,757
Other income - net	24						7,948,729	5,884,601
General and administration expenses	25						(115,848,802)	(96,278,668)
Share of (loss) / profit of associates - net (Impairment) / reversal in value of investment in associates - net	11.1.2 11.1.2						(471,876) (5,334,047)	1,581,678 3,550,885
<b>Profit before tax</b>							649,259,759	158,454,052
Taxation - net	26						(10,947,006)	(16,082,553)
<b>Profit after tax</b>							638,312,753	142,371,499
<b>Profit and loss appropriation account:</b>								
<b>Balance at commencement of the year</b>							355,042,959	281,338,081
Profit after tax for the year							638,312,753	142,371,499
Other comprehensive income								
- Share in associates' reserves							(163,863)	(39,281)
- Remeasurement of post retirement benefits obligation							(982,495)	(40,610)
Final cash dividend of Rs.1.5 (15%) for the year ended December 31, 2014 [December 31, 2014: Rs.1.5 (15%) for the year 2013]							(68,586,783)	(68,586,730)
<b>Balance of unappropriated profit at end of the year</b>							923,622,571	355,042,959
Earnings per share of Rs.10 each - basic and diluted					(note 27)		13.96	3.11

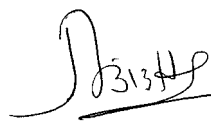
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Iqbal Ali Lakhani  
Chairman



Tasleemuddin Ahmed Batlay  
Director



A. Aziz H. Ebrahim  
Director



Mohammad Hussain Hirji  
Director & Chief Executive

# Statement of Comprehensive Income

For the year ended December 31, 2015

	2015	2014
	----- (Rupees) -----	
Net profit for the year	638,312,753	142,371,499
Other comprehensive income for the year		
Not to be reclassified to profit and loss account in subsequent periods		
- Share in associates' reserves - net of tax	(163,863)	(39,281)
- Remeasurement of post retirement benefits obligation	(982,495)	(40,610)
<b>Total comprehensive income for the year</b>	<b>637,166,395</b>	<b>142,291,608</b>

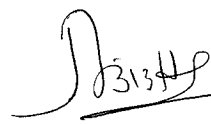
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Director



Mohammad Hussain Hirji  
Director & Chief Executive

# Statement of Changes in Equity

For the year ended December 31, 2015

	Share capital		Reserves		Total reserves	Total
	Issued, subscribed and paid-up	Capital reserves	Revenue reserves			
		Share premium	General reserve	Retained earnings		
----- (Rupees) -----						
Balance as at January 01, 2014	457,243,660	254,024,260	119,000,000	281,338,081	654,362,341	1,111,606,001

## Changes in equity for the year ended December 31, 2014

Profit for the year	-	-	-	142,371,499	142,371,499	142,371,499
Other comprehensive income						
- gratuity	-	-	-	(40,610)	(40,610)	(40,610)
- share in associates' reserve	-	-	-	(39,281)	(39,281)	(39,281)
Total comprehensive income for the year	-	-	-	142,291,608	142,291,608	142,291,608
Final cash dividend of Rs.1.5 (15%) for the year ended December 31, 2013	-	-	-	(68,586,730)	(68,586,730)	(68,586,730)
<b>Balance as at December 31, 2014</b>	<b>457,243,660</b>	<b>254,024,260</b>	<b>119,000,000</b>	<b>355,042,959</b>	<b>728,067,219</b>	<b>1,185,310,879</b>

## Changes in equity for the year ended December 31, 2015

Profit for the year	-	-	-	638,312,753	638,312,753	638,312,753
Other comprehensive income						
- gratuity	-	-	-	(982,495)	(982,495)	(982,495)
- share in associates' reserve	-	-	-	(163,863)	(163,863)	(163,863)
Total comprehensive income for the year	-	-	-	637,166,395	637,166,395	637,166,395
Final cash dividend of Rs.1.5 (15%) for the year ended December 31, 2014	-	-	-	(68,586,783)	(68,586,783)	(68,586,783)
<b>Balance as at December 31, 2015</b>	<b>457,243,660</b>	<b>254,024,260</b>	<b>119,000,000</b>	<b>923,622,571</b>	<b>1,296,646,831</b>	<b>1,753,890,491</b>

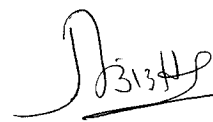
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Director & Chief Executive

# Statement of Cash Flows

For the year ended December 31, 2015

	2015	2014
	----- (Rupees) -----	
<b>Operating cash flows</b>		
<b>(a) Underwriting activities</b>		
Premiums received	907,403,608	771,904,465
Reinsurance premiums paid	(358,654,846)	(280,798,910)
Claims paid	(448,804,966)	(305,474,324)
Reinsurance and other recoveries received	134,610,401	68,601,717
Commissions paid	(74,326,840)	(93,467,350)
Commissions received	92,715,025	71,529,113
Net cash inflow from underwriting activities	252,942,382	232,294,711
<b>(b) Other operating activities</b>		
Income tax paid	(30,859,338)	(6,813,003)
General management expenses paid	(217,928,066)	(185,598,606)
Other operating receipts	5,992,520	6,548,611
Net cash outflow from other operating activities	(242,794,884)	(185,862,998)
<b>Total cash inflow from all operating activities</b>	<b>10,147,498</b>	<b>46,431,713</b>
<b>Investment activities</b>		
Profit / return received	13,167,183	10,835,244
Dividends received	14,717,491	4,904,590
Purchase of investments	(2,576,928,520)	(961,138,877)
Proceeds from disposal of investments	2,551,494,271	1,116,378,131
Fixed capital expenditure	(19,457,599)	(14,385,762)
Proceeds from disposal of fixed assets	3,183,778	5,086,438
<b>Total cash (outflow) / inflow from investing activities</b>	<b>(13,823,396)</b>	<b>161,679,764</b>
<b>Financing activities</b>		
Dividends paid	(68,077,602)	(68,184,288)
<b>Net cash (outflow) / inflow from all activities</b>	<b>(71,753,500)</b>	<b>139,927,189</b>
<b>Cash at beginning of the year</b>	<b>244,504,916</b>	<b>104,577,727</b>
<b>Cash at end of the year</b>	<b>172,751,416</b>	<b>244,504,916</b>

# Statement of Cash Flows

For the year ended December 31, 2015

	2015	2014
	----- (Rupees) -----	
<b>Reconciliation to profit and loss account</b>		
Operating cash flows	10,147,498	46,431,713
Depreciation / amortisation expense	(9,071,131)	(8,701,688)
Gain on disposal of fixed assets	615,876	686,339
Profit on disposal of investments	622,917,592	131,448,054
Dividend income	13,810,333	3,881,462
Investment and other income	1,028,494	16,607,644
Increase in assets other than cash	213,658,145	13,379,645
Increase in liabilities other than running finance	(214,794,054)	(61,361,670)
Profit after taxation	<u>638,312,753</u>	<u>142,371,499</u>

## Definition of cash

Cash comprises of cash in hand, policy stamps, bond papers, cheques in hand, bank balances and other deposits 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:

<b>Cash and other equivalents</b>		
Cash	188,027	190,164
Policy stamps and bond papers in hand	825,202	458,535
	<u>1,013,229</u>	<u>648,699</u>
<b>Current and other accounts</b>		
Current accounts *	23,638,940	1,743,557
PLS savings accounts	148,099,247	242,112,660
	<u>171,738,187</u>	<u>243,856,217</u>
<b>Cash and bank deposits as per balance sheet</b>	<u>172,751,416</u>	<u>244,504,916</u>

\* This does not include local currency account with a lien amounting to Rs.0.7 million (December 31, 2014: Rs.0.7 million), with a commercial bank for letters of credit arranged through the bank for securing claims arising outside Pakistan.

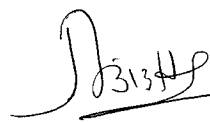
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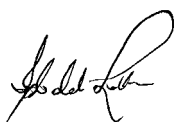
# Statement of Premiums

For the year ended December 31, 2015

## Business underwritten inside Pakistan

Class	Premiums written (note 21)	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium		Reinsurance expenses	2015 Net premium revenue	2014 Net premium revenue
		Opening	Closing			Opening	Closing			
----- (Rupees) -----										
<b>Direct and facultative</b>										
1. Fire and property damage	301,495,107	106,041,546	126,098,308	281,438,345	278,098,942	103,845,601	121,947,321	259,997,222	<b>21,441,123</b>	26,693,802
2. Marine, aviation and transport	154,127,500	11,175,839	13,750,109	151,553,230	63,053,005	6,320,233	5,177,121	64,196,117	<b>87,357,113</b>	88,514,890
3. Motor	197,117,575	56,289,450	81,537,451	171,869,574	7,211,363	5,217,110	3,570,170	8,858,303	<b>163,011,271</b>	146,734,139
4. Health	311,427,988	51,817,149	140,418,351	222,826,786	-	-	-	-	<b>222,826,786</b>	102,990,560
5. Miscellaneous	70,673,953	20,933,553	26,197,183	65,410,323	51,364,442	16,916,776	23,239,598	45,041,620	<b>20,368,703</b>	23,568,975
Total	1,034,842,123	246,257,537	388,001,402	893,098,258	399,727,752	132,299,720	153,934,210	378,093,262	<b>515,004,996</b>	388,502,366

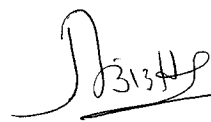
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Mohammad Hussain Hirji  
Director & Chief Executive

# Statement of Claims

For the year ended December 31, 2015

## Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expenses	Reinsurance and other recoveries received	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			
----- (Rupees) -----										
<b>Direct and facultative</b>										
1. Fire and property damage	148,423,870	16,195,137	26,849,493	159,078,226	140,090,851	13,345,673	23,205,855	149,951,033	9,127,193	5,950,580
2. Marine, aviation and transport	29,292,186	22,020,162	10,383,008	17,655,032	18,108,232	13,081,231	5,186,350	10,213,351	7,441,681	18,808,996
3. Motor	85,883,917	29,245,972	28,023,913	84,661,858	12,664,184	360,225	502,193	12,806,152	71,855,706	72,727,904
4. Health	163,129,012	7,799,231	47,587,825	202,917,606	-	-	-	-	202,917,606	88,093,854
5. Miscellaneous	22,075,981	48,359,406	44,454,551	18,171,126	12,390,315	34,068,533	31,355,445	9,677,227	8,493,899	16,364,680
Total	448,804,966	123,619,908	157,298,790	482,483,848	183,253,582	60,855,662	60,249,843	182,647,763	299,836,085	201,946,014

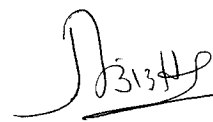
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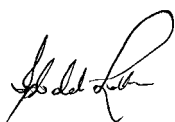
# Statement of Expenses

For the year ended December 31, 2015

## Business underwritten inside Pakistan

Class	Commission paid or payable	Deferred commission		Net commission expenses	Other management expenses (note 22)	Underwriting expenses	Commission from reinsurers (note 23)	2015 Net underwriting expense	2014 Net underwriting expense
		Opening	Closing						
----- (Rupees) -----									
<b>Direct and facultative</b>									
1. Fire and property damage	42,452,078	13,860,109	17,120,401	39,191,786	32,633,062	71,824,848	76,666,080	(4,841,232)	2,728,614
2. Marine, aviation and transport	22,463,254	1,671,353	2,035,876	22,098,731	16,682,368	38,781,099	25,783,560	12,997,539	20,043,533
3. Motor	15,150,156	4,733,478	5,966,715	13,916,919	21,335,504	35,252,423	276,705	34,975,718	32,138,764
4. Health	6,682,808	945,368	2,766,122	4,862,054	33,708,172	38,570,226	-	38,570,226	16,896,831
5. Miscellaneous	8,094,050	2,571,436	2,126,447	8,539,039	7,649,569	16,188,608	10,983,416	5,205,192	6,920,811
Total	94,842,346	23,781,744	30,015,561	88,608,529	112,008,675	200,617,204	113,709,761	86,907,443	78,728,553

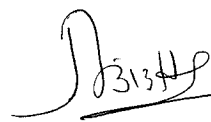
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Director



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Director & Chief Executive

# Statement of Investment Income

For the year ended December 31, 2015

	2015	2014
	----- (Rupees) -----	
<b>Income from trading investments</b>		
Gain on sale of trading investments	4,654,127	12,208,308
Dividend income	6,199,134	-
Unrealised loss on remeasurement of securities to fair value - net	(7,568,231)	-
	<u>3,285,030</u>	<u>12,208,308</u>
<b>Income from non-trading investments</b>		
Held to maturity		
Return on government securities	7,063,545	6,234,984
Available-for-sale		
Dividend income	7,611,199	3,881,462
	<u>14,674,744</u>	<u>10,116,446</u>
Gain on sale of non-trading investments	618,263,465	119,239,746
Reversal for impairment in investment classified as held to maturity	6,250	41,835
Investment related expenses	(1,525,202)	(5,718,578)
<b>Net investments income</b>	<u>634,704,287</u>	<u>135,887,757</u>

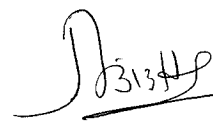
The annexed notes from 1 to 36 form an integral part of these financial statements.



