Alfalah Insurance

2017
Annual Report

CONTENTS

COMPANY INFORMATION

Chairman

H.H. Sheikh Nahayan Mabarak Al Nahayan

Board of Directors

H.H. Sheikh Nahayan Mabarak Al Nahayan	Director
H.E. Sheikh Saif Bin Mohammed Bin Butti	Director
Mr. Khalid Mana Saeed Al Otaiba	Director
Mr. Adeel Bajwa	Director
Mr. Nauman Ansari	Director
Mr. Suhail Yaqoob Khan	Director
Mr. Nasar us Samad Qureshi	Director

Chief Executive & Managing Director

Mr. Nasar us Samad Qureshi

Chief Financial Officer & Company Secretary

Mr. Adnan Waheed

Board Committees:

Board Advisory Committee:

Mr. Adeel Bajwa	Chairman
Mr. Nauman Ansari	Member
Mr. Suhail Yaqoob Khan	Member
Mr. Nasar us Samad Qureshi	Member

Audit Committee

Mr. Adeel Bajwa	Chairman
Mr. Nauman Ansari	Member
Mr. Suhail Yaqoob Khan	Member
Mr. Faisal Shahzad	Secretary

Ethics, Human Resource and Remuneration Committee:

Mr. Adeel Bajwa	Chairman
Mr. Nauman Ansari	Member
Mr. Suhail Yaqoob Khan	Member
Mr. Nasar us Samad Qureshi	Member

Investment Committee:

Mr. Adeel Bajwa	Chairman
Mr. Nauman Ansari	Member
Mr. Suhail Yaqoob Khan	Member
Mr. Nasar us Samad Qureshi	Member
Mr. Adnan Waheed	Member & Secretary

Management Committees:

Underwriting Committee

Mr. Nasar us Samad Qureshi	Chairman
Mr. Abdul Haye	Member
Capt. Azhar Ehtesham Ahmed	Member
Mr. Rashid Awan	Member & Secretary

Claims Settlement Committee

Mr. Nasar us Samad Qureshi	Member
Mr. Adnan Waheed	Member
Ch. Manzoor Hussain	Member & Secretary

Reinsurance, Re-takaful and Coinsurance Committee:

Mr. Nasar us Samad Qureshi	Chairman
Mr. Abdul Haye	Member
Capt. Azhar Ehtesham Ahmed	Member
Mr. Shahzad Aamir	Member
Mr. Shams ul Zuha	Member & Secretary

Risk Management & Compliance Committee:

Mr. Nasar us Samad Qureshi	Chairman
Mr. Adnan Waheed	Member
Mr. Faisal Shahzad	Member
Mr. Naveed Akbar	Member & Secretary

Conventional Banks

Bank Alfalah Limited
Khushali Bank Ltd
Bank Of Punjab
Zarai Taraqiati Bank Ltd
Mobilink Microfinance Bank,
Silk Bank
NRSP Micro Finance bank
Habib Bank Limited
Summit Bank

Takaful Banks

Bank Alfalah Limited Islamic
Askari Bank Limited
Meezan Bank Limited

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisors

Cornelius Lane & Mufti
Salahuddin, Saif & Aslam (Attorneys at Law)

Head Office

5-Saint Mary Park,
Gulberg III, Lahore.
UAN: 111-786-234
Fax: 92-42-35774329
Email: afi@alfalahinsurance.com
Web: www.alfalahinsurance.com

VISION

To be a leading insurer by providing most comprehensive yet flexible cost effective risk management solutions to our clients backed with friendly and efficient claims service and enhance the Alfalah brand value for the benefit of all stakeholders.

MISSION

We undertake to provide world class service with unmatched security to our clients and help in increasing awareness about insurance in the country as well as enhancing public confidence in the insurance industry in Pakistan. We will introduce new modern insurance products comparable with international standards and will emerge as an innovative insurer providing complete risk management solutions to the insuring public in Pakistan.

His Highness Sheikh Nahayan Mabarak Al Nahayan
Chairman Abu Dhabi Group

**H.H. Sheikh
Nahayan Mabarak
Al Nahayan**
Chairman

**His Excellency
Sheikh Saif Bin
Mohammed Bin Butti**
Director

**Mr. Khalid Mana
Saeed Al Otaiba**
Director

Mr. Adeel Bajwa
Director

Mr. Nauman Ansari
Director

Mr. Suhail Yaqoob Khan
Director

Mr. Nasar us Samad Qureshi
MD & CEO

Alfalah Insurance

INTEGRITY

Leaders must exemplify integrity and earn the trust of their teams through their everyday actions. When you do this, you set high standards for everyone at your company. And when you do so with positive energy and enthusiasm for shared goals and purpose, you can deeply connect with your team and customers. (MarillynHewson)

DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors of Alfalah Insurance Company Limited are pleased to submit 12th Annual Report of your company, together with audited financial statements for the year ended December 31, 2017.

Insurance Sector Review and Future Outlook

The non-life insurance market of Pakistan has underwritten a total of PKR 55.90Bn worth of premiums as at 30th September 2017. A growth of approximately 6.71% has been observed from the premium of last corresponding period when the underwritten premium was PKR 52.38Bn. The growth has primarily come from new power projects which include thermal and wind power projects. This growth was on little lower side because of shifting of some business to Window Takaful Operations. During the year, the stock exchange witnessed downward trend of -15% in comparison to robust growth of 46% of last year largely caused by rising heat at political front. This together with the one basket approach of taxing all income avenues by 30% has seriously impacted the bottom line of insurance companies.

