

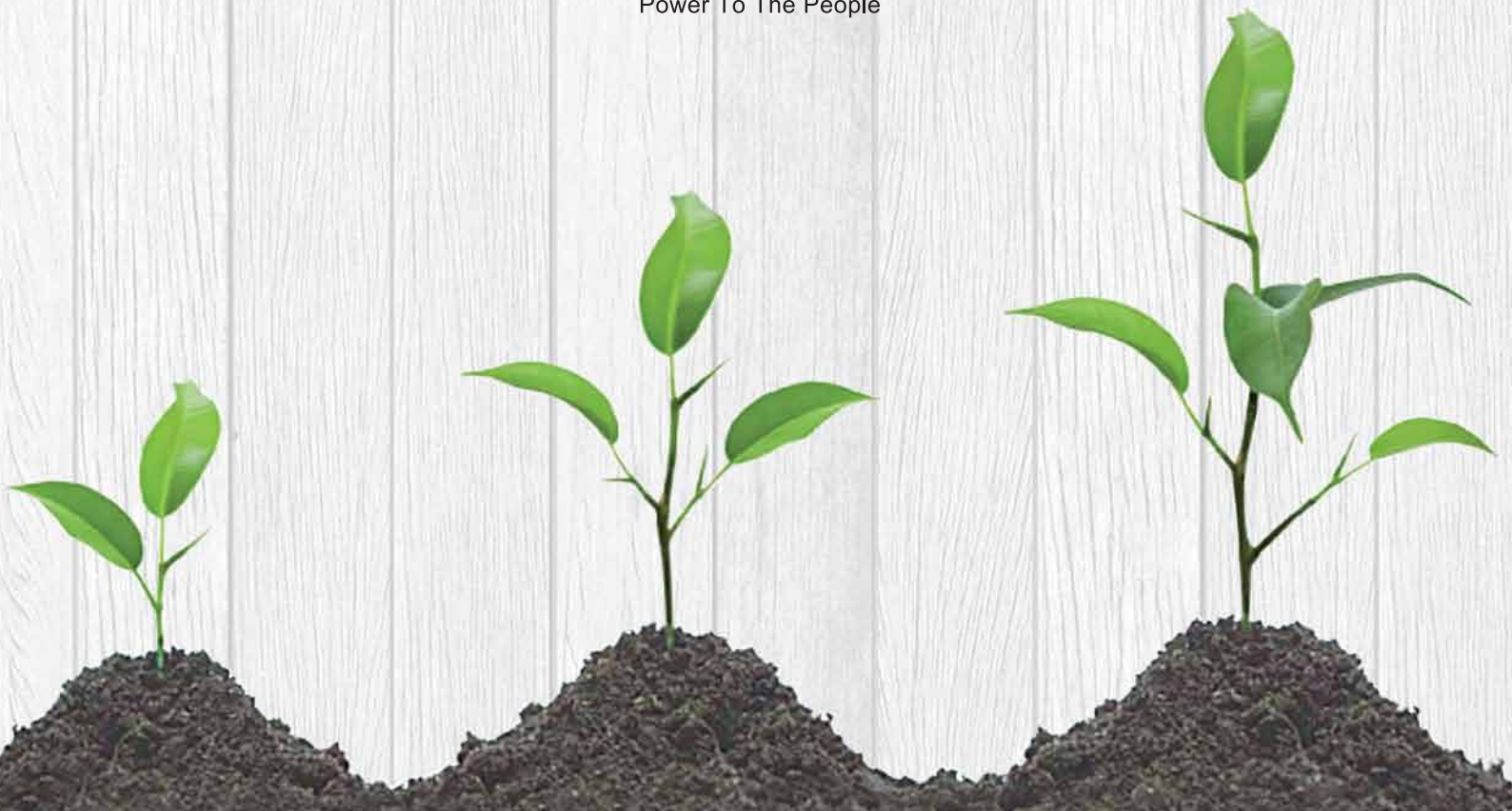
2016 Annual Report

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO



SINDH INSURANCE

Power To The People



Contents








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


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COMPANY INFORMATION

Board of Directors

Muhammad Bilal Shaikh (Chairman)
Syed Hassan Naqvi
Ahmed Salahuddin
Syed Akhtar Ul Islam
Muhammad Aley Abid
Zahid Hussain

Chief Executive Officer

Muhammad Faisal Siddiqui

Chief Financial Officer & Company Secretary

Nadeem Akhter

Shariah Advisor

Mufti Muhammad Adnan

Audit Committee

Syed Akhtar Ul Islam
Syed Hassan Naqvi
Zahid Hussain

Risk Management & Compliance Committee

Syed Hassan Naqvi
Muhammad Aley Abid
Zahid Hussain

Human Resources Committee

Muhammad Bilal Shaikh
Syed Hassan Naqvi
Muhammad Aley Abid

Procurement & Information Technology Committee

Muhammad Bilal Shaikh
Muhammad Aley Abid
Syed Akhtar Ul Islam

Nomination Committee

Syed Hassan Naqvi
Muhammad Bilal Shaikh
Muhammad Aley Abid

Investment Committee

Muhammad Bilal Shaikh
Zahid Hussain
Muhammad Faisal Siddiqui
Nadeem Akhter

Underwriting Committee

Ahmed Salahuddin
Muhammad Faisal Siddiqui
Mohammad Raza
Nadeem Akhter

Claim Committee

Syed Akhtar Ul Islam
Muhammad Faisal Siddiqui
Nadeem Akhter

Reinsurance Committee

Ahmed Salahuddin
Muhammad Faisal Siddiqui
Mohammad Raza

Key Management Personnel

Nadeem Akhter
Muhammad Raza
Nadeem Haider Shaikh
Faiza Khalid

Auditors

M/s. Riaz Ahmad & Company
Chartered Accountants

Legal Advisor

Muhammad Nadeem Khan

Bankers

Sindh Bank Limited

IFS Credit Rating

"A+" (A Plus) by Pakistan Credit Rating
Agency (PACRA)

Company Incorporate Number

0086229

National Tax Number

4231500-0

Membership

The Insurance Association of Pakistan (IAP)

Registered Office/Head Office

1st Floor, Imperial Court,
Dr. Ziauddin Ahmed Road,
Karachi, Pakistan

Contact

Tel : (92-21) 35640715-17
Fax : (92-21) 35640714
Email : info@sindhinsuranceltd.com
Website : www.sindhinsuranceltd.com

Our Vision

“

Reaching everyone for insurance and to meet expectations of our customers and shareholders.

”



Our Mission



“ To provide best returns to our shareholders, job opportunities to the people and premium service at competitive price to our customers. ”

PRODUCT PORTFOLIO

Property Insurance

Fire & Explosion
 Riot Strike Damage
 Malicious Damage
 Atmospheric Disturbances
 Earthquake
 Air Craft Damage
 External Explosion
 Burglary
 Terrorism

Marine Insurance

Cargo Export
 Cargo Import
 Cargo Inland

Motor Insurance

Comprehensive Private Car
 Comprehensive Commercial Vehicle
 Comprehensive Motorcycles
 Motor Third Party Insurance

Engineering Insurance

All Risk Contractors
 Machinery Breakdown (MBD)
 Computer Equipment
 Electronic Equipment
 Boiler & Pressure Vessels
 Erection All Risk
 Third Party Liability
 Machinery Breakdown
 Contractors' Plant & Machinery
 Comprehensive Machinery Insurance

Miscellaneous Insurance

Cash in Transit
 Cash in Safe
 Fidelity Guarantee
 Mobile Phone
 All Risk
 Bond
 Bankers Blanket
 Burglary
 Product Liability
 Public Liability
 Workman Compensation
 Commercial General Liability

Accident & Health

Health Insurance
 Personal Accident Insurance

FIRE

Fire Insurance



MARINE

Marine Insurance





BUGLARY!

Buglary Insurance



MOTOR

Motor Insurance



THIRD PARTY

Third Party Liability Motor Insurance



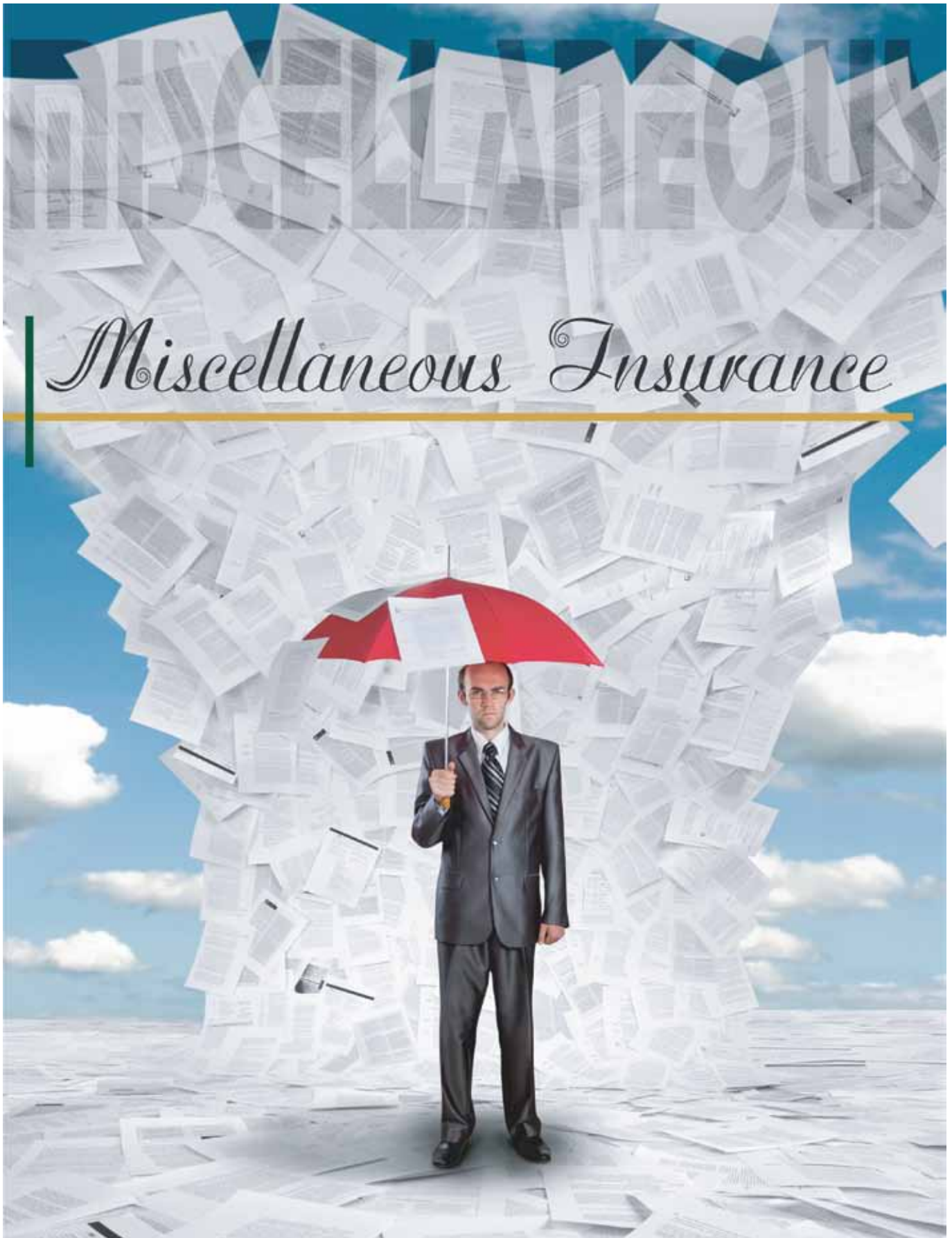
Health Insurance



ACCIDENT

Personal Accident





Miscellaneous Insurance

PROPERTY

Property Insurance



ENGINEERING

Engineering Insurance



CROP

Crop Insurance



BONDS

Bonds Insurance



TRAVEL

Travel Insurance



LIVE STOCK

Live Stock Insurance



BOARD OF DIRECTORS

MUHAMMAD BILAL SHAIKH

Chairman / Director

Chairman and Chief Executive Officer of Sindh Leasing Company Limited, Chairman/Director of Sindh Modaraba Management Ltd. and Director, Sindh Bank Ltd. and Sui Southern Gas Company Ltd. (SSGCL). Mr. Sheikh holds Masters degree in Commerce from Punjab University, besides being a Fellow member of the Institute of Bankers Pakistan. He is a career banker with 48 years of experience. He has been Chief Executive of various Banks and DFIs for the last over 18 years.

SYED HASSAN NAQVI

Director – Representing Government of Sindh

Mr. Naqvi is presently Secretary Finance, Government of Sindh. He remained Special Finance Secretary, Government of Sindh, Director Export Processing Zone Authority, Project Director of Computerization Board of Revenue, Govt. of Sindh, Additional Secretary Chief Minister House Sindh and other key posts of Government of Sindh.

AHMED SALAHUDDIN

Director

Chief Executive Officer in Health eConnex (Pvt.) Ltd. a TPA Company. Mr. Ahmed is MBA and ACII, Chartered Insurer, Associate in Claims and Mariner, has over 25 years of experience in the insurance industry including as Chief Executive of PICIC Insurance.

SYED AKHTAR UL ISLAM

Director

Mr. Akhtar is presently Chief Executive Officer in Meridian Aviation. Also served as Chief Operating Officer in Quality Aviation Services. He has extensive experience of cargo marketing in Pakistan International Air Lines for more than thirty years. He has graduation in Political Sciences.

MUHAMMAD ALEY ABID

Director

Mr. Abid a senior banker having a career span of over 37 years in international and domestic banking with Habib Bank. Served in domestic branches in different capacities. Has also served the bank for about 5 years in Maldives and Sri Lanka. Senior positions included Divisional Head International Division. Was instrumental in the establishment of Habib Currency Exchange, a wholly owned subsidiary of HBL and was its CEO till retirement in 2005. Has attended several international seminars and courses in Dubai, Bahrain, South Africa, Kenya and Germany. Was member of State Bank of Pakistan's Standing Committee formed in the year 2000, to review Foreign Exchange manual, notifications and circulars issued by SBP. He remained Advisor, Banking Mohtasib Pakistan, Head of PICIC Exchange Company, Head of Financial Institutions Division at Habib Bank Limited.

ZAHID HUSSAIN

Director

Mr. Hussain a seasoned banker has professional experience of around three decades in Branch Banking, Marketing, Sales, Credit, Operation, Foreign Trade and Training with leading foreign and local banks. Designated trainer on a project and conducted training for staff in UAE, Qatar, Jordan and Bangladesh. He worked at senior-management level positions in respective banks. He received his bachelors degree from University of Karachi.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of your company are pleased to present the Annual Report along with the Audited Accounts and Auditors' Report for the year ended December 31, 2016.

Country Review

Pakistan is eyeing more than 5% GDP growth in the ongoing fiscal year, after a robust performance in the outgoing year. Pakistan is hoping to get a big boost from the investment in China Pakistan Economic Corridor (CPEC) that envisages \$ 51.5 billion investment in infrastructure projects that include roads, railway and power plants. The project signed last year will give China access to the Arabian Sea for its exports through the deep sea port at Gwadar. Pakistan economy growth will increase robustly due to greater inflow of foreign investment on account of CPEC.

In its recent review of Pakistan's economy under a three-year fund facility, the IMF praised Pakistan's robust growth, helped by investment in CPEC and lower global oil prices. Pakistan meets nearly 80 percent of its oil needs through import, and petroleum is the single largest item on the import bill.

The authorities' reform efforts continue to strengthen macroeconomic stability, public finances, foreign exchange reserve buffers, and expanded protection of the most vulnerable through various public sector institutions and foreign aids projects.

Company Performance

During the year under review it is notable to state that Sindh Insurance's successful transition from an operating loss of Rs 15.784 million in 2015 to an operating profit of Rs 31.460 million.

Your Company wrote gross insurance premium of Rs. 2,408.724 million in various classes of business, with a net premium revenue of Rs. 640.424 million. The remarkable increase in Gross premium was mainly due to insurance premium received against Universal Accident Insurance Scheme introduced by Government of Sindh from October 01, 2016.

The decrease of Rs 14.590 million in profit before tax in the current year is due to a dip down in investment income by Rs. 51.913 million, this has resulted in lessor capital gains of Rs. 29.220 million as compared to Rs. 78.432 million last year.

Below are key financial figures for last two year:

	2016	2015
Gross Premium	2,408,853,887	73,994,813
Net Premium Revenue	640,424,653	20,508,168
Underwriting Results	31,460,337	(15,784,898)
Investment Income	63,241,263	115,154,090
Profit before tax	82,574,027	97,162,681
Profit after tax	56,706,735	67,318,967
Earning per share	1.13	1.35

Insurance Sector Review

Pakistan's non-life insurance segment recorded robust growth during the period under review, driven by the positive economic outlook and favorable government regulations for the segment. In addition, growth in the Pakistani insurance industry is supported by increasing levels of risk awareness and risk avoidance knowledge among consumers. During the year, FBR increased the income tax on capital gains and dividend income, which consequently increased the tax liability of insurance companies. Insurance business has a promising future as massive foreign funds under CPEC have started to flow. The industry is preparing to handle the opportunities and challenges arising out of game changing project of CPEC. With the adoption of modern distribution channels and innovative products, the insurance sector in Pakistan has been growing at a good pace.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Window Takaful Operations

Securities and Exchange Commission of Pakistan (SECP) granted license to the Company to act as Window Takaful Operator on September 22, 2016 under Takaful Rules, 2012. The Company commenced its Window Takaful Operation in the month of December 2016.

The contribution written upto December 31, 2016 was Rs. 0.302 million. During the period under review, Participant Takaful Fund deficit was 0.700 million and Operators Fund loss was Rs. 0.774 million. We hope that takaful business profitability will be raised in the ensuing year.

Reinsurance

During first half of the year, Hannover Re, PRCL, Saudi Re, Korean Re and Trust Re were part of the panel of Reinsurers lead by Hanover Re. During the second half year GIC Re replaced the Saudi Re and Korean Re. The Company has also obtained support from Swiss Re for Window Takaful Operations.

Corporate and Financial Reporting Framework

The Board is aware of its responsibility under the Company law and the Public Sector Companies (Corporate Governance) Rules, 2013, and Code of Corporate Governance for Insurers 2016 issued by the Securities and Exchange Commission of Pakistan (SECP). Accordingly, the Board is pleased to state as follows:

- The Board has complied with the relevant principles of corporate governance, and has also identified the rules that have not been complied with and reasons for such non-compliance.
- The financial statements prepared by the management of the Company, presented fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The Directors recognize their responsibility to establish and maintained a sound system of internal control, which is regularly reviewed and monitored.
- International Financial Reporting Standards and International Accounting Standards, or any other regulation or law including Shariah guidelines and principles, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.
- There are no material departure from the best practices of corporate governance.
- There are no doubts upon the company's ability to continue as a going concern.
- Key operating and financial data is included in the Report.
- The statement of shareholding in the Company as on December 31, 2016, is included in the Report.
- The value of investment in the Provident Fund as on December 31, 2016, was Rs. 3,843,516/-.

Board Meetings

During the year, four (4) meetings of the Board of Directors were held and attendance position was as under:

Serial No.	Name of Director	Number of Meetings Attended
01	Mr. Muhammad Bilal Shaikh	04
02	Mr. Mohammad Sohail Khan Rajput	02 *
03	Mr. Syed Hassan Naqvi	02
04	Mr. Muhammad Naimuddin Farooqui	04
05	Mr. Syed Shahnawaz Nadir	04
06	Mr. Shamsuddin Khan	04
07	Mr. Ahmed Salahuddin	01
08	Mr. Akhtar Ali Khan	04

* Causal vacancy of Mr. M. Sohail Khan Rajput was filled by Mr. Syed Hassan Naqvi.
Leave of absence was granted to the Directors who could not attend the Board meetings.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Achievements

Your Company entered into an agreement with the Government of Sindh to provide accidental insurance coverage of Rs. 100,000/- to all adult residents of Sindh Province under the "Universal Accident Insurance and Social Benefit Scheme". This scheme provides social protection in the event of accidental death of a family member or bread earner.

The Company has opened a branch in the Civic Centre to sell genuine Third Party Liability coverage to motor vehicle owners for the first time in the history of Pakistan.

Insurer Financial Strength (IFS) Rating

Pakistan Credit Rating Company Limited (PACRA) has upgraded Insurer Financial Strength (IFS) rating of the Company from "A" (Single A) to "A+" (A Plus). The rating denotes strong capacity to meet policyholders and contract obligations.

Performance Evaluation

The Board has carried out performance evaluation of its members, including the Chairman and the Chief Executive Officer, on the basis of process developed by it. The Board has also monitored and assessed the performance of senior management on annual basis.

Statement of Code of Conduct

The Board has adopted the statement of Code of Conduct. The code has been conveyed to all employees and directors, who have signed the same and are required to observe rules of conduct in relation to business and regulations.

Material Changes

There have been no material changes since December 31, 2016 and the Company has not entered into any commitment, which would affect its financial position at that date.

Dividend

No dividend was declared in the period ended December 31, 2016.

Auditors

Messrs Riaz Ahmed & Company, Chartered Accountants have audited the accounts for the year 2016, being eligible, have offered themselves for re-appointment. The Audit Committee has recommended the re-appointment and fixation of audit fee of external auditor as per regulations.

Future Outlook

Our strategy for 2017 is designed to deliver sustainable, growth in changing and competitive environment of the country. The Company is focusing more closely on the markets and customers, where we have a competitive edge, those where we can offer a superior value proposition to our customers. The Company has been rated "A+" by PACRA. The Company's Window Takaful Operations expected to grow in the ensuing year. We continue to invest in our people and system and processes to better understand our customer's need in the way they require, increase collaboration and improve efficiency. The Company will concentrate in the following areas specifically:

- Automation for purchasing of insurance through web;
- Claim intimation through web and cellular phone;
- To capture CPEC insurance business of related projects;
- Opening a branch in Gwadar;
- Increased interaction with the business community to introduce of company and its products;
- Introduction of micro level products to capture the large untapped market.

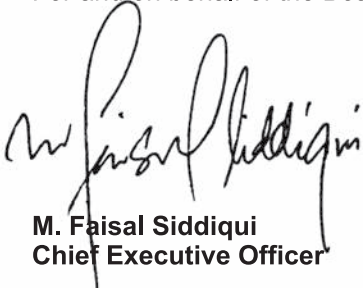
DIRECTORS' REPORT TO THE SHAREHOLDERS

Acknowledgement

The directors would like to take this opportunity to express their sincere gratitude to the Government of Sindh, Ministry of Commerce, Government of Pakistan, Securities and Exchange Commission of Pakistan (SECP), Insurance Association of Pakistan (IAP) and Sindh Bank Limited for their continued guidance and support.

Further, the Board also wishes to record its appreciation for the staff and policyholders for their dedication and support.