Iqbal Ali Lakhani  
Chairman



Tasleemuddin Ahmed Batlay  
Director



A. Aziz H. Ebrahim  
Director



Mohammad Hussain Hirji  
Director & Chief Executive

# Notes to the Financial Statements

For the year ended December 31, 2015

## 1. STATUS AND NATURE OF BUSINESS

Century Insurance Company Limited (the Company) is a public limited company incorporated in Pakistan on October 10, 1985 under the Companies Ordinance, 1984. The Company is listed on the Pakistan Stock Exchange Limited [formerly: Karachi Stock Exchange, in which the Lahore and Islamabad stock exchanges have merged] and is engaged in general insurance business. The registered office of the Company is situated at Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi.

## 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 S.R.O. 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 the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 shall prevail.

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 historical cost convention except for certain investments which are stated at their fair values.

### 2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is also the Company’s functional and presentation currency.

### 2.4 Use of estimates and judgements

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan requires management to make judgments / estimates and associated assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The judgments / estimates and associated assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to 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 the revision and future periods if the revision affects both current and future periods.

# Notes to the Financial Statements

For the year ended December 31, 2015

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- (a) classification of insurance contracts (note 4.2);
- (b) provision for premium due but unpaid (note 4.2.1);
- (c) provision for outstanding claims (including IBNR) (note 4.2.3);
- (d) premium deficiency reserve (note 4.2.6);
- (e) provision for obligations (note 4.3);
- (f) recognition of taxation and deferred tax (note 4.5);
- (g) accounting for employee benefit plans (note 4.7);
- (h) classification of investments (note 4.8);
- (i) determining the residual values and useful lives of fixed assets (note 4.9);
- (j) allocation of management expenses (note 4.11);
- (k) segment reporting (note 4.13); and
- (l) impairment (note 4.16).

### 3. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

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

Standard or interpretation	Effective date (annual periods beginning on or after)
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)	January 01, 2016
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	January 01, 2016
IAS 1 Presentation of Financial Statements - Disclosure Initiative (Amendment)	January 01, 2016
IAS 16 Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	January 01, 2016
IAS 16 Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	January 01, 2016
IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	January 01, 2016

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



In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in September 2014. Such improvements are generally effective for accounting periods beginning on or after January 01, 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2018
IFRS 16 – Leases	January 01, 2019

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year.

##### 4.1 New Standards, Interpretations and Amendments

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

IFRS 10 – Consolidated Financial Statements

IFRS 11 – Joint Arrangements

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 13 – Fair Value Measurement

IAS 19 – Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions

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

IFRS 2 Share-based Payment - Definitions of vesting conditions

IFRS 3 Business Combinations – Accounting for contingent consideration in a business combination

IFRS 3 Business Combinations – Scope exceptions for joint ventures

IFRS 8 Operating Segments – Aggregation of operating segments

IFRS 8 Operating Segments – Reconciliation of the total of the reportable segments' assets to the entity's assets

IFRS 13 Fair Value Measurement – Scope of paragraph 52 (portfolio exception)

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method – proportionate restatement of accumulated depreciation / amortisation

# Notes to the Financial Statements

For the year ended December 31, 2015

IAS 24 Related Party Disclosures – Key management personnel

IAS 40 Investment Property – Interrelationship between IFRS 3 and IAS 40 (ancillary services)

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any material effect on the financial statements, except for IFRS 13, which requires additional disclosures (see note 32.4).

## 4.2 Insurance contracts

Insurance contracts represent contracts with policy holders and reinsurers.

Those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policy holders) by agreeing to compensate the policy holders if a specified uncertain future event (the insured event) adversely affects the policy holders are insurance policy contracts. The Company enters into fire and property damage, marine, motor, health, burglary, loss of cash in transit, travel, personal accident, money, engineering losses and other insurance contracts with group companies, corporate clients and individuals residing or located in Pakistan.

Those insurance contracts that are issued by one insurer (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant are reinsurance contracts. The Company enters in to reinsurance contracts with both foreign and local reinsurers. The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its period, even if the insurance risk reduces significantly during this period, unless all rights and liabilities are extinguished or expired.

### 4.2.1 Premiums

Premiums under a policy are recognized as revenue at the time of issuance of insurance policy. Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk. The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the Company. The unearned premium is calculated by applying 1/24 method as specified in the SEC (Insurance) Rules, 2002.

Administrative surcharge represents documentation and other charges recovered by the Company from policy holders in respect of policies issued, at the rate of 5% of the premium written restricted to a maximum of Rs.2,000 per policy and are recognised as revenue at the time of issuance of insurance policy.

Receivables under insurance contracts are recognised when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognizes it as impairment loss.

### 4.2.2 Reinsurance ceded

Reinsurance liabilities represent balances due to reinsurance companies. Balances payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the reinsurance policies and are in accordance with the related reinsurance contract.

Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contract are not offset against expenses or income from related insurance assets as required by Insurance Ordinance, 2000.

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

The Company assesses its reinsurance assets for impairment on balance sheet date. If there is an objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes it as impairment loss.

#### **4.2.3 Claims expense**

Insurance claims include all claims occurring during the year, whether reported or not. Internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

The Company recognizes liability in respect of all claims incurred upto the balance sheet date which is based on the best estimate of the claims intimated or assessed on or before the end of the financial year and measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract.

The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. 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 claims actually reported subsequent to the balance sheet date.

#### **4.2.4 Reinsurance recoveries against outstanding claims**

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

#### **4.2.5 Commission**

Commission expense incurred in obtaining and recording policies is deferred and recognised as an expense in accordance with pattern of recognition of premium revenue by applying the 1/24th method.

Commission income from reinsurers is recognized at the time of issuance of the underlying insurance policy by the Company. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission, if any, under the terms of reinsurance arrangements, is recognized when the Company's right to receive the same is established.

#### **4.2.6 Premium deficiency reserve**

The Company is required as per SEC (Insurance) Rules, 2002 to maintain a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after the balance sheet date in respect of policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve is recorded as an expense and the same shall be recognised as a liability.

# Notes to the Financial Statements

For the year ended December 31, 2015

For this purpose, loss ratios for each class are estimated based on historical claim development. Judgement 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 estimated. The loss ratios estimated on these basis for the unexpired portion are as follows:

Fire and property damage	35.62%
Marine, aviation and transport	16.05%
Motor	49.83%
Health	89.79%
Miscellaneous	49.15%

Based on an analysis of combined operating ratio for the expired period of each reportable segment, the management considers that the unearned premium reserve for all classes of business as at the year end is adequate to meet the expected future liability after reinsurance, 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 provision for the same has been made in these financial statements.

## 4.3 Creditors, accruals and provisions

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

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

## 4.4 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost.

## 4.5 Taxation

### 4.5.1 Current

Provision for current taxation is based on taxable income at the rates enacted or substantively enacted at the balance sheet date after taking into account available tax credits and rebates, if any. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalised during the current year for such years.

### 4.5.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax bases and carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

## **4.6 Transaction with related parties**

All transactions involving related parties arising in the normal course of business are conducted at agreed / commercial terms and conditions.

## **4.7 Staff retirement benefits**

### **4.7.1 Defined benefit plan**

The Company operates an approved defined gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. Contributions to the fund are made based on actuarial recommendations. The most recent actuarial valuation was carried out for the year ended December 31, 2015 using the Projected Unit Credit Method.

### **4.7.2 Defined contribution plan**

The Company contributes to a provident fund scheme which covers all permanent employees. Equal contributions are made both by the Company and the employees to the fund at the rate of 10 percent of basic salary plus cost of living allowance.

### **4.7.3 Employees' compensated absences**

The Company accounts for the liability in respect of eligible employees' compensated absences in the period in which they are earned.

## **4.8 Investments**

### **4.8.1 Recognition**

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

Investment at fair value through profit or loss  
Held to maturity  
Available-for-sale

### **4.8.2 Measurement**

#### **4.8.2.1 Investment at fair value through profit or loss**

Investments which are acquired principally for the purposes of generating profit from short-term fluctuation in market price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held-for-trading.

Investments which are designated at fair value through profit or loss upon initial recognition.

Subsequent to initial recognition, these investments are remeasured at fair market value. Gains or losses on investments on remeasurement of these investments are recognised in profit and loss account.

#### **4.8.2.2 Held to maturity**

Investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held to maturity.

# Notes to the Financial Statements

For the year ended December 31, 2015

Subsequently, these are measured at amortised cost less provision for impairment, if any. Any premium paid or discount availed on acquisition of held to maturity investment is deferred and amortised over the term of investment using the effective yield.

## 4.8.2.3 Available-for-sale

These are investments that do not fall under investment at fair value through profit or loss or held to maturity categories.

### Quoted

Subsequent to initial recognition at cost, quoted investments are stated at the lower of cost or market value (market value on an individual investment basis being taken as lower if the fall is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002 vide S.R.O. 938 dated December 2002. The Company uses stock exchange quotations at the balance sheet date to determine the market value.

Had the Company adopted International Accounting Standard (IAS) 39 "Financial Instruments Recognition and Measurement" the investments of the Company would have been higher by Rs.1.568 million (December 31, 2014: Rs.563.199 million) and net equity would have been higher by the same amount (refer notes 11.2 and 11.5).

### Unquoted

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

Provision for diminution in the value of securities is made after considering impairment losses, if any.

## 4.8.2.4 Investment in associates - equity method

Investments in associates, where the Company has significant influence but not control, are accounted for by using the equity method of accounting. These investments are initially recognised at cost, thereafter the Company's share of the changes in the net assets of the associates are accounted for at the end of each reporting period less impairment loss, if any. Share of profit and loss of associate is accounted for in the Company's profit and loss account, whereas changes in the associate's equity which has not been recognised in the associates profit and loss account, are recognised directly in equity of the Company. The goodwill relating to an associate arising on the acquisition of the investment is included in the carrying value of the investments.

After the application of equity method including recognizing the associates losses, the Company determines whether it is necessary to recognize any additional impairment loss with respect to its net investment in associate by comparing the entire carrying amount including goodwill with its recoverable amount i.e. the higher of value in use or fair market price less cost to sell.

## 4.8.2.5 Date of recognition

Regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

## 4.9 Fixed assets

### 4.9.1 Tangibles

These are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 20.1 to the financial statements, after taking into account residual value.



