CHUBB INSURANCE PAKISTAN LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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AUDITORS' REPORT TO THE MEMBERS OF CHUBB INSURANCE PAKISTAN LIMITED

We have audited the annexed financial statements comprising of:

(i) statement of financial position;
(ii) statement of comprehensive income;
(iii) statement of changes in equity; and
(iv) cash flow statement;

of **Chubb Insurance Pakistan Limited** as at **December 31, 2017** together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

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

(b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for the changes as stated in note 3 with which we concur;

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

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

AFerguson & Co

Chartered Accountants
Engagement Partner: **Salman Hussain**
Dated: April 3, 2018
Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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KARACHI LAHORE ISLAMABAD

CHUBB INSURANCE PAKISTAN LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	Note	2017	2016	2015
Assets		----------	(Rupees)	----------
Property and equipment	5	14,508,461	15,837,212	19,757,578
Investments				
Debt securities	6	52,809,674	53,944,633	-
Term deposits	6	590,000,000	405,000,000	590,000,000
Loans and other receivables	7	13,345,905	10,710,329	21,035,013
Insurance / Reinsurance receivables	8	107,327,591	156,229,719	227,454,945
Reinsurance recoveries against outstanding claims		180,318,905	456,824,765	835,176,702
Deferred commission expense	19	4,590,897	5,274,728	10,101,737
Deferred taxation	9	4,563,755	6,950,720	12,090,039
Taxation - payments less provision		60,319,427	69,173,806	47,796,299
Prepayments	10	99,732,873	70,321,597	82,661,577
Cash and bank	11	38,199,962	32,543,442	51,381,127
Total Assets		1,165,717,450	1,282,810,951	1,897,455,017
Equity and Liabilities				
Capital and reserves attributable to Company's equity holders				
Ordinary share capital	12	500,000,000	400,000,000	300,000,000
Reserves		5,272,534	6,944,472	40,824,151
Unappropriated profit		60,618,684	62,253,501	57,277,723
Total Equity		565,891,218	469,197,973	398,101,874
Liabilities				
Underwriting provisions				
Outstanding claims including IBNR	18	223,995,557	513,236,614	923,825,148
Unearned premium reserves	17	188,370,606	161,495,480	224,210,931
Premium deficiency reserves		-	945,262	1,930,301
Unearned reinsurance commission	19	9,401,739	9,651,233	9,778,323
Retirement benefit obligations	13	14,891,444	11,694,189	7,305,906
Insurance / reinsurance payables	14	129,451,163	80,142,295	302,047,471
Other creditors and accruals	15	33,715,723	36,447,905	30,255,063
Total Liabilities		599,826,232	813,612,978	1,499,353,143
Total Equity and Liabilities		1,165,717,450	1,282,810,951	1,897,455,017
Contingencies and commitments	16			

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE / COUNTRY PRESIDENT | DIRECTOR | DIRECTOR | CHAIRMAN

CHUBB INSURANCE PAKISTAN LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	Year ended December 31, 2017	Year ended December 31, 2016
		(Rupees)	
Net insurance premium	17	108,066,096	121,362,218
Net insurance claims	18	(11,040,012)	(21,468,567)
Premium deficiency		945,262	985,039
Net commission	19	35,752,868	13,403,218
Insurance claims and acquisition expenses		25,658,118	(7,080,310)
Management expenses	20	(100,987,358)	(108,233,026)
Underwriting results		32,736,856	6,048,882
Investment income	21	26,629,926	25,582,240
Other income	22	2,675,957	3,262,288
Other expenses	23	(5,253,822)	(6,961,834)
Profit before taxation		56,788,917	27,931,576
Income tax expense	24	(14,364,321)	(11,116,920)
Profit after taxation		42,424,596	16,814,656
Other comprehensive income - not reclassifiable to profit and loss			
Remeasurement of post employment benefit obligations		(978,932)	(3,787,970)
Taxation thereon		293,680	1,136,391
		(685,252)	(2,651,579)
Total comprehensive income for the year		41,739,344	14,163,077
Earnings per share - basic and diluted	25	0.93	0.42

The annexed notes from 1 to 40 form an integral part of these financial statements.

Humzah Chaudhri

CHIEF EXECUTIVE / COUNTRY PRESIDENT

DIRECTOR

DIRECTOR

CHAIRMAN

CHUBB INSURANCE PAKISTAN LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

	Issued, subscribed and paid-up share capital	Reserves			Total
		Capital reserves		Revenue reserves	
		Advance against future issue of shares	Share based payment contribution reserve	Unappropriated profit	
	(Rupees)				
Balance as at January 1, 2016	300,000,000	11,450	40,812,701	57,277,723	398,101,874
Issue of bonus shares during the year	50,000,000	-	(40,812,701)	(9,187,299)	-
Issue of right shares	50,000,000	-	-	-	50,000,000
Exchange difference on share subscription money received	-	307,183	-	-	307,183
Employee benefit cost under IFRS 2 - Share-based payment - note 20.2	-	-	6,625,839	-	6,625,839
Profit for the year after taxation	-	-	-	16,814,656	16,814,656
Remeasurement of post employment benefit obligations net of tax	-	-	-	(2,651,579)	(2,651,579)
Total comprehensive income for the year	-	-	-	14,163,077	14,163,077
Balance as at December 31, 2016	400,000,000	318,633	6,625,839	62,253,501	469,197,973
Issue of bonus shares during the year	50,000,000	-	(6,625,839)	(43,374,161)	-
Issue of right shares	50,000,000	-	-	-	50,000,000
Exchange difference on share subscription money received	-	(307,183)	-	-	(307,183)
Employee benefit cost under IFRS 2 - Share Based Payment - note 20.2	-	-	5,261,084	-	5,261,084
Profit for the year after taxation	-	-	-	42,424,596	42,424,596
Remeasurement of post employment benefit obligations net of tax	-	-	-	(685,252)	(685,252)
Total comprehensive income for the year	-	-	-	41,739,344	41,739,344
Balance as at December 31, 2017	500,000,000	11,450	5,261,084	60,618,684	565,891,218

The annexed notes 1 to 40 form an integral part of these financial statements.

Hamzah Chaudhri

CHIEF EXECUTIVE / COUNTRY PRESIDENT | DIRECTOR | DIRECTOR | CHAIRMAN

Syed Ali Hasnain

CHUBB INSURANCE PAKISTAN LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017	2016
		----------- (Rupees) -----------	
OPERATING CASH FLOWS			
a) Underwriting activities			
Insurance premium received		544,022,603	496,896,269
Reinsurance premium paid		(346,089,144)	(576,134,426)
Claims paid	18	(232,466,898)	(705,584,974)
Reinsurance and other recoveries received	18	208,691,689	651,879,810
Commission paid	19	(30,156,953)	(24,738,616)
Commission received	19	66,344,158	42,841,753
Management expenses paid		(86,745,208)	(83,471,303)
Net cash generated from / (used in) underwriting activities		123,600,247	(198,311,487)
b) Other operating activities			
Income tax paid		(2,829,297)	(26,218,717)
Other operating payments		(3,417,917)	(2,662,384)
Statutory deposit with the State Bank of Pakistan		-	30,000,089
Net cash (used in) / generated from other operating activities		(6,247,214)	1,118,988
Net cash generated from / (used in) all operating activities		117,353,033	(197,192,499)
INVESTMENT ACTIVITIES			
Fixed capital expenditure		(2,349,292)	(115,000)
Payment for investments		-	(54,727,000)
Profit / return received		25,959,962	27,889,720
Net cash generated from / (used in) investing activities		23,610,670	(26,952,280)
FINANCING ACTIVITIES			
Proceeds from issuance of shares		49,692,817	50,307,183
Net cash generated from financing activities		49,692,817	50,307,183
Net cash generated from / (used in) all activities		190,656,520	(173,837,596)
Cash and cash equivalents at the beginning of the year		437,543,442	611,381,038
Cash and cash equivalents at the end of the year	11.1	628,199,962	437,543,442
Reconciliation to profit after taxation in the Statement of Comprehensive Income			
Operating cash flows		117,353,033	(197,192,499)
Depreciation expense	5.1	(3,358,896)	(3,987,399)
Amortisation of premium on Pakistan Investment Bonds	21	(1,134,959)	(782,367)
Fixed assets written off	23	(319,147)	(47,967)
Profit / return received		25,959,962	27,889,720
Decrease in assets other than cash		(340,505,070)	(478,035,711)
Decrease in liabilities		249,690,757	675,596,718
Cost associated with employee benefit scheme		(5,261,084)	(6,625,839)
Profit after taxation		42,424,596	16,814,656

The annexed notes 1 to 40 form an integral part of these financial statements.

Hamzah Chaudhri

CHIEF EXECUTIVE / COUNTRY PRESIDENT

DIRECTOR

DIRECTOR

Syed Ullah Shah

CHAIRMAN

1 LEGAL STATUS AND NATURE OF BUSINESS

Chubb Insurance Pakistan Limited is a wholly owned subsidiary of Chubb INA International Holdings, Ltd. U.S.A. The Company was incorporated in Pakistan on August 6, 2001 as a public limited company under the now repealed Companies Ordinance, 1984 and is engaged in general insurance business. The ultimate parent company of the Group is Chubb Limited.

The registered office of the Company is located at 6th Floor, NIC Building, Abbasi Shaheed Road, Off. Shahrah-e-Faisal, Karachi, Pakistan.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These financial statements are prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and are notified under the Companies Ordinance, 1984, provision of and directives issued under the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the Insurance Rules, 2017 and the Insurance Accounting Regulations, 2017. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the Insurance Rules, 2017 and the Insurance Accounting Regulations, 2017 shall prevail. The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as notified by the Securities and Exchange Commission of Pakistan vide its circular no. 23 dated October 4, 2017, these financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

2.1 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain staff retirement benefits which are carried at present value of defined benefit obligation less fair value of plan assets and certain equity settled share based payments which are measured at their respective fair values at the grant date.

2.2 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are prepared and presented in Pakistani Rupees, which is the Company's functional and presentation currency.

2.3 Standards, interpretations and amendments to published approved

The Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 89 (I) / 2017 dated February 9, 2017 has prescribed the Insurance Rules, 2017 (the Rules) for insurance companies which were enforceable with immediate effect. The Rules prescribed the format of annual financial statements for non-life insurers. Accordingly, the Company has changed its accounting policy and these financial statements have been presented in accordance with the format prescribed under the Rules while corresponding figures have been reclassified or additionally incorporated based on the classification prescribed. The application of the new Rules, however, does not have an impact on the recognition and measurement of the amounts included in these financial statements.

There are certain other new and amended standards and interpretations that were mandatory for the Company's accounting periods beginning on or after January 1, 2017 but were considered not to be relevant or did not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

2.4 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

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

Standard, interpretations or amendments	Effective date (accounting periods beginning on or after)
- IFRS 9 - Financial Instruments	July 1, 2018
- IFRS 15 - Revenue from contracts with customers	July 1, 2018
- IFRS 16 - Leases*	January 1 , 2019
- IFRS 17 - Insurance Contracts*	January 1 , 2021

* These standards are yet to be adopted by the SECP and are currently under consideration of the Accounting Standards Board of the Institute of Chartered Accountants of Pakistan (ICAP).