For and on behalf of the Board of Directors



M. Faisal Siddiqui
Chief Executive Officer

March 30, 2017

ڈائریکٹر ز رپورٹ برائے حصص یافتگان

31 دسمبر 2016 کو اختتام پذیر سال پر آپ کی کمپنی کے ڈائریکٹر ز سالانہ رپورٹ بمع پڑتال شدہ گوشوارے اور آڈیٹر کی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

ملکی جائزہ

گذشتہ سال کی بھرپور کارکردگی کے بعد، جاری مالی سال میں پاکستان کی نظریں 5 فیصد سے زیادہ مجموعی قومی پیداوار (GDP) پر ہیں۔ پاکستان پاک چین اقتصادی راہداری (سی پیک) میں سرمایہ کاری سے معاشی فروغ کی امید کر رہا ہے جس میں خیال کیا جاتا ہے کہ 51.5 ارب امریکی ڈالر کی سرمایہ کاری بنیادی ڈھانچے کے منصوبوں پر ہوگی، جس میں سڑکیں، ریلوے اور توانائی کے منصوبے شامل ہیں۔ اس منصوبے پر گذشتہ سال دستخط ہوئے جس کے تحت چین کو اس کی برآمدات کے لیے گوادر پورٹ کے ذریعے بحیرہ عرب کے گہرے پانی تک رسائی حاصل ہوگی۔ CPEC کے منصوبوں میں غیر ملکی سرمایہ کاری کی بڑھتی ہوئی آمد کی وجہ سے پاکستان کی معیشت مضبوطی سے ترقی کرے گی۔

ایک تین سالہ فنڈ سہولت پروگرام کے تحت پاکستانی معیشت کے حالیہ جائزے میں IMF نے پاکستان کی پائیدار ترقی کی تعریف کی جس کی وجوہات میں CPEC میں سرمایہ کاری اور عالمی منڈی میں تیل کی کم قیمتیں تھیں۔ پاکستان اپنی تیل کی تقریباً 80 فیصد ضروریات درآمد سے پوری کرتا ہے اور معدنی تیل درآمدی بل کی فہرست کی واحد سب سے بڑی مد ہے۔

وسیع معاشی استحکام، پبلک فنانس، غیر ملکی زرمبادلہ کے کساد بازاری سے تحفظ دینے والے محفوظ ذخائر، اور متعدد زیادہ غیر محفوظ پبلک سیکٹر اداروں اور غیر ملکی امداد سے جاری منصوبوں کے تحفظ کے سلسلے میں ارباب اختیار کی اصلاحات کی کاوشیں جاری رہیں گی۔

کمپنی کی کارکردگی

یہ بات قابل ذکر ہے کہ زیر جائزہ سال کے دوران سندھ انشورنس نے سال 2015 میں ہونے والے 15.784 ملین روپے کے آپریٹنگ نقصان سے 31.469 ملین روپے کے آپریٹنگ منافع تک کا انتہائی کامیاب سفر کیا ہے۔

آپ کی کمپنی نے مختلف کاروباری درجات میں 2,408.724 ملین روپے کا مجموعی انشورنس پرییم اور 640.424 ملین روپے خالص پرییم آمدنی حاصل کی۔ مجموعی پرییم میں غیر معمولی اضافہ کی بنیادی وجہ یکم اکتوبر 2016 کو حکومت سندھ کی متعارف کردہ یونیورسل ایکسیڈنٹ انشورنس اسکیم کی مد میں حاصل ہونے والا پرییم ہے۔

جاری سال میں قبل از محصول منافع میں 14.590 ملین روپے کی کمی کی وجہ سرمایہ کاری سے حاصل آمدنی میں 51.913 ملین روپے کی تخفیف رہی اور اس کی وجہ سرمایہ جاتی آمدنی میں 29.220 ملین روپے کا کم تر اضافہ رہا جبکہ گزشتہ سال اس کی مالیت 78.432 ملین روپے تھی۔

گزشتہ دو سالوں کے کلیدی مالیاتی اعداد و شمار درج ذیل ہیں:

2015	2016	
73,994,813	2,408,853,887	مجموعی پریمیم
20,508,168	640,424,653	خالص پریمیم آمدنی
(15,784,898)	31,460,337	انڈر رائٹنگ کے نتائج
115,154,090	63,241,263	سرمایہ کاری کی آمدنی
97,162,681	82,574,027	منافع قبل از محصول
67,318,967	56,706,735	منافع بعد از محصول
1.35	1.13	منقسمہ آمدنی فی حصص

انشورنس شعبے کا جائزہ

زیر جائزہ مدت میں پاکستان کی جنرل انشورنس کے شعبے میں بھرپور نمود کیکنے میں آئی جس کا محرک مثبت معاشی منظر نامہ اور جنرل انشورنس کے لیے حکومت کے سازگار قواعد ہیں۔ مزید یہ کہ پاکستانی صارف کی خدشات کے بارے میں بڑھتی ہوئی آگاہی اور اس کے تدارک کے بارے میں معلومات انشورنس کی صنعت کی ترقی میں معاون ثابت ہوئیں۔ سال کے دوران FBR نے سرمایہ جاتی آمدنی اور منقسمہ آمدنی پر محاصل میں اضافہ کر دیا جس کے نتیجے میں انشورنس کمپنیوں کے محصول کی بابت مالی ذمہ داری میں اضافہ ہو گیا۔ CPEC کے تحت کثیر غیر ملکی فنڈز کی آمد کے شروع ہونے کی وجہ سے انشورنس کے کاروبار کا مستقبل تابناک ہے۔ انشورنس کی صنعت، صورتحال کو یکسر تبدیل کرنے والے CPEC منصوبے سے پیدا ہونے والے مواقعوں اور چیلنجز سے نپٹنے کی تیاری کر رہی ہے۔ تقسیم کے جدید ذرائع اور اختراعی مصنوعات کو تیار کر کے پاکستان میں انشورنس کا شعبہ مناسب رفتار سے ترقی کر رہا ہے۔

ونڈو تکافل آپریشنز

سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) نے تکافل قواعد 2012 کے تحت، 22 ستمبر 2016 کو کمپنی کو ونڈو تکافل آپریٹر کے طور پر کام کرنے کا لائسنس جاری کیا تھا۔ کمپنی نے ونڈو تکافل آپریشن کا آغاز دسمبر 2016 سے کیا۔

31 دسمبر 2016 تک اس کا تحریری حصہ 0.302 ملین روپے تھا۔ شراکت داری تکافل فنڈ میں کمی 0.700 ملین روپے تھی اور آپریٹر فنڈ میں نقصان 0.774 ملین روپے تھا۔ ہمیں امید ہے کہ آمد سال تکافل کی سرگرمیوں سے منافع بخش نتائج ظاہر ہوں گے۔

ری-انشورنس

سال کے پہلے نصف کے دوران، ہنووری، PRCL، سعودی ری، کورین ری اور ٹرسٹ ری ری-انشورنس کرنے والوں کے پینل کا حصہ تھے جس کی قیادت ہنووری کر رہا تھا۔ سال کے دوسرے نصف میں سعودی ری اور کورین ری کی جگہ GIC ری نے لے لی۔ کمپنی کو ونڈو مکافل کے لیے سونس ری کی حمایت بھی حاصل ہو چکی ہے۔

ادارہ جاتی اور مالیاتی رپورٹنگ ڈھانچہ

سیکیورٹی اینڈ ایکسچینج کمیشن کی جانب سے جاری کردہ کمپنی لاء، پبلک سیکٹر کمپنیز (کارپوریٹ گورننس) رولز 2013 اور کوڈ آف کارپوریٹ گورننس برائے انشورر 2016 کے تحت بورڈ اپنی ذمہ داریوں سے بخوبی آگاہ ہے۔ اس تناظر میں بورڈ درج ذیل امور کی تصدیق کرتے ہوئے خوشی محسوس کرتا ہے۔

- بورڈ نے کارپوریٹ گورننس کے متعلقہ اصولوں کی تعمیل کی ہے اور عدم تعمیل کی صورت میں ان اصولوں کی نشاندہی بمع عدم تعمیل کی وجوہات بیان کی جا چکی ہیں۔
- کمپنی انتظامیہ کے تیار کردہ مالیاتی گوشوارے اسکے موجودہ جاری حالات، آپریشن کے نتائج، نقد بہاؤ اور ملکیت (ایکویٹی) میں تبدیلی بہتر طور پر پیش کرتے ہیں۔
- کمپنی کے حساب کے کھاتے باقاعدہ اور باضابطہ طور پر مرتب کئے گئے ہیں۔
- مالیاتی دستاویزات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو استعمال کیا گیا ہے اور اکاؤنٹنگ تخمینوں کی بنیاد مناسب اور محفوظ اندازے ہیں۔
- ڈائریکٹر ایک مضبوط داخلی نظم و ضبط کے نظام کے قیام اور اسے برقرار رکھنے کے سلسلے میں اپنی ذمہ داریوں سے مکمل طور پر آگاہ ہیں اور اس پر مؤثر طور پر عملدرآمد اور نگرانی کی گئی۔
- مالیاتی گوشوارے کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ اور حسابات کے معیارات بشمول شریعہ رہنما اصول جو پاکستان میں مروج ہیں کو ملحوظ خاطر رکھا گیا ہے اور کسی قسم کا احتراز مناسب انداز میں وجوہات سمیت بیان کیا گیا ہے۔
- کارپوریٹ گورننس کے درج شدہ بہترین ضوابط پر عملدرآمد سے کوئی انحراف نہیں کیا گیا ہے
- کمپنی کے قائم رہنے کی صلاحیت کسی شک و شبہ سے بالاتر ہے۔
- اس رپورٹ کے ساتھ اہم آپرٹنگ اور مالیاتی اعداد و شمار منسلک ہے۔
- اس رپورٹ میں 31 دسمبر 2016 کے مطابق شیئر ہولڈنگ کا گوشوارہ شامل ہے۔
- 31 دسمبر 2016 کو پراویڈینٹ فنڈ میں سرمایہ کاری کی مالیت 3,843,526 روپے تھی۔

بورڈ اجلاس

سال کے دوران بورڈ آف ڈائریکٹرز کے چار (4) اجلاس منعقد ہوئے اور ان میں شرکت کی تفصیلات درج ذیل ہے؛

نمبر شمار	ڈائریکٹر کے نام	اجلاس میں شرکت کی تعداد
01	جناب محمد بلال شیخ	04
02	جناب محمد سہیل خان راجپوت	02*
03	جناب سید حسن نقوی	02

04	جناب محمد نعیم الدین فاروقی	04
04	جناب سید شاہ نواز نادر شاہ	05
04	جناب شمس الدین خان	06
01	جناب احمد صلاح الدین	07
04	جناب اختر علی خان	08

* محمد سہیل خان راجپوت کی خالی کردہ آسامی کو سید حسن نقوی نے پر کیا۔
اجلاس سے غیر حاضر بورڈ ارکان کی حاضری سے رخصت کی منظوری حاصل کی گئی۔

کار نمایاں

آپ کی کمپنی اور حکومت سندھ کے درمیان "یونیورسل ایکسیڈینٹ انشورنس اینڈ سوشل بینیفٹ اسکیم" کے تحت صوبے کے تمام رہائشی افراد کے لیے 100,000/- روپے کے حادثاتی بیمہ کا معاہدہ طے پایا ہے۔ یہ اسکیم خاندان کے کسی رکن یا کمانے والے کی حادثاتی موت پر سماجی تحفظ فراہم کرتی ہے۔ کمپنی سوک سینٹر میں اپنی ایک شاخ کا آغاز کر چکی ہے تاکہ پاکستان کی تاریخ میں پہلی مرتبہ گاڑیوں کے مالکان کو حقیقی تھرڈ پارٹی کو دور تیج فراہم کی جاسکے۔

کمپنی کی مالیاتی مضبوطی (IFS) کی درجہ بندی

پاکستان کریڈٹ ریٹنگ ایجنسی (PACRA) نے کمپنی کی "مالیاتی مضبوطی (IFS) کی درجہ بندی" "A" (واحد A) سے بڑھا کر A+ (مثبت) کر دی ہے۔ درجہ بندی میں یہ بہتری انشورنس کنندگان کی معاہداتی ذمہ داریوں کو پورا کرنے کی مستحکم استعداد کو ظاہر کرتی ہے۔

کارکردگی کی قدر پیمائی

بورڈ اپنے ارکان بشمول چیئرمین اور چیف ایگزیکٹو آفیسر کی اپنے وضع کردہ طریقہ کار کی بنیاد پر قدر پزیری (evaluation) کر چکا ہے۔ بورڈ اپنی انتظامیہ کے اعلیٰ عہدے داروں کی کارکردگی کی سالانہ بنیاد پر نگرانی اور جانچ کر چکا ہے۔

ضابطہ اخلاق

بورڈ ایک ضابطہ اخلاق پر عمل پیرا ہے۔ جس سے تمام ڈائریکٹرز اور ملازمین کو مطلع کیا جا چکا ہے اور دستخط حاصل کیے جا چکے ہیں۔ نیز انہیں کاروباری اور قانونی معاملات میں مذکورہ ضابطہ اخلاق کی مکمل پاسداری کی ہدایت کی گئی ہے۔

مادی تبدیلیاں

31 دسمبر 2016 کے بعد کسی قسم کی مادی تبدیلیاں وقوع پذیر نہیں ہوئیں ہیں اور کمپنی ایسے کسی انتظام یا معاہدے میں ملوث نہیں ہوئی جو اس تاریخ پر مالی صورت حال کو متاثر کرے۔

منافع منقسمہ

31 دسمبر 2016 کو اختتام پذیر مدت کے لیے کسی قسم کے منافع منقسمہ کا اعلان نہیں کیا گیا ہے۔

محاسب (Auditors)

میسرز ریاض احمد اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، نے سال 2016 گوشواروں کا آڈٹ کیا ہے اور اہل ہونے کی بنیاد پر اپنی کمپنی کو دوبارہ انتخاب کے لیے پیش کیا ہے۔ آڈٹ کمیٹی ان کے دوبارہ انتخاب اور ضابطوں کے مطابق ان کی آڈٹ فیس کا تعین کرنے کی سفارش کر چکی ہے۔

مستقبل کا منظر نامہ

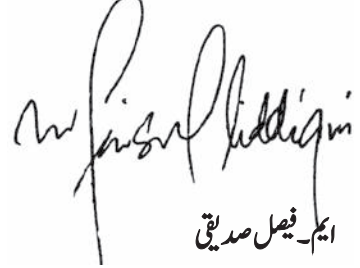
ہماری 2017 کے لیے حکمت عملی اس طرح سے مرتب کی گئی ہے کہ ملک میں تیزی سے بدلتے ہوئے مسابقتی ماحول میں ایک طویل مدت تک جاری رہنے والی نمو فراہم کی جاسکے۔ کمپنی ان منڈیوں اور صارفین پر زیادہ توجہ دے رہی ہے جہاں اسے مسابقتی برتری حاصل ہے اور جہاں ہم اپنے صارفین کی بہترین خدمت کر سکتے ہیں۔ کمپنی کو PACRA کی جانب سے A+ کی درجہ بندی دی جا چکی ہے۔ کمپنی کے ونڈو کافل آپریشنز سے توقع ہے کہ وہ آنے والے سالوں میں نمونپائے گا۔ ہم اپنے لوگوں، نظام اور طریق عمل میں سرمایہ کاری جاری رکھیں گے تاکہ ہم اپنے صارفین کی ضروریات کو اچھی طرح سمجھ سکیں جیسا کہ وہ چاہتے ہیں اور اشتراک عمل سے کارکردگی دکھانے کی صلاحیت میں اضافہ ہو۔ کمپنی خاص طور پر مندرجہ ذیل اہم شعبہ ہائے عمل پر اپنی توجہ مرکوز رکھے گی؛

- ✓ ویب کے ذریعے انشورنس کی خود کار خریداری۔
- ✓ دعویٰ (claim) کی اطلاع بذریعہ ویب اور موبائل فون۔
- ✓ CPEC سے متعلق منصوبوں کے انشورنس کے کاروبار کا حصول۔
- ✓ گوادرمیں ایک شاخ کا آغاز۔
- ✓ کمپنی اور اس کی مصنوعات کو متعارف کروانے کے لیے کاروباری طبقے سے میل جول۔
- ✓ ایک بڑی نظر انداز منڈی کے حصول کے لیے چھوٹے درجے کی مصنوعات کو متعارف کروانا۔

اظہارِ تشکر

اس موقع پر ڈائریکٹرز حکومت سندھ، وزارت تجارت، حکومت پاکستان، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP)، انشورنس ایسوسی ایشن آف پاکستان (IAP) اور سندھ بینک کے مسلسل تعاون اور سرپرستی پر سب کے لیے اپنے مخلصانہ جذباتِ ممنونیت کا اظہار کرنا چاہتے ہیں۔ مزید یہ کہ بورڈ اپنے ملازمین اور پالیس کنندگان کی وابستگی اور حمائت کا تہہ دل سے شکر گزار ہے۔

برائے و منجانب بورڈ آف ڈائریکٹرز



ایم۔ فیصل صدیقی
چیف ایگزیکٹو آفیسر

30 مارچ 2017

KEY FINANCIAL DATA

	2016	2015	2014
Written Premium	2,408,853,887	73,994,813	2,319,819
Earned Premium	735,955,844	31,684,584	230,287
Net Premium Revenue	640,424,653	20,508,168	(458,499)
Underwriting Result	31,460,337	(15,784,898)	(6,389,734)
Investment & Other Income	76,164,891	129,542,800	61,538,068
Profit / (Loss) before tax	82,574,027	97,162,681	47,798,630
Profit / (Loss) after tax	56,706,735	67,318,967	32,025,082
Paid-up Capital	500,000,000	500,000,000	500,000,000
Shareholders' Equity	656,050,784	599,344,049	532,025,082
Breakup Value per Share (RS.)	13.12	11.99	10.64
Investment & properties	894,925,867	526,309,909	355,227,003
Cash & Bank Balances	1,650,625,692	53,336,642	135,337,879
Total Assets Book Value	2,985,811,652	676,773,510	543,789,965

NOTICE OF THE THIRD ANNUAL GENERAL MEETING

Notice is hereby given that the Third Annual General Meeting of the shareholders of **Sindh Insurance Limited** will be held on **Thursday, April 27, 2017 at 10:00 am** at the registered office of the Company at 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi, to transact the following business:

ORDINARY BUSINESS:

1. To confirm minutes of the Second Annual General Meeting held on April 28, 2016.
2. To receive, consider and adopt the Audited Accounts for the year ended December 31, 2016 along with Directors' and Auditors' Report thereon.
3. To appoint Auditors for the year 2017 and fix their remuneration. Retiring Auditor M/s Riaz Ahmed & Company, Chartered Accountants, being eligible, have offered themselves for re-appointment.
4. To transact any other business that may be placed before the meeting with the permission of the Chair.



Karachi
March 30, 2017

By Order of the Board
Nadeem Akhter
Company Secretary

NOTES:

- 1) A member entitled to attend and vote is entitled to appoint another member/any other person as his/her proxy to attend and vote.
- 2) Duly completed instrument of proxy, and the other authority under which it is signed, must be lodged with the Company Secretary at the company's registered office 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi, at least 48 hours before the time of the meeting.
- 3) Share Transfer Books of the Company will remain closed from April 27, 2017 to May 3, 2017 (both days inclusive).
- 4) Any change of address of Member should be immediately notified to the company's registered office 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi.
- 5) The CDC account holder will further have to follow the under-mentioned guidelines as laid down by the (SECP) Securities and Exchange Commission of Pakistan.

A. For attending the meeting:

- i. In Case of individuals, the account holder or sub-accounts holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original computerized national identity card (CNIC) or original passport at the time of attending the meeting.
- ii. In case of corporate entity the Board of Directors resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

B. For appointing proxies:

- i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per account and their registration details are uploaded as per the regulations, shall submit the proxy form accordingly.
- ii. The proxy form shall be witnessed by two persons whose names, address and CNIC numbers shall be mentioned on the form.
- iii. Attested copies of CNIC or the passport
- iv. The proxy shall produce his/her original CNIC or original passport at the time of meeting.
- v. In Case of Corporate entity, the board of Director's resolution / power of attorney with specimen signature shall be submitted along with proxy form to the company.