Depreciation on additions is charged from the month in which the asset is put to use whereas no depreciation is charged from the month the asset is disposed off.

Subsequent costs are included in the assets' carrying amount or recognized as a separate asset, as appropriate, only when it is possible that the future economic benefits associated with the items will flow to the company and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to profit and loss account currently.

An item of tangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss in the year the asset is derecognized.

#### **4.9.2 Capital work-in-progress**

Capital work-in-progress including advances made for capital expenditure is stated at cost less impairment, if any.

#### **4.9.3 Intangibles**

These are stated at cost less accumulated amortisation and impairment loss, if any. Amortisation is charged over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 20.4 to the financial statements. Amortisation on additions is charged from the month in which the asset is acquired or capitalised whereas no amortisation is charged from the month the asset is disposed off.

Software development costs are only capitalised to the extent that future economic benefits are expected to be derived by the Company.

The carrying amounts are reviewed at each reporting date to assess whether these are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets' are written down to their estimated recoverable amounts.

#### **4.10 Investment income**

Income from held to maturity investments is recognised on a time proportion basis taking into account the effective yield on the investments. The difference between the redemption value and the purchase price of the held to maturity investments is amortised and taken to the profit and loss account over the term of the investment.

Dividend income from investments, other than those which are accounted for under the equity method is recognised when the Company's right to receive the payment is established.

Gain or loss on sale of investment is included in income currently.

Return on bank deposits is recognised on a time proportionate basis taking into account the effective yield.

#### **4.11 Management expenses**

These are allocated to various classes of business in proportion to the respective gross premium written for the year. Expenses not allocable to the underwriting business are charged as administrative and investments related expenses.

# Notes to the Financial Statements

For the year ended December 31, 2015

## 4.12 Dividend declaration and reserve appropriation

Dividend declaration and reserve appropriations are recognized when approved.

## 4.13 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company presents segments reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The reported operating segments are also consistent with the internal reporting provided to Board of Directors which are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

The Company has five primary business segments for reporting purposes namely fire, marine, motor, health and miscellaneous.

The perils covered under fire insurance include damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and terrorism.

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

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

Health insurance provides cover to compensate hospitalisation and outpatient medical coverage to the insured.

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

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

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

## 4.14 Foreign currency translation

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 which approximate those prevailing on the balance sheet date. Gains and losses on translation are taken to 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.

#### 4.15 Offsetting of financial assets and liabilities

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

#### 4.16 Impairment

The carrying amount of assets (other than deferred tax asset) are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

### 5. PAID-UP SHARE CAPITAL

2015	2014		2015	2014
----- Number of shares -----			----- (Rupees) -----	
13,981,213	13,981,213	Ordinary shares of Rs.10 each issued as fully paid in cash	139,812,130	139,812,130
31,743,153	31,743,153	Ordinary shares of Rs.10 each issued as fully paid bonus shares	317,431,530	317,431,530
<u>45,724,366</u>	<u>45,724,366</u>		<u>457,243,660</u>	<u>457,243,660</u>

#### 5.1 Ordinary shares of the Company held by associated companies / persons are as follows:

	2015	2014
	----- Number of shares -----	
Siza (Private) Limited	6,506,692	6,506,692
Siza Services (Private) Limited	10,774,674	10,774,674
Siza Commodities (Private) Limited	4,539,185	4,539,185
Premier Fashions (Private) Limited	13,240,794	13,240,794
Directors and their spouses	38,635	38,135
Related parties - individuals	5,278	5,278
	<u>35,105,258</u>	<u>35,104,758</u>

### 6. AMOUNT DUE TO OTHER INSURERS / REINSURERS

	2015	2014
	----- (Rupees) -----	
Foreign reinsurers	46,643,036	51,280,044
Local reinsurers	129,941,759	116,450,787
Co-insurers	22,562,723	24,196,056
	<u>199,147,518</u>	<u>191,926,887</u>

# Notes to the Financial Statements

For the year ended December 31, 2015

	Note	2015 ----- (Rupees) -----	2014 -----
<b>7. ACCRUED EXPENSES</b>			
Auditors' remuneration		585,000	530,000
Professional services fee		1,020,000	299,769
Provision for compensated absences		4,136,331	3,630,117
Utilities and others	7.1	1,335,560	810,586
Investment advisory fee - due to related party		126,000	-
		<u>7,202,891</u>	<u>5,270,472</u>
<b>7.1</b>	This includes a sum of Rs.0.121 million (December 31, 2014: Rs.0.343 million) due to related parties.		
<b>8. OTHER CREDITORS AND ACCRUALS</b>			
Creditors		1,289,383	2,128,564
Federal excise duty		5,520,185	5,190,039
Federal insurance fees		456,003	424,726
Retention money		218,546	51,277
Commission payable	8.1	70,934,542	57,179,105
Workers' welfare fund		15,241,531	9,012,501
Margin deposits	8.2	4,270,832	2,639,920
Withholding tax payable		1,226,789	319,884
Staff retirement benefits	8.3	3,758,322	2,484,248
Deposits from employees against car scheme	8.4	4,156,273	4,035,975
Others	8.5	2,567,855	2,515,113
		<u>109,640,261</u>	<u>85,981,352</u>

**8.1** This includes a sum of Rs.46.527 million (December 31, 2014: Rs.39.41 million) due to related parties.

**8.2** This represents margin deposits on account of performance bond policies issued by the Company.

## **8.3 Staff retirement benefits**

### **Defined benefit plan - gratuity scheme**

The actuarial valuations are carried out annually and contributions are made accordingly. Following were the significant assumptions used for valuation of the scheme:

Discount rate 10% (December 31, 2014: 12.5%) per annum.

Expected rate of increase in the salaries of the employees 10% (December 31, 2014: 12%) per annum.

Expected interest rate on plan assets of the scheme 10% (December 31, 2014: 12.5%) per annum.

Expected remaining service length of the employees 6.92 years (December 31, 2014: 7.8 years).

	2015 ----- (Rupees) -----	2014 -----
<b>8.3.1 Liability in balance sheet</b>		
Present value of defined benefit obligations	22,287,820	18,261,587
Fair value of plan assets	(18,529,498)	(15,777,339)
	<u>3,758,322</u>	<u>2,484,248</u>

	2015	2014		
	----- (Rupees) -----			
<b>8.3.2 Movement in liability during the year</b>				
Opening balance	2,484,247	4,061,306		
Charge to profit and loss account	2,775,826	2,443,638		
Charged to other comprehensive income	982,495	40,610		
Contributions to the fund during the year	(2,484,247)	(4,061,306)		
Closing balance	<u>3,758,321</u>	<u>2,484,248</u>		
<b>8.3.3 Reconciliation of the present value of defined benefit obligations</b>				
Present value of obligations as at January 01	18,261,587	15,000,469		
Current service cost	2,620,561	2,189,806		
Interest cost	2,214,040	1,842,652		
Benefits paid	(1,098,529)	(518,509)		
Actuarial loss / (gain)	290,161	(252,831)		
Present value of obligations as at December 31	<u>22,287,820</u>	<u>18,261,587</u>		
<b>8.3.4 Reconciliation of the fair value of plan assets</b>				
Fair value of plan assets as at January 01	15,777,339	10,939,163		
Expected return on plan assets	2,058,775	1,588,820		
Contribution to the fund	2,484,247	4,061,306		
Benefits paid	(1,098,529)	(518,509)		
Actuarial loss	(692,334)	(293,441)		
Fair value of plan assets as at December 31	<u>18,529,498</u>	<u>15,777,339</u>		
<b>8.3.5 Charge for the defined benefit plan</b>				
Current service cost	2,620,561	2,189,806		
Interest cost	2,214,040	1,842,652		
Expected return on plan assets	(2,058,775)	(1,588,820)		
	<u>2,775,826</u>	<u>2,443,638</u>		
<b>8.3.6 Actual return on plan assets</b>				
Expected return on assets	2,058,775	1,588,820		
Actuarial loss on assets	(692,334)	(293,441)		
	<u>1,366,441</u>	<u>1,295,379</u>		
<b>8.3.7 Composition of fair value of plan assets</b>				
	2015		2014	
	Fair value (Rupees)	Percentage	Fair value (Rupees)	Percentage
Treasury bills	5,553,365	30%	13,782,568	87%
Pakistan investment bonds	12,380,134	67%	1,039,264	7%
Cash and bank balances	595,999	3%	955,507	6%
Fair value of plan assets	<u>18,529,498</u>	<u>100%</u>	<u>15,777,339</u>	<u>100%</u>

# Notes to the Financial Statements

For the year ended December 31, 2015

## 8.3.8 Historical data of the fund

	2015	2014	2013	2012	2011
	----- (Rupees) -----				
Present value of defined benefit obligations	22,287,820	18,261,587	15,000,469	12,268,220	10,810,421
Fair value of plan assets	(18,529,498)	(15,777,339)	(10,939,163)	(11,658,695)	(10,224,979)
Deficit	3,758,322	2,484,248	4,061,306	609,525	585,442
Experience adjustments					
Actuarial loss / (gain) on obligation	290,161	(252,831)	126,061	(808,774)	(233,910)
Actuarial (loss) / gain on assets	(692,334)	(293,441)	(172,674)	(207,830)	104,393

8.3.9 The estimated contribution to the fund for the year ended December 31, 2016 is Rs.3.050 million.

## 8.3.10 Sensitivity analysis

	Change in assumption	Impact on Defined Benefit Obligation	
		Increase in assumption	Decrease in assumption
Discount rate	1%	(2,910,778)	3,508,803
Salary increase rate	1%	2,396,672	(2,095,288)
	Change in assumption	Impact in percentage on Defined Benefit Obligation	
		Increase in assumption	Decrease in assumption
Discount rate	1%	(13.06%)	15.74%
Salary increase rate	1%	10.75%	(9.40%)
Weighted Average Duration (Years)		16.35	

8.4 This represents amount withheld from employees' salary against motor vehicle installments.

8.5 This includes an amount of Rs.2.5 million (December 31, 2014: Rs.2.5 million) claim received from a life insurance company against death of an employee.

## 9. CONTINGENCIES AND COMMITMENTS

### 9.1 Contingencies

During the year, the Company received orders under section 122(5A) passed by the Additional Commissioner Inland Revenue for the Tax Years 2009 to 2013 wherein prior year assessments were revised by treating dividend income as single basket income and taxing it at 35% instead of fixed rate of 10% resulting in aggregate demand of Rs.22.6 million. The Company had filed appeals against the said orders with CIT (Appeals) that was rejected by the CIT Appeals through a combined order for five years. Thereafter, the Company filed an appeal against the order of CIT (Appeal) with Inland Revenue Appellate Tribunal which is pending adjudication.

The Company, based on its tax advisor opinion, is confident that the ultimate outcome of the appeal will be in its favor. Hence, no provision for the said demand has been made in these financial statements.



		2015	2014
	Note	----- (Rupees) -----	
<b>9.2 Commitments</b>			
Capital work-in-progress			
Software development		-	750,000
		-	750,000
<b>10. CASH AND BANK DEPOSITS</b>			
<b>Cash and other equivalents</b>			
Cash		188,027	190,164
Policy stamps and bond papers in hand		825,202	458,535
		1,013,229	648,699
<b>Current and other accounts</b>			
Current accounts	10.1	24,338,940	2,443,557
PLS saving accounts	10.2	148,099,247	242,112,660
		172,438,187	244,556,217
		173,451,416	245,204,916

**10.1** This includes lien on a local currency account, amounting to Rs.0.7 million (December 31, 2014: Rs.0.7 million) in respect of letters of credit arranged through a bank for securing claims arising outside Pakistan.

**10.2** The rate of return on PLS saving accounts maintained at various banks range from 5% to 8% per annum (December 31, 2014: 6.5% to 8.5% per annum).