The growth of insurance industry is directly linked with the growth of economy. As country braces itself for general elections in 2018, important economic and political developments are going to drive the performance. We believe that the smooth transition of power, will not only strengthen the democracy in Pakistan but will also play a vital role in economic development of the country. The achievement of certain milestones during the year including the launch of multibillion dollar CPEC project, recognition of huge potential for personal lines/micro insurance both by the insurance companies and the regulator shall bode well for the insurance industry of Pakistan. The Securities and Exchange Commission of Pakistan (SECP) has further strengthened the regulatory framework by introducing Insurance rules, 2017 with the objective of providing enabling environment for market development and adopting international best practices.

ALFALAH INSURANCE PERFORMANCE

Year 2017 was a good year for your Company in terms of topline growth. Company registered growth of 8% in its premium written. Non-group business of the Company increased by 22% registering group vs non-group ratio at 22:78 (LY: 30:70). Net premium revenue of the Company was higher by 14% which coupled with improved loss ratio (from 54% of last year to 45%), controlled expenses (grew by 3% only mainly due to higher allocation to WTO owing to higher business underwritten) and better performance of Window Takaful Operations over last period, pushed the Company into greener zone. Although Net Commission was increased because new business was acquired at high acquisition cost and that Company lost commission income due to non-renewal of certain group accounts, underwriting profits of the Company was higher by 17%.
Investment income of the Company was decreased by 34% i.e. Rs40m. It was mainly due to downward movement of KSE-100 index by 15% caused by rising heat at political front coupled with deteriorating macro-economic indicators. However, it was worth noting that Company's equity investment portfolio generated return of -9% in comparison to -15% of KSE-100 Index.
It was due to the diversified approach adopted by our investment managers. The Company doesn't have any unrealized losses on its AFS portfolio as on the closing date.

SEGMENT WISE PROFITABILITY AT GLANCE

	Net Premium Revenue	Net Claim	Net Commission	Segment Profitability 2017	Segment Profitability 2016	Variance	%
Fire	37,075	19,780	24,958	42,253	80,159	(37,906)	-47%
Marine	21,283	3,207	8,572	26,648	22,776	3,872	17%
Motor	384,425	179,918	(29,042)	175,865	194,768	(18,903)	10%
Misc.	157,349	19,950	36,441	173,840	98,785	75,055	76%
Health	442,690	247,775	(129,270)	65,645	60,049	5,596	9%
Total	**1,043,222**	**470,630**	**24,958**	**484,251**	**456,537**	**27,714**	**6.1%**

DIRECTORS' REPORT TO THE SHAREHOLDERS

Fire Segment contribution was decreased by Rs37m mainly due to loss of business of M/s Warid Telecom impacting both net premium revenue and net commission income of the Company. Further, increase in loss ratio from 14% to 53% due to a one-off fire claim of Rs100m having a net impact of Rs10m, also impacted the segment profitability.

Marine Segment contribution was higher by 17% due to topline growth of 20% coupled with improved loss ratio from 21% to 15%.

Motor Segment contribution was decreased by 10%. Net premium revenue of the Company remained flat during the period despite growth of topline by 18%. It was because the net premium revenue of the last year includes Rs30m relating to car Ijarah business which was shifted to window takaful operation this year. Further, increase in loss ratio from 42% to 47% mainly due to thin underwriting rates also impacted the segment profitability.

Health Segment contribution was increased by 9%. Despite the fact that additional premium of Rs111m was generated on account of personal lines, its impact was diluted due to non-renewal/transfer of certain health accounts to Takaful operations. Although, commission expense was increased drastically due to high acquisition structure of personal lines, however, its low loss ratio diluted the overall loss ratio of health class, hence contributing Rs6m to the segment profitability despite loss/shift of business.

Miscellaneous Segment Class registered highest segment profitability of Rs75m i.e. an increase of 76% owing to crop/livestock insurance. Net premium revenue was increased by Rs114m, out of which around Rs95m was contributed by crop/livestock business being on net retention. Commission income was decreased due to acquisition cost of crop/livestock coupled with rate revisions certain accounts. Loss ratio was improved from 36% to 13% owing to low loss ratio registered in crop/livestock insurance.

Reinsurance is indeed an important segment of any insurance company. Your company has been backed by leading reinsurers and we have developed and enhanced these relationships to the mutual advantage of the reinsurers and the company. Your company followed a policy of optimizing retention of risk through a carefully designed program of insurance risk management. Your company has also increased capacities for traditional reinsurance arrangements as well as obtained capacity for specialized line.

Window Takaful Operations (WTO) was able to underwrite contribution of Rs175m i.e. 79% higher than last year. This increase in premium written coupled with crystallization of unearned premium of last year resulted into 268% growth in net premium revenue which in turn helped the Participant Takaful Fund to achieve the breakeven by clocking in surplus of 795k in comparison to deficit of Rs13.707m of last year. This robust growth in net premium revenue also impacted the wakala fee income and commission expense of the Shareholder's Fund. The Commission expense was increased by almost the same percentage, however, the impact on wakala fee was reduced due to downward revision of wakala fee from 35% to 30% during the year with the approval of Shariah Advisor. The management and admin expenses of SHF were increased by 104% due to higher allocation of expenses to Window Takaful Operations because its share in the total business was increased from 4.8% to 7.8%. Investment income of the SHF was decreased mainly due to provision of Qard-e-hasna of Rs25m to PTF to meet its solvency requirements. However, the SHF showed a surplus of Rs8.4m during the year

EARNING PER SHARE

During the year after tax earnings per share was Rs.2.46 (2016: Rs.2.59). Detailed working has been reported in Note 30 to the financial statements.