STATEMENT OF COMPLIANCE

**Statement of Compliance with the Public Sector Companies
(Corporate Governance) Rules, 2013 and Code of Corporate
Governance for Insurers, 2016**

Name of Company: **SINDH INSURANCE LIMITED**
 Name of the line ministry: **Ministry of Finance, Government of Sindh**
 For the year ended: **31 December 2016**

- I. This statement is being presented to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 and Code of Corporate Governance for Insurers, 2016 (hereinafter collectively called “the Rules”) issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.
- II. The company has complied with the provisions of the Public Sector Companies (Corporate Governance) Rules, 2013 in the following manner:

S. No.	Provision of the Rules	Rule No.	Y	N												
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)		✓												
2.	<div>The Board has the requisite percentage of independent directors. At present Board includes:</div> <table><thead><tr><th>Category</th><th>Names</th><th>Date of Appointment</th></tr></thead><tbody><tr><td>Independent Directors</td><td></td><td>---</td></tr><tr><td>Executive Directors</td><td>Muhammad Faisal Siddiqui</td><td>28-04-2015</td></tr><tr><td>Non-Executive Directors</td><td>Muhammad Bilal Sheikh Syed Hassan Naqvi Muhammad Naimuddin Farooqi Shamsuddin Khan Syed Shah Nawaz Nadir Ahmed Salahuddin Akhtar Ali Khan</td><td>28-04-2015 11-08-2016 28-04-2015 28-04-2015 28-04-2015 28-04-2015</td></tr></tbody></table>	Category	Names	Date of Appointment	Independent Directors		---	Executive Directors	Muhammad Faisal Siddiqui	28-04-2015	Non-Executive Directors	Muhammad Bilal Sheikh Syed Hassan Naqvi Muhammad Naimuddin Farooqi Shamsuddin Khan Syed Shah Nawaz Nadir Ahmed Salahuddin Akhtar Ali Khan	28-04-2015 11-08-2016 28-04-2015 28-04-2015 28-04-2015 28-04-2015	3(2)		✓
Category	Names	Date of Appointment														
Independent Directors		---														
Executive Directors	Muhammad Faisal Siddiqui	28-04-2015														
Non-Executive Directors	Muhammad Bilal Sheikh Syed Hassan Naqvi Muhammad Naimuddin Farooqi Shamsuddin Khan Syed Shah Nawaz Nadir Ahmed Salahuddin Akhtar Ali Khan	28-04-2015 11-08-2016 28-04-2015 28-04-2015 28-04-2015 28-04-2015														
3.	A casual vacancy occurred on the board was filled by the directors within ninety days.	3(4)	✓													
4.	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)		✓												
5.	The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as board members under the provisions of the Ordinance.	3(7)	✓													
6.	The chairman of the board is working separately from the chief executive of the Company.	4(1)	✓													
7.	The chairman has been elected from amongst the independent directors.	4(4)		✓												
8.	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the commission.	5(2)	✓													
9.	<div>(a) The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company’s website. (www.sindhinsuranceltd.com)</div> <div>(b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.</div>	5(4)	✓													
10.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✓													

STATEMENT OF COMPLIANCE

11.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interest, and the procedure for disclosing such interest.	5(5)(b)(ii)	✓																			
12.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5)(b)(vi)	✓																			
13.	(a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service. (b) A Committee has been formed to investigating deviations from the company's code of conduct.	5(5)(c)(ii)	✓	✓																		
14.	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c)(iii)	✓																			
15.	The board has developed a vision and mission statement, corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.	5(6)	✓																			
16.	The board has quantified the outlay of any action in respect of any service delivered or goods sold by the company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	N/A																			
17.	(a) The board has met at least four times during the period. (b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings, (c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 6(3)	✓																			
18.	The Board has carried out performance evaluation of its members, including the chairman and the chief executive, on the basis of a process, based on specified criteria, developed by it. The board has also monitored and assessed the performance of senior management on annual basis.	8	✓																			
19.	The board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	✓																			
20.	The board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the period as well as financial period end, and has placed the annual financial statements on the company's website. Monthly accounts are also prepared and circulated amongst the board members.	10	✓																			
21.	All the board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.	11	✓																			
22.	(a) The board has formed the requisite committees, as specified in the Rules, (b) The Committees were provided with written term of reference defining their duties, authorities and composition. (c) The minutes of the meetings of the committees were circulated to all the board members. (d) The committees were chaired by the following non-executive directors:		✓ ✓ ✓																			
	<table><tr><th>Committee</th><th>Number of members</th><th>Name of Chair</th></tr><tr><td>Audit Committee</td><td>3</td><td>Muhammad Naimuddin Farooqi</td></tr><tr><td>Risk Management Committee</td><td>3</td><td>Syed Hassan Naqvi</td></tr><tr><td>Human Resources Committee</td><td>3</td><td>Muhammad Bilal Shaikh</td></tr><tr><td>Procurement Committee</td><td>3</td><td>Muhammad Bilal Shaikh</td></tr><tr><td>Nomination Committee</td><td>3</td><td>Syed Hassan Naqvi</td></tr></table>	Committee	Number of members	Name of Chair	Audit Committee	3	Muhammad Naimuddin Farooqi	Risk Management Committee	3	Syed Hassan Naqvi	Human Resources Committee	3	Muhammad Bilal Shaikh	Procurement Committee	3	Muhammad Bilal Shaikh	Nomination Committee	3	Syed Hassan Naqvi	12		
Committee	Number of members	Name of Chair																				
Audit Committee	3	Muhammad Naimuddin Farooqi																				
Risk Management Committee	3	Syed Hassan Naqvi																				
Human Resources Committee	3	Muhammad Bilal Shaikh																				
Procurement Committee	3	Muhammad Bilal Shaikh																				
Nomination Committee	3	Syed Hassan Naqvi																				
23.	The board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.	13/14	✓																			
24.	The company has adopted International Financial Reporting Standards notified by the Commission under clause (i) of sub-section (3) of section 234 of the Ordinance.	16	✓																			

STATEMENT OF COMPLIANCE

25.	The directors' report for this period has been prepared in compliance with the requirements of the Ordinance and the Rules and fully described salient matters required to be disclosed.	17	✓													
26.	The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.	18	✓													
27.	A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place. The annual report of the company contains criteria and details of remuneration of each director.	19	✓													
28.	The financial statements of the company were duly endorsed by the chief executive and chief financial officer, before approval of the board.	20	✓													
29.	<div>The board has formed an audit committee, with defined and written terms of reference, and having the following members:</div> <table><tr><th>Name of Member</th><th>Category</th><th>Professional Background</th></tr><tr><td>Muhammad Naimuddin Farooqi</td><td>Non-Executive</td><td>Banker</td></tr><tr><td>Syed Hassan Naqvi</td><td>Non-Executive</td><td>Finance Secretary Sindh</td></tr><tr><td>Syed Shahnawaz Nadir</td><td>Non-Executive</td><td>Investment Specialist</td></tr></table> <div>The chief executive and chairman of the board are not members of the audit committee.</div>	Name of Member	Category	Professional Background	Muhammad Naimuddin Farooqi	Non-Executive	Banker	Syed Hassan Naqvi	Non-Executive	Finance Secretary Sindh	Syed Shahnawaz Nadir	Non-Executive	Investment Specialist	21	✓	
Name of Member	Category	Professional Background														
Muhammad Naimuddin Farooqi	Non-Executive	Banker														
Syed Hassan Naqvi	Non-Executive	Finance Secretary Sindh														
Syed Shahnawaz Nadir	Non-Executive	Investment Specialist														
30.	The board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee, and which worked in accordance with the applicable standards.	22	✓													
31.	The company has appointed its external auditors in line with the requirements envisaged under the Rules.		✓													
32.	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.		✓													
33.	The external auditors have not been appointed to provide non-audit services and the auditors have confirmed that they have observed applicable guidelines issued by IFAC in this regard.		✓													
34.	The company has complied with all the corporate and financial reporting requirements of the Rules.		✓													

III. The company has complied with the additional provisions of Code of Corporate Governance for Insurers, 2016 in the following manner:

S. No.	Provision of the Rules	Rule No.	Y	N										
35.	The board has formed the following management committee.	xxxvii												
	Underwriting Committee:													
	<table><tr><th>Name of the member</th><th>Category</th></tr><tr><td>Ahmed Salahuddin</td><td>Non Executive Director</td></tr><tr><td>Muhammad Faisal Siddiqui</td><td>Executive Director</td></tr><tr><td>Muhammad Raza</td><td>Management</td></tr><tr><td>Nadeem Akhter</td><td>Management</td></tr></table>				Name of the member	Category	Ahmed Salahuddin	Non Executive Director	Muhammad Faisal Siddiqui	Executive Director	Muhammad Raza	Management	Nadeem Akhter	Management
	Name of the member				Category									
	Ahmed Salahuddin				Non Executive Director									
	Muhammad Faisal Siddiqui				Executive Director									
	Muhammad Raza				Management									
	Nadeem Akhter				Management									
	Claim Committee:													
	<table><tr><th>Name of the member</th><th>Category</th></tr><tr><td>Ahmed Salahuddin</td><td>Non Executive Director</td></tr><tr><td>Muhammad Faisal Siddiqui</td><td>Executive Director</td></tr><tr><td>Muhammad Raza</td><td>Management</td></tr></table>				Name of the member	Category	Ahmed Salahuddin	Non Executive Director	Muhammad Faisal Siddiqui	Executive Director	Muhammad Raza	Management		
	Name of the member	Category												
	Ahmed Salahuddin	Non Executive Director												
	Muhammad Faisal Siddiqui	Executive Director												
	Muhammad Raza	Management												
	Reinsurance Committee													
	<table><tr><th>Name of the member</th><th>Category</th></tr><tr><td>Ahmed Salahuddin</td><td>Non Executive Director</td></tr><tr><td>Muhammad Faisal Siddiqui</td><td>Executive Director</td></tr><tr><td>Muhammad Raza</td><td>Management</td></tr></table>	Name of the member	Category	Ahmed Salahuddin	Non Executive Director	Muhammad Faisal Siddiqui	Executive Director	Muhammad Raza	Management					
	Name of the member	Category												
Ahmed Salahuddin	Non Executive Director													
Muhammad Faisal Siddiqui	Executive Director													
Muhammad Raza	Management													
	xxxix													

STATEMENT OF COMPLIANCE

S. No.	Provision of the Rules	Rule No.	Y	N																						
	Risk management & Compliance Committees: <table><tr><th>Name of the member</th><th>Category</th></tr><tr><td>Syed Hassan Naqvi</td><td>Non Executive Director</td></tr><tr><td>Muhammad Naimuddin Farooqi</td><td>Non Executive Director</td></tr><tr><td>Muhammad Faisal Siddiqui</td><td>Executive Director</td></tr></table>	Name of the member	Category	Syed Hassan Naqvi	Non Executive Director	Muhammad Naimuddin Farooqi	Non Executive Director	Muhammad Faisal Siddiqui	Executive Director	xlii, xliii																
Name of the member	Category																									
Syed Hassan Naqvi	Non Executive Director																									
Muhammad Naimuddin Farooqi	Non Executive Director																									
Muhammad Faisal Siddiqui	Executive Director																									
36	<p>The Board has formed the following Board Committees:</p> <p>Human Resource Committee</p> <table><tr><th>Name of the member</th><th>Category</th></tr><tr><td>Muhammad Bilal Sheikh</td><td>Non Executive Director</td></tr><tr><td>Shamsuddin Khan</td><td>Non Executive Director</td></tr><tr><td>Muhammad Faisal Siddiqui</td><td>Executive Director</td></tr></table> <p>Nomination Committee:</p> <table><tr><th>Name of the member</th><th>Category</th></tr><tr><td>Syed Hassan Naqvi</td><td>Non Executive Director</td></tr><tr><td>Muhammad Naimuddin Farooqi</td><td>Non Executive Director</td></tr><tr><td>Syed Shah Nawaz Nadir Shah</td><td>Non-Executive Director</td></tr></table> <p>Investment Committee:</p> <table><tr><th>Name of the member</th><th>Category</th></tr><tr><td>Muhammad Faisal Siddiqui</td><td>Chief Executive Officer</td></tr><tr><td>Nadeem Akhter</td><td>Chief Financial Officer</td></tr></table>	Name of the member	Category	Muhammad Bilal Sheikh	Non Executive Director	Shamsuddin Khan	Non Executive Director	Muhammad Faisal Siddiqui	Executive Director	Name of the member	Category	Syed Hassan Naqvi	Non Executive Director	Muhammad Naimuddin Farooqi	Non Executive Director	Syed Shah Nawaz Nadir Shah	Non-Executive Director	Name of the member	Category	Muhammad Faisal Siddiqui	Chief Executive Officer	Nadeem Akhter	Chief Financial Officer	<p>xl, xlii</p> <p>xli</p> <p>xliv</p>		
Name of the member	Category																									
Muhammad Bilal Sheikh	Non Executive Director																									
Shamsuddin Khan	Non Executive Director																									
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Name of the member	Category																									
Muhammad Faisal Siddiqui	Chief Executive Officer																									
Nadeem Akhter	Chief Financial Officer																									
37.	<p>The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the code of Corporate Government for insurer, 2016. The Appointed Actuary if the insurer (if any) also meets the conditions as laid down in the said code. Moreover, the person heading the underwriter claim, reinsurance, risk management, and grievance function/ departments possess qualification and experience of direct relevance to their respective function, as required under section 12 of the insurance ordinance, 2000 (ordinance No. XXXIX of 2000)</p> <table><tr><th>Name of the Person</th><th>Designation</th></tr><tr><td>Muhammad Faisal Siddiqui</td><td>Chief Executive Officer</td></tr><tr><td>Nadeem Akhter</td><td>Chief Financial Officer / Company Secretary</td></tr><tr><td>Zainul Abideen</td><td>Compliance Officer</td></tr><tr><td>Faiza Khalid</td><td>Head of Internal audit</td></tr><tr><td>Muhammad Raza</td><td>Head of Underwriter</td></tr><tr><td>Muhammad Raza</td><td>Head of Claim</td></tr><tr><td>Muhammad Raza</td><td>Head of Reinsurance</td></tr><tr><td>Muhammad Faisal Siddiqui</td><td>Head of Risk management</td></tr><tr><td>Muhammad Raza</td><td>Head of Grievance department</td></tr></table>	Name of the Person	Designation	Muhammad Faisal Siddiqui	Chief Executive Officer	Nadeem Akhter	Chief Financial Officer / Company Secretary	Zainul Abideen	Compliance Officer	Faiza Khalid	Head of Internal audit	Muhammad Raza	Head of Underwriter	Muhammad Raza	Head of Claim	Muhammad Raza	Head of Reinsurance	Muhammad Faisal Siddiqui	Head of Risk management	Muhammad Raza	Head of Grievance department	xxi, xxiii, xxxii, lxxiii				
Name of the Person	Designation																									
Muhammad Faisal Siddiqui	Chief Executive Officer																									
Nadeem Akhter	Chief Financial Officer / Company Secretary																									
Zainul Abideen	Compliance Officer																									
Faiza Khalid	Head of Internal audit																									
Muhammad Raza	Head of Underwriter																									
Muhammad Raza	Head of Claim																									
Muhammad Raza	Head of Reinsurance																									
Muhammad Faisal Siddiqui	Head of Risk management																									
Muhammad Raza	Head of Grievance department																									
38.	<p>The board has set up a grievance department/ function, which fully complies with the requirement of the Code of Corporate Governance for Insurers, 2016.</p>	lxxiv																								

Phung

Muhammad Bilal Shaikh
Chairman

M. J. P. M.

Muhammad Faisal Siddiqui
Chief Executive Officer

STATEMENT OF COMPLIANCE


SCHEDULE II
SEE Paragraph 2(3)

**Explanation for Non-Compliance with the
Public Sector Companies (Corporate Governance) Rules, 2013**

We confirm that all other material requirements envisaged in the Rules have been complied with except for the following, toward which reasonable progress is being made by the company to see compliance by the end of next accounting year.

Sr. No.	Rule/sub-rule no.	Reasons for non-compliance	Future course of action
1.	2(d), 3(2)	No independent director is nominated by Government of Sindh in the Company.	Three independent non-executive directors have been appointed subsequent to the year end on January 30, 2017
2.	3(5)	Only one of the directors, Mr. Syed Hassan Naqvi is director in more than 5 companies, who is a Government Nominee and currently is Secretary Finance, Government of Sindh.	SECP has allowed relaxation from the said rules to Secretary Finance, Government of Sindh.
3.	4(4)	The Chairman being nominee of Government of Sindh is a professional banker with unblemished track record who was elected by the Board of Directors to formulate the Company on a fast track basis.	SECP has allowed relaxation from the said rules upto December 31, 2016.
4.	5(5)(c)(ii)	Committee for investigating deviations from the Company's code of conduct	Said Committee is not mandatory for compliance of the rules.
Explanation for Non-Compliance with the Code of Corporate Governance for Insurers, 2016			
5.	Xliv	Code of Corporate Governance for Insurers, 2016 requires having minimum of two non-executive directors on investment committee. Till the year-end, company does not have any non-executive director on the committee.	Company reconstituted Investment Committee according to requirement subsequent to year end.


Muhammad Bilal Shaikh
Chairman


Muhammad Faisal Siddiqui
Chief Executive Officer

**REVIEW REPORT TO THE MEMBERS
ON THE STATEMENTS OF COMPLIANCE WITH THE PUBLIC SECTOR
COMPANIES (CORPORATE GOVERNANCE) RULES, 2013 AND
CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 and Code Of Corporate Governance for Insurers, 2016 (both herein referred to as 'Codes') prepared by the Board of Directors of SINDH INSURANCE LIMITED (the Company) for the year ended 31 December 2016 prepared to comply with requirements of the Codes.

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

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

The Codes require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not. Moreover, the Public Sector Companies (Corporate Governance) Rules, 2013 also require the Board to ensure compliance with the law as well as Company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services. Compliance with above stated requirements has been checked, on a test basis, as part of the audit of the financial statements of the Company for the purpose of expressing an opinion on those financial statements.

Based on our review, nothing has come to our attention which causes us to believe that the 'Statement of Compliance' does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Codes as applicable to the Company for the year ended 31 December 2016.



RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Muhammad Waqas

Date: March 30, 2017

KARACHI

AUDITORS' REPORT TO THE MEMBERS OF SINDH INSURANCE LIMITED

We have audited the annexed financial statements comprising of:

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

of SINDH INSURANCE LIMITED ("the company") as at 31 December 2016 together with the notes forming part thereof, for the year then ended.

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

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. 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;

AUDITORS' REPORT TO THE MEMBERS OF SINDH INSURANCE LIMITED

- c) the financial statements together with the notes thereon, present fairly, in all material respects, the state of the company's affairs as at 31 December 2016 and of the profit, its comprehensive income, changes in equity and its cash flows 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).

Riaz Ahmad & Co.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Muhammad Waqas

Date: March 30, 2017

KARACHI

BALANCE SHEET AS AT 31 DECEMBER 2016

	Note	2016 Rupees	2015 Rupees
Share capital and reserve			
Authorised share capital	3.1	1,500,000,000	500,000,000
Issued, subscribed and paid-up share capital	3.2	500,000,000	500,000,000
Retained earnings		156,050,784	99,344,049
TOTAL EQUITY		656,050,784	599,344,049
Underwriting provisions			
Provision for outstanding claims (including IBNR)		492,762,702	7,486,182
Provision for unearned premium		1,717,299,804	44,399,761
Premium deficiency reserve		627,816	-
Commission income unearned	20	5,155,112	2,544,414
		2,215,845,434	54,430,357
Deferred liabilities			
Deferred tax	4	1,923,811	1,925,727
Creditors and accruals			
Premium received in advance		376,104	77,066
Amount due to other insurers/reinsurers	5	40,430,817	15,545,498
Other creditors and accruals	6	69,896,057	5,450,813
		110,702,978	21,073,377
TOTAL LIABILITIES		2,328,472,223	77,429,461
Total liabilities of Window Takaful Operations - Operator's Fund	7	1,288,645	-
TOTAL EQUITY AND LIABILITIES		2,985,811,652	676,773,510
CONTINGENCIES AND COMMITMENTS	8		
Cash and bank deposits	9		
Cash and other equivalents		532,208	55,637
Current and other accounts		69,277,221	23,281,005
Deposits maturing within 12 months		1,580,816,263	30,000,000
		1,650,625,692	53,336,642
Investments	10	894,925,867	526,309,909
Current assets			
Premium due but unpaid	11	71,197,939	27,508,448
Due from other insurers/reinsurers	12	9,593,540	3,388,046
Accrued investment income	13	15,828,422	13,512,476
Re-insurance recoveries against outstanding claims		6,372,999	1,415,042
Loan to employees		1,113,067	119,833
Advance income tax (net of provision)		3,222,839	4,607,577
Deferred commission expense		1,896,084	1,311,821
Prepayments	14	244,848,894	13,809,468
Sundry receivables	15	9,585,713	3,378,446
		363,659,497	69,051,157
Fixed assets - tangible & intangible	16		
Owned			
Leasehold improvements		10,605,438	11,163,619
Furniture & fixtures		2,261,119	2,236,325
Office equipment		5,390,148	5,695,844
Computers		1,107,934	812,769
Vehicles		4,342,569	5,428,212
Intangible asset - computer software		2,379,026	2,739,033
		26,086,234	28,075,802
TOTAL ASSETS		2,935,297,290	676,773,510
Total assets of Window Takaful Operations - Operator's Fund	7	50,514,362	-
TOTAL ASSETS		2,985,811,652	676,773,510

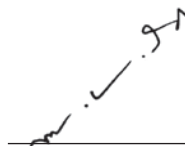
The annexed notes from 1 to 36 form an integral part of these financial statements.



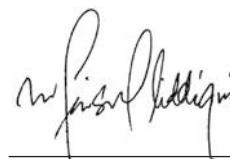
Chairman



Director



Director




Chief Executive Officer

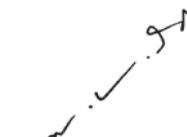
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2016

		Fire and property damage	Marine, aviation and transport	Motor	Accident and health	Miscellaneous	Treaty	2016 Aggregate	2015 Aggregate
Note		Rupees							
Net premium revenue	17	2,012,715	2,090,392	43,991,365	579,747,409	12,582,772	-	640,424,653	20,508,168
Net claims	18	(1,116,553)	(1,171,715)	(19,649,697)	(486,356,707)	(7,717,346)	-	(516,012,018)	(13,254,822)
Premium deficiency expense		-	(627,816)	-	-	-	-	(627,816)	-
Management expenses	19	(481,121)	(1,073,489)	(774,826)	(28,363,815)	(3,672,419)	-	(34,365,670)	(23,893,247)
Net commission		1,458,828	50,362	(4,062,177)	(56,823,046)	1,417,221	-	(57,958,812)	855,003
Underwriting results		1,873,869	(732,266)	19,504,665	8,203,841	2,610,228	-	31,460,337	(15,784,898)
Investment income								63,241,263	115,154,090
Other income							21	12,923,628	14,388,710
								107,625,228	113,757,902
General and administration expenses							22	(24,276,918)	(16,595,221)
Loss from Window Takaful Operations - net of tax							7	(774,283)	-
Profit before tax								82,574,027	97,162,681
Taxation							23	(25,867,292)	(29,843,714)
Profit after tax								56,706,735	67,318,967
Profit and loss appropriation account:									
Balance at beginning of the year								99,344,049	32,025,082
Profit for the year								56,706,735	67,318,967
Balance unappropriated profit at the end of the year								156,050,784	99,344,049
Earnings per share - basic and diluted							24	1.13	1.35

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


 Chairman


 Director


 Director


 Chief Executive Officer

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	----- Rupees -----	
Profit for the year	56,706,735	67,318,967
Other comprehensive income	-	-
Total comprehensive income for the year	56,706,735	67,318,967


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



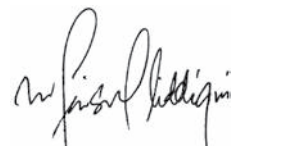
Chairman



Director



Director



Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Issued, subscribed and paid up share capital	Retained earnings	Total shareholders' equity
	Rupees		
Balance as at 31 December 2014	500,000,000	32,025,082	532,025,082
Profit after tax for the year ended 31 December 2015	-	67,318,967	67,318,967
Other comprehensive income	-	-	-
Total comprehensive income	-	67,318,967	67,318,967
Balance as at 31 December 2015	500,000,000	99,344,049	599,344,049
Profit after tax for the year ended 31 December 2016	-	56,706,735	56,706,735
Other comprehensive income	-	-	-
Total comprehensive income	-	56,706,735	56,706,735
Balance as at 31 December 2016	500,000,000	156,050,784	656,050,784