		2015	2014
	Note	----- (Rupees) -----	
<b>11. INVESTMENTS</b>			
<b>In related parties</b>			
Investment in associates under equity accounting	11.1	40,568,071	47,145,152
Available-for-sale - quoted mutual funds	11.2	606,655,814	640,205,461
		647,223,885	687,350,613
<b>Others</b>			
<b>Investments at fair value through profit or loss - held-for-trading</b>			
Quoted shares		132,284,225	-
<b>Held to maturity</b>			
Government securities	11.3	50,797,539	50,531,154
Term finance certificates - quoted	11.4	-	-
		50,797,539	50,531,154
<b>Available-for-sale</b>			
Quoted equity securities and mutual funds	11.5	902,678,035	360,357,437
		1,732,983,684	1,098,239,204

# Notes to the Financial Statements

For the year ended December 31, 2015

## 11.1 Investment in associates - equity accounting

### 11.1.1 Particulars of investment in associates - listed

Number of shares		Face value per share (Rupees)	Name of associates	2015	2014
2015	2014			----- (Rupees) -----	
629,495	629,495	10	Century Paper & Board Mills Limited	28,192,328	29,731,877
66,528	66,528	10	Clover (Pakistan) Limited	4,131,390	9,540,115
17,639	17,639	10	Colgate-Palmolive (Pakistan) Limited	8,244,353	7,873,160
				<b>40,568,071</b>	<b>47,145,152</b>

Beginning of the year	Share of profit / (loss)	Dividend received	Share in equity	Impairment	2015	2014
----- (Rupees) -----						

### 11.1.2 Movement of investment in associates - listed

Century Paper & Board Mills Limited	29,731,877	(1,451,576)	-	(87,973)	-	28,192,328	29,731,877
Clover (Pakistan) Limited	9,540,115	147,931	(166,320)	(56,289)	(5,334,047)	4,131,390	9,540,115
Colgate Palmolive (Pakistan) Limited	7,873,160	831,769	(440,975)	(19,601)	-	8,244,353	7,873,160
	<b>47,145,152</b>	<b>(471,876)</b>	<b>(607,295)</b>	<b>(163,863)</b>	<b>(5,334,047)</b>	<b>40,568,071</b>	<b>47,145,152</b>

### 11.1.3 Latest available interim financial information of the associates of the Company is as follows:

Name of associates	Country of incorporation / listing	Total assets*	Total liabilities*	Net assets*	Revenues*	Profit / (loss) after tax	Interest held %
----- (Rupees in 000) -----							
<b>2015</b>							
Century Paper & Board Mills Limited	Pakistan	14,941,557	9,425,524	5,516,033	3,056,005	(339,015)	0.43
Clover (Pakistan) Limited	Pakistan	744,141	5,201	738,940	10,875	20,979	0.71
Colgate Palmolive (Pakistan) Limited	Pakistan	11,738,255	3,190,107	8,548,148	6,062,250	2,261,321	0.04
		<b>27,423,953</b>	<b>12,620,832</b>	<b>14,803,121</b>	<b>9,129,130</b>	<b>1,943,285</b>	
<b>2014</b>							
Century Paper & Board Mills Limited	Pakistan	14,248,660	8,437,053	5,811,607	3,489,657	129,268	0.43
Clover (Pakistan) Limited	Pakistan	859,849	6,534	853,315	10,162	44,930	0.71
Colgate Palmolive (Pakistan) Limited	Pakistan	10,391,923	2,852,935	7,538,988	6,152,133	1,934,004	0.04
		<b>25,500,432</b>	<b>11,296,522</b>	<b>14,203,910</b>	<b>9,651,952</b>	<b>2,108,202</b>	

\* These represent amounts reported in financial statements for the nine months ended September 30, 2015.

### 11.1.4 Market value of investment in associates is Rs.61.932 million (December 31, 2014: Rs.78.943 million).

## 11.2 Available-for-sale - quoted mutual funds

### 11.2.1 Related parties

Number of units		Face value per unit (Rupees)	Name of entity	2015	2014
2015	2014			----- (Rupees) -----	
Open-end mutual funds					
1,692,930	612,768	100	Lakson Income Fund	175,000,000	53,684,046
749,097	595,090	100	Lakson Money Market Fund	75,000,000	53,397,799
3,482,756	4,659,530	100	Lakson Equity Fund	356,655,814	481,674,468
-	11,875	100	Lakson Asset Allocation Emerging Market Fund	-	1,201,778
-	511,002	100	Lakson Asset Allocation Developed Market Fund	-	50,247,370
				<b>606,655,814</b>	<b>640,205,461</b>

11.2.2 Market value of investment in related parties classified as available-for-sale is Rs.614.022 million (December 31, 2014: Rs.779.616 million).

## 11.3 Held to maturity - amortised cost

### 11.3.1 Government securities

Number of certificates		Face value per certificate (Rupees)	Particulars	Coupon rate	Profit payment	Maturity date	2015	2014
2015	2014						----- (Rupees) -----	
1	1	25,000,000	Pakistan Investment Bond * (10 years)	12.00%	Semi annually	August 30, 2018	25,432,307	25,257,784
1	1	25,000,000	Pakistan Investment Bond * (10 years)	12.00%	Semi annually	July 19, 2022	25,365,232	25,273,370
							<b>50,797,539</b>	<b>50,531,154</b>

\* These securities are placed with State Bank of Pakistan as statutory deposit in accordance with the requirement of clause (a) of sub section 2 of section 29 of the Insurance Ordinance, 2000.

11.3.2 Market value of Pakistan Investment Bonds is Rs.56.657 million (December 31, 2014: Rs.53.715 million).

## 11.4 Term finance certificates - quoted - held to maturity

Number of certificates		Face value per certificate (Rupees)	Name of investee	Profit rate (note 11.4.1)	Maturity date	2015	2014
2015	2014					----- (Rupees) -----	
200	200	5,000	Telecard Limited	Base rate plus 3.75% per annum *	May 27, 2011	311,265	317,515
						311,265	317,515
Less: Provision for impairment						(311,265)	(317,515)
						-	-

\* Base rate is defined as six months KIBOR

11.4.1 Profit on these term finance certificates is received on semi-annual basis.

11.4.2 Market value of quoted term finance certificates is not available (December 31, 2014: Rs.Nil) as the same is classified in non performing category by Mutual Funds Association of Pakistan as at December 31, 2015.

# Notes to the Financial Statements

For the year ended December 31, 2015

	Note	2015 ----- (Rupees) -----	2014 -----
<b>11.5 Available-for-sale - quoted investments</b>			
Cost	11.5.1	904,448,220	403,416,902
Provision for impairment - net of reversals	11.5.2	(1,770,185)	(43,059,465)
		<u>902,678,035</u>	<u>360,357,437</u>
<b>11.5.1</b> Market value of quoted available-for-sale investments is Rs.896.880 million (December 31, 2014: Rs.784.146 million).			
	Note	2015 ----- (Rupees) -----	2014 -----
<b>11.5.2 Provision for impairment - net of reversals</b>			
Opening provision		43,059,465	43,059,465
Realised on disposal		(41,289,280)	-
Charge for the year		-	-
Closing provision		<u>1,770,185</u>	<u>43,059,465</u>
<b>12. DEFERRED TAXATION</b>			
Deferred tax debits / (credits) arising in respect of:			
Accelerated depreciation on operating fixed assets		(1,352,296)	(1,189,103)
Provision for claims incurred but not reported (IBNR)		6,954,098	1,569,578
Provision for compensated absences		1,323,626	1,197,939
Share of profit from associates		(194,032)	(279,529)
Provision against receivables		2,788,810	2,823,331
		<u>9,520,206</u>	<u>4,122,216</u>
<b>13. PREMIUMS DUE BUT UNPAID</b>			
Unsecured			
Considered good	13.1	266,758,993	135,850,416
Considered doubtful		7,898,928	7,739,445
		<u>274,657,921</u>	<u>143,589,861</u>
Provision for doubtful balances	13.2	(7,898,928)	(7,739,445)
		<u>266,758,993</u>	<u>135,850,416</u>
<b>13.1</b> This includes a sum of Rs.58.502 million (December 31, 2014: Rs.53.968 million) due from related parties.			
<b>13.2 Provision for doubtful balances</b>		2015 ----- (Rupees) -----	2014 -----
Opening balance		7,739,445	6,556,972
Provision made during the year		312,369	1,380,213
Recoveries during the year		(152,886)	(197,740)
		<u>159,483</u>	<u>1,182,473</u>
Closing balance		<u>7,898,928</u>	<u>7,739,445</u>

	2015	2014
	----- (Rupees) -----	
<b>14. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS</b>		
Unsecured		
Considered good		
Foreign reinsurers	4,891,312	5,536,525
Local reinsurers	46,098,265	2,875,313
Co-insurers	46,202,013	54,972,542
	<u>97,191,590</u>	<u>63,384,380</u>
Provision for doubtful balances	(816,102)	(816,102)
	<u>96,375,488</u>	<u>62,568,278</u>
<b>15. ACCRUED INVESTMENT INCOME</b>		
Dividend income on equity securities	-	299,863
	<u>-</u>	<u>299,863</u>
<b>16. REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS</b>		
These are unsecured and considered good.		
<b>17. TAXATION - NET</b>		
Advance tax including tax deducted at source	30,718,767	20,392,574
Provision for taxation	(16,340,631)	(16,681,057)
	<u>14,378,136</u>	<u>3,711,517</u>
<b>17.1</b>	The Company has filed returns upto tax year 2015. The returns filed for tax years upto 2015 are deemed to be assessed under the provisions of section 120 of the Income Tax Ordinance, 2001 unless any amendments have been made by the tax authorities.	
<b>18. PREPAYMENTS</b>	2015	2014
	----- (Rupees) -----	
Prepaid reinsurance premium ceded	153,934,210	132,299,720
Others	2,800,581	2,966,882
	<u>156,734,791</u>	<u>135,266,602</u>
<b>19. SUNDRY RECEIVABLES</b>		
Profit on bank deposits - savings accounts	1,040,362	742,708
Security deposits	5,782,667	4,478,569
Advance to employees	2,413,674	2,104,404
Advance against expenses	1,460,000	74,000
Others	918,403	207,687
	<u>11,615,106</u>	<u>7,607,368</u>

# Notes to the Financial Statements

For the year ended December 31, 2015

## 20. FIXED ASSETS

### 20.1 Tangible assets

	December 31, 2015									
	Cost			Depreciation			Written down value as at December 31, 2015	Depreciation rate %		
	As at January 01 2015	Additions	(Disposals)	As at December 31, 2015	As at January 01 2015	For the year			(Disposals)	As at December 31, 2015
	(Rupees)									
Office improvement	17,810,600	1,258,293	598,450	18,470,443	12,521,829	1,039,628	464,789	13,096,668	5,373,775	10
Furniture and fixtures	11,826,298	1,243,039	192,060	12,877,277	6,467,501	929,644	156,541	7,240,604	5,636,673	10
Office equipment	9,587,937	2,832,315	1,451,810	10,968,442	6,423,857	1,231,451	1,378,946	6,276,362	4,692,080	10 - 33
Computer and related accessories	7,698,704	721,090	1,020,811	7,398,983	6,780,312	721,299	1,020,408	6,481,203	917,780	33
Motor vehicles	51,615,644	6,149,863	5,705,046	52,060,461	18,716,368	4,964,457	3,379,592	20,301,233	31,759,228	20
	<b>98,539,183</b>	<b>12,204,600</b>	<b>8,968,177</b>	<b>101,775,606</b>	<b>50,909,867</b>	<b>8,886,479</b>	<b>6,400,276</b>	<b>53,396,070</b>	<b>48,379,536</b>	