AUDITORS

The present auditors M/s KPMG Taseer Hadi & Company, Chartered Accountants, after completion of first year of audit, being eligible for re-appointment, have shown their willingness to act as external auditors of the Company for the year ending December 31, 2018. The Audit Committee and Board of directors in their respective meetings have recommended M/s KPMG Taseer Hadi & Company, Chartered Accountants as external and Shariah Compliance Auditors of the Company for the year ending December 31, 2018.

DIRECTORS' REPORT TO THE SHAREHOLDERS

BOARD OF DIRECTORS MEETINGS

During the year 2017, five (5) meetings of the Board were held, with attendance as follows;

Name of Directors	No. of Meetings Attended
- HH Sheikh Nahayan Mabarak Al Nahayan*	3
- HE Sheikh Saif Bin Mohammad Bin Butti	-
- Mr. Khalid Mana Saeed Al Otaiba	5
- Mr. Atif Aslam Bajwa**	3
- Mr. Adeel Bajwa	5
- Mr. Nauman Ansari	1
- Mr. Nasar us Samad Qureshi	5
- Mr. Suhail Yaqoob Khan	4

*The Board appointed His Highness Sheikh Nahayan Mabarak Al Nahayan, as Director of the Company, in place and for the remainder of the term of the outgoing Director, His Highness Sheikh Hamdan Bin Mubarak Al Nahayan.

The Board of Directors also elected His Highness Sheikh Nahayan Mabarak Al Nahayan as the new Chairman of the Board of Directors of the Company in place of His Highness Sheikh Hamdan Bin Mubarak Al Nahayan.

**Mr. Atif Aslam Bajwa resigned during the year from the office of Director and Mr. Nauman Ansari was appointed as the Director in his place and for the remainder of the term with prior approval of Securities and Exchange Commission of Pakistan.

Leave of absence was granted to those Directors who could not attend the Board Meetings.

INSURERS FINANCIAL RATING STRENGTH

PACRA, during its recent review conducted on 29th September 2017, has maintained the IFS rating of your Company at "AA-" (Double A minus) with stable outlook. This rating denotes Very strong capacity to meet policyholder and contract obligations. Risk factors are modest, and the impact of any adverse business and economic factors is expected to be very small.

AUDIT COMMITTEE

As required under the Code of Corporate Governance, the Board of Directors has established an Audit Committee comprising of the following non-executive directors:

- Mr. Adeel Bajwa – Chairman
- Mr. Noman Ansari – Member*
- Mr. Suhail Yaqoob Khan – Member

*During the year Mr. Nauman Ansari was admitted as member in place of Mr. Atif Aslam Bajwa.

RELATED PARTY TRANSACTIONS

At each Board meeting the Board of Directors approved company's transactions made with Associated Companies / Related parties. All the transactions executed with related parties were on commercial terms and conditions.

DIRECTORS' REPORT TO THE SHAREHOLDERS

STATEMENT OF ETHICS AND BUSINESS PRACTICES/CODE OF CONDUCT

The Board has adopted the statement of ethics and business practices. All employees were informed of this statement and were required to observe these rules of conduct in relation to business and regulations. Statement of Ethics and business practices were based on integrity, dignity, culture of excellence and ethical dealing with clients, peers and the public.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The provisions of the Code of Corporate Governance for insurance companies have been complied with during the year under review which was as follows:

- The financial statements, together with the notes thereon have been drawn up in conformity with the Insurance Ordinance 2000 and rules thereunder and Companies Ordinance 1984.
- These statements present fairly the company's state of affairs, results of its operations, cash flow and changes in equity.
- Proper books of accounts have been maintained by the company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The International Accounting Standards, International Financial Reporting Standards or any other regulation or law as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been continuously monitored by the internal audits. This is a continuous process and any weakness will be removed and its effective implementation shall be ensured.
- There is no significant doubt upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.
- Key operating and financial data is separately annexed with the report.
- Outstanding taxes and duties are given in the financial statements.
- The value of investments of provident and gratuity fund on the basis of audited accounts as on December 31, 2017 is as follows:

	Rs in '000'
• Provident Fund	80,965
• Gratuity Fund	48,983

- The statement of pattern of shareholding in the Company as on December 31, 2017 is separately annexed with the report.

STATEMENT OF COMPLIANCE UNDER SECTION 46(6) OF THE INSURANCE ORDINANCE 2000

The directors of Alfalah Insurance Company Limited hereby certify that in their opinion:

a) the annual statutory accounts of the company annexed hereto have been drawn up in accordance with the ordinance and any rules made thereunder;
b) the company has at all times in the period complied with the provisions of the ordinance and the rules made thereunder relating to paid up capital, solvency and reinsurance arrangements; and
c) as at the date of the statement, the company continues to be in compliance with the provisions of the ordinance and the rules made thereunder relating to paid up capital, solvency and reinsurance arrangements.