The management is in the process of assessing the impact of these standards on the financial statements of the Company.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or will not have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. During the year the Company has changed its accounting policy with respect to subsequent measurement of available for sale securities as explained in note 3.9.1.3. Further, the Company has also changed its accounting policy with respect to presentation of financial statements and these financial statements have been presented in accordance with the revised format of financial statements as prescribed under the Insurance Rules, 2017 (as explained in note 2.3). The significant presentation changes resulting therefrom are disclosed in note 38.

3.1 Property and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal repairs and maintenance expenditure are charged to the profit and loss account during the financial period in which these are incurred.

Depreciation is charged to the profit and loss account applying the reducing balance method at the rates specified in note 5 to the financial statements. The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. Depreciation is charged on additions from the month of acquisition and on disposals upto the month of disposal.

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

Gains and losses on disposal of fixed assets are taken to the profit and loss account in the period in which disposals are made.

3.2 Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policy holder) by agreeing to compensate the policy holder if a specified uncertain future event (the insured event) adversely affects the policy holder.

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

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

Insurance contracts are classified into the following five categories:

(a) Fire and property damage - The perils covered under fire and property damage insurance include damages caused by fire, riots and strikes, explosions, earthquakes, atmospheric damages, floods, electric fluctuations, terrorism, burglary, loss of cash in safe and cash in transit, money, engineering losses and other covers;

(b) Marine, aviation and transport - This provides coverage against cargo risk, risk of war and damages occurring in ocean marine transit and inland transit;

(c) Motor - This provides comprehensive car coverage and indemnity against third party loss;

(d) Accident and Health - This provides coverage for accidental death and disability as a result of accident, medical expenses attributable to sickness or infirmity and travel insurance; and

(e) Liability - This provides cover for legal liability incurred by policy holders as a result of their business activities.

3.2.1 Premium

Premium received / receivable under a policy is recognised as written from the date of attachment of the risk to the policy to which it relates.

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 an objective evidence that the Company will not be able to collect all amounts due according to original terms of receivable, the Company reduces the carrying amount of the receivable accordingly and recognizes that impairment loss in the profit and loss account.

3.2.2 Reinsurance ceded

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 insurance business being reinsured. Reinsurance premium is recognised as an expense after taking into account the proportion of deferred premium expense which is calculated using pattern similar to calculation of premium income for the same policy. The deferred portion of premium expense is recognised as prepaid insurance premium ceded.

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

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

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

The Company assesses its reinsurance assets for impairment on each reporting 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 that impairment loss in the profit and loss account.

3.2.3 Underwriting provisions

Underwriting provisions in respect of the insurance contracts entered into by the Company are accounted for as under:

3.2.3.1 Provision for outstanding claims including incurred but not reported (IBNR)

Provision for outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

The liability in respect of unpaid reported claims is based on the estimates of the claims intimated or assessed before the end of the reporting period and is measured at the undiscounted value of expected future payments. In addition, as per the requirements of the Insurance Accounting Regulations, 2017, a provision is made on an estimated basis for the claims which may have been incurred in the current reporting period but have not been reported to the Company (IBNR) as of the reporting date, after taking into consideration the expected recoveries and settlement costs. IBNR claims also include claims which have been reported but in respect of which complete details are not available with the Company so as to ascertain the amount of loss for that claim as claims outstanding. Provision for IBNR is determined and recognised in accordance with the valuation carried out by an appointed actuary based on the guidelines given in circular no. 9 of 2016, "Securities and Exchange Commission (SEC) Guidelines for Estimation of Incurred But Not Reported (IBNR) Claims Reserve, 2016" issued by the SECP. The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of setting claims already notified to the Company, where information about the claim event is available. IBNR claim costs may not be apparent to the insurer until many years after the event that gives rise to the claims. For some insurance contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty in estimating these liabilities.

3.2.3.2 Unearned premium reserve

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage. The Company recognizes unearned portion of premium income as a liability, calculated as a proportion of the gross premium of individual policies, determined as the ratio of the unexpired period to the total period of the policy, both measured to the nearest day, in accordance with the option given in the Insurance Accounting Regulations, 2017.

3.2.3.3 Premium deficiency reserve

The provision for premium deficiency (liability adequacy test) is recognised in accordance with the requirements given in IFRS 4 "Insurance Contracts" for the class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the reporting date in respect of the unexpired policies in that class of business at the reporting date. The movement in the premium deficiency reserve is recorded as an expense / income in profit and loss account for the year and forms part of the underwriting result.

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

Fire and property damage	32%
Marine, aviation and transport	23%
Motor	69%
Liability	27%

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 each line 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 reporting date in respect of policies in those classes of business in force at the reporting date. Hence, previous reserve for the same has been reversed in these financial statements.

3.2.3.4 Unearned reinsurance commission

Commission received (apart from recoveries) from reinsurers is deferred and recorded as a liability. It is recognised in the profit and loss account as revenue in accordance with the pattern of recognition of reinsurance premium to which it relates.

3.2.4 Amounts due to / from other insurers / reinsurers

Amounts due to / from other insurers / reinsurers are carried at cost which is the fair value of the consideration to be paid / received in the future for services received / rendered, less provision for impairment, if any.

3.2.5 Due from insurance contract holders

Premium / premium adjustments not yet processed but relating to the financial year shall, so far as is practicable, be recognised as a receivable and earned over the period covered by the policy.

These are recognised at cost, which is the fair value of the consideration receivable, less provision for impairment, if any.

3.2.6 Reinsurance recoveries against outstanding claims

Reinsurance recoveries against outstanding claims are recognised as assets and are measured at the amounts expected to be received. These are recognised at the same time as the claims which give rise to the right to the recovery are recognised.

3.2.7 Deferred commission expense

Commission expense and costs incurred in obtaining and recording policies are deferred and recognised as an asset and are recognised in the profit and loss account as expense in accordance with the pattern of recognition of premium income.

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3.2.8 Prepaid reinsurance premium ceded

Prepaid reinsurance represents the portion of reinsurance premium which is not yet recognised as an expense. Re-insurance premium is recognised as an expense as follows:

(a) For proportional reinsurance ceded, evenly over the period of the underlying policies; and
(b) For non-proportional reinsurance ceded, evenly over the period of indemnity.

3.3 Loans and other receivables

These are recognised at cost which is the fair value of the consideration receivable less impairment, if any.

3.4 Cash and cash equivalents

Cash and cash equivalents include cash and stamps in hand, bank balances and other deposits which are readily convertible into cash and which are used in the cash management function on a day-to-day basis and other short-term highly liquid investments with original maturities of three months or less.

3.5 Employees' benefits

3.5.1 Defined benefit plan

The Company operates an approved gratuity fund (defined benefit plan) for all permanent employees to which the Company makes contributions on the basis of recommendations made by an actuary. The most recent actuarial valuation was carried out for the year ended December 31, 2017 using the Projected Unit Credit Method.

The liability / asset recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with the adjustments for amounts arising as a result of remeasurements with a charge or credit to other comprehensive income in the periods in which these occur.

3.5.2 Defined contribution plan

The Company operates a funded contributory provident fund (defined contribution plan) for all permanent employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10% of basic salary. The Company has no further payment obligation once the contributions have been paid. The contributions are recognised as employee benefit expense when these are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

3.5.3 Share-based compensation benefits

Certain employees of the Company are eligible to participate in Chubb Limited share based compensation plans. These plans provide for awards of Chubb Limited stock options and restricted stocks to be granted by Chubb Limited to the eligible employees of the Company. Equity settled share based payments are measured at fair value at the grant date. The fair value determined at the grant date is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. The provision of stock by Chubb Limited for the settlement of share based compensation plans is accounted for as a capital contribution from Chubb Limited.

3.5.4 Employees' compensated absences

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

3.6 Creditors and accruals

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

3.7 Provisions, contingent assets and contingent liabilities

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

Contingent assets are not recognised and are also not disclosed unless an inflow of economic benefits is probable. Contingent liabilities are not recognised and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

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3.8 Impairment of non-financial assets

The carrying amount of assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If any such indication exists, and where the carrying values exceeds the estimated recoverable amounts, the assets are written down to their recoverable amounts. The resulting impairment loss is charged to the profit and loss account.

3.9 Financial instruments

3.9.1 Financial assets

3.9.1.1 Classification

The classification of financial assets is determined at initial recognition and depends on the purpose for which these were acquired. Currently, the Company has classified its financial assets into the following categories:

a) At fair value through profit or loss

A financial asset is classified into the 'financial assets at fair value through profit or loss' category at inception if it is acquired principally for the purpose of selling in the short-term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit taking, or if so designated by the management.

b) Available-for-sale

These are non-derivative financial assets, which are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or changes in price.

c) Held to maturity

These are non-derivative financial assets with fixed or determinable payments and fixed maturity, in respect of which the Company has the positive intention and ability to hold to maturity.

d) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

3.9.1.2 Initial recognition and measurement

Financial assets other than those categorised into the 'financial assets at fair value through profit or loss' category are initially recognised at fair value which includes transaction costs which are directly attributable to the acquisition of the assets. Financial assets classified as 'financial assets at fair value through profit or loss' are initially recognised at fair value and transaction costs are expensed in the profit and loss account. All purchases and sales of financial assets that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date when the Company commits to purchase or sell the financial asset.

3.9.1.3 Subsequent measurement

Financial assets classified as 'financial assets at fair value through profit or loss' are subsequently measured at their fair values and gains and losses arising from changes in fair value are included in the profit and loss account. Financial assets classified as 'held-to-maturity' and 'loan and receivables' are subsequently measured at amortised cost less any impairment losses, taking into account any discount or premium on acquisition by using the effective interest rate method. However, during the current year the Company has changed its accounting policy relating to subsequent measurement and impairment of available-for-sale investments to comply with the requirements of IAS 39, "Financial Instruments: Recognition and Measurement." As per the revised policy available-for-sale investments are measured at fair value subsequent to initial recognition with changes in fair value recognised in other comprehensive income through the statement of comprehensive income. In case of quoted equity securities, the fair value is determined by using stock exchange quotations as at the reporting date. In case of government securities, the fair value is determined using Reuters rates. Previously, available for sale investments were stated subsequent to initial recognition at the lower of cost or market value (market value being taken as lower if fall is other than temporary) in accordance with the requirements of SEC (Insurance) Rules, 2002. Any decline in market value recognised by the Company was taken to the profit and loss account. The change in policy did not have any impact on the financial statements during the current year as the Company did not have any financial assets classified as available-for-sale.

3.9.1.4 Impairment of financial assets

For financial assets classified as 'loans and receivables', 'available for sale' and 'held to maturity', a provision for impairment is recognised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. In case of equity securities, a significant or prolonged decline in their values below cost is considered as an evidence of impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash outflows, discounted at the original effective interest rate.

3.9.1.5 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

3.9.2 Financial liabilities

Financial liabilities are recognised at the time the Company becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value and subsequently stated at amortised cost. Financial liabilities are derecognised at the time when these are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of financial liabilities is taken to the profit and loss account.