	December 31, 2014									
	Cost			Depreciation			Written down value as at December 31, 2014	Depreciation rate %		
	As at January 01 2014	Additions	(Disposals)	As at December 31, 2014	As at January 01 2014	For the year			(Disposals)	As at December 31, 2014
	(Rupees)									
Office improvement	16,458,000	1,574,800	222,200	17,810,600	11,668,714	1,010,518	157,403	12,521,829	5,288,771	10
Furniture and fixtures	9,864,165	2,179,840	217,707	11,826,298	5,785,167	849,211	166,877	6,467,501	5,358,797	10
Office equipment	9,291,038	807,794	510,895	9,587,937	5,419,989	1,434,468	430,600	6,423,857	3,164,080	10 - 33
Computer and related accessories	7,498,166	547,733	347,195	7,698,704	6,444,264	682,706	346,658	6,780,312	918,392	33
Motor vehicles	49,048,174	10,381,500	7,814,030	51,615,644	17,601,975	4,724,785	3,610,392	18,716,368	32,899,276	20
	<b>92,159,543</b>	<b>15,491,667</b>	<b>9,112,027</b>	<b>98,539,183</b>	<b>46,920,109</b>	<b>8,701,688</b>	<b>4,711,930</b>	<b>50,909,867</b>	<b>47,629,316</b>	

### 20.2 Depreciation charge for the year has been allocated as follows:

	Note	2015 ----- (Rupees) -----	2014 -----
Management expenses	22	4,709,834	4,611,895
General and administration expenses	25	4,176,645	4,089,793
		<b>8,886,479</b>	<b>8,701,688</b>
Advance against purchase of vehicles		6,160,500	-
Advance against software development		-	750,000
		<b>6,160,500</b>	<b>750,000</b>

### 20.3 Capital work-in-progress

Advance against purchase of vehicles  
Advance against software development

## 20.4 Intangible assets

	Cost				Amortisation				Written down value as at December 31, 2015	Amortisation rate %
	As at January 01 2015	Additions	(Disposals/ Written off)	As at December 31, 2015	As at January 01 2015	For the year	(Disposals/ Written off)	As at December 31, 2015		
	----- (Rupees) -----									
Computer software	5,124,839	1,842,500	10,502	6,956,837	5,124,823	184,652	10,501	5,298,974	1,657,863	33
2014	5,124,839	-	-	5,124,839	5,124,823	-	-	5,124,823	16	33

## 20.5 Amortisation charge for the year has been allocated as follows:

	Note	2015	2014
		----- (Rupees) -----	
Management expenses	22	97,866	-
General and administration expenses	25	86,786	-
		<b>184,652</b>	-

## 20.6 Disposal of tangible assets

	Cost	Accumulated depreciation	Book value	Sale proceeds	Net gain / (loss) (note 24)	Mode of disposal	Sold to
	----- (Rupees) -----						
Office improvement	598,450	464,788	133,662	10,002	(123,660)	Negotiation	M/s. Neelam Ghar
Furniture and fixtures	115,560	79,691	35,869	5,915	(29,954)	Negotiation	M/s. Neelam Ghar
Furniture and fixtures	76,500	74,936	1,564	2,000	436	Negotiation	Various
Office equipment	181,500	165,220	16,280	17,000	720	Insurance claim	M/s. Premier Insurance Limited
Office equipment	403,013	402,998	15	13,684	13,669	Negotiation	Various
Office equipment	638,800	636,066	2,734	72,000	69,266	Negotiation	M/s. Ahmed Engineering
Office equipment	100,497	95,469	5,028	54,000	48,972	Negotiation	M/s. Technology Trading
Office equipment	47,000	34,466	12,534	10,000	(2,534)	Negotiation	M/s. Al-Rehman Traders
Office equipment	46,000	8,944	37,056	35,000	(2,056)	Insurance claim	M/s. EFU General Insurance Limited
Office equipment	35,000	34,999	1	10,000	9,999	Negotiation	Mr. Muhammad Nasir Khan, Karachi
Computer and related accessories	362,639	362,256	383	26,750	26,367	Negotiation	M/s. Star Com
Computer and related accessories	658,172	658,151	21	136,500	136,479	Insurance claim	M/s. Premier Insurance Limited
Motor vehicle	485,000	326,075	158,925	158,925	-	As per company policy	Mr. S. Muhammad Humayun - employee (executive)
Motor vehicle	560,000	201,600	358,400	400,000	41,600	Negotiation	Mr. Laique Ahmed, Karachi
Motor vehicle	560,000	160,000	400,000	435,000	35,000	Negotiation	Mr. Laique Ahmed, Karachi
Motor vehicle	1,414,000	991,620	422,380	422,380	-	As per company policy	Mr. Altaf Ahmed Siddiqui - ex.employee (executive)
Motor vehicle	500,000	336,160	163,840	163,840	-	As per company policy	Mr. Mushtaq Ali Lalani - employee (executive)
Motor vehicle	500,000	336,160	163,840	163,840	-	As per company policy	Mr. Asif Mehmood - employee (executive)
Motor vehicle	68,400	45,987	22,413	22,413	-	As per company policy	Mr. Shakir Ali - employee (executive)
Motor vehicle	887,500	535,198	352,302	832,302	480,000	Negotiation	Mr. M. Nadeem Farooqi, Karachi
Motor vehicle	69,500	45,956	23,544	30,554	7,010	As per company policy	Mr. Omer Abdullah - employee
Motor vehicle	46,500	29,369	17,131	12,000	(5,131)	Negotiation	Mr. Muhammad Faseh, Karachi
Motor vehicle	47,000	22,201	24,799	8,173	(16,626)	Negotiation	Mr. Muhammad Ali - employee
Motor vehicle	41,450	27,762	13,688	12,000	(1,688)	Negotiation	Mr. Shareef, Karachi
Motor vehicle	41,296	26,707	14,589	10,000	(4,589)	Negotiation	Mr. M. Ilyas Suleman - employee
Motor vehicle	68,000	53,000	15,000	15,750	750	Negotiation	Mr. Iqbal Raza - employee
Motor vehicle	76,000	36,619	39,381	18,750	(20,631)	As per company policy	Mr. Riaz Husain - employee
Motor vehicle	69,500	53,245	16,255	12,000	(4,255)	Negotiation	Mr. Iftikhar Ahmed - employee
Motor vehicle	87,400	37,407	49,993	24,000	(25,993)	Negotiation	Mr. Hashmat, Karachi
Motor vehicle	68,400	45,987	22,413	12,000	(10,413)	Negotiation	Mr. Hashmat, Karachi
Motor vehicle	68,400	46,010	22,390	12,000	(10,390)	Negotiation	Mr. Kashif Ozair Khan - employee
Motor vehicle	46,700	25,228	21,472	25,000	3,528	Insurance claim	M/s. EFU General Insurance Limited
	<b>8,968,177</b>	<b>6,400,276</b>	<b>2,567,902</b>	<b>3,183,778</b>	<b>615,876</b>		



# Notes to the Financial Statements

For the year ended December 31, 2015

## 21. NET PREMIUM REVENUE - ADMINISTRATIVE SURCHARGE

Premium written and net premium revenue include administrative surcharge, class wise details of which are given below:

	Note	2015 ----- (Rupees) -----	2014 -----
Fire and property damage		1,493,104	1,226,654
Marine, aviation and transport		4,244,073	3,727,436
Motor		4,016,040	2,985,310
Health		122,923	98,220
Miscellaneous		1,047,744	990,727
		<u>10,923,884</u>	<u>9,028,347</u>

## 22. MANAGEMENT EXPENSES

Salaries, wages and benefits	22.1	76,387,631	65,453,755
Rent, taxes and electricity		8,873,249	10,004,426
Communications		3,045,364	2,897,203
Printing and stationery		2,638,641	1,900,017
Travelling and entertainment		2,174,365	2,625,165
Repairs and maintenance		1,870,391	1,816,491
Advertisement and sales promotion		1,789,909	1,174,592
Depreciation	20.2	4,709,834	4,611,895
Amortisation	20.5	97,866	-
Legal and professional charges		788,179	318,881
Workers' welfare fund		7,022,605	1,713,891
Provision against premium due but unpaid - net		159,483	1,182,473
Service charges	22.2	2,451,157	3,300,486
		<u>112,008,675</u>	<u>96,999,275</u>

22.1 These include Rs.2.413 million (December 31, 2014: Rs.2.005 million) in respect of employees' provident fund and Rs.1.174 million (December 31, 2014: Rs.1.295 million) in respect of defined benefit plan. For details of the provident fund, refer note 25.2.

22.2 These represents service charges charged @ 2.5% in respect of co-insurance recoveries.

	Commissions received or receivable	Opening commission unearned	Closing commission unearned	Commissions from reinsurers
	----- (Rupees) -----			

## 23. COMMISSION FROM REINSURERS

Fire and property damage	81,427,003	28,251,916	33,012,839	76,666,080
Marine, aviation and transport	25,247,681	2,366,442	1,830,563	25,783,560
Motor	219,709	197,719	140,723	276,705
Health	-	-	-	-
Miscellaneous	12,155,415	4,508,530	5,680,529	10,983,416
	<u>119,049,808</u>	<u>35,324,607</u>	<u>40,664,654</u>	<u>113,709,761</u>

24. OTHER INCOME - NET	Note	2015	2014
		----- (Rupees) -----	
<b>Income from financial assets</b>			
Profit on bank deposits - Savings accounts		7,269,868	5,113,462
Exchange loss		(57,015)	(5,200)
		<b>7,212,853</b>	<b>5,108,262</b>
<b>Income from non-financial assets</b>			
Gain on sale of fixed assets - net	20.6	615,876	686,339
Others	24.1	120,000	90,000
		<b>735,876</b>	<b>776,339</b>
		<b>7,948,729</b>	<b>5,884,601</b>

24.1 These represent service charges from a related party for keeping promotional materials in the Company's branches located outside Karachi.

25. GENERAL AND ADMINISTRATION EXPENSES	Note	2015	2014
		----- (Rupees) -----	
Salaries, wages and benefits	25.1	67,739,975	58,043,896
Rent, taxes and utilities		7,820,880	8,904,109
Fees and subscription		3,990,112	2,576,968
Communications		2,369,629	2,187,309
Printing and stationery		2,638,641	1,900,017
Travelling and entertainment		2,884,204	2,972,019
Depreciation	20.2	4,176,645	4,089,793
Amortisation	20.5	86,786	-
Repairs and maintenance		1,658,649	1,610,850
Legal and professional		2,599,078	1,494,129
Auditors' remuneration	25.5	1,114,127	841,343
Advertisement and sales promotion		4,284,380	3,776,334
Insurance		3,846,910	3,359,939
Bank charges		312,799	276,148
Donation	25.6	910,000	-
Workers' welfare fund		6,227,593	1,519,865
Security charges		3,029,688	2,525,532
Other expenses		158,706	200,417
		<b>115,848,802</b>	<b>96,278,668</b>

25.1 These include Rs.2.140 million (December 31, 2014: Rs.1.778 million) in respect of employees' provident fund and Rs.1.305 million (December 31, 2014: Rs.1.149 million) in respect of defined benefit plan. For details of the provident fund, refer note 25.2.