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



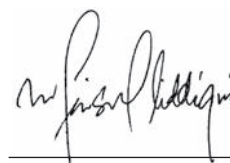
Chairman



Director



Director



Chief Executive Officer

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	----- Rupees -----	
OPERATING ACTIVITIES		
<i>a) Underwriting activities</i>		
Premiums received	2,365,463,434	48,666,186
Reinsurance premiums paid	(307,718,188)	(11,008,250)
Claims paid	(37,099,295)	(7,471,804)
Reinsurance and other recoveries received	1,405,840	172,131
Commissions paid	(7,346,452)	(1,976,344)
Commissions received	8,515,502	3,822,112
Other underwriting payments	(32,719,764)	(22,495,809)
Net cash flows from underwriting activities	1,990,501,077	9,708,222
<i>b) Other operating activities</i>		
Income tax paid	(24,484,470)	(35,338,922)
Management and administrative expenses paid	(14,634,845)	(10,834,297)
Others	(7,200,501)	(3,475,270)
Net cash used in other operating activities	(46,319,816)	(49,648,489)
Net cash flows from / (used in) operating activities	1,944,181,261	(39,940,267)
INVESTING ACTIVITIES		
Profit / return received on investment	35,798,293	45,217,449
Other income received	12,923,628	13,242,834
Investment related expenses paid	-	(14,950)
Payments for investments	(2,736,940,184)	(2,156,522,415)
Proceeds from disposal of investments	2,343,451,248	2,060,412,624
Proceeds from disposal of fixed assets	-	1,475,000
Fixed capital expenditure	(2,125,196)	(5,871,512)
Net cash flows used in investing activities	(346,892,211)	(42,060,970)
FINANCING ACTIVITIES	-	-
Net cash flows from financing activities	-	-
Net cash flows from / (used in) all activities	1,597,289,050	(82,001,237)
Cash and cash equivalents at the beginning of year	53,336,642	135,337,879
Cash and cash equivalents at end of the period	1,650,625,692	53,336,642

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	-----Rupees-----	
Reconciliation to profit and loss account		
Operating cash flows	1,944,181,261	(39,940,267)
Depreciation on fixed assets	(2,814,757)	(2,900,689)
Amortization of intangibles	(1,300,007)	(592,906)
Investment related expenses	-	(14,950)
Income tax paid	24,484,470	35,338,922
Increase in assets other than cash	293,677,132	43,244,880
Increase in liabilities	(2,251,044,680)	(66,552,209)
Investment income	63,241,263	115,169,040
Loss from Window Takaful Operations	(774,283)	-
Other income	12,923,628	13,410,860
Profit before taxation	85,574,027	97,162,681

Definition of cash

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

Cash for the purpose of the statement of cash flows consists of:

	2016	2015
	-----Rupees-----	
Cash and other equivalents		
- Cash in hand	24,319	31,463
- Policy stamps in hand	507,889	24,174
	532,208	55,637
Current and saving accounts		
- Current accounts	-	-
- Savings accounts	69,277,221	23,281,005
	69,277,221	23,281,005
Deposits maturing within 12 months		
- Term deposit - local currency	1,580,816,263	30,000,000
	1,650,625,692	53,336,642


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



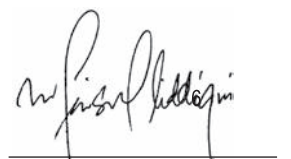
Chairman



Director



Director



Chief Executive Officer

STATEMENT OF PREMIUMS FOR THE YEAR ENDED 31 DECEMBER 2016

Business underwritten inside Pakistan

Class	Premium written	Unearned premium reserve		Premium earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		2016	2015
Rupees										
Direct and facultative										
Fire and property damage	33,724,077	8,491,854	22,419,740	19,796,191	30,488,563	7,644,256	20,349,343	17,783,476	2,012,715	629,842
Marine, aviation and transport	75,245,966	193,359	57,654,223	17,785,102	67,853,575	21,922	52,180,787	15,694,710	2,090,392	157,550
Motor	54,311,258	6,945,973	14,849,829	46,407,402	5,398,741	35,484	3,018,188	2,416,037	43,991,365	4,667,324
Accident & health	1,988,155,168	21,830,848	1,430,238,607	579,747,409	-	-	-	-	579,747,409	13,110,855
Miscellaneous	257,417,418	6,937,727	192,137,405	72,217,740	222,657,134	4,534,148	167,556,314	59,634,968	12,582,772	1,942,597
Sub total	2,408,853,887	44,399,761	1,717,299,804	735,953,844	326,398,013	12,235,810	243,104,632	95,529,191	640,424,653	20,508,168
Treaty										
Proportional / non-proportional	-	-	-	-	-	-	-	-	-	-
Sub total	-	-	-	-	-	-	-	-	-	-
Grand total	2,408,853,887	44,399,761	1,717,299,804	735,953,844	326,398,013	12,235,810	243,104,632	95,529,191	640,424,653	20,508,168

Note: The Company does not underwrite business outside Pakistan.

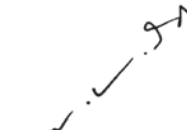
The annexed notes from 1 to 36 form an integral part of these financial statements.



Chairman



Director



Director



Chief Executive Officer

STATEMENT OF CLAIMS FOR THE YEAR ENDED 31 DECEMBER 2016

Business underwritten inside Pakistan

Class	Total claims paid	Outstanding claims		Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claim expense	
		Opening	Closing			Opening	Closing		2016	2015
----- Rupees -----										
Direct and facultative										
Fire and property damage	1,379,632	521,199	1,391,827	2,250,260	1,109,066	396,959	421,600	1,133,707	1,116,553	75,047
Marine, aviation and transport	98,594	18,185	1,572,281	1,652,690	-	-	480,975	480,975	1,171,715	4,717
Motor	9,302,768	3,437,715	13,402,145	19,267,198	142,751	998,000	472,750	(382,499)	19,649,697	3,460,468
Accident & health	25,307,211	2,816,983	463,866,479	486,356,707	-	-	-	-	486,356,707	9,042,573
Miscellaneous	1,011,090	692,100	12,529,970	12,848,960	154,023	20,083	4,997,674	5,131,614	7,717,346	672,017
Sub total	37,099,295	7,486,182	492,762,702	522,375,815	1,405,840	1,415,042	6,372,999	6,363,797	516,012,018	13,254,822
Treaty										
Proportional / non-proportional	-	-	-	-	-	-	-	-	-	-
Sub total	-	-	-	-	-	-	-	-	-	-
Grand total	37,099,295	7,486,182	492,762,702	522,375,815	1,405,840	1,415,042	6,372,999	6,363,797	516,012,018	13,254,822

Note: The Company does not underwrite business outside Pakistan.

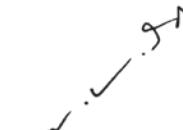
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Chairman



Director



Director



Chief Executive Officer

STATEMENT OF EXPENSES FOR THE YEAR ENDED 31 DECEMBER 2016

Business underwritten inside Pakistan

Class	Commission paid or payable	Deferred commission		Net commission expense	Other management expense (Note 19)	Underwriting expense	Commission from reinsurance (Note 20)	Net underwriting expense	
		Opening	Closing					2016	2015
----- Rupees -----									
Direct and facultative									
Fire and property damage	2,131,457	1,215,875	1,234,005	2,113,327	481,121	2,594,448	3,572,155	(977,707)	3,421,856
Marine, aviation and transport	235,355	31,514	82,245	184,624	1,073,489	1,258,113	234,986	1,023,127	161,618
Motor	5,069,335	57,729	472,798	4,654,266	774,826	5,429,092	592,089	4,837,003	4,447,559
Accident & health	56,866,544	964	44,462	56,823,046	28,363,815	85,186,861	-	85,186,861	11,289,564
Miscellaneous	145,188	5,739	62,574	88,353	3,672,419	3,760,772	1,505,574	2,255,198	3,717,647
Sub-total	64,447,879	1,311,821	1,896,084	63,863,616	34,365,670	98,229,286	5,904,804	92,324,482	23,038,244
Treaty									
Proportional / non-proportional	-	-	-	-	-	-	-	-	-
Sub total	-	-	-	-	-	-	-	-	-
Grand total	64,447,879	1,311,821	1,896,084	63,863,616	34,365,670	98,229,286	5,904,804	92,324,482	23,038,244

Note: The Company does not underwrite business outside Pakistan.

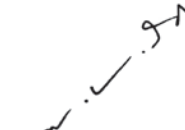
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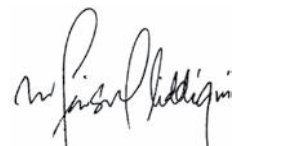
Chairman



Director



Director



Chief Executive Officer

STATEMENT OF INVESTMENT INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	Rupees	
Income from non-trading investments		
Held-to-maturity		
Return on Government Securities	5,980,000	5,998,186
Return on other fixed income securities and deposits	13,898,865	1,676,992
Amortization of discount	362,481	361,500
	20,241,346	8,036,678
Available-for-sale		
Return on Government Securities	17,223,917	26,826,159
Dividend income on available for sale investments	1,011,457	5,694,587
Gain on sale of available-for-sale investments	29,220,621	78,432,531
Amortization of premium	(4,456,078)	(2,089,827)
Impairment loss	-	(1,731,088)
	42,999,917	107,132,362
	63,241,263	115,169,040
Investment related expenses	-	(14,950)
Net investment income	63,241,263	115,154,090

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

Paul

Chairman

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Director

$\frac{1}{\sqrt{2}}$

Director

M. J. P. H. H. H.

Chief Executive Officer

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

1 THE COMPANY AND ITS OPERATIONS

Sindh Insurance Limited ("the Company") was incorporated under the Companies Ordinance, 1984, as a Public Limited Company on 20 December 2013 and obtained the certificate of commencement of business on 22 September 2014. All shares of the Company are beneficially held by Government of Sindh directly and through nominee directors. The Company is engaged in the non-life insurance business comprising of fire, marine, motor, aviation, engineering, transportation, accident and health etc. The registered office and principal place of business of the Company is situated at 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi. The Company operates only in Pakistan.

The Company was granted authorization on 22 September 2016 under Rule 6 of the Takaful Rules, 2012 to undertake Takaful Window Operations in respect of general takaful products by Securities and Exchange Commission of Pakistan (SECP) and subsequently the Company commenced Window Takaful Operations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied during the year unless otherwise stated.

2.1 BASIS OF PREPARATION

a) Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Boards as are notified under the Companies Ordinance 1984, provisions of and directives issued under Companies Ordinance 1984, the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, Insurance Ordinance, 2000, SEC (Insurance) Rules, 2002 and Takaful Rules, 2012 shall prevail.

The Securities and Exchange Commission of Pakistan (SECP) has allowed the insurance companies to defer the application of International Accounting Standard – 39 (IAS-39) "Financial Instruments: Recognition and Measurement" in respect of valuation of "available-for-sale investments". Accordingly, the requirements of IAS-39, to the extent allowed by SECP have not been considered in the preparation of these financial statements. The effect of such departure from the requirement of IAS - 39 is disclosed in Note 10.4.

b) Basis of presentation

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

Total assets, total liabilities and profit / (loss) of the Window Takaful Operations of the Company referred to as the Operator's Fund has been presented in these financial statements in accordance with the requirements of Circular 25 of 2015 dated 9 July 2015.

c) Accounting convention

These financial statements have been prepared under the historical cost convention except certain investments which are stated at lower of cost and market value. Accrual basis of accounting has been used except for cash flow information.

d) Functional and Presentation Currency

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

e) Critical accounting estimates and judgements

The preparation of the financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from period of revision.

In particular, information about judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements, and estimates that have a significant risk of resulting in a material adjustment in the subsequent years is included in following notes:

- (i) classification of insurance contracts (note 2.2);
- (ii) provision for unearned premium (note 2.2.2);
- (iii) provision for premium due but unpaid and amount due from other insurers/reinsurers (note 2.2.3);
- (iv) provision for outstanding claims (including IBNR) and reinsurance recoveries there against (note 2.2.5);
- (v) premium deficiency reserve (note 2.2.8);
- (vi) employees benefits (note 2.3);
- (vii) classification of investments (note 2.6);
- (viii) taxation (note 2.7);
- (ix) residual values and useful lives of investment properties and fixed assets (note 2.8);
- (x) allocation of management expenses (note 2.9);
- (xi) impairment (note 2.18); and
- (xii) segment reporting (note 2.19).

f) Amendments to published approved standards that are effective in current year and are relevant to the Company

The following amendments to published approved standards and interpretation are mandatory for the Company's accounting periods beginning on or after 01 January 2016:

- IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)
- IAS 16 –Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5–Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7–Financial Instruments - Disclosures
- IAS 19– Employee Benefits
- IAS 34– Interim Financial Reporting

There is no financial impact of such amendments on these financial statements.

g) Amendments to published approved standards that are effective in current year and are not relevant to the Company

There are other amendments to published standards that are mandatory for accounting periods beginning on or after 01 January 2016 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

h) Standards and amendments to published approved standards that are not yet effective but relevant to the Company

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 January 2017 or later periods:

	Effective date (accounting periods beginning on or after)
- IFRS 4 (Amendments), Insurance Contracts:	
Applying IFRS 9 Financial Instruments with IFRS 4	01 January 2018
- IFRS 9 'Financial Instruments'	01 January 2018
- IFRS 15 'Revenue from Contracts with Customers'	01 January 2017
- IFRS 16 'Lease'	01 January 2017
- IAS 12 (Amendments), 'Income Taxes'	01 January 2017
- IAS 7 (Amendments), 'Statement of Cash Flows'	01 January 2017
- IFRS 15 (Amendments), 'Revenue from Contracts with Customers'	01 January 2018

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

i) Standards, interpretations and amendments to published approved accounting standards that are not effective in current year and not considered relevant to the Company

There are other standards and amendments to published approved standards that are mandatory for accounting periods beginning on or after 01 January 2017 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 INSURANCE CONTRACTS

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

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

a) Fire and property insurance

Fire and property insurance contracts generally cover the assets of the policy holders against damages by fire, earthquake, riots and strike, explosion, atmospheric disturbance, flood, electric fluctuation and impact, burglary, loss of profit followed by the incident of fire, contractor's all risk, erecting all risk, machinery breakdown and boiler damage etc.

b) Marine aviation and transport insurance

Marine aviation and transport insurance contracts generally provide cover for loss or damage to cargo while in transit to and from foreign land and inland transit due to various insured perils including loss of or damage to carrying vessel etc.

c) Motor insurance

Motor insurance contracts provide indemnity for accidental damage to or loss of insured vehicle including loss of or damage to third party and other comprehensive car coverage.

d) Accident and Health insurance

Accident and Health insurance contracts mainly compensate hospitalization and patient medical coverage to the insured and indemnity for the death as result of an accident. These contracts are generally one year contracts.

e) Miscellaneous insurance

Miscellaneous insurance contracts provide variety of coverage including cover against burglary, loss of cash in safe, cash in transit and cash on counter, fidelity guarantee, workmen compensation, travel and crop etc.

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

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

2.2.1 Reinsurance contracts held

These are contracts entered into by the Company with reinsurers for compensation of losses suffered on insurance contracts issued. These reinsurance contracts include both facultative and treaty arrangement contracts and are classified in same categories of insurance contracts for the purpose of these financial statements. The Company recognizes the entitled benefits under the contracts as various reinsurance assets.

2.2.2 Provision for unearned premium

The provision for unearned portion of premiums is calculated by applying twenty fourths' method as prescribed by SEC (Insurance) Rules, 2002. The deferred portion of reinsurance premium is recognized as a prepayment. The deferred portion of reinsurance premium ceded is calculated by using twenty fourths' method.

2.2.3 Receivables and payables related to insurance contracts

Receivables and payables, other than claim payables, relating to insurance contracts are recognized when due. The claim payable is recorded when intimation is received. These include premiums due but unpaid, premium received in advance, premiums due and claims payable to insurance contract holders. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any. If there is an objective evidence that any premium due but unpaid is impaired, the Company reduces the carrying amount of that insurance receivable and recognizes the loss in profit and loss account.

2.2.4 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 reinsurance business being reinsured.

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

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

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

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

The portion of reinsurance premium not recognized as an expense is shown as a prepayment.

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

2.2.5 Provision for outstanding claims including IBNR

A liability for outstanding claims is recognized in respect of all claims incurred as at the reporting date which represents the estimates of the claims intimated or assessed before the end of the reporting period and measured at the undiscounted value of expected future payments. Provision for outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates.

Provision for IBNR is made for the cost of settling claims incurred but not reported at the reporting date, on the basis of advice from actuary. The "expected loss ratio and claims Method" is used for determination of month wise factor for each class of business. Accordingly, provision has been made based on IBNR factors applied on incurred claims determined by the actuary.

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

2.2.6 Reinsurance recoveries against outstanding claims

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

2.2.7 Commission expense and other acquisition costs

Commission expense incurred in obtaining and recording policies is deferred and recognized as an expense in accordance with pattern of recognition of premium revenue.

Other acquisition costs are charged to profit and loss account at the time the policies are accepted.

2.2.8 Premium deficiency reserve

At each balance sheet date, liability adequacy tests are performed separately for each class of business under SEC Rules, 2002 to ensure the adequacy of the unearned premium liability for that class. It is performed by comparing the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after balance sheet date in respect of policies in force at balance sheet date with the carrying amount of unearned premium liability.

The movement in the premium deficiency reserve is recorded as an expense / income in profit or loss account for the year.

The requirement for additional provision for unexpired risks is determined on the basis of an actuarial valuation. The latest valuation was carried out as of 31 December 2016. The actuary determines adequacy of liability of premium deficiency by multiplying unearned premium with the difference between Loss Ratio and Permissible Loss Ratio (PLR), if Loss Ratio is greater than PLR. This is an indication of the cost of future claims and management expenses over the unexpired portion of policy that will not be covered by future premiums. PDR is required if Loss Ratio exceeds PLR i.e. unearned premium reserve is not enough to cover for future claims and management expense. PLR is calculated as one minus commission ratio and management expense ratio.

The loss ratios and PLR estimated on this basis for the unexpired portion are as follows:

	Loss ratio	PLR
- Fire and property damage	50%	143%
- Marine, aviation and transport	50%	39%
- Motor	43%	89%
- Accidental and health	90%	98%
- Miscellaneous	48%	75%

2.3 EMPLOYEES BENEFITS

a) Defined contribution plan

The Company operates a contributory provident fund scheme for all its eligible employees. For this purpose, the Company has established a separate Staff Provident Fund. Equal monthly contributions to the fund are made by the Company and the employees at the rate of 10% of basic salary.

b) Employees' compensated absence

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

2.4 CREDITORS, ACCRUALS AND PROVISIONS

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

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

2.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash and bank deposits and exclude bank balances held under lien.

2.6 INVESTMENTS

All investments are initially recognized at cost being the fair value of the consideration given and include any transaction costs. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investment.

These investments are classified as 'held-to-maturity' and 'available-for-sale'.

Held-to-maturity

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

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

These are reviewed for impairment at year end and any losses arising from impairment are charged to the profit and loss account.

Available-for-sale

Investments which are intended to be held for an undefined period of time or till maturity but may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available-for-sale.

Subsequent to initial recognition at cost, these are stated at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002. The Company uses stock exchange quotations at the reporting date to determine the market value of its quoted investments. The Company uses appropriate valuation techniques to estimate the fair value of unquoted investments in unlisted securities. If such estimated fair value is lesser than the cost, the Company recognizes the impairment adjustments.

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

2.7 TAXATION

2.7.1 Current

Provision for current taxation is based on taxable income for the period determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the period, if enacted.

2.7.2 Deferred

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

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

2.8 FIXED ASSETS

2.8.1 Tangible

Owned fixed assets are stated at cost, signifying historical cost, less accumulated depreciation and any provision for accumulated impairment. Cost of an item of fixed assets consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying asset directly attributable cost of bringing the asset to working condition. Depreciation is charged to income applying the reducing balance method at the rates specified for calculation of depreciation in note 16. The useful lives and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

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

Depreciation on additions is charged from the month the assets are available for use while on disposals, depreciation is charged up to the month in which the assets are disposed off.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount. The useful life and depreciation method are reviewed, and adjusted, if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the assets disposed of. These are taken to profit and loss account.

2.8.2 Intangible

These are stated at cost less accumulated amortization and any provision for accumulated impairment, if any.

Amortization is calculated from the month the assets are available for use using the straight-line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization methods are reviewed, and adjusted if appropriate, at each reporting date.

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

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

2.9 EXPENSES OF MANAGEMENT

Expenses of management have been allocated to various classes of business as deemed equitable by management. Expenses not allocable to the underwriting business are charged under general and administration expenses.

2.10 INVESTMENT INCOME

From available-for-sale investments

- **Return on fixed income securities**
Return on fixed income securities is recognized on a time proportion basis.
- **Dividend**
Dividend income is recognized when the Company's right to receive the dividend is established.
- **Gain / loss on sale of available-for-sale investments**
Gain / loss on sale of available-for-sale investments is recognized in profit and loss account in the year of sale.

2.11 PREMIUM INCOME

Premiums including administrative surcharge under a policy are recognized as revenue at the time of issuance of insurance policy.

Revenue from premiums is determined after taking into account the unearned portion of premiums. The unearned portion of premium income is recognized as a liability.

Reinsurance premium is recognized as expense after taking into account the proportion of deferred premium expense which is calculated using twenty fourths method. The deferred portion of premium expense is recognized as a prepayment.

Pakistan Reinsurance Company Limited (PRCL) retrocession business is booked on the basis of PRCL statements.

2.12 COMMISSION

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

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

2.13 FOREIGN CURRENCIES

Transactions in foreign currencies are accounted for in Pak Rupees at the rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date. Exchange differences are taken to the profit and loss account currently.

2.14 FINANCIAL INSTRUMENTS

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

Financial instruments carried on the balance sheet include cash and bank, investments, premium due but unpaid, amounts due from other insurers / reinsurers, accrued investment income, loan to employees, sundry receivables, total assets of Window Takaful Operations - Operator's Fund, amounts due to other insurers / reinsurers, other creditors and accruals and total liabilities of Window Takaful Operations - Operator's Fund. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

2.15 DIVIDEND AND OTHER APPROPRIATIONS

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the shareholders and other appropriations are recognized in the period in which these are approved by the Board of Directors.

2.16 OFF SETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet when the Company has a legally enforceable right to set-off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.17 EARNINGS PER SHARE

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated if there is any potential dilutive effect on the Company's reported net profits.

2.18 IMPAIRMENT**Financial assets**

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available-for-sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

2.19 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the board of directors) who is responsible for allocating resources and assessing performance of the operating segments.

The Company accounts for segment reporting using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002 as the primary reporting format based on the Company's practice of reporting to the management on the same basis.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amount of certain assets used jointly by two or more segments have been allocated to segments on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

2.20 SHARE CAPITAL

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

2.21 WINDOW TAKAFUL OPERATIONS

The accounting policies adopted for window Takaful Operations are stated in the annexed financial statements of Window Takaful Operation for the period ended 31 December 2016.

3 SHARE CAPITAL**3.1 Authorized share capital**

		Note	2016 Rupees	2015 Rupees
Number				
2016	2015			
150,000,000	50,000,000	Ordinary shares of Rupees 10 each	1,500,000,000	500,000,000

The authorized capital has been increased from 50 million ordinary shares of Rupees 10 each to 150 million ordinary shares of Rupees 10 each under the authority of special resolution duly passed in Annual General Meeting dated 18 April 2016.

3.2 Issued, subscribed and paid up share capital

	2016	2015		2016 Rupees	2015 Rupees
	2016	2015			
	<u>50,000,000</u>	<u>50,000,000</u>	Ordinary shares of Rupees 10 each fully paid in cash	<u>500,000,000</u>	<u>500,000,000</u>

3.3 As at 31 December 2016, all the shares are beneficially held by Government of Sindh directly and through nominee directors.