3.9.3 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.10 Revenue recognition

- Premium income under a policy is recognised as revenue evenly over the period of insurance from inception to expiry. It includes administrative surcharge that 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. 5,000 per policy. Administrative surcharge is recognised as premium at the time the policies are written.

- Commission income is recognised in accordance with the pattern of recognition of reinsurance premium to which it relates.

- Income from government securities is recognised on an accrual basis using the effective interest method.

- Income from term deposits is recognised on an accrual basis.

3.11 Management expenses

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

3.12 Taxation

Tax charge for the period comprises current and deferred taxation. Tax charge is recognised in the profit and loss account, except to the extent that it relates to the items recognised directly in equity, in which case it is recognised in equity.

Current

Provision for current taxation is based on profits and gains of insurance business computed in accordance with the rules specified in the Fourth Schedule to the Income Tax Ordinance, 2001 after taking into account tax credits available, if any. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the period at the enacted rates. The charge for current tax also include adjustments where necessary, relating to prior years which arise from assessment framed / finalised during the year.

Deferred

Deferred taxation is recognised using the balance sheet liability method on all major temporary differences arising between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited to the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

The carrying amount of the deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

3.13 Proposed dividends and transfers between reserves

Dividends, if any, declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the year in which such dividends are declared and transfers are made.

3.14 Foreign currency transactions and translations

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using year-end spot foreign exchange rates. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. All exchange differences are routed through the profit and loss account.

3.15 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Company accounts for segment reporting using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Rules, 2017. The reported operating segments are also consistent with the internal reporting provided to the Chief Executive Officer who is 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 and property damage, marine, aviation and transport, motor, accident and health and liability.

Investment and income taxes are managed on an overall basis and are, therefore, not allocated to any segment. The accounting policies of operating segments are the same as those described in the related policy notes.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards as applicable to insurance companies in Pakistan requires the management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in the application of the accounting policies of the Company. The 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. These estimates and 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 revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were made by the management in the application of accounting policies are as follows:

- provisions for outstanding claims including IBNR (note 3.2.3.1);
- obligation in respect of employee benefits (notes 3.5.1, 13 and 20.2);
- classification, valuation and impairment of financial assets (notes 3.9, 6, 7, 8 and 11);
- residual values, useful lives and methods of depreciation of fixed assets (notes 3.1 and 5);
- provision for taxation (notes 3.12, 9 and 24); and
- premium deficiency reserve (note 3.2.3.3).

		Note	2017	2016
5	**PROPERTY AND EQUIPMENT**		---------------- Rupees	----------------
	Operating assets	5.1	14,508,461	15,837,212

5.1 Following is a statement of operating assets:

2017

	Cost				Depreciation				Written down value as at December 31, 2017	Depreciation rate (% per annum)
	As at January 1, 2017	Additions during the year	Disposals / write-offs	As at December 31, 2017	As at January 1, 2017	Depreciation for the period	Disposals / write-offs	As at December 31, 2017		
	(Rupees)									
Furniture and fixtures	5,369,182	136,500	352,517	5,153,165	4,141,541	255,191	296,175	4,100,557	1,052,608	20%
Office equipment	8,652,861	1,397,082	1,181,848	8,868,095	5,160,006	795,295	919,043	5,036,258	3,831,837	20%
Motor vehicles	23,948,365	-	-	23,948,365	12,968,350	2,196,003	-	15,164,353	8,784,012	20%
Computers and related accessories	1,836,412	815,710	-	2,652,122	1,699,711	112,407	-	1,812,118	840,004	33%
	39,806,820	2,349,292	1,534,365	40,621,747	23,969,608	3,358,896	1,215,218	26,113,286	14,508,461	

2016

	Cost				Depreciation				Written down value as at December 31, 2016	Depreciation rate (% per annum)
	As at January 1, 2016	Additions during the year	Disposals / write-offs	As at December 31, 2016	As at January 1, 2016	Depreciation for the period	Disposals / write-offs	As at December 31, 2016		
	(Rupees)									
Furniture and fixtures	6,356,078	-	986,896	5,369,182	4,769,033	311,437	938,929	4,141,541	1,227,641	20%
Office equipment	8,537,861	115,000	-	8,652,861	4,296,376	863,630	-	5,160,006	3,492,855	20%
Motor vehicles	23,948,365	-	-	23,948,365	10,223,347	2,745,003	-	12,968,350	10,980,015	20%
Computers and related accessories	1,836,412	-	-	1,836,412	1,632,382	67,329	-	1,699,711	136,701	33%
	40,678,716	115,000	986,896	39,806,820	20,921,138	3,987,399	938,929	23,969,608	15,837,212	

5.2 The cost of fully depreciated assets still in use amounts in aggregate to Rs 0.366 million (2016: Rs 0.366 million).

		Note	2017	(Restated) 2016
			---------------- (Rupees)	----------------
6	**INVESTMENTS**			
	Debt securities - held-to-maturity			
	Government securities - Pakistan Investment Bonds	6.1	52,809,674	53,944,633
	Term deposits - loan and receivables			
	Deposits maturing within 12 months	6.2	590,000,000	405,000,000
			642,809,674	458,944,633

6.1 These have a face value of Rs 50 million (2016: Rs 50 million) which have been kept with the State Bank of Pakistan in compliance with the requirements of clause (a) of sub-section 2 of section 29 of the Insurance Ordinance, 2000. These carry coupon interest at the rate of 9.25% per annum and are due to mature on March 26, 2020.

6.2 These carry interest at rates ranging from 4.60% to 5.36% (2016: 4.70% to 5.36%) and will mature on various dates latest by March 20, 2018 (2016: March 17, 2017).

7 LOANS AND OTHER RECEIVABLES - CONSIDERED GOOD

	Note	2017	2016
		(Rupees)	
Accrued investment income		4,289,163	2,484,240
Deposit against utilities		774,050	774,050
Survey fees receivable		8,057,905	6,651,722
Receivable from related party	7.1	193,786	372,581
Other receivables		31,001	427,736
		13,345,905	10,710,329

7.1 This denotes receivable from Chubb Limited, the ultimate parent company, in respect of dividend paid to employees on unvested shares

8 INSURANCE / REINSURANCE RECEIVABLES

	2017	2016
	(Rupees)	
Unsecured and considered good		
Due from insurance contract holders	73,733,217	96,026,728
Due from other insurers / reinsurers	33,594,374	27,092,934
Reinsurance recoveries due but unpaid	-	33,110,057
	107,327,591	156,229,719

9 DEFERRED TAXATION - NET

	2017	2016
Deferred tax debits have arisen in respect of:		
- Accelerated tax depreciation	96,322	72,616
- Defined benefit plan	4,467,433	3,508,257
- Minimum tax	-	3,369,847
	4,563,755	6,950,720

10 PREPAYMENTS

	2017	2016
Prepaid reinsurance premium ceded	98,727,873	63,509,114
Prepaid rent	-	5,064,449
Prepaid miscellaneous expenses	1,005,000	1,748,034
	99,732,873	70,321,597

11 CASH AND BANK

	2017	2016
Cash and cash equivalents		
- cash in hand	50,000	50,000
- Stamps in hand	907,635	299,835
	957,635	349,835
Cash at bank		
- current accounts	37,242,327	32,193,607
	38,199,962	32,543,442

11.1 Cash and cash equivalents

As at December 31, 2017 and 2016 cash and cash equivalents comprise the following:

	2017	2016
	(Rupees)	
Cash and stamps in hand		
Cash in hand	50,000	50,000
Stamps in hand	907,635	299,835
	957,635	349,835
Current and other accounts		
Current accounts	37,242,327	32,193,607
Deposits maturing within 3 months		
Fixed and term deposits	590,000,000	405,000,000
All ✓	628,199,962	437,543,442

12 ORDINARY SHARE CAPITAL

12.1 Authorised share capital

2017	2016		Note	2017	2016
Number of shares				(Rupees)	
50,000,000	50,000,000	Ordinary shares of Rs. 10 each		500,000,000	500,000,000

Issued, subscribed and paid-up share capital

2017	2016		Note	2017	2016
Number of shares					
		Ordinary shares of Rs 10 each:			
29,700,000	24,700,000	- fully paid in cash		297,000,000	247,000,000
20,300,000	15,300,000	- issued as bonus shares		203,000,000	153,000,000
50,000,000	40,000,000		12.2	500,000,000	400,000,000

12.2 Chubb INA International Holdings Limited (U.S.A.) and its nominee directors collectively hold 50,000,000 (2016: 40,000,000) ordinary shares of Rs. 10 each as at December 31, 2017.

13 RETIREMENT BENEFIT OBLIGATIONS

13.1 Salient features

The Company offers an approved gratuity fund for all employees which is governed under the Trust Act, 1882, the Trust Deed, the Rules of the Fund, the Companies Act, 2017, the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002. The Fund is administered by the Trustees in accordance with the provisions of the Trust Deed and annual contributions therein are made in accordance with actuarial recommendations. An actuarial valuation is carried out every year to determine the liability of the Company in respect of the benefit. The most recent valuation in this regard has been carried out as at December 31, 2017 using the Projected Unit Credit Method as allowed under the International Accounting Standard (IAS) 19 - 'Employee Benefits' for valuation of the Fund.

The Company faces the following risks on account of the gratuity fund:

a) Final salary risk

This is the risk that the final salary at the time of cessation of service is greater than what was assumed. Since, the benefit is calculated on the basis of the final salary, the benefit amount increases accordingly.

b) Withdrawal risk

This is the risk of higher or lower withdrawal experience from the Fund than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

c) Investment risk

This is the risk of investments underperforming and not being sufficient to meet the liabilities.

d) Mortality risk

This is the risk that the actual mortality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit.

13.2 Principal actuarial assumptions

	2017	2016
Discount rate (% per annum)	9.50% p.a.	8.00% p.a.
Expected rate of increase in salaries (% per annum)	9.50% p.a.	8.00% p.a.
Mortality	SLIC (2001-05)-1	SLIC (2001-05)-1
Rates of employee turnover	Light	Light

* Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the adjusted SLIC 2001 - 2005 mortality tables with one year age set back.