# Notes to the Financial Statements

For the year ended December 31, 2015

## 25.2 Provident Fund (the Fund) Disclosures

The following information is based on the latest un-audited financial statements of the Fund:

	Note	Unaudited 2015 ----- (Rupees) -----	Audited 2014 -----
Size of the Fund - total assets	25.3	33,181,291	36,763,993
Cost of investment made		27,495,021	33,239,749
Fair value of investments		29,677,886	34,853,831
Percentage of investment made		83%	90%

## 25.3 The break-up of fair value of investments is:

	Unaudited 2015		Audited 2014	
	-- (Rupees) --	Percent	-- (Rupees) --	Percent
Bank balances	3,503,405	10.56%	1,910,162	5.20%
Government securities	27,949,013	84.23%	30,372,926	82.62%
Mutual funds	1,728,873	5.21%	4,480,905	12.19%
	33,181,291	100.00%	36,763,993	100.00%

25.4 The investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

## 25.5 Auditors' remuneration

	2015 ----- (Rupees) -----	2014 -----
Audit fee	305,000	280,000
Interim review	165,000	150,000
Special reports and other certifications	475,500	280,000
	945,500	710,000
Sindh sales tax	56,730	35,500
Out of pocket expenses	111,897	95,843
	1,114,127	841,343

25.6 This includes sum of Rs.0.4 million (December 31, 2014: Nil) in respect of related party.

## 26. TAXATION - NET

Current	15,506,516	12,702,994
Prior	834,115	3,978,063
Deferred	(5,393,625)	(598,504)
	10,947,006	16,082,553

	2015	2014
	----- (Rupees) -----	
<b>26.1 Relationship between tax expense and accounting profit</b>		
Profit for the year before taxation	<b>649,259,759</b>	158,454,052
Tax at the applicable rate of 32% (December 31, 2014: 33%)	<b>207,763,123</b>	52,289,837
Tax effect of expenses that are not allowable in determining taxable income	<b>4,751,776</b>	2,502,094
Tax effect of capital gains	<b>(199,788,648)</b>	(39,262,158)
Tax effect of income subject to lower rates	<b>(2,693,015)</b>	(892,736)
Others	<b>79,655</b>	(2,532,547)
Prior year charge	<b>834,115</b>	3,978,063
	<b>10,947,006</b>	16,082,553

## 27. EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares as at the year end as follows:

	2015	2014
	----- (Rupees) -----	
Profit after tax for the year	<b>638,312,753</b>	142,371,499
	--- (Number of shares) ---	
Weighted average number of shares of Rs.10 each	<b>45,724,366</b>	45,724,366
	----- (Rupees) -----	
Basic earnings per share of Rs.10 each	<b>13.96</b>	3.11

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.

## 28. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount including all benefits, to the Chief Executive and Executives of the Company are as follows:

	Chief Executive		Executives		Total	
	2015	2014	2015	2014	2015	2014
	----- (Rupees) -----					
Managerial remuneration	<b>6,419,808</b>	5,800,452	<b>33,125,256</b>	25,962,037	<b>39,545,064</b>	31,762,489
Bonus	<b>1,553,814</b>	1,392,527	<b>7,405,568</b>	6,109,582	<b>8,959,382</b>	7,502,109
Retirement benefits	<b>642,552</b>	580,620	<b>2,187,615</b>	1,563,223	<b>2,830,167</b>	2,143,843
House rent	<b>2,888,916</b>	2,610,204	<b>14,907,548</b>	11,684,748	<b>17,796,464</b>	14,294,952
Others	<b>651,276</b>	589,344	<b>5,942,924</b>	3,657,692	<b>6,594,200</b>	4,247,036
	<b>12,156,366</b>	10,973,147	<b>63,568,911</b>	48,977,282	<b>75,725,277</b>	59,950,429
Number of persons	<b>1</b>	1	<b>34</b>	25	<b>35</b>	26

**28.1** Aggregate amount charged in these financial statements in respect of Director's fee for attending Board and Audit Committee meetings amounted to Rs.100,000 (December 31, 2014: Rs.Nil) and Rs.200,000 (December 31, 2014: Rs.Nil) respectively.

**28.2** In addition, some of the executives are provided with free use of Company maintained cars.

# Notes to the Financial Statements

For the year ended December 31, 2015

## 29. RELATED PARTY TRANSACTIONS

Related parties comprise of group companies; directors and their close family members; staff retirement funds; key management personnel and major shareholders of the Company. The associated companies are associated either based on holding in equity or due to the same management and / or common directors. All transactions involving related parties arising in the normal course of business are conducted at agreed terms and conditions. Transactions with the key management personnel are made under their terms of employment / entitlements. Contributions to the employee retirement benefits are made in accordance with the terms of employee retirement benefit schemes.

Balances, including investments in associates, are disclosed in relevant notes to these financial statements. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Name of related party	Premiums written	Commission paid and due	Claims paid	Investment in mutual funds	Sales of units of mutual funds	Dividend received	Dividend paid	Purchase of equipment	Donation paid	Expenses	Retirement Fund
----- (Rupees) -----											
<b>Associated companies / undertaking</b>											
Accuray Surgical Limited	1,573,793	121,604	161,703	-	-	-	-	-	-	-	-
Alan (Pvt) Limited	245,652	24,565	-	-	-	-	-	-	-	-	-
Anchor Commodities (Private) Limited	1,691,207	163,822	439,322	-	-	-	-	-	-	-	-
Baluchistan Polyproducts (Private) Limited	467,520	61,680	-	-	-	-	-	-	-	-	-
Century Paper & Board Mills Limited	106,915,965	10,993,868	10,786,663	-	-	-	-	-	-	2,408,569	-
Clover Pakistan Limited	171,389	6,122	11,993	-	-	166,320	-	-	-	-	-
Colgate Palmolive (Pakistan) Limited	128,792,755	18,233,874	12,937,725	-	-	440,975	-	-	-	-	-
Cyber Internet Services (Private) Limited	21,948,669	1,017,433	10,985,565	-	-	-	-	-	-	342,648	-
ICE Animations (Private) Limited	1,643,428	66,682	1,602,818	-	-	-	-	-	-	-	-
GAM Corporation (Private) Limited	18,551,892	1,389,134	3,209,679	-	-	-	-	-	-	-	-
Hasanali and Gulbanoo Lakhani Foundation	1,791,886	133,852	418,423	-	-	-	-	-	-	824,489	-
Lakson Business Solution Limited	594,556	11,903	130,556	-	-	-	-	-	-	1,386,970	-
Lakson Investments Limited	2,320,436	10,908	911,628	-	-	-	-	-	-	1,523,252	-
Lakson Income Fund	-	-	-	175,000,000	68,798,781	-	-	-	-	-	-
Lakson Money Market Fund	-	-	-	75,000,000	64,313,927	-	-	-	-	-	-
Lakson Equity Fund	-	-	-	775,300,000	1,037,586,308	-	-	-	-	-	-
Lakson Asset Allocation Emerging Market Fund	-	-	-	-	1,298,470	-	-	-	-	-	-
Lakson Asset Allocation Developed Market Fund	-	-	-	-	58,488,813	-	-	-	-	-	-
Merit Packaging Limited	8,248,762	1,146,320	106,225,254	-	-	-	-	-	-	-	-
Premier Fashions (Private) Limited	16,652	2,498	-	-	-	-	19,861,191	-	-	-	-
Princeton Travels (Private) Limited	964,670	64,877	111,388	-	-	-	-	-	-	844,758	-
Reliance Chemicals (Private) Limited	100,525	15,079	-	-	-	-	-	-	-	-	-
Siza (Private) Limited	805,128	18,411	53,239	-	-	-	6,808,778	-	-	2,480,520	-
Siza Commodities (Private) Limited	74,913	75	1,710	-	-	-	9,760,038	-	-	-	-
Siza Foods (Private) Limited	15,611,185	1,188,386	6,316,986	-	-	-	-	-	-	10,000	-
Sybird (Private) Limited	9,510,978	117,592	6,261,458	-	-	-	-	816,470	-	-	-
Siza Services (Private) Limited	2,723,531	259,749	398,017	-	-	-	16,162,011	-	-	6,984,015	-
Tetley Clover (Private) Limited	2,608,582	98,020	304,519	-	-	-	-	-	-	49,200	-
<b>Others</b>											
Express Publication (Private) Limited	7,235,578	815,275	163,838	-	-	-	-	-	-	646,896	-
I & R Trust	2,837	284	-	-	-	-	-	-	-	-	-
Matrix Press (Private) Limited	4,552,008	2,453	2,115,169	-	-	-	-	-	-	-	-
Misha Fashion (Pvt) Limited	117,607	4,742	-	-	-	-	-	-	-	-	-
Printek (Private) Limited	4,875,655	640	3,806,331	-	-	-	-	-	-	-	-
Television Media Network (Private) Limited	15,361,828	1,243,476	4,184,129	-	-	-	-	-	-	-	-
The Aga Khan Hospital and Medical College Foundation	-	-	-	-	-	-	-	-	400,000	-	-
<b>Key management personnel</b>											
	490,513	14,209	96,000	-	-	-	60,508	-	-	-	-
<b>Retirement benefit plans</b>											
Contribution to staff provident fund	-	-	-	-	-	-	-	-	-	-	4,553,653
Contribution to staff gratuity fund	-	-	-	-	-	-	-	-	-	-	2,775,826
<b>December 31, 2015</b>	<b>360,010,100</b>	<b>37,227,533</b>	<b>171,634,113</b>	<b>1,025,300,000</b>	<b>1,230,486,299</b>	<b>607,295</b>	<b>52,652,526</b>	<b>816,470</b>	<b>400,000</b>	<b>17,501,317</b>	<b>7,329,479</b>
December 31, 2014	329,038,819	35,765,599	49,379,232	-	-	1,197,991	52,651,028	-	-	20,287,673	6,226,153

### 30. SEGMENT INFORMATION

Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirement of Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The following table presents information regarding segment assets, liabilities as at December 31, 2015 and December 31, 2014, allocated and unallocated capital expenditures and non-cash expenses during the year:

	Fire		Marine		Motor		Health		Miscellaneous		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
(Rupees)												
Segment assets												
Segment assets	162,273,577	131,051,383	12,399,347	19,929,705	10,039,078	10,310,813	2,766,122	945,368	56,721,490	53,556,745	244,199,614	215,794,014
Unallocated corporate assets											2,416,158,856	1,660,928,411
Total assets											2,660,358,470	1,876,722,425
Segment liabilities												
Segment liabilities	185,960,640	150,488,599	25,963,680	35,562,443	109,702,087	85,733,141	188,006,176	59,616,380	76,332,263	73,801,489	585,964,846	405,202,052
Unallocated corporate liabilities											320,503,133	286,209,494
Total liabilities											906,467,979	691,411,546
Capital expenditure												
Capital expenditure	114,000	709,800	181,600	96,400	27,500	883,100	216,000	513,813	-	-	539,100	2,203,113
Unallocated capital expenditure											13,508,000	13,288,554
Total capital expenditure											14,047,100	15,491,667
Depreciation and amortisation	1,400,695	1,663,301	716,050	862,635	915,775	955,844	1,446,841	719,835	328,339	410,280	4,807,700	4,611,895
Non-cash expenses other than depreciation and amortisation	46,464	426,464	23,753	221,176	30,378	245,075	47,995	184,563	10,892	105,194	159,482	1,182,472

### 31. 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.

#### 31.1 Insurance risk management

##### Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The principal risk that the Company faces under its insurance contracts is that the actual claims exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random, and the actual number and amount of claims will vary from year to year from the level established.

The Company deals in short tail insurance contracts (maximum for one year). Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

# Notes to the Financial Statements

For the year ended December 31, 2015

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

## (a) Frequency and severity of claims

Political, environmental, economical and climatic changes give rise to more frequent and severe extreme events (for example, fire, theft, steal, riot and strike, explosion, earthquake, atmospheric damage, hurricanes, typhoons, river flooding, electric fluctuation, terrorism, war risk, damages occurring in inland transit, burglary, loss of cash in safe and cash in transit, travel and personal accident, money losses, engineering losses and other events) and their consequences (for example, subsidence claims). For certain contracts, the Company has also limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year.