DIRECTORS' REPORT TO THE SHAREHOLDERS

FUTURE OUTLOOK

With increased paid up capital of Rs500m and rating of AA-, Alfalah Insurance is poised to increase its market share while maintaining its prudent underwriting policy which has helped the company from inception despite serious jolts in our initial years. We believe 2018 to be a very important year for the company as we have to consolidate our gains and emerge as a very serious and capable market player. We are aware of the challenges we face but we have set ambitious goals for ourselves and believe that the phenomenal strength of Abu Dhabi Group will help us in achieving our targets.

As a responsible corporate entity we will continue to conduct our business in a transparent way, working closely with the regulators to ensure compliance. Our aim is to exceed expectation of our shareholders not only during the current year but beyond too.

ACKNOWLEDGEMENT

We are grateful to our Chairman HH Sheikh Nahayan Mubarak Al Nahayan and our Board of directors for their wise guidance and support to the Company during the year. We are equally thankful to our sponsor shareholders, our clients and to our reinsurers for their collective contribution. We would also like to place on record our special thanks to the Securities & Exchange Commission of Pakistan for rendering invaluable guidance during the period and to Pakistan Reinsurance Company for their support.

We would also like to express our appreciation to our executives, officers and staff for their hard work, dedication and their will to grow and make this company a leading insurer in Pakistan.

On behalf of the Board,

NASAR US SAMAD QURESHI
Chief Executive Officer

KEY FINANCIAL DATA

Description	For the Year Ended on December 31									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Gross Premium Written	2,082,006	1,924,316	1,545,612	1,330,854	1,230,932	1,060,187	928,020	662,971	651,459	568,183
Net Premium Revenue	1,043,222	916,586	780,180	705,323	563,744	454,403	384,483	359,938	331,786	262,453
Net Claim Expense	(470,630)	(493,076)	(429,297)	(410,817)	(317,378)	(262,368)	(243,221)	(259,435)	(231,336)	(191,118)
Management Expenses	(383,559)	(370,370)	(267,333)	(239,919)	(214,401)	(195,933)	(134,810)	(109,263)	(94,556)	(65,969)
Net Commission	(88,341)	33,028	96,608	95,928	94,672	96,358	71,167	74,750	68,307	59,561
Underwriting Profit	100,692	86,168	180,158	150,515	126,637	92,460	77,619	65,990	74,201	64,927
Investment/Other Income	78,888	119,407	77,137	105,103	85,605	96,088	72,156	46,177	21,189	3,300
Admin Expenses	(11,095)	(12,489)	(103,784)	(105,024)	(89,202)	(80,662)	(74,141)	(62,660)	(47,307)	(43,764)
Profit before tax	168,485	193,086	153,511	150,594	123,040	107,886	75,634	49,507	48,083	24,463
Profit from Window Takaful	8,410	1,890	-	-	-	-	-	-	-	-
Income tax	(53,855)	(65,602)	(38,297)	(27,557)	(20,463)	(9,864)	(6,396)	(6,858)	(17,387)	(16,913)
Profit after tax	123,040	129,374	115,214	123,037	102,577	98,022	69,238	42,649	30,696	7,550
Paid up Capital	500,000	500,000	500,000	300,000	300,000	300,000	300,000	250,000	230,000	230,000
Share deposit money	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381
General Reserve	150,000	150,000	150,000	150,000	150,000	15,000	15,000	25,000	25,000	-
Fair value reserve	951	52,160	9,453	-	-	-	-	-	-	-
Un-appropriated Profit	402,085	281,644	153,935	258,930	135,475	170,309	72,218	42,980	36,431	30,735
	1,054,417	985,185	814,769	710,311	586,856	486,690	388,599	319,361	292,812	262,116
Earnings per Share	2.46	2.59	2.30	2.46	3.42	3.27	2.31	1.42	1.23	0.33
Breakup Value per Share - with fair value adjustment	21.09	19.70	16.30	23.68	19.56	16.22	12.95	12.77	12.73	11.4
Breakup Value per Share - without fair value adjustment	21.07	18.66	16.11	23.68	19.56	16.22	12.95	12.77	12.73	11.4
Net Loss Ratio	-45%	-54%	-55%	-58%	-56%	-58%	-63%	-72%	-70%	-73%
Expense Ratio	-19%	-20%	-24%	-26%	-25%	-26%	-23%	-26%	-22%	-19%
Underwriting Profit to Net Premium	10%	9%	23%	21%	22%	20%	20%	18%	22%	25%
Return on Average Equity	12%	14%	15%	19%	19%	22%	20%	14%	11%	3%

Pattern of Share Holding
As at December 31, 2017

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
6	1	2,000	6,530
1	1,001	2,500,000	2,500,000
4	2,500,001	5,000,000	19,997,822
1	5,000,001	12,500,000	12,497,823
1	12,500,001	15,000,000	14,997,825