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	2017	2016
	(Rupees)	
13.3 Amounts recognised in the statement of financial position		
Present value of defined benefit obligation	29,485,199	46,796,186
Fair value of plan assets	(14,593,755)	(35,101,997)
Gratuity liability as at December 31	14,891,444	11,694,189

	2017		
	Present value of defined benefit obligation	Fair value of plan assets	Net
	(Rupees)		
As at January 1	46,796,186	(35,101,997)	11,694,189
Current service cost	3,770,151	-	3,770,151
Interest expense / (income)	3,855,333	(2,919,798)	935,535
	54,421,670	(38,021,795)	16,399,875
Remeasurements:			
- Loss on plan assets	-	2,186,678	2,186,678
- Gain due to change in financial assumptions	(272,517)	-	(272,517)
- Gain due to change in experience adjustment	(935,229)	-	(935,229)
	(1,207,746)	2,186,678	978,932
	53,213,924	(35,835,117)	17,378,807
Contributions made	-	(2,487,363)	(2,487,363)
Benefits paid	(23,728,725)	23,728,725	-
As at December 31	29,485,199	(14,593,755)	14,891,444

	2016		
	Present value of defined benefit obligation	Fair value of plan assets	Net
	(Rupees)		
As at January 1	38,495,810	(31,189,904)	7,305,906
Current service cost	2,948,022	-	2,948,022
Interest expense / (income)	2,844,706	(2,176,363)	668,343
	44,288,538	(33,366,267)	10,922,271
Remeasurements:			
- Loss on plan assets	-	1,280,322	1,280,322
- Loss due to change in financial assumptions	268,483	-	268,483
- Loss due to change in experience adjustment	2,239,165	-	2,239,165
	2,507,648	1,280,322	3,787,970
	46,796,186	(32,085,945)	14,710,241
Contributions made	-	(3,016,052)	(3,016,052)
Benefits paid	-	-	-
As at December 31	46,796,186	(35,101,997)	11,694,189

	2017	2016
	(Rupees)	
13.4 Amounts recognised in the Statement of Comprehensive Income		
Current service cost	3,770,151	2,948,022
Interest expense on defined benefit obligation	3,855,333	2,844,706
Interest income on plan assets	(2,919,798)	(2,176,363)
	4,705,686	3,616,365

		2017	2016
13.5	**Remeasurements recognised in other comprehensive income**	(Rupees)	
	Remeasurement loss on obligation		
	- Loss / (gain) due to change in financial assumptions	(272,517)	268,483
	- Loss due to change in experience adjustments	(935,229)	2,239,165
		(1,207,746)	2,507,648
	Remeasurement loss on plan assets		
	- Actual return on plan assets	(733,120)	(896,041)
	- Interest income on plan assets	2,919,798	2,176,363
		2,186,678	1,280,322
		978,932	3,787,970

13.6 Analysis of present value of defined benefit obligation

	2017	2016
Vested / Non-vested		
- Vested benefits	29,438,087	46,796,186
- Non-vested benefits	47,112	-
Total	29,485,199	46,796,186
Types of benefits		
- Accumulated benefit obligation	13,098,640	25,788,412
- Amounts attributed to future salary increases	16,386,559	21,007,774
Total	29,485,199	46,796,186

13.7 Composition of plan assets	2017		2016	
	(Rupees)	%	(Rupees)	%
Bank balance	14,593,755	100.00%	35,101,997	100.00%

13.8 The sensitivity analysis of the defined benefit obligation to changes in principal actuarial assumptions is as follows:

	Change in assumption	As at December 31, 2017 — Increase / (decrease) in present value of defined benefit obligation		As at December 31, 2016 — Increase / (decrease) in present value of defined benefit obligation	
		Rupees	(%)	Rupees	(%)
Discount rate	+1.00%	(2,953,760)	-10.02%	(3,823,431)	-8.17%
	-1.00%	3,548,180	12.03%	4,563,872	9.75%
Long-term salary increase rate	+1.00%	3,636,785	12.33%	4,282,199	9.15%
	-1.00%	(3,073,251)	-10.42%	(3,655,957)	-7.81%

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant assumptions, same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability.

13.9 The weighted average duration of defined benefit obligation is 13.64 years (2016: 8.90 years).

13.10 Expected maturity analysis of undiscounted defined benefit obligation for the gratuity scheme is as follows:

As at December 31, 2017	Between 0-1 year	Between 2-4 years	Between 5-10 years	Over 10 years	Total
	(Rupees)				
Distribution of timing of payment of benefits	613,550	2,257,519	10,753,068	600,764,672	614,388,809

As at December 31, 2016	Between 0-1 year	Between 2-4 years	Between 5-10 years	Over 10 years	Total
	(Rupees)				
Distribution of timing of payment of benefits	924,450	25,686,889	14,532,473	380,862,385	422,006,197

13.11 Historical information

	2017	2016	2015	2014	2013
	(Rupees)				
Present value of defined benefit obligation	29,485,199	46,796,186	38,495,810	41,188,224	34,022,553
Fair value of plan assets	(14,593,755)	(35,101,997)	(31,189,904)	(27,664,461)	(23,298,370)
Deficit / (surplus)	14,891,444	11,694,189	7,305,906	13,523,763	10,724,183
Remeasurements of plan liabilities	(1,207,746)	2,507,648	2,735,211	1,355,690	4,131,339
Remeasurements of plan assets	2,186,678	1,280,322	584,268	451,634	194,711

13.12 The plan assets and defined benefit obligation are based in Pakistan.

13.13 Funding levels are monitored on an annual basis and are based on actuarial recommendations. Gratuity cost comprising the service cost and the net interest cost for the next year will approximate to Rs 4.097 million (2016: Rs 4.706 million) as per the actuarial valuation report of the Fund as of December 31, 2017.

13.14 The disclosures made in notes 13.2 to 13.13 are based on the information included in the actuarial valuation report of the Fund as of December 31, 2017.

14 INSURANCE / REINSURANCE PAYABLES

	Note	2017	2016
		(Rupees)	
Due to other insurers / reinsurers		129,451,163	80,142,295

15 OTHER CREDITORS AND ACCRUALS

	Note	2017	2016
Federal insurance fee		73,245	91,217
Sindh sales tax		3,931,621	5,780,802
Provision for Workers' Welfare Fund	15.1	5,856,130	6,426,162
Risk inspection charges and no claim bonus payable		1,242,032	5,893,856
Commission payable		10,001,781	6,221,455
Accrued expenses		12,507,081	11,865,046
Others		103,833	169,367
		33,715,723	36,447,905

15.1 This denotes provision for Workers' Welfare Fund (WWF) for the year ended December 31, 2014 levied by the Federal Government. During the year ended December 31, 2016, the Supreme Court of Pakistan vide its order dated November 10, 2016 had held that the amendments made in the law introduced by the Federal Government for the levy of WWF were unlawful. The Federal Board of Revenue filed review petitions against this order which are currently pending. The management believes that consequent to filing these review petitions the judgement may not currently be treated as conclusive. Accordingly, the Company maintains its provision of Rs 5.856 million (2016: Rs 5.856 million) in respect of Federal WWF in these financial statements.

The provision in respect of Sindh Workers' Welfare Fund (SWWF) recorded in prior year has been reversed in the financial statements as the Company is of the view that it does not fall within the ambit of "financial institutions" covered under the definition of "industrial establishment" on which SWWF is applicable. This reversal is reflected in note 22.1.

16 CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

16.1.1 While finalising the assessment for the assessment years 1999-2000 to 2001-2002, the taxation officer has added back management expenses in excess of the limits laid down in the Insurance Rules, 1958 read with section 40C of the Insurance Act, 1938 by taking recourse to the provisions of Rule 5(c) of the Fourth Schedule to the repealed Income Tax Ordinance, 1979. The gross amounts added back in respect of these assessment years aggregated to Rs. 31.859 million which were disputed by the Company and appeals were filed against these. In respect of assessment years 1999-2000 and 2000-2001, the add backs made by the taxation officer aggregating to Rs. 22.393 million have been maintained by the Income Tax Appellate Tribunal (ITAT) and the Company's appeals are currently pending in the High Court of Sindh. As regards assessment year 2001-2002, the add back amounting to Rs. 9.466 million has been set aside by the ITAT but the set aside proceedings have not commenced so far. No provision has been made in these financial statements in respect of the additional tax liability of Rs. 7.838 million which may arise on account of these add backs as (a) the issue is being contested in appeals, (b) excess management expenses were being regularly condoned by the Controller of Insurance under Section 40C (1) of the Insurance Act, 1938 and (c) the new Insurance Ordinance, 2000 provides no limitation on management expenses.

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16.1.2 The return of income of the Company for Tax Year 2013 was selected for audit under section 214C of the Income Tax Ordinance, 2001 by the Federal Board of Revenue. Upon finalising the audit proceedings, the taxation officer passed an amended order thereby raising a tax demand of Rs 24.979 million by making certain additions aggregating to Rs 57.275 million relating to provision for outstanding claims (including IBNR), addition on account of disposal of motor vehicle and commission expenses for non-deduction of tax. The Company preferred its first appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] who deleted the addition of Rs 0.352 million on account of motor vehicle but maintained the other additions. The Company then preferred its second appeal before the Appellate Tribunal Inland Revenue (ATIR) which is pending adjudication.

Subsequent to filing the second appeal before the ATIR, a rectified order under section 221 dated December 28, 2015 was passed wherein a revised tax demand of Rs 20.791 million was raised. The amount was paid by the Company and is currently being treated in the financial statements as a balance recoverable from taxation authorities.

The management, based on the advice of the tax consultant, is confident that the above matter will be decided in favour of the Company and has accordingly not made any provision for the aforementioned amount.

16.1.3 On April 26, 2016, the Company received a show cause notice from the Sindh Revenue Board (SRB) alleging therein that the Company was liable to pay Sindh Sales Tax aggregating to Rs 209.357 million on reinsurance services obtained by the Company from foreign reinsurers for the period from July 1, 2011 to June 30, 2014 under the Sindh Sales Tax on Services Act, 2011 along with penalty and default surcharge. The Company filed an application with the Honourable High Court of Sindh contending that the reinsurance obtained by the Company is not subject to the Sindh Sales tax on services and further the show cause notice served to the Company is without lawful authority as the alleged liability raised in the notice has been computed with a retrospect effect. Similar applications were filed by other insurance companies receiving foreign reinsurance services and the matter was taken up by the Insurance Association of Pakistan with the Sindh Revenue Board (SRB). The Honourable High Court of Sindh vide its order dated May 31, 2016 restrained the SRB from taking any coercive action against the Company on the basis of the show cause notice issued earlier. The matter is, currently, fixed for hearing of applications.

16.2 Commitments

There were no commitments outstanding as at December 31, 2017 and 2016.

17 NET INSURANCE PREMIUM

	2017	2016
	----------- (Rupees) -----------	
Written gross premium	528,230,532	392,560,986
Add: Unearned premium reserve - opening	161,495,480	224,210,931
Less: Unearned premium reserve - closing	(188,370,606)	(161,495,480)
Premium earned	501,355,406	455,276,437
Less: Reinsurance premium ceded	428,508,069	321,119,193
Add: Prepaid reinsurance premium - opening	63,509,114	76,304,140
Less: Prepaid reinsurance premium - closing	(98,727,873)	(63,509,114)
Reinsurance expense	393,289,310	333,914,219
	108,066,096	121,362,218

18 NET INSURANCE CLAIMS EXPENSE

	2017	2016
Claims paid	232,466,898	705,584,974
Add: Outstanding claims (including IBNR) - closing	223,995,557	513,236,614
Less: Outstanding claims (including IBNR) - opening	(513,236,614)	(923,825,148)
Claims expense	(56,774,159)	294,996,440
Less: Reinsurance and other recoveries received	208,691,689	651,879,810
Add: Reinsurance and other recoveries in respect of outstanding claims - closing	180,318,905	456,824,765
Less: Reinsurance and other recoveries in respect of outstanding claims - opening	(456,824,765)	(835,176,702)
Reinsurance and other recoveries revenue	(67,814,171)	273,527,873
	11,040,012	21,468,567

18.1 Claim development

The following table shows the development of fire and property damage claims over a period of time. 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 claim payments. For other classes of business the uncertainty about the amount and timings of claim payments is usually resolved within a year. Further, there are no material claims that are outstanding as at December 31, 2017 which pertain to years prior to the year ended December 31, 2013.