4 DEFERRED TAX

Deferred tax liability arising in respect of:

- accelerated depreciation

	<u>1,923,811</u>	<u>1,925,727</u>
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5 AMOUNTS DUE TO OTHER INSURERS / REINSURERS

Considered good

- foreign

- local

	<u>15,669,272</u>	<u>8,776,927</u>
	<u>24,761,545</u>	<u>6,768,571</u>
	<u>40,430,817</u>	<u>15,545,498</u>

6 OTHER CREDITORS AND ACCRUALS

Commission

Provincial sales tax on services

Federal insurance fee

Withholding tax payable

Sundry creditors

Provision for compensated leave absences

Auditor's remuneration

6.1

	<u>57,240,877</u>	<u>139,452</u>
	<u>361,893</u>	<u>936,023</u>
	<u>31,291</u>	<u>75,749</u>
	<u>278,269</u>	<u>208,341</u>
	<u>9,467,077</u>	<u>2,244,181</u>
	<u>2,144,650</u>	<u>1,431,567</u>
	<u>372,000</u>	<u>415,500</u>
	<u>69,896,057</u>	<u>5,450,813</u>

6.1 Provision for compensated leave absences

Opening balance

Provision for the year

Payments

Closing balance

	<u>1,431,567</u>	<u>-</u>
	<u>713,083</u>	<u>1,431,567</u>
	<u>-</u>	<u>-</u>
	<u>2,144,650</u>	<u>1,431,567</u>

7 WINDOW TAKAFUL OPERATIONS**OPERATOR'S FUND****Assets**

Cash and bank deposits

Investment

Current assets

Fixed assets

Total assets

	<u>287,159</u>	<u>-</u>
	<u>50,035,752</u>	<u>-</u>
	<u>108,458</u>	<u>-</u>
	<u>82,993</u>	<u>-</u>
	<u>50,514,362</u>	<u>-</u>

Total liabilities - current

	<u>1,288,645</u>	<u>-</u>
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Loss from Window Takaful Operations

	<u>(774,283)</u>	<u>-</u>
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Details of total assets, total liabilities and segment disclosure of window takaful operations are stated in the annexed financial statements of Window Takaful Operations.

8 CONTINGENCIES AND COMMITMENTS

There were no contingencies or commitments as at the balance sheet date (2015: Nil).

		2016 Rupees	2015 Rupees
9 CASH AND BANK DEPOSITS			
Cash and other equivalents			
Cash in hand		24,319	31,463
Policy stamps		507,889	24,174
		532,208	55,637
Current and other accounts			
Current accounts		-	-
Saving accounts	9.1	69,277,221	23,281,005
		69,277,221	23,281,005
Deposits maturing within 12 months			
Fixed and term deposits	9.2	1,580,816,263	30,000,000
		1,650,625,692	53,336,642
9.1	The rate of return on these accounts ranges from 2.73% to 5.8% (2015: 5% to 9.5%) per annum.		
9.2	These represent Term Deposit Receipts (TDRs) in local currency carrying interest rates of 5.95% to 10.25% (2015: 5.95% to 6.10%) per annum.		
10 INVESTMENTS			
Held-to-maturity			
Government securities	10.1	95,887,712	100,403,206
TPL Trakker Sukuk		25,000,000	-
Available-for-sale			
Pakistan Investment Bonds	10.2	314,004,151	224,780,893
Mutual funds	10.3	460,034,004	201,125,810
		774,038,155	425,906,703
		894,925,867	526,309,909
10.1 Government securities			
Market treasury bills	10.1.1	44,446,275	49,324,250
Pakistan Investment Bonds			
Pakistan Investment Bonds - cost	10.1.2	50,481,320	50,481,320
Add: Cumulative amortization of discount at year end		960,117	597,636
		51,441,437	51,078,956
		95,887,712	100,403,206
10.1.1	This represent a market treasury bills with a face value of Rupees 45,000,000 carrying effective yield rate of 5.83% with maturity on 19 January 2017.		
10.1.2	These securities are pledged with the State Bank of Pakistan under the provisions of Insurance Ordinance, 2000 (XXXIX of 2000)		
10.2 Pakistan Investment Bonds			
20 Year Pakistan Investment Bonds - cost		4,937,276	225,240,510
Less: Cumulative amortization of premium for the period		(51,233)	(459,617)
		4,886,043	224,780,893
3 Year Pakistan Investment Bonds - cost		313,170,600	-
Less: Cumulative amortization of premium for the period		(4,052,492)	-
		309,118,108	-
		314,004,151	224,780,893

10.3 Mutual Funds

At cost	No. of Units		2016	2015
	2016	2015	Rupees	Rupees
NAFA Income Opportunity Fund	23,713,241.55	2,323,966.86	261,614,629	26,893,849
NAFA Income Fund	14,433,318.07	-	145,000,000	-
NAFA Government Security Fund	-	2,353,827.32	-	25,000,000
ABL - Government Security Fund -B	-	2,509,927.42	-	26,963,048
ABL Income Fund	5,269,727.23	2,410,033.45	53,419,375	25,000,000
MCB - Pakistan Sovereign Fund	-	461,002.84	-	25,000,000
MCB - Pakistan Income Enhancement Fund	-	450,694.07	-	25,000,000
Meezan Islamic Income Fund	-	475,014.25	-	25,000,000
Meezan Sovereign Fund	-	461,716.04	-	24,000,000
			460,034,004	202,856,897
Less: Impairment loss			-	(1,731,087)
carrying value at year end			460,034,004	201,125,810

- 10.4** On 31 December 2016, the fair value of available-for-sale securities was Rupees 776,107,425. As per the Company's accounting policy, available-for-sale investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary). However, International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurements' dealing with the recognition and measurement of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as at 31 December 2016 would have been higher by Rupees 2,069,271.

	2016	2015
	Rupees	Rupees
11 PREMIUM DUE BUT UNPAID	71,197,939	27,508,448
Considered good	-	-
Considered doubtful	-	-
	71,197,939	27,508,448
Provision for doubtful balances	-	-
	71,197,939	27,508,448
12 AMOUNTS DUE FROM OTHER INSURERS / REINSURERS		
Considered good		
- foreign	6,048,231	2,217,335
- local	3,545,309	1,170,711
	9,593,540	3,388,046
13 ACCRUED INVESTMENT INCOME		
Term deposit receipts	4,950,715	89,322
Government securities	10,348,392	13,423,154
TPL Trakker Sukuk	529,315	-
	15,828,422	13,512,476
14 PREPAYMENTS		
Prepaid reinsurance ceded	243,104,632	12,235,810
Prepaid insurance expense	195,052	126,048
Prepaid rent	1,524,334	1,176,719
Others	24,876	270,891
	244,848,894	13,809,468
15 SUNDRY RECEIVABLES		
Considered good		
Advance for health claims	15.1 223,946	1,210,420
Insurance claim receivable	-	1,475,000
Advance for expenses	52,864	-
Receivable from Government of Sindh	7,734,733	-
Other receivables	1,574,170	693,026
	9,585,713	3,378,446

- 15.1** This represent the advance given to Third Party Administrator, M/s Health E-Connex (Private) Limited against health claims.

16 Fixed assets - Owned

Particulars	Tangibles						Intangibles		Total
	Leasehold Improvements	Furniture and fixture	Office Equipment	Computers	Vehicles	Total tangible assets	Intangibles	Total intangible assets	
	Rupees								
As at 31 December 2014									
Cost	12,088,075	2,025,271	6,240,661	707,852	5,411,000	26,472,859	67,332	67,332	26,540,191
Accumulated depreciation / amortization	(413,739)	(122,722)	(242,943)	(58,139)	(305,783)	(1,143,326)	(19,507)	(19,507)	(1,162,833)
	11,674,336	1,902,549	5,997,718	649,713	5,105,217	25,329,533	47,825	47,825	25,377,358
Year ended 31 December 2015									
Opening book value	11,674,336	1,902,549	5,997,718	649,713	5,105,217	25,329,533	47,825	47,825	25,377,358
Additions	73,000	558,820	311,265	446,800	2,825,013	4,214,898	3,284,114	3,284,114	7,499,012
Disposal / write offs									
Cost	-	-	-	-	(1,627,500)	(1,627,500)	-	-	(1,627,500)
Accumulated depreciation / amortization	-	-	-	-	320,527	320,527	-	-	320,527
	-	-	-	-	(1,306,973)	(1,306,973)	-	-	(1,306,973)
Depreciation / amortization charge for the period	(583,717)	(225,044)	(613,139)	(283,744)	(1,195,045)	(2,900,689)	(592,906)	(592,906)	(3,493,595)
Closing net book value	11,163,619	2,236,325	5,695,844	812,769	5,428,212	25,336,769	2,739,033	2,739,033	28,075,802
As at 31 December 2015									
Cost	12,161,075	2,584,091	6,551,926	1,154,652	6,608,513	29,060,257	3,351,446	3,351,446	32,411,703
Accumulated depreciation / amortization	(997,456)	(347,766)	(856,082)	(341,883)	(1,180,301)	(3,723,488)	(612,413)	(612,413)	(4,335,901)
	11,163,619	2,236,325	5,695,844	812,769	5,428,212	25,336,769	2,739,033	2,739,033	28,075,802
Year ended 31 December 2016									
Opening book value	11,163,619	2,236,325	5,695,844	812,769	5,428,212	25,336,769	2,739,033	2,739,033	28,075,802
Additions	-	255,662	269,300	660,234	-	1,185,196	940,000	940,000	2,125,196
Disposal / write offs									
Cost	-	-	-	-	-	-	-	-	-
Accumulated depreciation / amortization	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Depreciation / amortization charge for the period	(558,181)	(230,868)	(574,996)	(365,069)	(1,085,643)	(2,814,757)	(1,300,007)	(1,300,007)	(4,114,764)
Closing net book value	10,605,438	2,261,119	5,390,148	1,107,934	4,342,569	23,707,208	2,379,026	2,379,026	26,086,234
As at 31 December 2016									
Cost	12,161,075	2,839,753	6,821,226	1,814,886	6,608,513	30,245,453	4,291,446	4,291,446	34,536,899
Accumulated depreciation / amortization	(1,555,637)	(578,634)	(1,431,078)	(706,952)	(2,265,944)	(6,538,245)	(1,912,420)	(1,912,420)	(8,450,665)
	10,605,438	2,261,119	5,390,148	1,107,934	4,342,569	23,707,208	2,379,026	2,379,026	26,086,234
Depreciation / amortization rate (%)	5	10	10	33.33	20		33.33		

17	NET PREMIUM REVENUE	2016 Rupees	2015 Rupees
	Premium revenue (net of reinsurance)	639,953,543	20,391,577
	Administrative surcharge	471,109	116,591
		640,424,652	20,508,168

17.1 Administrative surcharge

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

Fire and property damage	64,106	34,929
Marine, aviation and transport	36,689	8,107
Motor	240,243	61,164
Accident & health	-	-
Miscellaneous	130,071	12,391
	471,109	116,591

18 This includes Provision for incurred but not reported (IBNR) amounting to Rupees 470,341,541.

19 MANAGEMENT EXPENSES

Salaries, allowance and benefits	19	22,385,657	15,707,979
Rent, rates and taxes		1,446,987	1,220,408
Legal and professional charges		585,054	206,302
Travelling and conveyance		777,433	1,494,596
Printing and stationary expenses		1,035,039	309,866
Repair and maintenance		786,376	243,611
Depreciation		1,125,903	1,160,276
Amortization of intangibles		520,003	237,162
Advertising		382,008	17,000
Utilities		433,320	378,837
Communication		254,492	181,340
Office expenses		815,745	493,658
Other charges		70,911	128,131
Insurance expenses		385,142	254,313
Survey fee		188,211	151,750
Service charges		2,776,337	1,366,585
Miscellaneous expenses		397,052	341,433
		34,365,670	23,893,247

19.1 This includes Company's contribution to the staff provident fund of Rupees 791,341 (2015: Rupees 334,318).

20 COMMISSION FROM REINSURERS

Class	Commission received or receivable	Unearned commission		2016	2015
		Opening	Closing	Commission from reinsurers	Commission from reinsurers
----- Rupees -----					
Fire and property damage	3,703,145	1,980,638	2,111,628	3,572,155	1,339,830
Marine, aviation and transport	495,739	6,187	266,940	234,986	20,716
Motor	1,371,662	135,337	914,910	592,089	84,100
Accident & Health	-	-	-	-	-
Miscellaneous	2,944,956	422,252	1,861,634	1,505,574	242,861
	8,515,502	2,544,414	5,155,112	5,904,804	1,687,507

21 OTHER INCOME

	2016 Rupees	2015 Rupees
Service income	-	203,618
Return on saving accounts	12,476,620	12,564,671
Gain on disposal of fixed asset	-	168,027
Income on generator sharing	436,860	436,860
Reversal of provision	-	977,850
Other	10,148	37,684
	12,923,628	14,388,710

22 GENERAL AND ADMINISTRATIVE EXPENSES

Salaries, wages, allowance and benefits	22.1	11,720,098	8,850,122
Directors meeting fee		800,000	110,000
Rent, rates and taxes		1,156,631	1,031,412
SECP fees for increase in authorized capital		3,000,000	-
Legal and professional charges		427,581	309,453
Auditors' remuneration	22.2	602,000	527,250
Depreciation		1,688,854	1,740,413
Amortization of intangibles		780,004	355,744
Printing and stationery		633,596	319,113
Repair and maintenance		455,878	313,298
Travelling, conveyance and entertainment		393,584	858,499
Advertising		136,611	25,499
Utilities		649,980	568,256
Communication		268,901	272,009
Office expenses		694,426	740,487
Other charges		343,406	192,196
Insurance expenses		525,368	381,470
		24,276,918	16,595,221

22.1 This includes Company's contribution to the staff provident fund of Rupees 443,837 (2015: Rupees 468,670).

22.2 Auditor's remuneration

Audit fee	250,000	115,000
Tax and other certifications	315,000	337,250
Out of pocket expenses	37,000	75,000
	602,000	527,250

		2016 Rupees	2015 Rupees
23 TAXATION			
Current	23.1	25,760,743	29,381,019
Prior		108,465	-
Deferred	23.2	(1,916)	462,695
		25,867,292	29,843,714
23.1 Relationship between tax expense and accounting profit			
The relationship between tax expense and accounting profit is as follows:			
Accounting profit before tax		82,574,027	97,162,681
Tax @ 31%		25,597,948	31,092,059
Effect of taxable temporary differences on account of:			
- tax depreciation allowance		(58,261)	(91,550)
- gain on disposal of fixed asset		-	(53,769)
- provision for leave encashment		221,056	-
- provision for Workers Welfare Fund		-	(312,912)
- others		-	(1,252,809)
		25,760,743	29,381,019
23.2 Deferred tax effect due to temporary difference of:			
- tax depreciation allowance		(1,916)	462,695
24 EARNINGS PER SHARE - BASIC AND DILUTED			
There is no dilutive effect on the basic earnings per share which is based on:			
Net profit after tax for the year - Rupees		56,706,735	67,318,967
Weighted average number of ordinary shares - Number		50,000,000	50,000,000
Basic earnings per share - Rupees		1.13	1.35

25 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE OFFICER AND EXECUTIVES**For year ended 31 December 2016**

	Chief Executive Officer	Directors	Executives	Total
	Rupees			
Basic pay	3,500,000	-	4,671,504	8,171,504
House rent allowance	1,575,000	-	2,102,189	3,677,189
Utilities	350,000	-	467,153	817,153
Medical allowance	350,000	-	467,150	817,150
Bonus	583,322	-	778,582	1,361,904
Others perquisites	1,082,382	-	1,130,327	2,212,709
Meeting fee	-	800,000	-	800,000
	7,440,704	800,000	9,616,905	17,857,609
Number of Persons	1	3	4	

For year ended 31 December 2015

	Chief Executive Officer	Directors	Executives	Total
	Rupees			
Basic pay	2,799,997	-	3,527,268	6,327,265
House rent allowance	1,260,009	-	1,587,264	2,847,273
Utilities	279,997	-	352,740	632,737
Medical allowance	279,997	-	352,728	632,725
Bonus	466,666	-	587,878	1,054,544
Others perquisites	676,935	-	674,157	1,351,092
Meeting fee	-	110,000	-	110,000
	5,763,601	110,000	7,082,035	12,955,636
Number of Persons	1	2	3	

25.1 In addition to the above, chief executive officer and certain executives are provided with Company maintained cars.**25.2** Executives mean employees, other than the Chief Executive Officer and Directors, whose basic salary exceeds five hundred thousand rupees in a financial year.**26 TRANSACTIONS WITH RELATED PARTIES**

Related parties comprise of associated companies, entities under common control, entities with common Directors, major shareholders and key management personnel of the Company. Transactions with related parties are carried out at arm's length prices determined under "Comparable controlled price method". Transactions and balances with related parties have been disclosed in relevant notes to the financial statements. Other transactions and balances not elsewhere disclosed are summarized as follows:

Transactions	2016 Rupees	2015 Rupees
Companies having common directorship		
Sindh Bank Limited (SBL)		
Income on saving account	12,377,699	13,189,911
Income on term deposit	-	1,587,669
Premium written	64,566,730	55,123,086
Claim paid	29,329,628	7,011,794
Premium received	50,661,463	35,635,503
Purchase of Pakistan Investment Bond (PIB) from SBL	-	229,478,263
Sale of Pakistan Investment Bond (PIB) to SBL	-	811,570,402
Term Deposit Receipts encashed	-	125,000,000

	2016 Rupees	2015 Rupees
Sindh Modarba Management Limited		
Premium written	506,767	374,054
Claim paid	184,116	31,468
Premium received	556,382	349,281
Income on sharing of generator	436,860	436,860
Sindh Leasing Company Limited (SLCL)		
Premium written	1,804,400	189,437
Claim paid	1,162,503	67,838
Premium received	1,490,824	189,437
Sindh Micro Finance Bank Limited		
Premium written	158,094	-
Premium received	158,094	-
Health Econnex (Private) Limited		
Health claims paid on behalf of Company	25,765,185	6,225,590
Service charges	2,776,337	1,366,585
Expenses incurred on behalf of Government of Sindh	7,734,733	-
Balances at year end		
Companies having common directorship		
Sindh Bank Limited (SBL)		
Bank accounts	68,940,225	23,281,005
Premium due but unpaid	33,392,850	19,487,583
Claim payable	12,683,152	6,972,173
Payable to Sindh Bank Limited	7,212,799	-
Sindh Modarba Management Limited (SMML)		
(Premium received in advance) / Premium due but unpaid	(24,842)	24,773
Claim payable	35,879	20,000
Amount receivable for sharing of generator	218,430	218,430
Sindh Leasing Company Limited (SLCL)		
Premium due but unpaid	313,576	-
Claim payable	15,000	-
Health Econnex (Private) Limited		
Advance for health claim expense	223,946	1,210,420
Receivable from Government of Sindh	7,734,733	-
27 NUMBER OF EMPLOYEES	2016	2015
Number of employees at the end of the year	35	32
Average number of employees during the year	36	24

28 OPERATING SEGMENTS

	Fire and Property Damage			Marine, Aviation & Transport			Motor			Accident and health			Miscellaneous			Un-allocated			Total		
	2016	2015	Rupees	2016	2015	Rupees	2016	2015	Rupees	2016	2015	Rupees	2016	2015	Rupees	2016	2015	Rupees	2016	2015	Rupees
Segment results																					
Net premium revenue	2,012,715	629,842		2,090,392	157,550		43,991,365	4,667,324		579,747,409	13,110,855		12,582,772	1,942,597		-	-		640,424,653	20,508,168	
Net claims	(1,116,553)	(75,047)		(1,171,715)	(4,717)		(19,649,697)	(3,460,468)		(486,356,707)	(9,042,573)		(7,717,346)	(672,017)		-	-		(516,012,018)	(13,254,822)	
Premium deficiency expense	-	-		(627,816)	-		-	-		-	-		-	-		-	-		(627,816)	-	
Management expenses	(481,121)	(4,124,768)		(1,073,489)	(117,438)		(774,826)	(4,415,220)		(28,363,815)	(11,282,828)		(3,672,419)	(3,952,993)		-	-		(34,365,670)	(23,893,247)	
Net commission	1,458,828	702,912		50,362	(44,180)		(4,062,177)	(32,339)		(56,823,046)	(6,736)		1,417,221	235,346		-	-		(57,958,812)	855,003	
Underwriting results	1,873,869	(2,867,061)		(732,266)	(8,785)		19,504,665	(3,240,703)		8,203,841	(7,221,282)		2,610,228	(2,447,067)		-	-		31,460,337	(15,784,898)	
Investment income																			63,241,263	115,154,090	
Other income																			12,923,628	14,388,710	
Profit from Window Takaful operation																			(774,283)	-	
General administrative expenses																			(24,276,918)	(16,595,221)	
Profit before tax																			51,113,690	112,947,579	
Taxation - current																			82,574,027	97,162,681	
Profit after tax																			(25,867,292)	(29,843,714)	
Other Segment Information																			56,706,735	67,318,967	
Segment assets	4,932,631	7,915,292		11,005,805	224,710		7,943,803	8,474,774		290,796,284	21,654,699		37,650,999	7,585,106					352,329,522	45,854,581	
Un-allocated assets																			2,633,482,130	630,918,929	
																			2,985,811,652	676,773,510	
Segment liabilities	32,412,767	12,091,134		72,320,140	343,259		52,199,446	12,945,780		1,910,948,745	33,078,989		247,408,129	11,586,753					2,315,189,227	70,045,916	
Un-allocated liabilities																			670,622,425	606,727,594	
																			2,985,811,652	676,773,510	
Capital expenditure																			2,125,196	7,499,012	
Depreciation																			4,114,764	3,493,595	

29 FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest / mark-up rate risk, price risk and currency risk). The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below. The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing the Company's risk management policies.

The individual risk wise analysis is given below:

29.1 Credit risk and concentration of credit risk

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

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

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

	2016 Rupees	2015 Rupees
Bank balances	1,650,093,484	53,281,005
Investments	894,925,867	526,309,909
Premiums due but unpaid	71,197,939	27,508,448
Loan to employees	1,113,067	119,833
Amounts due from other insurers / reinsurers	9,593,540	3,388,046
Accrued investment income	15,828,422	13,512,476
Sundry receivables	9,585,713	3,378,446
Assets of Window Takaful Operations - Operator Fund	50,427,585	-
	2,702,765,617	627,498,163

Provision for impairment is made for doubtful receivables according to the Company's policy. The impairment provision is written off when the Company expects that it cannot recover the balance due. During the period, receivables of Rupees Nil were further impaired and provided for.