Total

13			**50,000,000**

Classification of Shares Categories
As at December 31, 2017

Categories of Members	Number of Shareholders	Number of Shares Held	Percentage
Individuals	**3**	**22,495,645**	**45.00%**
H.H. Sheikh Nahayan Mabarak Al Nahayan		12,497,823	25.00%
H.E. Sheikh Mohammed Bin Butti Hamid Al Hamid		4,998,911	10.00%
H.E. Dr. Mana Saeed Al Otaiba		4,998,911	10.00%
Associated Companies	**1**	**14,997,825**	**30.00%**
M/s Bank Alfalah Limited			
Directors and CEO	**7**	**2,506,530**	**5.00%**
H.H. Sheikh Hamdan Bin Mubarak Bin Mohammed Al Nahayan		2,500,000	5.00%
H.E Sheikh Saif Bin Mohammed Bin Butti		1,085	0.002%
Mr. Khalid Mana Saeed Al Otaiba		1,085	0.002%
Mr. Nauman Ansari		1,085	0.002%
Mr. SuhailYaqoob		1,085	0.002%
Mr. Adeel Khalid Bajwa		1,085	0.002%
Mr. Nasar Us Samad Qureshi		1,105	0.002%
Public sector companies and corporations	**2**	**10,000,000**	**20.00%**
M/s Al Ain Capital LLC (Formerly M/s Al Bateen Investments)		5,000,000	10.00%
M/s Electromechanical Co. LLC		5,000,000	10.00%
Total	**13**	**50,000,000**	**100.00%**

Alfalah Insurance

CREATIVITY

Creativity involves breaking out of established patterns in order to look at things in a different way. (Edward de Bono)

حصص داری کا طریقہ کا

31 دسمبر 2017ء تک

حصص داروں کی تعداد	حصص داری		مجموعی لئے گئے حصص
	سے	تک	
6	1	2,000	6,530
1	1,001	2,500,000	2,500,000
4	2,500,001	5,000,000	19,997,822
1	5,000,001	12,500,000	12,497,823
1	12,500,001	15,000,000	14,997,825
کل			
13			**50,000,000**

حصص کے زمروں کی درجہ بندی

31 دسمبر 2017ء تک

ارکان کے زمرے	حصص داروں کی تعداد	لئے گئے حصص کی تعداد	فیصد
افراد	**3**	**22,495,645**	**45.00%**
جناب عالی شیخ نہیان مبارک ال نہیان		12,497,823	25.00%
فضیلت مآب محمد بن بطی حامد الحامد		4,998,911	10.00%
فضیلت مآب ڈاکٹر مانع سعید العتیبہ		4,998,911	10.00%
متعلقہ کمپنیاں	**1**	**14,997,825**	**30.00%**
میسرز بنک الفلاح لمیٹڈ			
ڈائریکٹرز اور چیف ایگزیکٹو آفیسرز	**7**	**2,506,530**	**5.00%**
جناب عالی شیخ حمدان بن مبارک بن محمد ال نہیان		2,500,000	5.00%
فضیلت مآب شیخ سیف بن محمد بن بُطی		1,085	0.002%
جناب خالد مانع سعید العتیبہ		1,085	0.002%
جناب نعمان انصاری		1,085	0.002%
جناب سہیل یعقوب		1,085	0.002%
جناب عدیل خالد باجوہ		1,085	0.002%
جناب نصر الصمد قریشی		1,105	0.002%
سرکاری شعبے کی کمپنیاں اور کارپوریشنز	**2**	**10,000,000**	**20.00%**
میسرز العین کیپیٹل ایل ایل سی (پرانی میسرز البتیین انوسٹمنٹس)		5,000,000	10.00%
میسرز الیکٹرو مکینیکل کمپنی ایل ایل سی		5,000,000	10.00%
کل	**13**	**50,000,000**	**100.00%**

31 دسمبر کو ختم ہونے والے سال کے لئے										تفصیلات
2008ء	2009ء	2010ء	2011ء	2012ء	2013ء	2014ء	2015ء	2016ء	2017ء	
568,183	651,459	662,971	928,020	1,060,187	1,230,932	1,330,854	1,545,612	1,924,316	2,082,006	خام بیمہ
262,453	331,786	359,938	384,483	454,403	563,744	705,323	780,180	916,586	1,043,222	خالص بیمہ آمدنی
-191,118	-231,336	-259,435	-243,221	-262,368	-317,378	-410,817	-429,297	-493,076	-470,630	خالص دعووں کے اخراجات
-65,969	-94,556	-109,263	-134,810	-195,933	-214,401	-239,919	-267,333	-370,370	-383,559	انتظامی اخراجات
59,561	68,307	74,750	71,167	96,358	94,672	95,928	96,608	33,028	-88,341	خالص کمیشن کی رقم
64,927	74,201	65,990	77,619	92,460	126,637	150,515	180,158	86,168	100,692	ذمہ نویسی کا منافع
3,300	21,189	46,177	72,156	96,088	85,605	105,103	77,137	119,407	78,888	سرمایہ کاری / دیگر آمدنی
-43,764	-47,307	-62,660	-74,141	-80,662	-89,202	-105,024	-103,784	-12,489	-11,095	نظم ونسق کے اخراجات
24,463	48,083	49,507	75,634	107,886	123,040	150,594	153,511	193,086	168,485	قبل از ٹیکس منافع
-	-	-	-	-	-	-	-	1,890	8,410	ونڈو تکافل سے منافع
-16,913	-17,387	-6,858	-6,396	-9,864	-20,463	-27,557	-38,297	-65,602	-53,855	آمدنی پر ٹیکس
7,550	30,696	42,649	69,238	98,022	102,577	123,037	115,214	129,374	123,040	بعد از ٹیکس منافع
230,000	230,000	250,000	300,000	300,000	300,000	300,000	500,000	500,000	500,000	حصص کی مد میں حاصل کیا گیا سرمایہ
1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381	حصص کی مد میں جمع کرائی گئی رقم
-	25,000	25,000	15,000	15,000	150,000	150,000	150,000	150,000	150,000	عام محفوظ فنڈ
-	-	-	-	-	-	-	9,453	52,160	951	مناسب قدر و قیمت کا فنڈ
30,735	36,431	42,980	72,218	170,309	135,475	258,930	153,935	281,644	402,085	غیر مختص منافع
262,116	292,812	319,361	388,599	486,690	586,856	710,311	814,769	985,185	1,054,417	
0.33	1.23	1.42	2.31	3.27	3.42	2.46	2.3	2.59	2.46	فی حصص آمدنی
11.4	12.73	12.77	12.95	16.22	19.56	23.68	16.30	19.70	21.09	فی حصص الگ الگ قدر و قیمت -- قدر و قیمت کے مناسب تطابق کے ساتھ
11.4	12.73	12.77	12.95	16.22	19.56	23.68	16.11	18.66	21.07	فی حصص الگ الگ قدر و قیمت -- قدر و قیمت کے مناسب تطابق کے بغیر
-73%	-70%	-72%	-63%	-58%	-56%	-58%	-55%	-54%	-45%	کل خسارے کا تناسب
-19%	-22%	-26%	-23%	-26%	-25%	-26%	-24%	-20%	-19%	اخراجات کا تناسب
25%	22%	18%	20%	20%	22%	21%	23%	9%	10%	کل بیمے کا ذمہ نویسی منافع
3%	11%	14%	20%	22%	19%	19%	15%	14%	12%	کمپنی کے حصص پر اوسط منافع