Accident year	2013	2014	2015	2016	2017	Total
	(Rupees)					
Estimate of ultimate claims cost:						
At end of accident year	270,696,654	20,030,193	870,971,627	251,915,768	134,423,530	1,548,037,772
One year later	264,270,178	97,306,519	856,514,843	233,479,548	-	1,451,571,088
Two years later	215,065,893	70,717,683	857,134,881	-	-	1,142,918,457
Three years later	207,345,402	65,230,757	-	-	-	272,576,159
Four years later	207,370,488	-	-	-	-	207,370,488
Current estimate of cumulative claims	207,370,488	65,230,757	857,134,881	233,479,548	134,423,530	1,497,639,204
Cumulative payments to date	207,345,402	63,587,553	856,338,329	211,475,907	10,346,504	1,349,093,695
Liability recognised in the Statement of Financial Position	25,086	1,643,204	796,552	22,003,641	124,077,026	148,545,509

19 NET COMMISSION (INCOME) / EXPENSE

	Note	2017	2016
		(Rupees)	
Commission paid or payable		30,156,953	24,738,616
Add: Deferred commission expense - opening		5,274,728	10,101,737
Less: Deferred commission expense - closing		4,590,897	5,274,728
Net commission		30,840,784	29,565,625
Less: Commission received or recoverable		66,344,158	42,841,753
Add: Unearned reinsurance commission - opening		9,651,233	9,778,323
Less: Unearned reinsurance commission - closing		9,401,739	9,651,233
Commission from reinsurers		66,593,652	42,968,843
		(35,752,868)	(13,403,218)

20 MANAGEMENT EXPENSES

	Note	2017	2016
Employee benefit cost	20.1 & 20.2	64,266,050	65,897,198
Travelling expenses		3,125,610	1,538,862
Printing and stationery		636,134	1,179,147
Depreciation	5.1	3,358,896	3,987,399
Rent, rates and taxes		11,463,662	10,861,524
Professional charges		453,190	447,540
Utilities		1,347,949	1,789,211
Office repairs and maintenance		2,094,965	1,611,230
Education and training		679,656	624,242
Vehicle running expenses		3,758,856	3,302,314
Communication		1,913,379	1,970,841
Service charges		465,842	468,874
Registration, subscription and association fees		1,728,664	1,650,910
Penalty imposed by the SECP		50,000	-
Agency office expenses		1,056,000	1,056,000
Annual supervision fee to the SECP		428,290	421,851
Amounts due from insurance contract holders written off		-	1,117,579
Write-offs against loans and other receivables		-	6,033,432
Advertisement and sales promotion		931,292	728,409
Entertainment		367,887	138,697
Bank charges		55,821	79,987
Others		2,805,215	3,327,779
		100,987,358	108,233,026

		Note	2017	2016
20.1	**Employee benefit cost**		----------- (Rupees) -----------	
	Salaries, allowances and other benefits		55,833,013	58,671,466
	Charges for post employment benefit	20.1.1	8,433,037	7,225,732
			64,266,050	65,897,198

20.1.1 These include contributions to defined contribution plan of Rs 3.606 million (2016: Rs 3.517 million).

20.2 Share-based payments

As explained in note 3.5.3, certain employees of the Company are provided share-based compensation benefits.

20.2.1 Restricted stock

The restricted stock is granted with a 4-year vesting period, based on a graded vesting schedule. The restricted stock vests in equal annual instalments over the respective vesting period, which is also the requisite service period. The restricted stocks are granted at market close price on the grant date and are equity settled.

The following table shows changes in the restricted stock grants for the years ended December 31, 2017 and 2016:

	Number of restricted stocks	
	2017	2016
Unvested at the beginning of the year	1,172	1,595
Vested during the period	(560)	(710)
Granted during the period	216	287
Forfeited during the period	-	-
Unvested at the end of the year	828	1,172

The fair value of restricted stocks granted during the year was USD 139.01 (2016: USD 118.79) which was measured on the basis of observable market price of the date on which the restricted stock options were granted.

The Company recognised an expense of Rs 4.038 million (2016: Rs 5.048 million) in respect of equity-settled restricted stock award vested during the year.

20.2.2 Non-qualified stock options

The non-qualified stock options are granted at an option price per share of 100 percent of the fair market value of the Chubb Limited's ordinary share on the date of grant. Stock options are granted with a 3-year grant vesting period and 10-year term. The stock options vest in equal instalments over the respective vesting period, which is also the requisite service period.

The following table shows changes in the stock option grants for the years ended December 31, 2017 and 2016:

	Number of stock options	
	2017	2016
Outstanding at the beginning of the year	3,874	3,659
Granted during the year	288	383
Exercised during the year	(104)	(168)
Expired during the year	-	-
Forfeited during the year	-	-
Unvested at the end of the year	4,058	3,874
Exercisable at the end of the year	3,334	2,841
Vested during the year	597	753

	Weighted average exercise price	
	2017	2016
	------------ (US Dollar) -----------	
Outstanding at the beginning of the year	66.87	64.79
Granted during the year	139.01	118.39
Exercised during the year	(66.87)	(64.79)
Expired during the year	-	-
Forfeited during the year	-	-
Outstanding at the end of the year	68.90	66.87
Exercisable at the end of the year	58.59	61.72
Vested during the year	46.80	96.80

The fair value of non-qualified stock options are estimated on the date of grant using Black-Scholes option valuation model. The Company recognised an expense of Rs 1.223 million (2016: Rs. 1.578 million) related to equity-settled non-qualified share options vested during the year. The exercise price of these shares varies from USD 96.76 - USD 118.39. Weighted average remaining contractual life of these options is 1 years and 5 months.

	Note	2017	2016
21 INVESTMENT INCOME		---------------- Rupees ----------------	
Income from debt securities - held-to-maturity			
Return on government securities		4,624,999	3,357,876
Amortisation of premium on Pakistan Investment Bonds		(1,134,959)	(782,367)
Income from term deposits - loans and receivables			
Return on term deposits		23,139,886	23,006,731
		26,629,926	25,582,240

	Note	2017	2016
22 OTHER INCOME			
Exchange gain / (loss) - net		631,561	(890,880)
Liabilities no longer payable written back	22.1	1,732,748	2,388,101
Others		311,648	1,765,067
		2,675,957	3,262,288

22.1 This includes reversal in respect of provision for Sindh Workers' Welfare Fund amounting to Rs 570,032 charged during the year ended December 31, 2016.

	Note	2017	2016
23 OTHER EXPENSES		---------------- Rupees ----------------	
Auditors' remuneration	23.1	1,771,483	2,180,369
Fixed assets written off		319,147	47,967
Legal and professional charges		3,163,192	4,163,466
Provision for Sindh Workers' Welfare Fund		-	570,032
		5,253,822	6,961,834

	2017	2016
23.1 Auditors' remuneration		
Audit fee	690,000	690,000
Half yearly review fee	260,000	260,000
Fee for the review of compliance with the Code of Corporate Governance	100,000	100,000
Fee for reporting on regulatory compliances	250,000	500,000
Fee for regulatory returns	163,250	50,000
Fee for other services	-	314,000
Sindh sales tax on services	117,060	148,120
Out-of-pocket expenses	191,173	118,249
	1,771,483	2,180,369

	2017	2016
24 INCOME TAX EXPENSE		
For the year		
- Current	11,683,676	4,841,210
- Deferred	2,680,645	6,275,710
	14,364,321	11,116,920

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24.1	Relationship between income tax expense and accounting profit	2017	2016
		---------------- Rupees ----------------	
	Profit before taxation	56,788,917	27,931,576
	Tax at the applicable rate	17,036,675	8,658,789
	Permanent difference for share based payments	1,578,325	2,054,010
	Tax benefit of tax losses of prior years	(4,330,763)	-
	Effect of change in tax rate	-	35,809
	Others	80,084	368,312
		14,364,321	11,116,920

25	EARNINGS PER SHARE - BASIC AND DILUTED	Note	2017	2016
			---------------- Rupees ----------------	
	Profit for the year after tax		42,424,596	16,814,656
			-------- Number of shares --------	
	Weighted average number of ordinary shares (restated)		45,465,753	40,150,685
			---------------- Rupees ----------------	
	Earnings per share - basic and diluted (restated)	25.1	0.93	0.42

25.1 As at December 31, 2017 and 2016, the Company did not have any convertible instruments in issue which would have had a dilutive effect on the earnings per share if the option to convert was exercised.

26 REMUNERATION OF CHIEF EXECUTIVE / COUNTRY PRESIDENT, DIRECTORS AND EXECUTIVES

Aggregate amounts charged in the financial statements for the year for remuneration, including benefits to the key management personnel of the Company namely the Chief Executive / Country President, directors and executives of the Company are as follows:

	2017			2016			
	Chief Executive / Country President	Directors	Executives	Chief Executive / Country President	Directors	Executives	
	---------- (Rupees) ----------						
Short-term employee benefits							
Consultancy fees	-	5,049,698	-	-	6,809,942	-	
Managerial remuneration	8,794,725	750,000	29,274,739	8,518,122	1,425,050	26,683,716	
Bonus	1,001,154	-	933,737	1,154,175	-	1,217,128	
Leave encashment	1,581,102	-	1,908,728	-	-	547,750	
Housing, utilities and others	250,651	-	-	241,186	-	-	
Conveyance	-	-	1,309,688	-	-	1,230,058	
Medical	17,164	-	342,247	6,900	-	1,095,772	
	11,644,796	5,799,698	33,769,139	9,920,383	8,234,992	30,774,424	
Other employee benefits							
Shared-based compensation benefits	2,640,979	949,445	1,670,660	3,993,750	403,248	2,228,840	*
Post-employment benefits							
Charge for defined benefit plan	1,734,732	-	3,949,886	1,852,313	-	5,552,022	
Contribution to defined contribution plan	879,471	-	2,726,214	851,812	-	2,665,372	*
Total	16,899,977	6,749,143	42,115,899	16,618,258	8,638,240	41,220,658	
Number of persons	2*	4	13	1	3	14	

* The amounts disclosed in respect of the Chief Executive / Country president denotes amounts charged for the former chief executive till September 30, 2017 and for the current chief executive with effect from October 1, 2017.

26.1 The Company also provides key management personnel with facilities such as Company maintained cars and monthly subscription of club facilities.

26.2 During the year, the Chief Executive / Country President, directors and executives of the Company received dividends on shares in the parent company amounting to Rs 133,690, Rs 51,532 and Rs 58,270 (2016: Rs. 216,934, Rs 34,431 and Rs 101,249) respectively.

26.3 The managerial remuneration includes the 2016 bonus paid in the current year. An estimated accrual in respect of the above bonus was made in the last year financial statements. For the current year, an amount of Rs. 2 million (2016: Rs. 3 million) has been accrued on an estimated basis. Individual entitlements in respect of this accrual will be determined next year and will then be disclosed accordingly.

26.4 Executives mean employees, other than chief executive and directors whose basic salary exceed five hundred thousand rupees in a financial year.