The age analysis of premium due but unpaid from other than related parties is as follows:

Upto 3 months	17,451,184	6,218,767
3 to 6 months	3,787,575	1,045,019
6 to 12 months	15,695,780	732,306
More than 12 months	606,658	-
	37,541,197	7,996,092

The age analysis of premium due but unpaid from related parties is as follows:

Upto 3 months	1,998,643	24,773
3 to 6 months	28,648,265	19,487,583
6 to 12 months	1,536,162	-
More than 12 months	1,473,672	-
	33,656,742	19,512,356

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

	Rating Short term	Rating Long term	Rating Agency	2016 Rupees	2015 Rupees
Saving accounts					
Sindh Bank Limited	A-1+	AA	JCR-VIS	69,277,221	23,281,005
Term deposit certificates					
JS Bank Limited	A1+	AA-	PACRA	815,000,000	15,000,000
Pak Oman Microfinance Bank Limited	A-3	BBB+	JCR-VIS	15,816,263	15,000,000
Pak Brunei Investment Company Limited	Unrated	Unrated	Unrated	700,000,000	-
Tameer Microfinance Bank Limited	A1	A+	PACRA	50,000,000	-
				1,650,093,484	53,281,005

The credit quality of investments can be assessed with reference to external credit rating as follows:

	Rating	Rating Agency	2016 Rupees	2015 Rupees
Government Securities	Unrated	Unrated	434,891,863	325,184,099
Mutual Funds				
NAFA Income Opportunity Fund	A(f)	PACRA	261,614,629	26,893,849
NAFA Income Fund	A(f)	PACRA	145,000,000	-
NAFA Government Security Fund	AA-(f)	PACRA	-	25,000,000
ABL - Government Security Fund -B	A(f)	JCR-VIS	-	26,963,048
ABL Income Fund	A(f)	JCR-VIS	53,419,375	25,000,000
MCB - Pakistan Sovereign Fund	AA-(f)	PACRA	-	25,000,000
MCB - Pakistan Income Enhancement Fund	A+(f)	PACRA	-	25,000,000
Meezan Islamic Income Fund	A-(f)	JCR-VIS	-	25,000,000
Meezan Sovereign Fund	AA(f)	JCR-VIS	-	24,000,000
			460,034,004	202,856,897
Less: Impairment			-	(1,731,087)
			894,925,867	526,309,909

The credit quality of amount due from other insurers can be assessed with reference to external credit rating as follows:

A or above	216,940	1,171,446
Unrated	9,376,600	2,216,600
Total	9,593,540	3,388,046

29.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of adequate funds through committed credit facilities. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management follows an effective cash management program to mitigate the liquidity risk.

The following are the contractual maturities of financial liabilities, including estimated interest payments on an undiscounted cash flow basis:

	2016			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
			More than five year	More than five year
Financial liabilities				
Premium received in advance	376,104	376,104	376,104	-
Provision for outstanding claims	492,762,702	492,762,702	492,762,702	-
Amount due to insurers / reinsurers	40,430,817	40,430,817	40,430,817	-
Other creditors and accruals	69,896,057	69,896,057	69,896,057	-
Liabilities of Window Takaful Operations - Operator's Fund	1,194,883	1,194,883	1,194,883	-
	604,660,563	604,660,563	604,660,563	-

	2015				
	Carrying amount	Contractual cash flow	Upto one year	More than one year	More than five year
Financial liabilities	Rupees				
Premium received in advance	77,066	77,066	77,066	-	-
Provision for outstanding claims	7,486,182	7,486,182	7,486,182	-	-
Amount due to insurers / reinsurers	15,545,498	15,545,498	15,545,498	-	-
Other creditors and accruals	5,450,813	5,450,813	5,450,813	-	-
	28,559,559	28,559,559	28,559,559	-	-

29.3 Market risk

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

a) Interest / mark-up rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark-up rate risk arises from mismatching of financial assets and liabilities that mature or repaid in a given period. The Company manages this mismatchment through risk management strategies where significant changes in gap position can be adjusted. At the reporting date the interest / mark-up rate profile of the Company's significant interest / mark-up bearing financial instruments was as follows:

	2016		2015	
	Effective Interest rate		Effective Interest rate	
	(%age)	Rupees	(%age)	Rupees
Fixed rate financial instruments				
Financial assets				
Investments-PIBs	8.75% to 13%	365,445,588	11.50% to 13%	275,859,849
Investments-T-Bills	5.83%	44,446,275	6.24%	49,324,250
Bank deposits	2.73% to 5.8%	69,277,221	6% to 9%	23,336,642
Term deposit receipts	5.95% to 10.25%	1,580,816,263	5.95% to 6.10%	30,000,000
Floating rate financial instruments				
Financial assets				
Investments- Sukuk	9.66%	25,000,000	-	-
Financial liabilities		-		-

Cash flow sensitivity analysis of variable rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax and equity based upon average balances and rates:

	Increase / (decrease) in interest rate	Effect on profit before tax	Effect on equity
		Rupees	Rupees
31 December 2016	1%	17,401	12,007
31 December 2015	1%	-	-

Fair value sensitivity analysis for fixed rate instruments

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

b) 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 factor specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. The Company is not exposed to price risk as the Company has no equity investments.

c) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not exposed to foreign currency risk as the Company has no financial assets and financial liabilities in foreign currencies.

29.4 Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims and similar procedures are put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. Reinsurance policies are written with approved reinsurers on either a proportionate basis or non-proportionate basis. The reinsurers are carefully selected and approved and are dispersed over several geographical regions.

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

The Company principally issues the general insurance contracts e.g. marine and aviation, property, motor and general accidents. Risks under non-life insurance policies usually cover twelve month or lesser duration. For general insurance contracts the most significant risks arise from accidental fire, atmospheric disaster and terrorist activities. Insurance contracts at times also cover risk for single incidents that expose the Company to multiple insurance risks.

a) Geographical concentration of insurance risk

To optimize 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 primarily with the commercial / industrial occupation of the insured. 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 are formed part of the reports which are made available to the underwriters / reinsurers for their evaluation. Reference is made to the standard construction specifications laid down by Insurance Association of Pakistan (IAP). For fire and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. For earthquake risk, a complete city is classified as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

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 exposure of the Company and to determine the appropriate amount of Reinsurance coverage to protect the business portfolio.

b) 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 with regulatory requirements, the reinsurance agreements are duly submitted to the Securities and Exchange Commission of Pakistan on an annual basis.

The Company's class wise risk exposure (based on maximum loss coverage in a single policy is as follows):

Class	Gross sum insured	Reinsurance	Net exposure of risk	Net exposure of risk
			2016	2015
	Rupees	Rupees	Rupees	
Fire and property damage	89,395,076,856	89,305,681,779	89,395,077	12,000,000
Marine, aviation and transport	44,465,079,216	44,420,614,137	44,465,079	10,000,000
Motor	19,499,000	14,380,512	5,118,488	750,000
Accident and Health	1,000,000	-	1,000,000	1,000,000
Miscellaneous	89,395,076,856	89,350,379,318	44,697,538	17,500,000
	223,275,731,928	213,275,731,928	184,676,182	41,250,000

c) Uncertainty in the estimation of future claims payment

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.

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. For the estimation of provision of claims IBNR, the Company follows the recommendation of actuary.

There are several variable factors which affect the amount and timing of recognized claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be significantly different from initial recognized amount. Similarly, the provision for IBNR is based on historic reporting pattern of the claims other than exceptional losses. Hence, actual amount of IBNR may differ from the amount estimated.

d) Key assumptions

The principal assumption underlying the liability estimation of IBNR is that the Company's future claim development will follow similar market pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc. The internal factors such as portfolio mix, policy conditions and claim handling procedures are further used in this regard.

e) Sensitivity analysis

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

	Pre-tax profit		Shareholders' equity	
	2016	2015	2016	2015
	Rupees	Rupees	Rupees	Rupees
10% increase in loss				
Fire and property damage	111,655	7,505	77,042	5,103
Marine, aviation and transport	117,172	472	80,848	321
Motor	1,964,970	346,047	1,355,829	235,312
Accident and Health	48,635,671	904,257	33,558,613	614,895
Miscellaneous	771,735	67,202	532,497	45,697
	51,601,203	1,325,483	35,604,829	901,328

	Pre-tax profit		Shareholders' equity	
	2016	2015	2016	2015
	----- Rupees -----			
10% decrease in loss				
Fire and property damage	(111,655)	(7,505)	(77,042)	(5,103)
Marine, aviation and transport	(117,172)	(472)	(80,848)	(321)
Motor	(1,964,970)	(346,047)	(1,355,829)	(235,312)
Accident and Health	(48,635,671)	(904,257)	(33,558,613)	(614,895)
Miscellaneous	(771,735)	(67,202)	(532,497)	(45,697)
	(51,601,203)	(1,325,483)	(35,604,829)	(901,328)

f) Claim development

The development of claims against insurance contracts written is not disclosed as uncertainty about the amount and timing of claim settlement is usually resolved within one year.

30 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying values of all financial assets and liabilities reflected in these financial statements approximate to their fair values except for available-for-sale investments which are stated at lower of cost and market value in accordance with the requirements of the SEC (Insurance) Rules, 2002. The carrying and fair value of these investments have been disclosed in note 10 to the financial statements. Since the financial assets are not stated at exact fair values, therefore, analysis under following groups from level 1 to level 3 based on the degree to which fair value is observable is not produced:

Level 1: Quoted Market prices

Level 2: Valuation techniques (market observable)

Level 3: Valuation techniques (non market observable)

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

31 FINANCIAL INSTRUMENT BY CATEGORIES

As at 31 December 2016

	Loans and receivables	Held-to-maturity	Available-for-sale	Total
	----- Rupees -----			
Financial assets				
Cash and bank balances	1,650,625,692			1,650,625,692
Investments		120,887,712	774,038,155	894,925,867
Premiums due but unpaid	71,197,939			71,197,939
Re-insurance recoveries against outstanding claims	6,372,999			6,372,999
Loan to employees	1,113,067			1,113,067
Amounts due from other insurers / reinsures	9,593,540			9,593,540
Accrued investment income	15,828,422			15,828,422
Sundry receivables	9,585,713			9,585,713
Assets of Window Takaful Operations - Operator's Fund	391,833	50,035,752		50,427,585
	1,764,709,205	170,923,464	774,038,155	2,709,670,824

As at 31 December 2016

Financial liabilities

	At amortized cost
	Rupees
Provision for outstanding claims (including IBNR)	492,762,702
Premium received in advance	376,104
Amount due to other insurers / reinsures	40,430,817
Other creditors and accruals	69,896,057
Liabilities of Window Takaful Operations - Operator's Fund	1,194,883
	604,660,563

As at 31 December 2015

	Loans and receivables	Held-to-maturity	Available-for- sale	Total
	----- Rupees -----			
Financial assets				
Cash and bank balances	53,336,642	-	-	53,336,642
Investments	-	100,403,206	425,906,703	526,309,909
Premiums due but unpaid	27,508,448	-	-	27,508,448
Re-insurance recoveries against outstanding claims	1,415,042	-	-	1,415,042
Loan to employees	119,833	-	-	119,833
Amounts due from other insurers / reinsurers	3,388,046	-	-	3,388,046
Accrued investment income	13,512,476	-	-	13,512,476
Sundry receivables	3,378,446	-	-	3,378,446
	<u>102,658,933</u>	<u>100,403,206</u>	<u>425,906,703</u>	<u>628,968,842</u>

As at 31 December 2015

	At amortized cost Rupees
Financial liabilities	
Provision for outstanding claims (including IBNR)	7,486,182
Premium received in advance	77,066
Amount due to other insurers / reinsurers	15,545,498
Other creditors and accruals	5,450,813
	<u>28,559,559</u>

32 PROVIDENT FUND RELATED DISCLOSURE

The following information is based on un-audited financial information of the provident fund for the year ended 31 December 2016.

	2016 Rupees	2015 Rupees
Size of the funds - Total assets	3,935,000	1,507,598
Cost of investments	3,843,516	960,000
Percentage of investments made	98%	64%
Fair value of investments	3,967,198	988,079

The break-up cost of investments is as follows:

	2016 Percentage	2016 Rupees	2015 Percentage	2015 Rupees
Term deposit receipts	-	-	-	-
Treasury Bills	13%	493,350		
Investments in mutual funds	85%	3,350,166	66%	988,079
Cash at bank - saving account	2%	91,484	34%	519,519
	<u>100%</u>	<u>3,935,000</u>	<u>100%</u>	<u>1,507,598</u>

The above investment / placement of funds has been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

33 CAPITAL RISK MANAGEMENT

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

- to be an appropriately capitalized institution in compliance with the paid-up capital requirement set by the SECP. Minimum paid-up capital requirement for non-life insurers is Rupees 400 million. The Company's current paid-up capital is well in excess of the limit prescribed by the SECP;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders;
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk;
- to maintain strong ratings and to protect the Company against unexpected events/ losses; and
- to ensure a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

34 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on March 30, 2017 by the Board of Directors of the Company.

35 CORRESPONDING FIGURES

No significant reclassification/re-arrangement of corresponding figures has been made during the year except for followings:

From	To	Reason	Rupees
Brokerage and commission	Service charges	For better presentation	734,198
Meeting fees	Miscellaneous expenses	For better presentation	20,000
Security charges	Miscellaneous expenses	For better presentation	13,996
			<u>768,194</u>

36 GENERAL

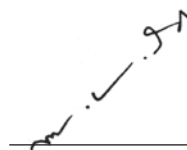
- Figures have been rounded to the nearest Rupee.



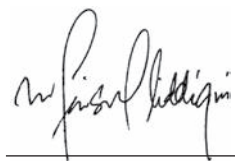
Chairman



Director



Director



Chief Executive Officer

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO



SINDH INSURANCE

Power To The People

IFS Rating By
PACRA





Window Takaful

**Financial Statements With
Accompanying Information**

**For the Year Ended
31 December 2016**

SINDH INSURANCE LTD



TRAVEL COMFORT

SHARIA ADVISOR'S PROFILE

Mufti Muhammad Adnan is a recognised Shariah Scholar in the field of Islamic Finance and Takaful. Have completed his Darse Nizami (Masters in Quran and Sunnah) and "Takhassus Fil Ifta" (Specialisation in Islamic Jurisprudence and Ifta) from Jamia Darul Uloom Karachi under the supervision of Mufti Muhammad Taqi Usmani. He is also a member of Darul Ifta, Jamiah Darul Uloom Karachi since year 2006. He has written more than Two thousand Fatawa's on different topics.

He is also working as teacher in Darul Uloom Karachi and Faculty member of Centre for Islamic Economics (C.I.E) and Commecs Institute of Business Emerging Sciences.

Mufti Muhammad Adnan is serving as the Shariah Advisor of "Sindh Insurance Limited-Window Takaful Operations" from last one year. He has special interest in the promotion of Islamic Finance particularly in the facilitation of conversion of conventional setups into Shariah-based organizations.

SHARIAH ADVISOR'S REPORT TO THE BOARD OF DIRECTORS
FOR THE PERIOD ENDED
22 SEPTEMBER, 2016 TO DECEMBER 31, 2016

By the Grace of Almighty Allah, Sindh Insurance Limited has started Window Takaful Operations in the last quarter of the year 2016.

I confirm as Shariah Advisor that the cede capital for starting Window Takaful Operations was made from Shariah Compliant source. I have reviewed Waqf Deed, Participant Takaful Fund Policy, Takaful Guidelines, Re-Takaful arrangements, Participant Membership Documents and other related papers and found them according to the set Shariah rules, principles and guidelines. Comprehensive investment guidelines are being drafted currently and will be issued soon.

Shariah Advisor's report is prepared with aim to provide information about Window Takaful Operation transitions undertaken during the period are in compliance with Shariah Guidelines, includes to provide opinion of Shariah Advisor about transactions with consideration of their tactically and operational nature.

In my opinion and to the best of my understanding based on the provided information and explanation:

1. Transactions made by the Takaful Operator were in accordance with shariah guidelines issued by Shariah Advisor and requirements under Takaful Rules 2012.
2. The transactions and activities of Window Takaful Operations are in accordance with Shariah principles in respect of the Participants Takaful Fund (Waqf Fund) and Operator's Fund.
3. The investments have been made into Shariah Compliant avenues with shariah approval. All bank accounts related to Window Takaful Operations have been opened in Islamic banking Institutions with prior Shariah approval and these are separate from the conventional insurance business.
4. As per Clause 10(1)(k) of the Takaful Rules, 2012, which requires that there is in each Participant Takaful Fund, at all times, a surplus of admissible assets over liabilities. However, as at 31 December 2016, the liabilities of the Participant Takaful Fund of the Company exceeds its assets, due to takaful operations started at the end of December 2016 and few policies were underwritten; and
5. Appointment of Shariah Compliance Officer is in process under Rule 27 of the Takaful Rules, 2012.

I pray that this act to launch of Window Takaful Operations of the Company be blessed by the Allah Almighty and takaful operations will flow with great success for achievement of the goals of the Company.



Mufti Muhammad Adnan
Shariah Advisor
Sindh Insurance Limited – Window Takaful Operation

March 30, 2017
Karachi

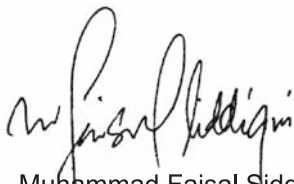
STATEMENT OF COMPLIANCE OF WINDOW TAKAFUL OPERATIONS

The Sindh Insurance Limited – Window Takaful Operations entered in financial engagements and transactions for the period from September 22, 2016 to December 31, 2016 and are in compliance with the Takaful Rules, 2012.

We affirm the following statements:

1. The Company has developed and implemented all the policies and procedures in accordance with the Takaful Rules, 2012 and guidelines of the Shariah Advisor. The company has also implemented governance arrangements including the reporting to the Audit Committee/ Shariah Advisor and the Board of Directors;
2. All the products and policies have been approved by Shariah Advisor and the financial arrangements including investments made, policies, contracts and transactions entered into by Window Takaful Operations are in compliance with the policies approved by Shariah Advisor;
3. The assets and liabilities of Window Takaful Operations of Participant Takaful Fund and Operator's fund are separated from each other, at all times in accordance with the provisions of the Takaful Rules, 2012;
4. As per Clause 10(1)(k) of the Takaful Rules, 2012, which requires that there is in each Participant Takaful Fund, at all times, a surplus of admissible assets over liabilities. However, as at 31 December 2016, the liabilities of the Participant Takaful Fund of the Company exceeds its assets, due to takaful operations started at the end of December 2016 and few policies were underwritten; and
5. Appointment of Shariah Compliance Officer is in process under Rule 27 of the Takaful Rules, 2012.

Above statements has been duly endorsed by the Shariah Advisor of the Company.



Muhammad Faisal Siddiqui
Chief Executive Officer
March 30, 2017
Karachi

Riaz Ahmad & Company

Chartered Accountants

108-109, 1st Floor, Park Avenue
Block-6 P.E.C.H.S., Shahr-e-Faisal,
Karachi - 75400, Pakistan
T: +92 (21) 3431 08 26 - 7
F: +92 (21) 3431 39 51
racokhi@racopk.com
www.racopk.com

INDEPENDENT REASONABLE ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF SINDH INSURANCE LIMITED ON STATEMENTS OF COMPLIANCE WITH THE SHARIAH RULES AND PRINCIPLES

We were engaged by the Board of Directors of SINDH INSURANCE LIMITED ("the Company") to report on the management's assessment of compliance of the Window Takaful Operations ("Takaful Operations") of the Company, as set out in the annexed statement prepared by the management for the period from 22 September 2016 to 31 December 2016, with the Takaful Rules, 2012, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of compliance of the Operations with the Takaful Rules, 2012, in all material respects.

MANAGEMENT'S RESPONSIBILITY

The management of the Company is responsible for preparation of the annexed statement that is free from material misstatement.

This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of the annexed statement that is free from material misstatement, whether due to fraud or error. It also includes ensuring the overall compliance of the Takaful Operations with the Takaful Rules, 2012.

The management of the Company is also responsible for preventing and detecting fraud and for identifying and ensuring that the Takaful Operations comply with laws and regulations applicable to its activities. They are also responsible for ensuring that the management, where appropriate, those charged with governance, and personnel involved with the Takaful Operations' compliance with the Takaful Rules, 2012 are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.

OUR RESPONSIBILITY

Our responsibility is to examine the annexed statement and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board. That standard requires that we comply with ethical requirements, including independence requirements, implement the quality control procedures applicable to the individual engagement, and plan and perform our procedures to obtain reasonable assurance about whether the annexed statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliance with the Takaful Rules, 2012, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Takaful Operations' compliance with the Takaful Rules, 2012, in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the Takaful Operations' compliance with the Takaful Rules, 2012. Reasonable assurance is less than absolute assurance.

A system of internal control, because of its nature, may not prevent or detect all instances of non-compliance with Takaful Rules, 2012, and consequently cannot provide absolute assurance that the objective of compliance with Takaful Rules, 2012, will be met. Also, projection of any evaluation of effectiveness to future periods is subject to the risk that the controls may become inadequate or fail.

The procedures performed included:

- a) Evaluate the systems, procedures and practices in place with respect to the Takaful Operations against the Takaful Rules, 2012 and Shariah Advisor's guidelines;
- b) Evaluating the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee/ Shari'ah Advisor and the board of directors;
- c) Test for a sample of transactions relating to Takaful Operations to ensure that these are carried out in accordance with the laid down procedures and practices including the regulations relating to Takaful Operations as laid down in Takaful Rules, 2012; and
- d) Review the statement of management's assessment of compliance of the Takaful transactions during the period from 22 September 2016 to 31 December 2016 with the Takaful Rules, 2012.

CONCLUSION

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the annexed statement, for the period from 22 September 2016 to 31 December 2016, presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

EMPHASIS OF MATTER

We draw attention to:

- point 4 of the annexed statement which states that admissible assets of the Participants Takaful Fund are not in excess of its liabilities; and
- point 5 of the annexed statement which states that the appointment of shariah compliance officer is in process under Rule 27 of Takaful Rules, 2012.

Our opinion is not qualified in respect of the above matters.



RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Muhammad Waqas
Date: 30 March, 2017

KARACHI

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:

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

of SINDH INSURANCE LIMITED – WINDOW TAKAFUL OPERATIONS ("the company") as at 31 December 2016 together with the notes forming part thereof for the period ended from 22 September 2016 to 31 December 2016.

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

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. 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 stated therein;

AUDITORS' REPORT TO THE MEMBERS

- c) the financial statements together with the notes thereon, present fairly, in all material respects, the state of the company's affairs as at 31 December 2016 and of the loss, its comprehensive loss, changes in fund and its cash flows for the period ended from 22 September 2016 to 31 December 2016 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).

We draw attention to note 1.2 to the financial statements which states that the admissible assets of Participant Takaful Fund (PTF) are not in excess of liabilities of the PTF as at 31 December 2016.



RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Muhammad Waqas

Date: 30 March 2017

KARACHI

WINDOW TAKAFUL OPERATIONS
BALANCE SHEET
AS AT 31 DECEMBER 2016


	2016		
	Operator's Fund	Participants' Takaful Fund	Aggregate
	Rupees		
Note			
OPERATOR'S FUND			
Statutory fund	50,000,000	-	50,000,000
Accumulated loss	(774,283)	-	(774,283)
	<u>49,225,717</u>	<u>-</u>	<u>49,225,717</u>
WAQF / PARTICIPANTS' TAKAFUL FUND			
Ceded money	-	500,000	500,000
Accumulated deficit	-	(700,751)	(700,751)
	<u>-</u>	<u>(200,751)</u>	<u>(200,751)</u>
LIABILITIES			
Underwriting provisions			
Provision for outstanding claims (Including IBNR)	-	-	-
Provision for unearned contribution	-	286,511	286,511
Provision for unearned re-takaful rebate	-	6,056	6,056
Total underwriting provision	-	292,567	292,567
Creditor and accruals			
Amounts due to other takaful / re-takaful operators	-	743,471	743,471
Contribution received in advance	-	62,056	62,056
Provision for unearned wakala fee	93,762	-	93,762
Wakala and modarib fee payable	-	98,974	98,974
Other creditors and accruals	1,194,883	86,658	1,281,541
	<u>1,288,645</u>	<u>991,159</u>	<u>2,279,804</u>
TOTAL LIABILITIES	<u>1,288,645</u>	<u>1,283,726</u>	<u>2,572,371</u>
TOTAL FUND AND LIABILITIES	<u><u>50,514,362</u></u>	<u><u>1,082,975</u></u>	<u><u>51,597,337</u></u>
CONTINGENCIES AND COMMITMENTS			

4

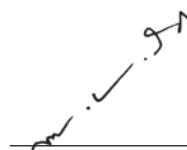
The annexed notes from 1 to 19 form an integral part of these financial statements.



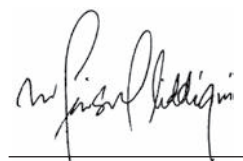
Chairman



Director



Director



Chief Executive Officer

WINDOW TAKAFUL OPERATIONS
BALANCE SHEET
AS AT 31 DECEMBER 2016

2016			
	Operator's Fund	Participants' Takaful Fund	Aggregate
Note	----- Rupees -----		
5	287,159	622,689	909,848
6	50,035,752	-	50,035,752
7	-	226,923	226,923
	98,974	-	98,974
	-	93,762	93,762
	-	106,327	106,327
	-	33,274	33,274
	3,784	-	3,784
	5,700	-	5,700
	108,458	460,286	568,744
8	54,660	-	54,660
	28,333	-	28,333
	82,993	-	82,993
	50,514,362	1,082,975	51,597,337

The annexed notes from 1 to 19 form an integral part of these financial statements.


Chairman


Director


Director


Chief Executive Officer

WINDOW TAKAFUL OPERATIONS
 PROFIT AND LOSS ACCOUNT
 FOR THE PERIOD ENDED
 FROM 22 SEPTEMBER 2016 TO 31 DECEMBER 2016

	Fire and property damage	Marine, aviation and	Motor	Accident and Health	Miscellaneous	2016
Note	Rupees					
Participants' Takaful Fund - revenue account						
Net contribution revenue	-	-	(694,767)	-	365	(694,402)
Wakala expense	-	-	(4,938)	-	(274)	(5,212)
Net claims	-	-	-	-	-	-
Rebate on retakaful	-	-	53	-	210	263
Underwriting results	-	-	(699,652)	-	301	(699,351)
Bank charges						(1,400)
Net investment income						-
Deficit for the period						(700,751)
Operator's Fund - revenue account						
Wakala fee	9					5,212
Commission expense						-
Management expenses	10					(634,875)
						(629,663)
Modarib's share of PTF investment income						-
Net investment income						37,845
						(591,818)
General and administrative expense	11					(182,465)
Loss before tax						(774,283)
Taxation	12					-
Loss after tax						(774,283)

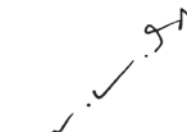
The annexed notes from 1 to 19 form an integral part of these financial statements.



Chairman



Director



Director



Chief Executive Officer

WINDOW TAKAFUL OPERATIONS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED
FROM 22 SEPTEMBER 2016 TO 31 DECEMBER 2016

	2016
	Rupees
Loss for the period	(774,283)
Other comprehensive income	-
Total comprehensive loss for the period	(774,283)

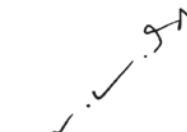
The annexed notes from 1 to 19 form an integral part of these financial statements.



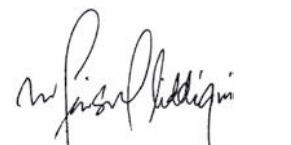
Chairman



Director



Director



Chief Executive Officer

WINDOW TAKAFUL OPERATIONS
STATEMENT OF CHANGES IN FUND
FOR THE PERIOD ENDED
FROM 22 SEPTEMBER 2016 TO 31 DECEMBER 2016

	Operator's Funds		
	Statutory fund	Accumulated losses	Total
	----- Rupees -----		
Contribution made during the period	50,000,000	-	50,000,000
Total comprehensive loss for the period	-	(774,283)	(774,283)
Balance as at 31 December 2016	50,000,000	(774,283)	49,225,717

	Participants' Takaful Fund		
	Ceded Money	Accumulated deficit	Total
	----- Rupees -----		
Contribution received during the period from the operator	500,000	-	500,000
Deficit for the period	-	(700,751)	(700,751)
Balance as at 31 December 2016	500,000	(700,751)	(200,751)

The annexed notes from 1 to 19 form an integral part of these financial statements.



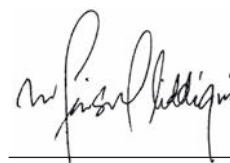
Chairman



Director



Director



Chief Executive Officer

WINDOW TAKAFUL OPERATIONS
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED
FROM 22 SEPTEMBER 2016 TO 31 DECEMBER 2016

2016		
Operator's Fund	Participants' Takaful Fund	Aggregate
----- Rupees -----		

Operating cash flows

a) Takaful activities

Contribution received	-	137,438	137,438
Retakaful contribution paid	-	(100,008)	(100,008)
Other underwriting payments	(134,875)	-	(134,875)
Net cash (used in) / flow from takaful activities	(134,875)	37,430	(97,445)

b) Other operating activities

Income tax paid	(3,784)	-	(3,784)
Ceded money to participants' takaful fund	(500,000)	-	(500,000)
Other operating receipts - net	1,009,787	85,259	1,095,046
Net cash flow from other operating activities	506,003	85,259	591,262
Total cash flow from operating activities	371,128	122,689	493,817

Investment activities

Profit / return received on investment	37,845	-	37,845
Payment for investment	(50,035,752)	-	(50,035,752)
Fixed capital expenditure	(86,062)	-	(86,062)
Total cash used in investing activities	(50,083,969)	-	(50,083,969)

Financing activities

Contribution to operator's fund	50,000,000	-	50,000,000
Ceded money	-	500,000	500,000
Total cash flow from financing activities	50,000,000	500,000	50,500,000

Net cash flow from all activities

Cash and cash equivalents at the beginning of year	-	-	-
Cash and cash equivalents at end of the period	287,159	622,689	909,848

Reconciliation to profit and loss account

Operating cash flows	371,128	122,689	493,817
Depreciation	(3,069)	-	(3,069)
Income tax paid	3,784	-	3,784
Increase in assets other than cash	104,674	460,286	564,960
Increase in liabilities	(1,288,645)	(1,283,726)	(2,572,371)
Investment income	37,845	-	37,845
Loss / deficit before taxation for the period	(774,283)	(700,751)	(1,475,034)

WINDOW TAKAFUL OPERATIONS
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED
FROM 22 SEPTEMBER 2016 TO 31 DECEMBER 2016

2016		
Operator's Fund	Participants' Takaful Fund	Aggregate
----- Rupees -----		

Definition of cash

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

Current and other accounts

<u>287,159</u>	<u>622,689</u>	<u>909,848</u>
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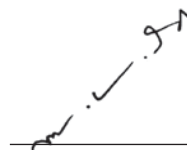
The annexed notes from 1 to 19 form an integral part of these financial statements.



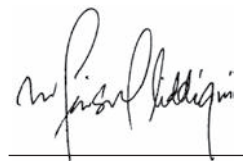
Chairman



Director



Director



Chief Executive Officer

WINDOW TAKAFUL OPERATIONS
STATEMENT OF CONTRIBUTIONS
FOR THE PERIOD ENDED
FROM 22 SEPTEMBER 2016 TO 31 DECEMBER 2016

Business underwritten inside Pakistan

Class	Gross contribution written	Unearned contribution reserve		Contribution earned	Re-takaful ceded	Prepaid re-takaful contribution ceded		Re-takaful expenses	2016
		Opening	Closing			Opening	Closing		Net contribution revenue
----- Rupees -----									
Direct and facultative									
Fire and property damage	-	-	-	-	-	-	-	-	-
Marine, aviation and transport	-	-	-	-	-	-	-	-	-
Motor	271,647	-	257,131	14,516	721,572	-	12,288	709,284	(694,767)
Accident & Health	-	-	-	-	-	-	-	-	-
Miscellaneous	30,658	-	29,380	1,278	21,899	-	20,986	913	365
Sub-total	302,305	-	286,511	15,794	743,471	-	33,274	710,197	(694,402)
Treaty									
Proportional /non-proportional	-	-	-	-	-	-	-	-	-
Sub total	-	-	-	-	-	-	-	-	-
Grand total	302,305	-	286,511	15,794	743,471	-	33,274	710,197	(694,402)

Note: The Company does not underwrite business outside Pakistan.

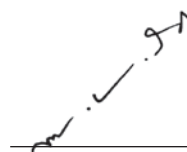
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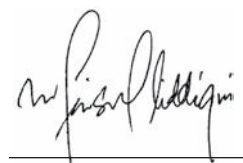
Chairman



Director



Director



Chief Executive Officer

WINDOW TAKAFUL OPERATIONS
STATEMENT OF CLAIMS
FOR THE PERIOD ENDED
FROM 22 SEPTEMBER 2016 TO 31 DECEMBER 2016

Business underwritten inside Pakistan

Class	Total claims paid	Outstanding claims		Claims expenses	Re-takaful and other recoveries received	Re-takaful and other recoveries in respect of outstanding claims		Re-takaful and other recoveries revenue	2016
		Opening	Closing			Opening	Closing		Net claims expense
----- Rupees -----									
Direct and facultative	-	-	-	-	-	-	-	-	-
Fire and property damage	-	-	-	-	-	-	-	-	-
Marine, aviation and transport	-	-	-	-	-	-	-	-	-
Motor	-	-	-	-	-	-	-	-	-
Accident & Health	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Sub total	-	-	-	-	-	-	-	-	-
Treaty									
Proportional / non-proportional	-	-	-	-	-	-	-	-	-
Sub total	-	-	-	-	-	-	-	-	-
Grand total	-	-	-	-	-	-	-	-	-

Note: The Company does not underwrite business outside Pakistan.

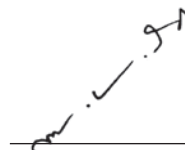
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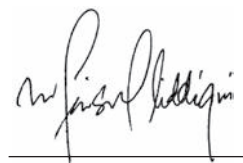
Chairman



Director



Director



Chief Executive Officer

WINDOW TAKAFUL OPERATIONS
STATEMENT OF EXPENSES
FOR THE PERIOD ENDED
FROM 22 SEPTEMBER 2016 TO 31 DECEMBER 2016

Business underwritten inside Pakistan

Class	Commission paid or payable	Deferred commission		Net commission expense	Other management expense (Note 10)	Underwriting expense	Rebate from re-takaful operators*	2016
		Opening	Closing					Net underwriting expense
----- Rupees -----								
Direct and facultative								
Fire and property damage	-	-	-	-	-	-	-	-
Marine, aviation and transport	-	-	-	-	-	-	-	-
Motor	-	-	-	-	570,490	570,490	53	570,437
Accident & Health	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	64,385	64,385	210	64,175
Sub-total	-	-	-	-	634,875	634,875	263	634,612
Treaty								
Proportional /non-proportional	-	-	-	-	-	-	-	-
Sub total	-	-	-	-	-	-	-	-
Grand total	-	-	-	-	634,875	634,875	263	634,612

* Rebate from re-takaful operators is arrived after taking the impact of opening & closing unearned re-takaful rebate.

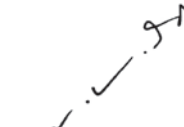
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Chairman



Director



Director



Chief Executive Officer

WINDOW TAKAFUL OPERATIONS
STATEMENT OF INVESTMENT INCOME
FOR THE PERIOD ENDED
FROM 22 SEPTEMBER 2016 TO 31 DECEMBER 2016

	2016
	<u>Rupees</u>
Participants' Takaful fund	
Net Investment income	<u>-</u>
Operator's Fund	
Profit on bank deposit	<u>37,845</u>

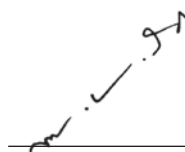
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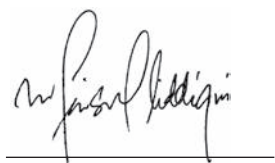
Chairman



Director



Director



Chief Executive Officer

NOTES TO THE FINANCIAL STATEMENTS

WINDOW TAKAFUL OPERATIONS

FOR THE YEAR ENDED 22 SEPTEMBER 2016 TO 31 DECEMBER 2016

1 THE COMPANY AND ITS OPERATIONS

Sindh Insurance Limited ("the Company") was incorporated under the Companies Ordinance, 1984, as a Public Limited Company on 20 December 2013 and obtained the certificate of commencement of business on 22 September 2014. All shares of the Company are beneficially held by Government of Sindh directly and through nominee directors. The Company is engaged in the non-life insurance business comprising of fire, marine, motor, aviation, engineering, transportation, accident and health etc. The registered office and principal place of business of the Company is situated at 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi. The Company operates only in Pakistan.

The Operator was granted authorization on 22 September 2016 under Rule 6 of the Takaful Rules, 2012 to undertake Takaful Window Operations ("the operations") in respect of general takaful products by Securities and Exchange Commission of Pakistan (SECP) under Takaful Rules, 2012 to carry on general takaful operations in Pakistan.

The Operator transferred statutory fund of Rupees 50 million in a separate Islamic bank account for the window takaful operations as per the requirement of circular 8 of 2014. Thereafter, the Operator has formed a Waqf for Participants' Fund ("PTF") by executing the Waqf deed dated 24 June 2016 by investing a ceded money of Rupees 0.5 million. The ceded money is required to be invested in shariah compliant investments and any profit thereon can be utilized only to pay benefits to participants or defray PTF expenses. Waqf Deed governs the relationship of operator and participants for management of takaful operations, investments of participants' funds and investments of the Operator's funds approved by the shariah advisor of the Operator. The Operator commenced Operations on 22 September 2016.

- 1.2 The admissible assets of the Participant Takaful Fund (PTF) are not in excess of the liabilities of PTF as at 31 December 2016 as required under the Takaful Rules, 2012.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied during the year unless otherwise stated.

2.1 BASIS OF PREPARATION

a) Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Insurance Ordinance, 2000, SEC (Insurance) Rules, 2002 and Takaful Rules, 2012. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, Insurance Ordinance, 2000, SEC (Insurance) Rules, 2002 and Takaful Rules, 2012 shall prevail.

b) Basis of presentation

These financial statements have been prepared on the format of financial statements issued by the Securities and Exchange Commission of Pakistan (SECP) through Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002], vide SRO 938 dated 12 December 2002. These financial statements reflect the financial position and results of operations of both the Operator's Fund and Participants' Takaful Fund in a manner that the assets, liabilities, income and expenses of the Operator's Fund and PTF remain separately identifiable. These are the first set of annual financial statements of Sindh Insurance Limited - Window Takaful Operations for the period from 22 September 2016 to 31 December 2016.

c) Accounting convention

These financial statements have been prepared under the historical cost convention except certain investments which are stated at lower of cost and market value. Accrual basis of accounting has been used except for cash flow information.

NOTES TO THE FINANCIAL STATEMENTS

WINDOW TAKAFUL OPERATIONS

FOR THE YEAR ENDED 22 SEPTEMBER 2016 TO 31 DECEMBER 2016

d) Functional and Presentation Currency

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

e) Critical accounting estimates and judgements

The preparation of these financial statements in conformity with approved accounting standards requires the Operations to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from period of revision.

In particular, information about judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements, and estimates that have a significant risk of resulting in a material adjustment in the subsequent years is included in following notes:

- (i) classification of takaful contracts (note 2.2);
- (ii) provision for unearned contribution (note 2.2.2);
- (iii) provision for contribution due but unpaid and amount due from other takaful / re-takaful operators (note 2.2.3);
- (iv) provision for outstanding claims and re-takaful recoveries thereagainst (note 2.2.4);
- (v) contribution deficiency reserve (note 2.2.5);
- (vi) provision for unearned wakala fee (note 2.4);
- (vii) classification of investments (note 2.8);
- (viii) taxation (note 2.9);
- (ix) residual values and useful lives of fixed assets (note 2.10);
- (x) allocation of management expenses (note 2.11);
- (xi) impairment (note 2.18); and
- (xii) segment reporting (note 2.19)

f) Amendments to published approved standards that are effective in current year and are relevant to the Company

The following amendments to published approved standards and interpretation are mandatory for the Company's accounting periods beginning on or after 01 January 2016:

- IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)
- IAS 16 - Property Plant and Equipment and
- IAS 38 - Intangible Assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendments)

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5–Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7–Financial Instruments - Disclosures
- IAS 19– Employee Benefits
- IAS 34– Interim Financial Reporting

There is no financial impact of such amendments on these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

WINDOW TAKAFUL OPERATIONS

FOR THE YEAR ENDED 22 SEPTEMBER 2016 TO 31 DECEMBER 2016

g) Amendments to published approved standards that are effective in current year and are not relevant to the Company

There are other amendments to published standards that are mandatory for accounting periods beginning on or after 01 January 2016 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

h) Standards and amendments to published approved standards that are not yet effective but relevant to the Company

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 January 2017 or later periods:

	Effective date (accounting periods beginning on or after)
- IFRS 4 (Amendments) Insurance Contracts: Applying IFRS9 Financial Instruments with IFRS4	01 January 2018
- IFRS 9 'Financial Instruments'	01 January 2018
- IFRS 15 'Revenue from Contracts with Customers'	01 January 2017
- IFRS 16 'Lease'	01 January 2017
- IAS 12 (Amendments), 'Income Taxes'	01 January 2017
- IAS 7 (Amendments), 'Statement of Cash Flows'	01 January 2017
- IFRS 15 (Amendments), 'Revenue from Contracts with Customers'	01 January 2018

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

i) Standards, interpretations and amendments to published approved accounting standards that are not effective in current year and not considered relevant to the Company

There are other standards and amendments to published approved standards that are mandatory for accounting periods beginning on or after 01 January 2017 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 TAKAFUL CONTRACTS

The takaful contracts are based on the principles of Wakala. The takaful contracts so agreed usually inspire concept of tabarru (to donate for benefit of others) and mutual sharing of losses with the overall objective of eliminating the element of uncertainty.

Contracts under which the Participant Takaful Fund (PTF) accepts significant takaful risk from another party (the participant) by agreeing to compensate the participant if a specified uncertain future event (the takaful event) adversely affects the participant are classified as takaful contracts. Takaful risk is significant if a takaful event could cause the PTF to pay significant benefits due to the happening of the takaful event compared to its non-happening. Once a contract has been classified as a takaful contract, it remains a takaful contract for the remainder of its lifetime, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

The Operations underwrite non-life takaful contracts that can be categorized into following main categories:

a) Fire and property takaful

Fire and property takaful contracts mainly compensate the participants for damage suffered to their properties or for the value of property lost. Participants who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities. These contracts are generally one year contracts.

NOTES TO THE FINANCIAL STATEMENTS

WINDOW TAKAFUL OPERATIONS

FOR THE YEAR ENDED 22 SEPTEMBER 2016 TO 31 DECEMBER 2016

b) Marine aviation and transport takaful

Marine takaful covers the loss or damage of vessels, cargo, terminals, and any transport or property by which cargo is transferred, acquired, or held between the points of origin and final destination. These contracts are generally for three months period.

c) Motor takaful

Motor takaful provides protection against losses incurred as a result of theft, traffic accidents and against third party liability that could be incurred in an accident. These contracts are generally one year contracts.

d) Accident and Health takaful

Accident and health takaful contract mainly compensate hospitalization, outpatient medical coverage to the participant and personal accident. These contracts are generally one year contracts.

e) Miscellaneous takaful

All other various types of takaful contracts are classified in miscellaneous category which includes mainly engineering, workmen compensation, travel and products of financial institutions etc. These contracts are normally one year takaful contracts except some engineering takaful contracts that are of more than one year period, whereas, normally travel takaful contracts expire within one month time.

2.2.1 Re-takaful contracts held

These are contracts entered into by the Operation with re-takaful operators for compensation of losses suffered on takaful contracts issued. These re-takaful contracts include both facultative and treaty arrangement contracts and are classified in same categories of takaful contracts for the purpose of these financial statements. The PTF recognizes the entitled benefits under the contracts as various retakaful assets.

2.2.2 Provision for unearned contribution

The provision for unearned portion of contribution is calculated by applying twenty fourths' method as prescribed by SEC (Insurance) Rules, 2002. The deferred portion of retakaful contribution is recognized as a prepayment.

The deferred portion of retakaful contribution ceded is calculated by using twenty fourths' method.

2.2.3 Receivables and payables related to takaful contracts

Receivables and payables, other than claim payables, relating to takaful contracts are recognized when due. The claims payable is recorded when intimation is received. These include contributions due but unpaid, contribution received in advance, contributions due and claims payable to participants. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any.

If there is an objective evidence that any contribution due but unpaid is impaired, the Operations reduces the carrying amount of that contribution receivable and recognizes the loss in profit and loss account.

2.2.4 Provision for outstanding claims including IBNR

A liability for outstanding claims is recognized in respect of all claims incurred as at the reporting date which represents the estimates of the claims intimated or assessed before the end of the reporting period and measured at the undiscounted value of expected future payments. Provision for outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates.

NOTES TO THE FINANCIAL STATEMENTS

WINDOW TAKAFUL OPERATIONS

FOR THE YEAR ENDED 22 SEPTEMBER 2016 TO 31 DECEMBER 2016

Provision for IBNR is made for the cost of settling claims incurred but not reported at the reporting date, on the basis of management's judgment and the Company's prior experience.

The Company takes advice from actuary for the determination of IBNR claims at the year end. The "expected loss ratio and claims Method" is used for determination of month wise factor for each class of business. Accordingly, provision has been made based on IBNR factors applied on incurred claims recommended by the actuary.