طور پر سامنے آتا ہے۔ ہم اپنے روبرو چیلنجز سے باخبر ہیں کیونکہ ہم نے اپنے لیے خود حوصلہ مندانہ منزل منتخب کی ہے اور یقین رکھتے ہیں کہ ابوظہبی گروپ کی غیر معمولی قوت ہدف کو پانے میں ہماری مدد کرے گی۔

ایک ذمہ دار کارپوریٹ حیثیت رکھتے ہوئے، ہم اپنا کاروبار شفاف انداز میں چلائیں گے اور قوانین نافذ کرنے والوں کے ساتھ مل کر کام کریں گے تاکہ قواعد کی پابندی کو یقینی بنایا جا سکے۔ ہمارا مقصد نہ صرف اس سال بلکہ اس کے بعد بھی اپنے حصص داروں کی توقعات سے بڑھ کر دکھانا ہے۔

اعتراف

ہم اپنے چیئرمین جناب عالی شیخ نہیان مبارک ال نہیان اور اپنے بورڈ کے ڈائریکٹرز کے ممنون ہیں کہ انہوں نے دوران سال کمپنی کی رہنمائی اور مدد کی۔ ہم اپنے تعاون کرنے والے حصص داروں، اپنے موکلوں اور اپنے مکرر بیمہ کاروں کی طرف سے اس اجتماعی شراکت داری کے لئے شکر گزار ہیں۔ ہم ریکارڈ پر سیکیورٹی اینڈ ایکسچینج کمیشن آف پاکستان کو ان کی بیش بہا رہنمائی پر اور پاکستان ری انشورنس کمپنی کا اس عرصہ کے دوران مدد کرنے پر خصوصی شکریہ ادا کرتے ہیں۔ ہم اپنے ایگزیکٹوز، افسروں اور سٹاف کو ان کی محنت، لگن، آگے بڑھنے کے مضبوط ارادے اور اس کمپنی کو پاکستان کی ایک نمایاں بیمہ کار بنانے کی کوششوں پر خوب سراہتے ہیں۔

بورڈ کی طرف سے

نصر الصمد قریشی

چیف ایگزیکٹو آفیسر

روپے '000'

° پراویڈنٹ فنڈ 80،965

° گریجویٹی فنڈ 48،983

° 31 دسمبر 2017ء کو حصص داری کے طریقہ کار کا گوشوارہ رپورٹ کے ساتھ ضمیمے میں شامل کر دیا گیا ہے۔

انشورنس آرڈیننس 2000 کے سیکشن (6)46 کے تحت تعمیلی گوشوارہ

الفلاح انشورنس کمپنی لمیٹڈ کے ڈائریکٹرز تصدیق کرتے ہیں کہ ان کی رائے میں:-

الف) یہاں ظاہر کئے گئے کمپنی کے سالانہ قانونی گوشوارے[19]، آرڈیننس کے عین مطابق ہیں اور اس کے مطابق وضع کئے گئے قوانین کے موافق ہیں؛

ب) کمپنی نے اس تمام عرصہ کے دوران آرڈیننس کی شرائط کی تعمیل کی ہے اور اس کے مطابق وضع کئے گئے قوانین کی، جو کہ حصص کی مد میں حاصل کئے گئے سرمائے، ادائے قرض کی صلاحیت، اور مکرر بیمے کے انتظامات کے بارے میں ہیں؛ اور