Insurance contracts which is divided into direct and facultative arrangements are further subdivided into five segments: fire, marine, motor, health and miscellaneous. The insurance risk arising from these contracts is concentrated in the territories in which the Company operates, and there is a balance between commercial and personal properties / assets in the overall portfolio of insured properties / assets. The Company underwrites insurance contract in Pakistan.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

- The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. The Company has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation). The claims payments are limited to the extent of sum insured on occurrence of the insured event.
- The Company has entered into reinsurance cover / arrangements, with local and foreign reinsurers having good credit rating by reputable rating agencies, to reduce its exposure to risks and resulting claims. Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional facultative reinsurance arrangements are in place to protect the net account in case of a major catastrophe. The effect of such reinsurance arrangements is that the Company recovers the share of claims from reinsurers thereby reducing its exposure to risk. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional reinsurance arrangements, any loss over and above the said limit would be recovered under non-proportional treaty which is very much in line with the risk management philosophy of the Company.

In compliance of the regulatory requirement, the reinsurance agreements are duly submitted with Securities and Exchange Commission of Pakistan (SECP) on an annual basis.

- The Company has claims department dealing with the mitigation of risks surrounding claims incurred whether reported or not. This department investigates and settles all claims based on surveyor's report / assessment. The unsettled claims are reviewed individually at least semi-annually and adjusted to reflect the latest information on the underlying facts, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

## (b) Sources of uncertainty in the estimation of future claim payments

Claims reported and otherwise are analysed separately. The development of large losses / catastrophes is analysed separately. The shorter settlement period for claims allows the Company to achieve a higher degree of certainty about the estimated cost of claims including IBNR. However, the longer time needed to assess the emergence of a subsidence claim makes the estimation process more uncertain for these claims.



The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value, reinsurance and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome may be different from the original liability established. The liability comprises amount in relations to unpaid reported claims, claims incurred but not reported (IBNR), expected claims settlement costs and a provision for unexpired risks at the end of the reporting period.

Liability in respect of outstanding claims is based on the best estimate of the claims intimated or assessed. In calculating the estimated costs of unpaid claims (both reported and non reported), the Company estimation technique is based upon actual claims experience using predetermined basis where greater weight is given to actual claims experience as time passes.

In estimating the liability for the costs of reported claims not yet paid, the Company considers any information available from surveyor's assessment and information on the cost of settling claims with similar characteristics in previous periods. Claims are assessed on a case-by-case basis separately.

**(c) Process used to decide on assumptions**

The risks associated with insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. This exposure is geographically concentrated in the Pakistan only.

The Company uses assumptions based on a mixture of internal and market data to measure its related claims liabilities. Internal data is derived mostly from the Company's monthly claims reports, surveyor's report for particular claim and screening of the actual insurance contracts carried out to derive data for the contracts held. The Company has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop related provision for outstanding claims (both reported and non-reported). Generally, claims are reported to the Company within three months from the date of insured event occurred.

The choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. Through this analysis, the Company determines the need for an IBNR or an unexpired risk liability to be held at each reporting date.

**(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 analysis of exposure described in paragraph (c) above is also used to test the sensitivity of the selected assumptions to changes in the key underlying factors. Assumptions of different levels have been used to assess the relative severity of subsidence claims given past experience. The key material factor in the Company's exposure to subsidence claims is the risk of more permanent changes in geographical location in which Company is exposed.

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

As the Company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, results of sensitivity testing assuming 10% change in the claim incidence net of recoveries showing effect on underwriting results and shareholders' equity is set out below.

# Notes to the Financial Statements

For the year ended December 31, 2015

	Underwriting results		Shareholders' equity	
	2015	2014	2015	2014
	----- (Rupees) -----			
<b>10% increase in loss / decrease</b>				
Fire and property damage	(912,719)	(595,058)	(620,649)	(386,788)
Marine, aviation and transport	(744,168)	(1,880,900)	(506,034)	(1,222,585)
Motor	(7,185,571)	(7,272,790)	(4,886,188)	(4,727,314)
Health	(20,291,761)	(8,809,385)	(13,798,397)	(5,726,100)
Miscellaneous	(849,390)	(1,636,468)	(577,585)	(1,063,704)
	<b>(29,983,609)</b>	<b>(20,194,601)</b>	<b>(20,388,853)</b>	<b>(13,126,491)</b>
<b>10% decrease in loss / increase</b>				
Fire and property damage	912,719	595,058	620,649	386,788
Marine, aviation and transport	744,168	1,880,900	506,034	1,222,585
Motor	7,185,571	7,272,790	4,886,188	4,727,314
Health	20,291,761	8,809,385	13,798,397	5,726,100
Miscellaneous	849,390	1,636,468	577,585	1,063,704
	<b>29,983,609</b>	<b>20,194,601</b>	<b>20,388,853</b>	<b>13,126,491</b>

The insurance claim liabilities are sensitive to the incidence of insured events and severity / size of claims. The impact of variation in incidence of insured events on gross claim liabilities, net claim liabilities, profit before tax and equity is as follows:

Average claim cost	Change in assumption	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax	Impact on equity
		----- (Rupees in '000) -----			
<b>2015</b>	<b>+ 10%</b>	<b>48,248</b>	<b>32,355</b>	<b>31,720</b>	<b>21,570</b>
2014	+ 10%	29,222	20,333	19,934	13,356

## Concentration of insurance risk

A concentration of risk may also arise from a single insurance contract issued to a particular type of policyholder, within a geographical location or to types of commercial business. The Company minimizes its exposure to significant losses by obtaining reinsurance from a number of reinsurers, who are dispersed over several geographical regions.

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

The concentration of risk by type of contracts in aggregate is summarised below by reference to liabilities.

	Gross sum insured		Reinsurance		Net	
	2015	2014	2015	2014	2015	2014
	----- (Rupees in millions) -----					
Fire and property damage	204,574	162,457	194,450	149,957	10,124	12,500
Marine, aviation and transport	111,723	91,596	47,639	24,031	64,085	67,565
Motor	7,784	5,902	93	140	7,691	5,762
Health	462	295	-	-	462	295
Miscellaneous	14,114	11,548	11,970	9,498	2,144	2,050
	<b>338,657</b>	<b>271,798</b>	<b>254,152</b>	<b>183,626</b>	<b>84,506</b>	<b>88,172</b>

### Claims development tables

The following table shows the development of claims over a period of time on gross basis. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For each class of business the uncertainty about the amount and timings of claims payment is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at December 31, 2015.

#### Analysis on gross basis

Accident year	2013	2014	2015	Total
	----- (Rupees) -----			
Estimate of ultimate claims cost:				
At end of accident year	6,877,092	77,747,163	474,439,227	-
One year later	19,779,910	91,174,144	-	-
Two years later	40,490,385	-	-	-
Estimate of cumulative claims	40,490,385	91,174,144	474,439,227	606,103,756
Cumulative payments to date	(11,157,543)	(65,898,132)	(371,749,291)	(448,804,966)
Liability recognised in the balance sheet	29,332,842	25,276,012	102,689,936	157,298,790

## 32. 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

#### Risk management framework

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. 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. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

# Notes to the Financial Statements

For the year ended December 31, 2015

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by in-house Internal Audit function. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

## 32.1 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.

### 32.1.1 Exposure to credit risk

Credit risk of the Company arises principally from the bank balances, investments (except for investment in associates and government securities), premium due but unpaid, amount due from other insurers / reinsurers, reinsurance recoveries. To reduce the credit risk the Company has developed a formal approval process whereby credit limits are applied to its policyholders and other insurers / reinsurers. The management continuously monitors the credit exposure towards the policyholders and other insurers / reinsurers and makes provision against those balances considered doubtful of recovery.

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

	Note	2015 ----- (Rupees) -----	2014 -----
Bank balances	10	173,263,389	245,014,752
Investments	11	1,641,618,074	1,000,562,898
Premiums due but unpaid	13	266,758,993	135,850,416
Amounts due from other insurers / reinsurers	14	96,375,488	62,568,278
Accrued investment income	15	-	299,863
Reinsurance recoveries against outstanding claims	16	60,249,843	60,855,662
Sundry receivables	19	7,741,432	5,428,964
		<u>2,246,007,219</u>	<u>1,510,580,833</u>

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

	Rating		Rating agency
	Short-term	Long-term	
Habib Metropolitan Bank Limited	A1+	AA+	PACRA
NIB Bank Limited	A1+	AA-	PACRA
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA
Habib Bank Limited	A1+	AAA	JCR-VIS
United Bank Limited	A1+	AA+	JCR-VIS

## Investments

The Company is exposed to credit risk in respect of investments made in term finance certificates, quoted equity securities and mutual funds. The Company invests in term finance certificates of banks having sound credit rating by recognised credit rating agencies whereas investment in quoted securities and open end mutual funds are made which can be liquidated by selling through stock exchange and encashment of units at the counter of mutual funds.

## Premium due but unpaid

Premium due but unpaid is recoverable from group companies and corporate clients are considered good.

## Concentration of credit risk

Concentration of credit risk occurs 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. Sector-wise analysis of premium due but unpaid at the reporting date was:

	2015		2014	
	(Rupees)	%	(Rupees)	%
Miscellaneous	202,763,032	76.0%	69,888,027	51.4%
Technology and communication	29,309,578	11.0%	28,888,744	21.3%
Paper and board	19,843,194	7.4%	16,879,123	12.4%
Pharmaceutical	11,431,700	4.3%	7,314,159	5.4%
Food and allied industries	3,411,489	1.3%	5,179,268	3.8%
Textiles	-	-	7,701,095	5.7%
	<b>266,758,993</b>	<b>100%</b>	<b>135,850,416</b>	<b>100%</b>

Age analysis of premium due but unpaid at the reporting date was:

	2015		2014	
	Gross	Impairment	Gross	Impairment
----- (Rupees) -----				
Upto 1 year	261,419,619	-	130,867,360	-
1-2 years	2,533,346	-	3,572,880	-
2-3 years	2,806,028	-	1,410,176	-
Over 3 years	7,898,928	7,898,928	7,739,445	7,739,445
Total	<b>274,657,921</b>	<b>7,898,928</b>	<b>143,589,861</b>	<b>7,739,445</b>

## Amount due from other insurers / reinsurers / reinsurance recoveries against outstanding claims

The Company enters into re-insurance / co-insurance arrangements with re-insurers / other insurers having sound credit ratings accorded by reputed credit rating agencies. 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 relating to outward treaty cessions recognised by the rating of the entity from which it is due is as follows:

# Notes to the Financial Statements

For the year ended December 31, 2015

	Amount due from reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	2015	2014
	----- (Rupees) -----				
A or above (including PRCL)	4,891,312	42,611,505	83,330,077	<b>130,832,894</b>	119,158,407
BBB	-	230,150	-	<b>230,150</b>	230,150
Total	<u>4,891,312</u>	<u>42,841,655</u>	<u>83,330,077</u>	<b><u>131,063,044</u></b>	<u>119,388,557</u>

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

	2015		2014	
	Gross	Impairment	Gross	Impairment
	----- (Rupees) -----			
Upto 1 year	<b>71,960,334</b>	-	44,901,964	-
1-2 years	<b>12,931,887</b>	-	7,747,296	-
2-3 years	<b>5,401,454</b>	-	4,170,811	-
Over 3 years	<b>6,897,915</b>	<b>816,102</b>	6,564,309	816,102
Total	<b><u>97,191,590</u></b>	<b><u>816,102</u></b>	<u>63,384,380</u>	<u>816,102</u>

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

Upto 1 year	<b>23,149,620</b>	-	20,020,641	-
1-2 years	<b>6,201,419</b>	-	7,506,186	-
2-3 years	<b>3,027,589</b>	-	8,597,581	-
Over 3 years	<b>27,871,215</b>	-	24,731,254	-
Total	<b><u>60,249,843</u></b>	<u>-</u>	<u>60,855,662</u>	<u>-</u>

In respect of the aforementioned premium due but unpaid, reinsurance assets and receivables, the Company takes into account its past history / track record of recoveries and financial position of the counterparties while creating provision for impairment. The management monitors exposure to credit risk in premium receivable from customers through regular review of credit exposure and makes prudent estimates of provision for doubtful receivables whenever required. As at December 31, 2015, an amount of Rs.58.502 million (December 31, 2014: Rs.53.968 million) is receivable from related parties out of which Rs.23.063 million (December 31, 2014: Rs.13.60 million) has been received subsequently and remaining is expected to be received in unexpired period of insurance contracts. Further, reinsurance recoveries are made when corresponding liabilities are settled. The credit quality of premium receivable from co-insurer, and for commission and claim recoveries from reinsurer can be assessed from external ratings as disclosed above.