27 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include major shareholders, parent company, related group companies with or without common directors, retirement benefit funds, directors, and key management personnel and their close family members. The Company in the normal course of business carries out transactions with various related parties at agreed terms and conditions. Remuneration to key management personnel is disclosed in note 26.

Amounts due to / from related parties and other significant transactions other than those disclosed elsewhere in these financial statements, are as follows:

	Chubb INA International Holdings Limited (U.S.A.)		Group / associated companies		Other related parties		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
BALANCES AS AT YEAR END	(Rupees)							
Loans and other receivables								
- Chubb Limited (ultimate parent Company)	-	-	193,786	372,581	-	-	193,786	372,581
Due from insurance contract holders								
- ACE American Insurance Company	-	-	2,976,154	2,950,232	-	-	2,976,154	2,950,232
Due from other insurers / reinsurers								
- ACE American Insurance Company	-	-	310,734	1,281,356	-	-	310,734	1,281,356
Reinsurance recoveries due but unpaid								
- Chubb Tempest Reinsurance Limited	-	-	-	33,110,057	-	-	-	33,110,057
Reinsurance recoveries against outstanding claims								
- Chubb Tempest Reinsurance Limited	-	-	132,827,733	238,431,012	-	-	132,827,733	238,431,012
- ACE INA Overseas Insurance Company	-	-	-	2,237,969	-	-	-	2,237,969
- Chubb European Group Limited	-	-	2,494,771	-	-	-	2,494,771	-
- Chubb Insurance Hong Kong Limited	-	-	475,000	-	-	-	475,000	-
Prepaid reinsurance premium ceded	-	-	96,318,829	62,142,650	-	-	96,318,829	62,142,650
Provision for outstanding claims	-	-	1,194,477	5,034,975	-	-	1,194,477	5,034,975
Due to other insurers / reinsurers	-	-	116,287,319	68,677,273	-	-	116,287,319	68,677,273
Retirement benefit obligations	-	-	-	-	14,891,444	11,694,189	14,891,444	11,694,189
Other creditors and accruals								
- ACE American Insurance Company	-	-	-	169,367	-	1,337,049	-	1,506,416
- Key management personnel	-	-	-	-	3,851,136	6,129,871	3,851,136	6,129,871

	Chubb INA International Holdings Limited (U.S.A.)		Group / associated companies		Other related parties		Total	
TRANSACTIONS DURING THE YEAR	2017	2016	2017	2016	2017	2016	2017	2016
Gross premium written	-	-	20,419,540	27,375,491	2,000	-	20,421,540	27,375,491
Reinsurance premium ceded	-	-	422,364,541	313,269,204	-	-	422,364,541	313,269,204
Claims paid	-	-	3,309,896	13,586,313	-	-	3,309,896	13,586,313
Claims ceded	-	-	208,443,390	505,978,395	-	-	208,443,390	505,978,395
Commission on cession	-	-	66,319,117	42,714,775	-	-	66,319,117	42,714,775
Write-offs against loans and other receivables	-	-	-	6,033,432	-	-	-	6,033,432
Remuneration of key management personnel	-	-	-	-	65,765,019	66,477,156	65,765,019	66,477,156
Contribution to gratuity fund	-	-	-	-	2,487,363	3,016,052	2,487,363	3,016,052
Contribution to provident fund	-	-	-	-	3,605,685	3,517,243	3,605,685	3,517,243
Right shares issued	50,000,000	50,000,000	-	-	-	-	50,000,000	50,000,000
Bonus shares issued	50,000,000	50,000,000	-	-	-	-	50,000,000	50,000,000
Dividend paid	-	-	-	-	-	-	-	-

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28 SEGMENT INFORMATION

The Company has five primary business segments for reporting purposes namely fire and property damage, marine, aviation and transport, motor, accident and health and liability.

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

Particulars	Year ended December 31, 2017					
	Fire and property Damage	**Marine, Aviation and Transport**	**Motor**	**Accident and Health**	**Liability**	**Total**
	(Rupees)					
Premium receivable (inclusive of Sindh sales tax, federal insurance fee and administrative surcharge)	89,610,220	4,490,378	334,767	1,375,331	11,516,895	107,327,591
Less: Sindh Sales Tax	(1,538,450)	(334,787)	(39,025)	(495)	(420,049)	(2,332,806)
Federal Insurance Fee	(118,464)	(26,061)	(3,016)	(2,475)	(37,564)	(187,580)
Premium receivable (net of Federal excise duty, Sindh sales tax and federal insurance fee)	87,953,306	4,129,530	292,726	1,372,361	11,059,282	104,807,205
Unearned premium reserve - opening	139,931,183	3,984,882	167,416	2,603,974	14,808,025	161,495,480
Less: Unearned premium reserve - closing	(163,765,754)	(4,978,108)	(212,601)	(1,550,072)	(17,864,071)	(188,370,606)
Net (increase) / decrease in unearned premium reserve	(23,834,571)	(993,226)	(45,185)	1,053,902	(3,056,046)	(26,875,126)
Gross written premium (inclusive of administrative surcharge)						
Gross direct premium	178,180,906	26,911,407	738,392	101,168,894	28,121,274	335,120,873
Facultative inward premium	178,793,199	3,227,786	-	-	10,636,571	192,657,556
Administrative surcharge	74,756	56,701	4,971	25,675	290,000	452,103
	357,048,861	30,195,894	743,363	101,194,569	39,047,845	528,230,532
Insurance premium earned	333,214,290	29,202,668	698,178	102,248,471	35,991,799	501,355,406
Insurance premium ceded to reinsurers	(283,244,766)	(20,972,760)	-	(73,293,819)	(15,777,965)	(393,289,310)
Net insurance premium	49,969,524	8,229,908	698,178	28,954,652	20,213,834	108,066,096
Commission income	13,507,949	1,835,922	-	47,104,779	4,145,002	66,593,652
Net underwriting income	63,477,473	10,065,830	698,178	76,059,431	24,358,836	174,659,748
Insurance claims	(59,770,150)	451,159	(356,511)	2,901,343	-	(56,774,159)
Insurance claims recovered from reinsurers	(67,605,251)	(1,644,478)	-	1,435,558	-	(67,814,171)
Net claims	7,835,101	2,095,637	(356,511)	1,465,785	-	11,040,012
Commission expense	8,084,073	2,446,454	32,839	16,472,583	3,804,835	30,840,784
Management expenses	68,260,767	5,772,866	142,116	19,346,424	7,465,185	100,987,358
Premium deficiency expense		(922,229)	(23,033)			(945,262)
Net insurance claims and expenses	84,179,941	9,392,728	(204,589)	37,284,792	11,270,020	141,922,892
Underwriting result	(20,702,468)	673,102	902,767	38,774,639	13,088,816	32,736,856
Net investment income						26,629,926
Other income						2,675,957
Other expenses						(5,253,822)
Profit before tax						56,788,917

Particulars	As at December 31, 2017					
	Fire and Property Damage	**Marine, Aviation and Transport**	**Motor**	**Accident and Health**	**Liability**	**Total**
	(Rupees)					
Segment assets	340,257,792	15,714,116	334,767	5,917,189	28,741,402	390,965,266
Unallocated assets	-	-	-	-	-	774,752,184
Total assets	340,257,792	15,714,116	334,767	5,917,189	28,741,402	1,165,717,450
Segment liabilities	464,553,452	26,073,191	1,123,834	39,055,743	48,168,606	578,974,826
Unallocated liabilities	-	-	-	-	-	20,851,406
Total liabilities	464,553,452	26,073,191	1,123,834	39,055,743	48,168,606	599,826,232
Net assets						565,891,218

Particulars	Fire and property Damage	Marine, Aviation and Transport	Motor	Accident and Health	Liability	Total
	Year ended December 31, 2016					
	(Rupees)					
Premium receivable (inclusive of Sindh sales tax, federal insurance fee and administrative surcharge)	108,540,856	1,284,997	857	1,756,603	11,536,349	123,119,662
Less: Sindh Sales Tax	(1,259,795)	(7,083)	(543)	(164,737)	(1,203,759)	(2,635,917)
Federal Insurance Fee	(93,939)	(948)	(5)	(16,885)	(90,763)	(202,540)
Premium receivable (net of Federal excise duty, Sindh sales tax and federal insurance fee)	107,187,122	1,276,966	309	1,574,981	10,241,827	120,281,205
Unearned premium reserve - opening	207,336,170	6,988,729	300,076	3,002,134	6,583,822	224,210,931
Less: Unearned premium reserve - closing	(139,931,183)	(3,984,882)	(167,416)	(2,603,974)	(14,808,025)	(161,495,480)
Net (increase) / decrease in unearned premium reserve	67,404,987	3,003,847	132,660	398,160	(8,224,203)	62,715,451
Gross written premium (inclusive of administrative surcharge)						
Gross direct premium	97,007,407	13,306,689	1,399,693	48,810,620	25,596,960	186,121,369
Facultative inward premium	198,731,325	1,207,500	-	-	6,211,198	206,150,023
Administrative surcharge	48,204	37,824	6,980	33,586	163,000	289,594
	295,786,936	14,552,013	1,406,673	48,844,206	31,971,158	392,560,986
Insurance premium earned	363,191,923	17,555,860	1,539,333	49,242,366	23,746,955	455,276,437
Insurance premium ceded to reinsurers	(270,274,515)	(11,243,859)	-	(35,804,439)	(16,591,406)	(333,914,219)
Net insurance premium	92,917,408	6,312,001	1,539,333	13,437,927	7,155,549	121,362,218
Commission income	13,590,549	1,874,505	-	22,273,199	5,230,590	42,968,843
Net underwriting income	106,507,957	8,186,506	1,539,333	35,711,126	12,386,139	164,331,061
Insurance claims	281,445,975	4,341,923	1,434,297	7,741,233	33,012	294,996,440
Insurance claims recovered from reinsurers	265,048,628	3,068,259	-	5,412,617	(1,631)	273,527,873
Net claims	16,397,347	1,273,664	1,434,297	2,328,616	34,643	21,468,567
Commission expense	11,382,597	915,548	233,421	15,643,787	1,390,272	29,565,625
Management expenses	81,551,444	4,012,137	387,834	13,466,841	8,814,771	108,233,026
Premium deficiency expense	-	(1,008,072)	23,033	-	-	(985,039)
Net insurance claims and expenses	109,331,388	5,193,277	2,078,585	31,439,244	10,239,686	158,282,179
Underwriting result	(2,823,431)	2,993,229	(539,252)	4,271,882	2,146,453	6,048,882
Net investment income						25,582,240
Other income						3,262,288
Other expenses						(6,961,834)
Profit before tax						**27,931,576**

Particulars	Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident and Health	Liability	Total
	As at December 31, 2016					
	(Rupees)					
Segment assets	619,491,229	19,387,900	119,501	11,639,007	31,200,689	681,838,326
Unallocated assets	-	-	-	-	-	600,972,625
Total assets	619,491,229	19,387,900	119,501	11,639,007	31,200,689	1,282,810,951
Segment liabilities	698,964,934	27,613,097	1,881,790	23,502,556	43,360,883	795,323,260
Unallocated liabilities	-	-	-	-	-	18,289,718
Total liabilities	698,964,934	27,613,097	1,881,790	23,502,556	43,360,883	813,612,978
Net assets						**469,197,973**