ج) اس گوشوارے کی تاریخ تک کمپنی نے تسلسل کے ساتھ آرڈیننس کی شرائط کی تعمیل کی ہے اور اس کے مطابق وضع کیے گئے قوانین کی، جو کہ حصص کی مد میں حاصل کئے گئے سرمائے، ادائے قرض کی صلاحیت[20]، اور مکرر بیمے کے انتظامات کے بارے میں ہیں۔

مستقبل کے مواقع

حصص کی مد میں حاصل کئے گئے 500 ملین روپے کے سرمائے کے ساتھ "اے اے مائنس" درجہ پانے کے بعد الفلاح انشورنس مارکیٹ میں اپنا کاروباری حصہ بڑھانے کے حوالے سے پُر اعتماد ہے اور اس کے ساتھ ساتھ اپنی محتاط ذمہ نویسی کی حکمت عملی برقرار رکھے ہوئے ہے جس نے کمپنی کو آغاز سے ہی شدید نقصانات کے باوجود مدد پہنچائی۔ ہمیں یقین ہے کہ 2018ء ایک اہم سال ہے کیونکہ اس سال ہم نے اپنے منافع کو مستحکم کرنا ہے اور نہایت ذمہ دار اور اہل مارکیٹ میں کردار کے

[19] Statutory Accounts
[20] Solvency, Revenue

- مالیاتی گوشوارے اور انکے ضمیمے انشورنس آرڈننس 2000ء کے عین مطابق ہیں اور قواعد کمپنیز آرڈیننس 1984ء کے مطابق ہیں۔

ان گوشواروں میں کمپنی کے معاملات کی صورتحال، سرگرمیوں کے نتائج، پیسے کے بہاؤ اور اصل کاروباری حصے میں تبدیلی کو واضح طور پر بیان کیا گیا ہے۔

- کمپنی نے گوشواروں کے کتابچوں کی خاص طور پر دیکھ بھال کی ہے۔
- مالیاتی گوشواروں اور حساب داری کے تخمینے تیار کرنے کے لیے موزوں حساب داری سے متعلق حکمت عملی کا اطلاق تسلسل سے کیا گیا ہے اور یہ حکمت عملی مناسب اور معقول تفہیم کے بعد اختیار کی گئی ہے۔
- مالیاتی گوشوارے تیار کرتے وقت حساب داری کے بین الاقوامی معیار، بین الاقوامی مالیاتی حساب داری کے معیار یا کوئی اور ضابطہ یا قانون جو پاکستان میں بھی قابل عمل ہے، اختیار کیا گیا ہے۔ مزید بر آں معیار میں کسی بھی قسم کی ترمیم کو مناسب انداز میں ظاہر کیا گیا ہے۔
- اندرونی انضباطی نظام، ڈیزائن کے اعتبار سے مستحکم ہے اور مسلسل داخلی پڑتال کنندگان کے زیر نگرانی ہے۔ یہ نگرانی مسلسل جاری رہتی ہے اور کسی بھی کمی کو فوراً دور کیے جانے کے ساتھ ساتھ اس عمل کو یقینی بنایا جاتا ہے۔
- کاروبار کو جاری رکھنے کے حوالے سے کمپنی کی صلاحیت شکوک وشبہات سے بالاتر ہے۔
- کارپوریٹ نظم ونسق[16] کے بہترین طرز عمل کے حوالے سے کوئی میٹیریل ڈیپارچر[17] نہیں ہوا۔
- اہم اثاثوں اور مالیات سے متعلق اعداد وشمار، رپورٹ کے ساتھ ضمیمے میں شامل کر دیا گیا ہے۔
- واجب الادا ٹیکس اور محسولات[18] مالیاتی گوشواروں میں موجود ہیں۔
- 31 دسمبر 2017ء کو پڑتال کئے گئے کھاتوں کی بنیاد پر پراویڈنٹ اور گریجویٹی فنڈ سے ہونے والی سرمایہ کاری کی قیمت درج ذیل ہے:

[16] Corporate Governance
[17] Material Departure
[18] Outstanding Taxes and Duties

پڑتال کی کمیٹی

ڈائریکٹرز کے بورڈ نے پڑتال کی کمیٹی تشکیل دی ہے جو کہ کارپوریٹ نظم و نسق کی شرائط کے مطابق درج ذیل غیر ایگزیکٹو ڈائریکٹرز پر مشتمل ہے۔

-جناب عدیل باجوہ (چیئرمین)

-جناب نعمان انصاری (رکن)*

-جناب سہیل یعقوب خان (رکن)

سال کے دوران جناب نعمان انصاری کو جناب عاطف اسلم باجوہ کی جگہ بحیثیت رکن شامل کیا گیا۔

متعلقہ پارٹی سے لین دین

ڈائریکٹرز کے بورڈ نے بورڈ کے ہر اجلاس میں شریک کمپنیوں / متعلقہ گروہوں کے ساتھ لین دین کی منظوری دی۔ متعلقہ پارٹیوں کے ساتھ تمام تر لین دین کاروباری قواعد وضوابط کے تحت طے پایا۔