## 32.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected operational requirements. The Company also manages this risk by investing in deposit accounts that can be readily encashed.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	2015		2014	
	Carrying amount	Contractual cash flows upto one year	Carrying amount	Contractual cash flows upto one year
----- (Rupees) -----				
<b>Financial liabilities</b>				
Provision for outstanding claims	157,298,790	(157,298,790)	123,619,908	(123,619,908)
Amount due to other insurers / reinsurers	199,147,518	(199,147,518)	191,926,887	(191,926,887)
Accrued expenses	7,202,891	(7,202,891)	5,270,472	(5,270,472)
Other creditors and accruals	87,195,753	(87,195,753)	71,034,202	(71,034,202)
Unclaimed dividend	2,282,987	(2,282,987)	1,773,806	(1,773,806)
	<b>453,127,939</b>	<b>(453,127,939)</b>	<b>393,625,275</b>	<b>(393,625,275)</b>

### 32.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, equity and units prices will 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 equity / units price risk.

#### 32.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from balances held in investments and saving accounts with reputable banks. At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments are:

	2015	2014	2015	2014
	Effective interest rate (in %)		----- (Rupees) -----	
<b>Fixed rate instruments</b>				
Government securities	12% to 15%	12% to 15%	50,797,539	50,531,154
<b>Variable rate instruments</b>				
PLS savings accounts	5% to 8%	6.5% to 8.5%	148,099,247	242,112,660

#### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for 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 savings accounts and term finance certificates classified as held to maturity. In case 100 basis points (bp) increase / decrease in interest rates at year end, the net income and equity would have higher / lower by Rs.1.327 million (December 31, 2014: Rs.1.006 million).



# Notes to the Financial Statements

For the year ended December 31, 2015

## 32.3.2 Price risk

Price risk is the risk of changes in the fair value of equity and debt securities as the result of changes in the levels of KSE-100 Index and the value of individual shares and changes in unit prices due to changes in interest rates scenario. The 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 and investment in different categories of mutual funds within specified limits set by internal risk management guidelines. A summary analysis of investments is disclosed in note 11 to these financial statements.

The management monitors the fluctuations of prices on regular basis. The Company also has necessary skills for monitoring and managing the equity portfolio in line with fluctuations of the market and also monitor fluctuation in unit prices through a related party as disclosed in note 7.1.

Market prices are subject to fluctuation and consequently the amount realized 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 / units may be affected by the relative quantity of the security / units being sold. The Company has no significant concentration of price risk.

### Sensitivity analysis

The analysis summarizes Company's price risk as of December 31, 2015 and 2014 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and interest rates scenario where mutual funds invest in debt securities in Company's investment portfolio.

Sensitivity analysis of investments as at the reporting date is as follows:

For held-for-trading investments, in case of 10% increase / decrease in prices at the reporting date, the profit and loss account and equity would have been higher / lower by Rs.13.228 million (December 31, 2014: Rs.Nil).

## 32.4 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. The carrying values of all financial assets and financial liabilities approximate their fair values, except for certain equity and debt instruments, held whose fair values have been disclosed in their respective notes to these financial statements.

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

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

The following table provides the fair value measurement hierarchy of the Company's assets:

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
<b>Asset measured at fair value</b>				
<b>At fair value through profit or loss - held-for-trading</b>				
Quoted shares (fair value disclosed only)	132,284,225	-	-	132,284,225
<b>Available-for-sale</b>				
Equity securities (fair value disclosed only)	75,200	-	-	75,200
Mutual fund units (fair value disclosed only)	-	1,498,951,476	-	1,498,951,476
	<b>132,359,425</b>	<b>1,498,951,476</b>	<b>-</b>	<b>1,631,310,901</b>
	December 31, 2014			
	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
<b>Asset measured at fair value</b>				
<b>Available-for-sale</b>				
Equity securities (fair value disclosed only)	434,212,933	-	-	434,212,933
Mutual fund units (fair value disclosed only)	-	1,129,549,207	-	1,129,549,207
	<b>434,212,933</b>	<b>1,129,549,207</b>	<b>-</b>	<b>1,563,762,140</b>

### 33. 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.

### 34. SUBSEQUENT EVENT

The Finance Act, 2015 introduced a tax on every public company at the rate of 10 percent of such undistributed reserves which exceed the amount of its paid up capital. However, this tax shall not apply in case of a public company which distributes cash dividend equal to at least either 40 percent of its after tax profits or 50 percent of its paid-up capital, within the prescribed time after the end of the relevant tax year.

# Notes to the Financial Statements

For the year ended December 31, 2015

The Board of Directors in its meeting held on February 26, 2016 has recommended cash dividend of 50% i.e. Rs.5 per share in respect of the year ended December 31, 2015 [December 31, 2014: 15% (Rs.1.5 per share)]. These financial statements for the year ended December 31, 2015 do not include the effect of this appropriation which will be accounted for when approved.

## 35. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue in accordance with a resolution of the Board of Directors on February 26, 2016.

## 36. GENERAL

36.1 Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate the comparison. However, no significant reclassification were made.

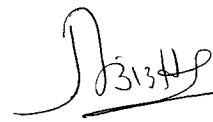
36.2 All figures have been rounded off to the nearest of rupees, except otherwise stated.



Iqbal Ali Lakhani  
Chairman



Tasleemuddin Ahmed Batlay  
Director



A. Aziz H. Ebrahim  
Director



Mohammad Hussain Hirji  
Director & Chief Executive

# Form of Proxy

I/We \_\_\_\_\_  
of \_\_\_\_\_  
a member of CENTURY INSURANCE COMPANY LIMITED hereby  
appoint \_\_\_\_\_  
of \_\_\_\_\_  
or failing him \_\_\_\_\_  
of \_\_\_\_\_

who is/are also member/s of Century Insurance Company Limited to act as my/our proxy and to vote for me/us and on my/our behalf at the Annual General Meeting of the shareholders of the Company to be held on the 28<sup>th</sup> day of April 2016 or at any adjournment thereof.

Signed this \_\_\_\_\_ day of April 2016.

Folio No.	CDC Participant ID No.	CDC Account/ Sub-Account No.	No. of shares held

Signature over Revenue Stamp

## Witness 1

Signature \_\_\_\_\_

Name \_\_\_\_\_

CNIC No. \_\_\_\_\_

Address \_\_\_\_\_  
\_\_\_\_\_

## Witness 2

Signature \_\_\_\_\_

Name \_\_\_\_\_

CNIC No. \_\_\_\_\_

Address \_\_\_\_\_  
\_\_\_\_\_

## Notes:

1. The proxy must be a member of the Company.
2. The signature must tally with the specimen signature/s registered with the Company.
3. If a proxy is granted by a member who has deposited his/her shares in Central Depository Company of Pakistan Limited, the proxy must be accompanied with participant's ID number and CDC account/sub-account number alongwith attested photocopies of Computerized National Identity Card (CNIC) or the Passport of the beneficial owner. Representatives of corporate members should bring the usual documents required for such purpose.
4. The instrument of Proxy properly completed should be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.



## مختار نامہ (پراکسی فارم)

میں / ہم \_\_\_\_\_ ساکن  
 \_\_\_\_\_ ساکن  
 بحیثیت رکن (ممبر) سینچری انشورنس کمپنی لمیٹڈ مقرر کرتا / کرتی ہوں / کرتے ہیں مسمی / مسماة \_\_\_\_\_ ساکن  
 \_\_\_\_\_ ساکن  
 کو یا ان کی غیر حاضری میں مسمی / مسماة \_\_\_\_\_ ساکن  
 \_\_\_\_\_ ساکن

کو جو خود بھی سینچری انشورنس کمپنی لمیٹڈ کا رکن ہے کہ وہ بطور میرا / ہمارا مختار (پراکسی) سینچری انشورنس کمپنی لمیٹڈ کے سالانہ اجلاس عام جو ۲۸ اپریل ۲۰۱۶ کو منعقد ہو رہا ہے یا اس کے کسی ملتوی شدہ اجلاس میں شرکت کرے اور وہ میری / ہماری جگہ میری / ہماری طرف سے حق رائے دہی استعمال کرے۔

مورخہ اپریل \_\_\_\_\_ ۲۰۱۶ کو میرے / ہمارے دستخط سے جاری ہوا۔

فولیو نمبر	سی ڈی سی کھاتہ نمبر	حصص کی تعداد

رسیدی ٹکٹ پر دستخط

### گواہ نمبر ۲

دستخط \_\_\_\_\_  
 نام \_\_\_\_\_  
 کمپیوٹرائزڈ قومی شناختی کارڈ نمبر \_\_\_\_\_  
 پتہ \_\_\_\_\_

### گواہ نمبر ۱

دستخط \_\_\_\_\_  
 نام \_\_\_\_\_  
 کمپیوٹرائزڈ قومی شناختی کارڈ نمبر \_\_\_\_\_  
 پتہ \_\_\_\_\_

### ہدایات:

- ۱- مختار (پراکسی) کا کمپنی کا رکن (ممبر) ہونا ضروری ہے۔
- ۲- ممبر (رکن) کے دستخط، نمونہ دستخط / اندراج شدہ دستخط سے مماثلت ہونا ضروری ہے۔
- ۳- سی ڈی سی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر کو مختار نامہ (پراکسی فارم) کے ہمراہ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقل منسلک کرنا ضروری ہے۔ کارپوریٹ ادارے کے نمائندوں کو معمول کے مطابق دستاویزات ساتھ لانا ضروری ہے۔
- ۴- مختار نامہ (پراکسی فارم) مکمل پر شدہ کمپنی کے رجسٹرڈ آفس میں اجلاس کے مقررہ وقت سے کم از کم ۴۸ گھنٹے قبل جمع کرانا ضروری ہے۔





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## Network

### Registered and Corporate Office

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Tel: (021) 35698000 Fax: (021) 35683410

### Karachi Lakson Square Office

10<sup>th</sup> Floor, Lakson Square, Building # 3, Sarwar Shaheed Road, Karachi-74200.

Tel: (021) 35698550 Fax: (021) 35689518

### Lahore Regional Office

1<sup>st</sup> Floor, 14 Ali Block, New Garden Town, Lahore.

UAN: (042) 111-111-717 Fax: (042) 35911176

### Faisalabad Office

1<sup>st</sup> Floor, FM Plaza, 15-D, People's Colony, Faisalabad.

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### Multan Office

Office # 55-57, 1<sup>st</sup> Floor, Business City Plaza, Bosan Road, Multan.

Tel: (061) 6211241-43 Fax: (061) 6211244

### Head Office

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### Karachi Clifton Office

Office # 504-505, 5<sup>th</sup> Floor, Marine Point, DC 1, Block-9, Clifton, Karachi.

Tel: (021) 35309234-36 Fax: (021) 35309237

### Islamabad Office

Office # 6, Kashmir Plaza, Jinnah Avenue, Blue Area, Islamabad.

UAN: (051) 111-111-717 Fax: (051) 2870228

### Sialkot Office

1<sup>st</sup> Floor, Karim Plaza, Iqbal Town, Defence Road, Sialkot.

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