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

2.2.5 Contribution deficiency reserve

At each balance sheet date, liability adequacy tests are performed separately for each class of business under SEC Rules, 2002 to ensure the adequacy of the unearned contribution liability for that class. It is performed by comparing the expected future liability, after retakaful, from claims and other expenses, including retakaful expense, commissions and other underwriting expenses, expected to be incurred after balance sheet date in respect of policies in force at balance sheet date with the carrying amount of unearned contribution liability.

The movement in the contribution deficiency reserve is recorded as an expense / income in profit or loss account for the year.

The requirement for additional provision for unexpired risks is determined on the basis of an actuarial valuation. The latest valuation was carried out as of 31 December 2016. No Contribution deficiency reserve is required as at 31 December 2016 as determined by actuary.

2.3 TAKAFUL SURPLUS

Takaful surplus attributable to the participants is calculated after charging all direct cost and setting aside various reserves. Allocation to participants, if applicable, is made after adjustment of claims paid to them during the period.

2.4 WAKALA FEE

The Operator manages the general takaful operations for the participants and charges wakala fee to PTF on gross contributions recognized for each class of business to meet the general and administrative expenses of the Operator including commissions to agents at following rates:

Class	Percentage
Fire and property damage	25.00%
Marine, aviation and transport	25.00%
Motor	35.00%
Health	25.00%
Miscellaneous	25.00%

Wakala fee is recognized as income in Operator's Fund on the same basis on which the related contribution revenue is recognized. Unearned portion of wakala fee is recognized as a liability of Operator's Fund.

2.5 MODARIB'S FEE

The Operator also manages the participants' investment as Modarib and charges 20% of the investment income earned by the PTF as Modarib's fee. It is recognized on the same basis on which related revenue is recognized

NOTES TO THE FINANCIAL STATEMENTS

WINDOW TAKAFUL OPERATIONS

FOR THE YEAR ENDED 22 SEPTEMBER 2016 TO 31 DECEMBER 2016

2.6 QARD-E-HASNA

Qard-e-hasna is provided by Operator's Fund to PTF in case of deficit or to fulfill cash flow requirements.

2.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash and bank deposits and excludes bank balances held under lien.

2.8 INVESTMENTS

All investments are initially recognized at cost being the fair value of the consideration given and include any transaction costs. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investment.

These investments are classified as 'held-to-maturity' and 'available-for-sale'.

Held-to-maturity

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

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

These are reviewed for impairment at year end and any losses arising from impairment are charged to the profit and loss account.

Available-for-sale

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available-for-sale.

Subsequent to initial recognition at cost, these are stated at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002. The Company uses stock exchange quotations at the reporting date to determine the market value of its quoted investments. The Company uses appropriate valuation techniques to estimate the fair value of unquoted investments in unlisted securities. If such estimated fair value is lesser than the cost, the Company recognizes the impairment adjustments.

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

2.9 TAXATION

2.9.1 Current

Provision for current taxation is based on taxable income for the period determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the period, if enacted.

NOTES TO THE FINANCIAL STATEMENTS

WINDOW TAKAFUL OPERATIONS

FOR THE YEAR ENDED 22 SEPTEMBER 2016 TO 31 DECEMBER 2016

2.9.2 Deferred

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

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

2.10 FIXED ASSETS

2.10.1 Tangible

Owned fixed assets are stated at cost, signifying historical cost, less accumulated depreciation and any provision for accumulated impairment. Cost of an item of fixed assets consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying asset directly attributable cost of bringing the asset to working condition. Depreciation is charged to income applying the reducing balance method at the rates specified for calculation of depreciation in note 8. The useful lives and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

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

Depreciation on additions is charged from the month the assets are available for use while on disposals, depreciation is charged up to the month in which the assets are disposed off.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the assets disposed of. These are taken to profit and loss account.

2.10.2 Intangible

These are stated at cost less accumulated amortization and any provision for accumulated impairment, if any.

Amortization is calculated from the month the assets are available for use using the straight-line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization methods are reviewed, and adjusted if appropriate, at each reporting date.

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

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

NOTES TO THE FINANCIAL STATEMENTS

WINDOW TAKAFUL OPERATIONS

FOR THE YEAR ENDED 22 SEPTEMBER 2016 TO 31 DECEMBER 2016

2.11 EXPENSES OF MANAGEMENT

Expenses of management have been allocated to various classes of business as deemed equitable by management. Expenses not allocable to the underwriting business are charged under general and administration expenses.

2.12 INVESTMENT INCOME

From available-for-sale investments

- Return on fixed income securities

Return on fixed income securities is recognized on a time proportion basis.

- Dividend

Dividend income is recognized when the Company's right to receive the dividend is established.

- Gain / loss on sale of available-for-sale investments

Gain / loss on sale of available-for-sale investments is recognized in profit and loss account in the year of sale.

2.13 CONTRIBUTION INCOME

Contribution including administrative surcharge under a policy are recognized as revenue at the time of issuance of takaful policy.

Revenue from contribution is determined after taking into account the unearned portion of contribution. The unearned portion of contribution income is recognized as a liability.

Retakaful contribution is recognized as expense after taking into account the proportion of deferred contribution expense which is calculated using twenty fourths method. The deferred portion of contribution expense is recognized as a prepayment.

2.14 COMMISSION

Commission expense incurred in obtaining and recording policies is deferred and recognised as an expense in accordance with pattern of recognition of contribution revenue.

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

2.15 FOREIGN CURRENCIES

Transactions in foreign currencies are accounted for in Pak Rupees at the rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date. Exchange differences are taken to the profit and loss account currently

2.16 FINANCIAL INSTRUMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

WINDOW TAKAFUL OPERATIONS

FOR THE YEAR ENDED 22 SEPTEMBER 2016 TO 31 DECEMBER 2016

Financial instruments carried on the balance sheet include cash and bank deposit, investments, contribution due but unpaid, amounts due from other takaful / retakaful, sundry receivables, amounts due to other takaful / retakafulwakala and modarib fee payable, contribution received in advance and other creditors and accruals. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

2.17 OFF SETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet when the Company has a legally enforceable right to set-off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.18 IMPAIRMENT

Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available-for-sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

2.19 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the board of directors) who is responsible for allocating resources and assessing performance of the operating segments.

The Company accounts for segment reporting using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002 as the primary reporting format based on the Company's practice of reporting to the management on the same basis.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amount of certain assets used jointly by two or more segments have been allocated to segments on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

WINDOW TAKAFUL OPERATIONS

FOR THE YEAR ENDED 22 SEPTEMBER 2016 TO 31 DECEMBER 2016

2016		
Operator's Fund	Participants' Takaful Fund	Aggregate
Rupees		

3 OTHER CREDITORS AND ACCRUALS

Provincial sales tax on services	-	41,865	41,865
Federal insurance fee	-	3,023	3,023
Tax deducted / collected at source	1,495	1,535	3,030
Payable to Sindh Insurance Limited	1,013,518	-	1,013,518
Sundry creditors	179,870	40,235	220,105
	1,194,883	86,658	1,281,541

4 CONTINGENCIES AND COMMITMENTS

There were no contingencies or commitments as at the balance sheet date.

5 CASH AND BANK DEPOSITS**Current and other accounts**

Saving accounts	5.1	287,159	622,689	909,848
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- 5.1 Saving accounts are maintained in Sa'adat Islamic Accounts and carry expected profit ranging from 2.73% to 5.23% per anum.

6 INVESTMENTS**Available-for-sale****Mutual Funds**

	No. of Units			
Meezan Islamic Income Fund	498367.79	25,546,333	-	25,546,333
Meezan Sovereign Fund	481980.30	24,489,419	-	24,489,419
		50,035,752	-	50,035,752

- 6.1 On 31 December 2016, the fair value of available-for-sale securities was Rupees 51,575,949. As per the Company's accounting policy, available-for-sale investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary). However, International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurements' dealing with the recognition and measurement of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as at 31 December 2016 would have been higher by Rupees 1,540,197.

7 SUNDRY RECEIVABLES**Considered good**

Receivable from Participant Takaful Fund	5,700	-	5,700
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NOTES TO THE FINANCIAL STATEMENTS

WINDOW TAKAFUL OPERATIONS

FOR THE YEAR ENDED 22 SEPTEMBER 2016 TO 31 DECEMBER 2016

8 FIXED ASSETS - OPERATOR'S FUND

Depreciation rate %

Note

2016		
Cost of addition during the period	Depreciation charged during the period	Written down value as at 31 December 2016
Rupees		
Furniture & Fixture	10	56,062
Computer Equipment	33.33	(1,402)
		54,660
		30,000
		(1,667)
		28,333
		86,062
		(3,069)
		82,993

9 WAKALA FEE - OPERATOR'S FUND

2016		
Wakala Fee	Reserved for unearned wakala fee	Net Wakala fee
Rupees		

Direct and Facultative

Fire and property damage	-	-	-
Marine, aviation and transport	-	-	-
Motor	92,404	(87,466)	4,938
Accident & Health	-	-	-
Miscellaneous	6,570	(6,296)	274
	98,974	(93,762)	5,212

10 MANAGEMENT EXPENSES

2016
Rupees

Salaries, allowance and benefits	111,875
Ceded Money	500,000
Printing and stationary expenses	23,000
	634,875

11 GENERAL & ADMINISTRATIVE EXPENSE

Depreciation	3,069
Auditors' remuneration	150,000
Advertising	25,800
Other charges	3,596
	182,465

11.1 Auditor's remuneration

Audit fee	95,000
Other certifications	40,000
Out of pocket	15,000
	150,000

12 TAXATION

Current	12.1	-
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12.1 No provision has been created as the Company incurred loss during the year.

NOTES TO THE FINANCIAL STATEMENTS

WINDOW TAKAFUL OPERATIONS

FOR THE YEAR ENDED 22 SEPTEMBER 2016 TO 31 DECEMBER 2016

13. OPERATING SEGMENTS

	Fire and Property	Marine, Aviation & Transport	Motor	Accident and health	Miscellaneous	Un-allocated	Total
	2016						
	Rupees						
Segment results							
Net contribution revenue	-	-	(694,767)	-	365	-	(694,402)
Wakala expense	-	-	(4,938)	-	(274)	-	(5,212)
Net Claims	-	-	-	-	-	-	-
Net Rebate on takaful	-	-	53	-	210	-	263
Underwriting results	-	-	(699,651)	-	301	-	(699,351)
Bank charges							(1,400)
Net Investment income							-
Deficit for the period							<u>(700,751)</u>

Operator's Fund - revenue account

Wakala fee income	5,212
Commission expense	-
Management expenses	(634,875)
Modarib's share of PTF investment income	-
Net investment income	<u>37,845</u>
	(591,818)
General and admin expense	<u>(182,465)</u>
Profit before tax	<u>(774,283)</u>
Taxation	-
Profit after tax	<u>(774,283)</u>

Other Segment Information

Segment assets	-	-	<u>413,607</u>	-	<u>46,680</u>	-	<u>460,286</u>
Un-allocated assets							
- Participant Takaful fund					622,689	622,689	
- Operator's Fund					<u>50,514,362</u>	<u>50,514,362</u>	
						<u>51,597,337</u>	
Segment liabilities	-	-	<u>1,153,538</u>	-	<u>130,188</u>	-	<u>1,283,726</u>
Un-allocated liabilities							
- Operator's Fund					1,288,645	1,288,645	
						<u>2,572,371</u>	
Capital expenditure					<u>86,062</u>	<u>86,062</u>	
Depreciation					<u>3,069</u>	<u>3,069</u>	

NOTES TO THE FINANCIAL STATEMENTS

WINDOW TAKAFUL OPERATIONS

FOR THE YEAR ENDED 22 SEPTEMBER 2016 TO 31 DECEMBER 2016

14 FINANCIAL INSTRUMENTS

The operations has exposure to the following risks from its use of financial instruments:

- Market risk
- Liquidity risk
- Credit risk

14.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate Because of Changes in market prices. Market risk comprise of interest rate risk, foreign currency risk and other price risk. The objective of market risk management is to manage and control market risk exposures within an acceptable range.

Profit rate risk

Profit rate risk is the risk that the value of a financial instrument will fluctuate due to change in the market profit rate.

Foreign Currency risk

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

Other price risk

Other price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar Financial instruments traded in the market. The Operations at present, is not materially exposed to other price risk.

14.2 Liquidity risk

Liquidity risk is the risk that the Operations will not be able to meet its financial obligations as they fall due. The Operations' approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the operation's reputation. The following are the contractual maturities of financial liabilities based on the remaining period at the reporting date to maturity date.

2016			
Within one year	Over one year to five years	Over five years	Total
Rupees			
Financial Liabilities - Participants' Takaful Fund			
Contribution received in advance	62,056	-	62,056
Amounts due to other takaful / re-takaful operators	743,471	-	743,471
Wakala and modarib fee payable	98,974	-	98,974
Other creditors and accruals	41,770	-	41,770
946,271	-	-	946,271

NOTES TO THE FINANCIAL STATEMENTS

WINDOW TAKAFUL OPERATIONS

FOR THE YEAR ENDED 22 SEPTEMBER 2016 TO 31 DECEMBER 2016

	2016			
	Within one year	Over one year to five	Over five years	Total
Financial Liabilities - Operator's Fund	Rupees			
Other creditors and accruals	1,194,883	-	-	1,194,883

14.3 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 management monitors exposure to credit risk through regular review of credit exposure, undertaking transactions with a large number of counter parties in various industries and by continually assessing the credit worthiness of counter parties.

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would affect their ability to meet contractual obligations in similar manner. Due to the nature of financial assets, the Operator believes it is not exposed to any major concentration of credit risk.

The carrying amounts of the following financial assets represent the Operator's maximum exposure to credit risk:

	Operator's Fund	Participants' Takaful Fund	Aggregate
	Rupees		
Current and other accounts	287,159	-	287,159
Investments	50,035,752	-	50,035,752
Contribution due but unpaid	-	226,923	226,923
Wakala and modarib fee receivable	98,974	-	98,974
Amounts due from other takaful/ re-takaful operators	-	106,327	106,327
Sundry receivables	5,700	-	5,700
	50,427,585	333,250	50,760,835

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

	Rating		Rating Agency	2016 Rupees
	Short term	Long term		
Saving accounts				
Sindh Bank Limited - Operator's Fund	A-1+	AA	JCR-VIS	287,159
Sindh Bank Limited - Participants' Takaful Fund	A-1+	AA	JCR-VIS	622,689

The credit quality of investments can be assessed with reference to external credit rating as follows:

	Rating	Rating Agency	2016 Rupees
Operator's Fund			
Meezan Islamic Income Fund	A-(f)	JCR-VIS	25,546,333
Meezan Sovereign Fund	AA(f)	JCR-VIS	24,489,419
			50,035,752

NOTES TO THE FINANCIAL STATEMENTS

WINDOW TAKAFUL OPERATIONS

FOR THE YEAR ENDED 22 SEPTEMBER 2016 TO 31 DECEMBER 2016

15 TAKAFUL RISK

The risk under any takaful contract is the possibility that the covered event occurs and the uncertainty in the amount of compensation to the participant. Generally, most of takaful contracts carry the takaful risk for a period of one year (refer note 2.2).

The Operations accept takaful through issuance of general takaful contracts. For these general takaful contracts the most significant risks arise from fire, atmospheric disturbance, earthquake, terrorist activities and other catastrophes. For health takaful contracts, significant risks arise from epidemics.

Frequency and severity of claims

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

The operation's class wise risk exposure (based on maximum loss coverage in a single policy is as follows):

	Maximum gross risk exposure
	2016
<u>Class</u>	Rupees
Motor	5,715,000
Miscellaneous	1,000,000

Uncertainty in the estimation of future claims payment

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

An estimated amount of the claim is recorded immediately on the intimation to the operations. The estimation of the amount is based on management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims.

16 RE-TAKAFUL RISK

Re-takaful ceded does not relieve the PTF from its obligation towards participants and, as a result, the PTF remains liable for the portion of outstanding claims covered through re-takaful to the extent that re-takaful operators fails to meet the obligation under the re-takaful agreements.

To minimize its exposure to significant losses from re-takaful operators' insolvencies, the operations obtain re-takaful rating from a number of re-takaful operators, who are dispersed over several geographical regions.

An analysis of all re-takaful assets recognized by the rating of the entity from which it is due is as follows:

	Amount due from other takaful / re-takaful operators	Re-takaful recoveries against outstanding claims	Other re-takaful assets	2016
Rating				
Unrated	106,327	-	-	106,327

NOTES TO THE FINANCIAL STATEMENTS

WINDOW TAKAFUL OPERATIONS

FOR THE YEAR ENDED 22 SEPTEMBER 2016 TO 31 DECEMBER 2016

17 FINANCIAL INSTRUMENT BY CATEGORIES

As at 31 December 2016	Loans and receivables	Held-to- maturity	Available-for- sale	Total
	Rupees			
Financial assets - Participants' Takaful Fund				
Cash and bank balances	622,689			622,689
Contribution due but unpaid	226,923			226,923
Amounts due from other takaful/ re-takaful operators	106,327			106,327
	955,939	-	-	955,939
Financial assets - Operator's Fund				
Cash and bank balances	287,159			287,159
Investments			50,035,752	50,035,752
Wakala and modarib fee receivable	98,974			98,974
Sundry receivables	5,700			5,700
	391,833	-	50,035,752	50,427,585
As at 31 December 2016			At amortized cost	
			Participants' Takaful Fund	Operator's Fund
			Rupees	Rupees
Financial liabilities				
Contribution received in advance			62,056	-
Amounts due to other takaful / re-takaful operators			743,471	-
Wakala and modarib fee payable			98,974	-
Other creditors and accruals			41,770	1,194,883
			946,271	1,194,883

18 DATE OF AUTHORISATION FOR ISSUE

These financial statements were approved and authorized for issue on 30th March, 2017 by the Board of Directors of the Company.

19 GENERAL

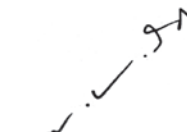
Figures have been rounded to the nearest Rupee.



Chairman



Director



Director



Chief Executive Officer

BRANCHES

Our Branches

North Region Branch:

Escort Bank Building
Davis Road, Lahore.
Ph: 042-36297709

Interior Sindh:

Naudero Branch
Larkana Road, Naudero
Ph: 74-4047528

Hyderabad Region:

Block - D, Unit No. 07
Latifabad, Hyderabad.
Ph: 022-3821758

Civic Centre Branch:

Ground Floor, Front Right
Wing of Civic Centre Building,
Gulshan-e-Iqbal, Karachi.
Ph: 021-34890610



PATTERN OF SHAREHOLDINGS
HELD BY THE SHAREHOLDERS OF
SINDH INSURANCE LIMITED
AS AT DECEMBER 31, 2016

Number of Shareholders	Shareholding		Shares Held	Percentage
	From	To		
1	From 1	To 49,999,993	49,999,993	99.999986
7	From 49,999,994	To 50,000,000	7	0.000014
8			50,000,000	100.0000

Categories of Shareholders	Shareholders	Shares Held	Percentage
<u>Associated Company</u>	-	-	-
<u>Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful Companies and Modarabas</u>	-	-	-
<u>Mutual Funds</u>	-	-	-
<u>Other Companies</u>	-	-	-
<u>Shareholding Above 5%</u>			
Governamet of Sindh	1	49,999,993	99.999986
<u>Directors, CEO, Executives and their Spouses and Minor Childrens</u>			
Muhammad Bilal Sheikh	1	1	0.000002
Syed Hassan Naqvi	1	1	0.000002
Syed Shahnwaz Nadir	1	1	0.000002
Muhammad Naimuddin Farooqui	1	1	0.000002
Shamsuddin Khan	1	1	0.000002
Ahmed Salahuddin	1	1	0.000002
Akhtar Ali Khan	1	1	0.000002
Individuals	-	-	-
Total	8	50,000,000	100.000000

FORM OF PROXY

Quote Folio No. _____

Third Annual General Meeting

I/We _____ of _____ being a member of **Sindh Insurance Limited** and holder of _____ ordinary shares, hereby appoint _____ of _____ or failing him _____ of _____ who are also members of Sindh Insurance Limited as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Third Annual General Meeting to be held on Thursday, April 27, 2017 at 10:00 am at 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi and at any adjournment thereof.

Signed this _____ day of _____ 2017

1. Witness:

Signature _____

Name _____

Address _____

CNIC No. _____

Passport No. _____

Please affix
Rupees Five
Revenue
Stamp

2. Witness:

Signature _____

Name _____

Address _____

CNIC No. _____

Passport No. _____

Signature of Member

Important: This instrument appointing a proxy, duly completed, must be received by the Company Secretary at the Company's Head Office/Registered Office, 1st Floor, Imperial Court, Dr. Ziauddin Amed Road, Karachi., not later than 48 hours before the time of holding the meeting.

تیسرا سالانہ عام اجلاس

میں / ہم۔۔۔۔۔ ساکن۔۔۔۔۔ بحیثیت رکن سندھ انشورنس لمیٹڈ اور حامل عام حصص، اس دستاویز کے ذریعے

یا ان کی عدم دستیابی کی صورت میں ----- ساکن -----

جیسا کہ وہ بھی سندھ انشورنس لمیٹڈ کے رکن ہیں کو بطور میرے / ہمارے مختار، جو کہ میری / ہماری غیر موجودگی کی صورت میں تیسرے سالانہ عام اجلاس منعقدہ جمعرات 27 اپریل 2017ء، 10 بجے صبح، بمقام پہلی منزل امپیریل کورٹ، ڈاکٹر ضیاء الدین احمد روڈ، کراچی یا کسی بھی دیگر صورت میں شرکت کرنے اور میرے / ہمارے لئے حق رائے دہی استعمال کر سکے، مقرر کرتے ہیں

دستخط _____ مورخه _____ 2017

۱- گواه

دستخط: _____

نام: _____

قومی شناختی کارڈ نمبر: -----

یاسپیورٹ نمبر: _____

۲- گواه

..... دستخط:

نام: _____

قومی شناختی کارڈ نمبر: _____

یاسپیورٹ نمبر: _____

اہم ترین:

یہ دستاویز ایک مختیار کار کی تقرری ہے جو مکمل کر کے اجلاس شروع کرنے کے 48 گھنٹے پہلے کمپنی سیکریٹری کو درج ذیل پتہ پر موصول ہونا ضروری ہے۔



پہلی منزل امپیریل کورٹ، ڈاکٹر ضیاء الدین احمد روڈ، کراچی۔

برائے مہربانی پانچ روپے
کے رسیدی ٹکٹ چسپاں
کریں۔

رکن کے دستخط

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO



Registered / Head Office:

1st Floor, Imperial Court , Dr. Ziauddin Ahmed Road, Karachi - Pakistan.
Tel: +92-21-3564 0715 - 17 Fax: +92-21-3564 0714 Web: www.sindhinsuranceltd.com