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29 MOVEMENT IN INVESTMENTS

	Held to maturity	Available for sale	Fair value through P&L	Total
	(Rupees)			
At January 1, 2016	-	-	-	-
Additions	54,727,000	-	-	54,727,000
Disposals (sale and redemption)	-	-	-	-
Fair value net gains (excluding net realised gains)	-	-	-	-
Designated at fair value through profit or loss upon initial recognition	-	-	-	-
Classified as held for trading	-	-	-	-
Impairment losses	-	-	-	-
Effect of unwinding of premium	(782,367)	-	-	(782,367)
At January 1, 2017	53,944,633	-	-	53,944,633
Additions	-	-	-	-
Disposals (sale and redemption)	-	-	-	-
Fair value net gains (excluding net realised gains)	-	-	-	-
Designated at fair value through profit or loss upon initial recognition	-	-	-	-
Classified as held for trading	-	-	-	-
Impairment losses	-	-	-	-
Effect of unwinding of premium	(1,134,959)	-	-	(1,134,959)
At December 31, 2017	52,809,674	-	-	52,809,674

30 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31, 2017		
Financial assets	Loans and receivables	Held-to-maturity	Total
	(Rupees)		
Investments			
- Debt securities	-	52,809,674	52,809,674
- Term deposits	590,000,000	-	590,000,000
Loans and other receivables	12,571,855	-	12,571,855
Insurance / Reinsurance receivables	107,327,591	-	107,327,591
Reinsurance recoveries against outstanding claims	180,318,905	-	180,318,905
Cash and bank	37,292,327	-	37,292,327
	927,510,678	52,809,674	980,320,352

	As at December 31, 2017		
Financial liabilities	At fair value through profit or loss	At amortised cost	Total
	(Rupees)		
Provision for outstanding claims (including IBNR)	-	223,995,557	223,995,557
Retirement benefit obligations	-	14,891,444	14,891,444
Insurance / reinsurance payables	-	129,451,163	129,451,163
Other creditors and accruals	-	23,854,727	23,854,727
	-	392,192,891	392,192,891

	As at December 31, 2016		
Financial assets	Loans and receivables	Held-to-maturity	Total
	(Rupees)		
Investments			-
- Debt securities	-	53,944,633	53,944,633
- Term deposits	405,000,000	-	405,000,000
Loans and other receivables	9,936,279	-	9,936,279
Insurance / Reinsurance receivables	156,229,719	-	156,229,719
Reinsurance recoveries against outstanding claims	456,824,765	-	456,824,765
Cash and bank	32,243,607	-	32,243,607
	1,060,234,370	53,944,633	1,114,179,003

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Financial liabilities	As at December 31, 2016		
	At fair value through profit or loss	At amortised cost	Total
	(Rupees)		
Provision for outstanding claims (including IBNR)	-	513,236,614	513,236,614
Retirement benefit obligations	-	11,694,189	11,694,189
Insurance / reinsurance payables	-	80,142,295	80,142,295
Other creditors and accruals	-	24,149,724	24,149,724
	-	629,222,822	629,222,822

31 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Company's activities expose it to a variety of financial risks namely market risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

31.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate as a result of changes in market interest rates or market price of securities arising due to changes in credit rating of the issuer of the instrument, changes in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

The Company manages market risk by monitoring exposure in marketable securities and by following the internal risk management policies and regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises of three types of risk namely currency risk, yield / interest rate risk and price risk.

31.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried out in Pakistani rupees and its exposure to currency risk arises primarily with respect to US Dollars and Bangladeshi Taka. The details of balances denominated in foreign currencies as at the end of the reporting period are as follows:

	2017	
	USD	BDT
Due from insurance contract holders	15,382	2,414,067
Net foreign currency exposure	15,382	2,414,067

	2016	
	USD	BDT
Due from insurance contract holders	351,987	2,240,355
Net foreign currency exposure	351,987	2,240,355

As at December 31, 2017, if the Pakistani Rupee had weakened / strengthened by 1% against the US Dollar and the Bangladeshi Taka with all other variables held constant, profit before taxation for the year would have been higher / lower by Rs. 0.0492 million (2016: Rs 0.398 million).

31.1.2 Yield / interest rate risk

Yield / 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.

The Company is exposed to yield / interest rate risk in respect of the following:

	2017							
	Effective yield / mark-up rate (% per annum)	Interest / mark-up bearing			Non-interest / mark-up bearing			Total
		Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
		(Rupees)						
Financial assets								
Investments								
- Debt securities	9.25%	-	52,809,674	52,809,674	-	-	-	52,809,674
-Term deposits	4.60%-5.36%	590,000,000	-	590,000,000	-	-	-	590,000,000
Loans and other receivables		-	-	-	12,571,855		12,571,855	12,571,855
Insurance / Reinsurance receivables		-	-	-	107,327,591	-	107,327,591	107,327,591
Reinsurance recoveries against outstanding claims		-	-	-	180,318,905	-	180,318,905	180,318,905
Cash and bank		-	-	-	37,292,327	-	37,292,327	37,292,327
		590,000,000	52,809,674	642,809,674	300,218,351	-	300,218,351	980,320,352
Financial liabilities								
Provision for outstanding claims (including IBNR)		-	-	-	223,995,557	-	223,995,557	223,995,557
Retirement benefit obligations		-	-	-	14,891,444	-	14,891,444	14,891,444
Insurance / reinsurance payables		-	-	-	129,451,163	-	129,451,163	129,451,163
Other creditors and accruals		-	-	-	23,854,727	-	23,854,727	23,854,727
		-	-	-	392,192,891	-	392,192,891	392,192,891
On-balance sheet gap (a)		590,000,000	52,809,674	642,809,674	(91,974,540)	-	(91,974,540)	588,127,461
Off-balance sheet financial instruments		-	-	-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-	-	-
Total interest rate sensitivity gap (a+b)		590,000,000	52,809,674	642,809,674				
Cumulative interest rate sensitivity gap		590,000,000	642,809,674					

	2016							
	Effective yield / mark-up rate (% per annum)	Interest / mark-up bearing			Non-interest / mark-up bearing			Total
		Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
		(Rupees)						
Financial assets								
Investments								
- Debt securities	9.25%	-	53,944,633	53,944,633	-	-	-	53,944,633
-Term deposits	4.70%-5.36%	405,000,000	-	405,000,000	-	-	-	405,000,000
Loans and other receivables		-	-	-	9,936,279	-	9,936,279	9,936,279
Insurance / Reinsurance receivables		-	-	-	156,229,719		156,229,719	156,229,719
Reinsurance recoveries against outstanding claims		-	-	-	456,824,765	-	456,824,765	456,824,765
Cash and bank deposits		-	-	-	32,243,607	-	32,243,607	32,243,607
		405,000,000	53,944,633	458,944,633	622,990,763	-	622,990,763	1,114,179,003
Financial liabilities								
Provision for outstanding claims (including IBNR)		-	-	-	513,236,614	-	513,236,614	513,236,614
Retirement benefit obligations		-	-	-	11,694,189	-	11,694,189	11,694,189
Insurance / reinsurance payables		-	-	-	80,142,295	-	80,142,295	80,142,295
Other creditors and accruals		-	-	-	24,149,724	-	24,149,724	24,149,724
		-	-	-	629,222,822	-	629,222,822	629,222,822
On-balance sheet gap (a)		405,000,000	53,944,633	458,944,633	(6,232,059)	-	(6,232,059)	484,956,181
Off-balance sheet financial instruments		-	-	-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-	-	-
Total interest rate sensitivity gap (a+b)		405,000,000	53,944,633	458,944,633				
Cumulative interest rate sensitivity gap		405,000,000	458,944,633					

Sensitivity analysis

(a) Sensitivity analysis for variable rate instruments

Presently, the Company does not hold any variable rate instrument.

(b) Sensitivity analysis for fixed rate instruments

The Company holds Term Deposit Receipts (TDRs) and Pakistan Investment Bonds (PIBs) which are classified as cash and cash equivalents and investments respectively. These carry fixed interest rates and therefore any change in the interest rates will not affect the total assets of the Company and profit after taxation for the year ended December 31, 2017.

31.1.3 Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. As at December 31, 2017 and 2016, the Company did not have any financial instrument which exposed it to price risk.

31.2 Credit risk

Credit risk is the risk, which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counter parties.

31.2.1 Concentration of credit risk exposure

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political and / or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk arises from bank deposits in current and other accounts, insurance and reinsurance receivables, reinsurance recoveries against outstanding claims, loans and other receivables. The total financial assets of Rs 980.320 million (2016: Rs 1,114.179 million) except Rs 53.767 million (2016: Rs 54.294 million) are subject to credit risk. Most significant receivables denote amounts due from group companies.

Out of the total financial assets, bank balances of Rs 37.242 million (2016: Rs. 32.194 million) and fixed term deposits of Rs 590 million (2016: Rs 405 million) have been placed with banks having credit rating of A and above as at December 31, 2017.

The management monitors exposures to credit risk through regular review of credit exposure and prudent estimates of provisions for doubtful receivables. Due to the Company's long outstanding business relationships with its counterparties and after giving due consideration to their sound financial standing, the management does not expect non–performance by these counter parties on their obligations to the Company.

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

Name of bank	Rating agency	2017 Rating Short-term	2017 Rating Long-term	2016 Rating Short-term	2016 Rating Long-term
Current accounts and term deposits					
Citibank N.A., - Pakistan Branches	Moody's	P-1	A1	P-1	A1
MCB Bank Limited	PACRA	A1+	AAA	A1+	AAA
Habib Bank Limited	JCR-VIS	A-1+	AAA	A-1+	AAA

31.2.1.1 An age analysis of amounts due from insurance contract holders that are past due but not impaired are as under:

	2017	2016
	(Rupees)	
Upto 30 days	4,138,532	6,930,287
31 to 180 days	7,642,431	29,048,073
Over 180 days	16,042,461	7,706,359
	27,823,424	43,684,719

31.2.2 Out of the total amounts due from insurance contract holders as at December 31, 2017 of Rs 73.733 million (2016: Rs 96.027 million), Rs 45.910 million (2016: Rs 52.342 million) relate to policies which were effective in the current year but premium on account of these policies is not yet due in the current year due to agreed contractual terms.

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		2017	2016
31.2.3	Sector wise analysis of amounts due from insurance contract holders is as follows:	------------(Rupees)------------	
	Financial sector	4,272,650	3,485,497
	Chemicals	854,119	4,753,298
	Fertilizer	2,979,993	1,189,896
	Oil and Gas	4,673,874	1,638,909
	Energy	37,220,725	51,782,795
	Construction	5,591,894	1,025,026
	Distribution	1,141,831	4,549,628
	Telecommunication	3,661,551	3,187,885
	Miscellaneous	13,336,580	24,413,794
		73,733,217	96,026,728

31.2.4 The credit quality of receivables in respect of insurance contract which can be assessed with reference to external credit ratings is as follows:

	2017				
	Insurance / reinsurance receivables			Reinsurance recoveries against outstanding claims	Aggregate
	Due from insurance contract holders	Amount due from other insurers / reinsurers	Reinsurance recoveries due but unpaid		
	(Rupees)				
A or above	46,922,041	33,594,374	-	180,318,905	260,835,320
Others	-	-	-	-	-
Unrated	26,811,176	-	-	-	26,811,176
Total	73,733,217	33,594,374	-	180,318,905	287,646,496

	2016				
	Insurance / reinsurance receivables			Reinsurance recoveries against outstanding claims	Aggregate
	Due from insurance contract holders	Amount due from other insurers / reinsurers	Reinsurance recoveries due but unpaid		
	(Rupees)				
A or above	17,722,311	27,092,934	33,110,057	456,824,765	534,750,067
Others	-	-	-	-	-
Unrated	78,304,417	-	-	-	78,304,417
Total	96,026,728	27,092,934	33,110,057	456,824,765	613,054,484

31.3 Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date on an undiscounted cash flow basis.

	2017			
	Carrying amount	Contractual cash flows	Upto one year	More than one year
	(Rupees)			
Underwriting provision for outstanding claims	223,995,557	223,995,557	223,995,557	-
Insurance / reinsurance payables	129,451,163	129,451,163	129,451,163	-
Retirement benefit obligations	14,891,444	14,891,444	14,891,444	-
Other creditors and accruals	23,854,727	23,854,727	23,854,727	-
	392,192,891	392,192,891	392,192,891	-

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	2016			
	Carrying amount	Contractual cash flows	Upto one year	More than one year
	(Rupees)			
Underwriting provision for outstanding claims	513,236,614	513,236,614	513,236,614	-
Insurance / reinsurance payables	80,142,295	80,142,295	80,142,295	-
Retirement benefit obligations	11,694,189	11,694,189	11,694,189	-
Other creditors and accruals	24,149,724	24,149,724	24,149,724	-
	629,222,822	629,222,822	629,222,822	-

32 INSURANCE RISK / RISK MANAGEMENT PRACTICES

32.1 Insurance and reinsurance risk

The Company accepts the insurance risk through its insurance contracts where it assumes the risk of loss from persons or organisations that are directly subject to the underlying loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The Company manages its risk via its underwriting and reinsurance strategy within an overall risk management framework and proactive claims handling. Exposures are managed by having documented underwriting limits and criteria. Outward reinsurance contracts are entered to mitigate the effect of potential loss to the Company from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital.

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

As is common with other insurance companies, in order to minimise the financial exposure arising from large claims, the Company, in the normal course of business, enters into agreement with other parties for reinsurance purposes. To minimise its exposure to significant losses from reinsurer insolvencies, the Company obtains reinsurance cover only from companies with sound financial position.

The greatest likelihood of significant losses on the contracts underwritten by the Company mainly arises from earthquakes or floods. The Company's estimated exposure on account of such perils for any given single loss event and maximum re-insurance cover against those perils are summarised below:

	2017		
	Maximum gross exposure	Reinsurance cover	Highest net liability
	Rupees in million		
Earthquake	27,584	27,582	2
Flood / windstorm	5,212	5,210	2

	2016		
	Maximum gross exposure	Reinsurance cover	Highest net liability
	Rupees in million		
Earthquake	17,450	17,448	2
Flood / windstorm	13,703	13,701	2

32.2 Geographical concentration of insurance risk

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

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with commercial / industrial / residential occupation of the policyholders. Details regarding the fire separation / segregation with respect to the manufacturing processes, storage, utilities, etc. are extracted from the layout plan of the insured facility. Such details form part of the reports which are made available to the underwriters / reinsurance personnel for their evaluation. Reference is made to the standard construction specifications as laid down by IAP (Insurance Association of Pakistan) which includes measures like the presence of Perfect Party Walls, Double Fire Proof Iron Doors, physical separation between the buildings within an insured's premises, etc. It is basically the property contained within an area which is separated by another property by sufficient distance to confine insured damage from uncontrolled fire and explosion under the most adverse conditions to that one area.

Address look-up and geocoding is the essential field of the policy data interphase of Information Technology (IT) systems. It provides instant location which is dependent on data collection provided under the policy schedule. All critical underwriting information is punched into the IT system / application through which a number of MIS reports can be generated to assess the concentration of risk.

A risk management solution is implemented to help assess and plan for risk in catastrophic scenarios. It provides a way to better visualize the risk exposures so the Company determines the appropriate amount of reinsurance coverage to protect the business portfolio.

For Marine risks, complete underwriting details, besides sums insured and premiums, like vessel identification, voyage input (sea / air / inland transit), sailing dates, origin and destination of the shipments, per carry limits, etc. are entered into the IT system. The reinsurance module of the IT system is designed to satisfy the requirements as laid down in the treaty agreements. Shipment declarations are also endorsed on the policies. Respective reinsurance cessions are automatically made upon the posting of policy documents.

32.3 Frequency and severity of claims

For the Company's insurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example river flooding) and their consequences. The Company has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the contents insured. Claims payment limits are always included to cap the amount payable on occurrence of the insured event.

Claims on general insurance contracts are payable on a claim occurrence basis. The Company is liable for all insured events that occur during the term of the insurance contract including the event reported after the expiry of the insurance contract term.

The Company's insurance contracts are sub-divided into risk segments fire and property damage, marine aviation and transport, motor, accident and health and liability. The Company manages these risk segments 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.

32.4 Sources of uncertainty in the estimation of future claim payments

An estimated amount of the claim is recorded immediately on intimation to the Company. The estimation of the amount is based on the amount notified by the policy holder, management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. The estimation of provision for claims incurred but not reported (IBNR) is determined on the basis of actuarial recommendation for all classes of business.

The Company takes all reasonable measures to identify and account for the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from the amounts recognised initially.

32.5 Process used to decide on assumptions and changes therein

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 statement of financial position is adequate. However, actual experience will differ from the expected outcome.

32.6 Sensitivity analysis

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, some results of sensitivity testing are set out below, showing the impact on profit before tax net of reinsurance.

	Pre-tax profit		Shareholders' equity	
	2017	2016	2017	2016
	---------- (Rupees) ----------			
10% increase in net claims (i.e. loss)				
Fire and property damage	(783,510)	(1,639,735)	(548,457)	(1,131,417)
Marine, aviation and transport	(209,564)	(127,366)	(146,695)	(87,883)
Motor	35,651	(143,430)	24,956	(98,967)
Accident and health	(146,579)	(232,862)	(102,605)	(160,675)
Liability	-	(3,464)	-	(2,390)
	(1,104,002)	(2,146,857)	(772,801)	(1,481,332)
10% decrease in net claims (i.e. loss)				
Fire and property damage	783,510	1,639,735	548,457	1,131,417
Marine, aviation and transport	209,564	127,366	146,695	87,883
Motor	(35,651)	143,430	(24,956)	98,967
Accident and health	146,579	232,862	102,605	160,675
Liability	-	3,464	-	2,390
	1,104,002	2,146,857	772,801	1,481,332

32.7 Reinsurance arrangements

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

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

33 CAPITAL RISK MANAGEMENT POLICIES AND PROCEDURES

The Company's objectives when managing capital are:

- to comply with the minimum paid-up capital requirements as prescribed by the Securities and Exchange Commission of Pakistan (SECP);

- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for share holders and benefits for the other stakeholders;

- to provide an adequate return to shareholders by pricing insurance contracts commensurate with the level of risk; and

- to maintain a strong capital base to support the sustained development of its business.

The current requirement for regulatory capital is Rs 500 million as at December 31, 2017. The Company complies with this requirement.

34 FAIR VALUE MEASUREMENT

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

As detailed in note 30, the Company does not have any assets or liabilities carried at fair values as at December 31, 2017 and 2016.

35 DEFINED CONTRIBUTION PLAN - PROVIDENT FUND

The Company has set up a provident fund for its permanent employees wherein contributions are made by the Company in accordance with the requirements of Section 218 of the Companies Act, 2017. The total charge against provident fund for the year ended December 31, 2017 is Rs 3.606 million (2016: Rs 3.517 million).

The following information is based on the un-audited financial statements of the Fund for the year ended December 31, 2017 and 2016:

	2017	2016
	------------(Rupees)------------	
Size of the fund - net assets	33,239,741	55,653,025
Fair value / cost of investments made	32,935,037	54,200,648
	------------ Percentage ------------	
Investments made as a percentage of total size of the Fund	99.08%	97.39%

The break-up of investments made is given below:

Particulars of investments	2017 Amount	2017 Amount as a percentage of total investments	2016 Amount	2016 Amount as a percentage of total investments
	Rupees		Rupees	
Khas deposit certificates	23,000	0.07%	23,000	0.04%
Bank deposits	32,912,037	99.93%	54,177,648	99.96%
	32,935,037	100.00%	54,200,648	100.00%

The above investments out of provident fund have been made in accordance with the requirement of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

36 STAFF STRENGTH

	2017	2016
	(Number of employees)	
Number of employees as at December 31	14	15
Average number of employees during the year	15	15

37 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors has proposed a cash dividend for the year ended December 31, 2017 of Rs nil per share (2016: stock dividend of Rs 1.25 per share) amounting to Rs nil (2016: Rs 50 million) in its meeting held on 03 APR 2018. The appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2017 do not include the effect of this appropriation which will be accounted for in the financial statements of the Company for the year ending December 31, 2018.

38 CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified wherever necessary to conform with the revised format of financial statements prescribed under the Insurance Rules, 2017 as detailed in note 2.3. The effects of these reclassifications are summarised below:

Reclassification from Balance Sheet	Reclassification to Statement of Financial Position	2016	2015
		----------Rupees----------	
Cash and bank deposits - Deposits maturing within 12 months	Investments - Term deposits	405,000,000	590,000,000
Sundry receivables	Loans and other receivables	9,463,866	21,035,013
Accrued investment income	Loans and other receivables	1,246,463	-
Premiums due but unpaid	Insurance / Reinsurance receivables	96,026,728	130,160,254
Amounts due from other insurers / reinsurers	Insurance / Reinsurance receivables	27,092,934	97,294,691
Reinsurance recoveries due but unpaid	Insurance / Reinsurance receivables	33,110,057	-
Other creditors	Retirement benefit obligations	11,694,189	7,305,906
Accrued expenses	Other creditors and accruals	11,865,046	7,398,906
Other creditors	Other creditors and accruals	24,582,859	22,856,157

Reclassification from Profit and Loss Account	Reclassification to Statement of Comprehensive Income	2016 ----Rupees---
General and administration expenses - Legal and professional charges	Management expenses - Professional charges	447,540
General and administration expenses - Depreciation	Management expenses - Depreciation	3,987,399
General and administration expenses - Various	Other expenses	6,391,802
Financial charges	Management expenses - Bank charges	79,987
Return on bank balances	Investment income	23,006,731
Provision for Workers' Welfare Fund	Other expenses	570,032

39 DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on 03 APR 2018 by the Board of Directors of the Company.

40 GENERAL

Figures in these financial statements have been rounded off to the nearest Rupee unless otherwise stated.

Hamzah Chaudhri

CHIEF EXECUTIVE / COUNTRY PRESIDENT

DIRECTOR

DIRECTOR

Syed Ali Azhar

CHAIRMAN