اخلاقی وکاروباری ضابطہء عمل کا گوشوارہ / ضابطہ اخلاق

بورڈ اخلاقی و کاروباری ضابطہء عمل کے گوشوارے پر عمل پیرا ہے۔ تمام ملازمین کو اس سے متعلق آگاہ کیا گیا ہے اور توقع رکھی گئی ہے کہ وہ ان رہنما قواعد کے مطابق ، کاروباری اصولوں کو مد نظر رکھتے ہوئے اپنا طرز عمل اختیار کریں گے۔ اخلاقی و کاروباری ضابطہ عمل کا گوشوارہ دیانتداری، وقار، مسابقت کے ماحول اور موکلوں، ساتھیوں اور عام آدمیوں کے ساتھ اخلاقیات کے دائرے میں رہتے ہوئے معاملات طے کرنے کے بارے میں ہے۔

کارپوریٹ نظم ونسق کے ضابطہ کی پابندی

سال کے دوران بیمہ کمپنیوں کے لیے کارپوریٹ نظم ونسق کے ضابطہ کی دفعات پر عمل کیا گیا۔ جس کا جائزہ مندرجہ ذیل ہے:۔

ڈائریکٹرز کے نام	اجلاس میں شرکت کی تعداد
– جنابِ عالی شیخ نہیان مبارک ال نہیان*	3
– فضیلت مآب شیخ سیف بن محمد بن بُطی	–
– جناب خالد مانع سعید العتیبہ	5
– جناب عاطف اسلم باجوہ**	3
– جناب عدیل باجوہ	5
– جناب نعمان انصاری	1
– جناب نصر الصمد قریشی	5
– جناب سہیل یعقوب خان	4

*بورڈ نے جناب عالی شیخ نہیان مبارک ال نہیان کو رخصت ہونے والے ڈائریکٹر فضیلت مآب شیخ ہمدان بن مبارک ال نہیان کی جگہ اوربقیہ مدت کے لئے کمپنی کاڈائریکٹر مقرر کیاہے۔

بورڈ کے ڈائریکٹرز نے جناب عالی شیخ نہیان مبارک ال نہیان کو فضیلت مآب شیخ ہمدان بن مبارک ال نہیان کی جگہ کمپنی کے بورڈ کے ڈائریکٹرز کا نیاچیئر مین بھی منتخب کیاہے۔

**جناب عاطف اسلم باجوہ دوران سال ڈائریکٹر کے عہدے سے سبکدوش ہو گئے۔ ان کی جگہ اور بقیہ مدت کے لئے سکیورٹی اینڈ ایکسچینج کمیشن آف پاکستان کی ماقبل منظوری سے جناب نعمان انصاری کو ڈائریکٹر مقرر کیا گیا۔

غیر حاضری پر رخصت ان ڈائریکٹرز کو دی گئی جو بورڈ کے اجلاس میں شرکت نہ کرپائے۔

کمپنی کی مالیاتی طاقت کی درجہ بندی

پی۔اے۔سی۔آر۔اے[15] نے 29 ستمبر 2017ء کے حالیہ جائزہ میں آپ کی کمپنی کی مالیاتی طاقت کے اعتبار سے درجہ بندی کو مستحکم تناظر میں دیکھتے ہوئے "ڈبل اے مائنس" کے درجے پر برقرار رکھا ہے۔ یہ درجہ بندی، بیمہ پالیسی کے حامل افراد اور معاہدوں کی ذمہ داریوں کو پورا کرنے کی بھرپور صلاحیت کو ظاہر کرتی ہے۔ خطرے کی علامات کم ترین ہیں اور ناموافق اقتصادی وکاروباری اثرات سے متعلق خدشات نہ ہونے کے برابر ہیں۔

[15] PACRA

کے منافع اور حصص داروں کے فنڈ کے کمیشن اخراجات پر بھی اثر ڈالا۔ کمیشن کے اخراجات تقریباً اسی شرح سے بڑھے تاہم شریعت سے متعلق مشیر کی منظوری سے سال کے دوران وکالہ فیس میں 35 فیصد سے 30 فیصد پر زیریں سطح کی ترمیم کی وجہ سے وکالہ فیس پر دباؤ کم ہوا۔ حصص داروں کے فنڈ کے انتظامی اور نظم ونسق کے اخراجات 104 فیصد بڑھے۔ جس کی وجہ ونڈو تکافل آپریشنز کو مختص کئے گئے اخراجات میں اضافہ ہے جس کی بنیادی وجہ کل کاروبار میں اس کا حصہ 8۔4 فیصد سے بڑھ کر 8۔7 فیصد ہو جانا ہے۔ حصص داروں کے فنڈ کی سرمایہ کاری کے منافع میں کمی واقع ہوئی، جس کی وجہ شراکت داروں کے تکافل فنڈ[14] کو سالونسی کی ضروریات کے لئے 25 ملین روپے کا قرضِ حسنہ دیا جانا ہے۔

فی حصص آمدنی

دوران سال ٹیکس کی ادائیگی کے بعد فی حصص آمدنی 46۔2 روپے رہی جو گزشتہ سال 59۔2 روپے تھی۔ جس کی تفصیلی رپورٹ مالی گوشوارے کے نوٹ نمبر 30 میں موجود ہے

پڑتال کنندگان

موجودہ پڑتال کنندگان میسرز کے۔پی۔ایم۔جی تاثیر حادی اینڈ کمپنی، سندیافتہ محاسب، جو کہ پہلے سال کی پڑتال مکمل کرنے کے بعد دوبارہ تقرری کئے جانے کے اہل ہیں، انہوں نے دسمبر 2018ء کو اختتام پذیر سال کے لئے خارجی پڑتال کنندہ کی ذمہ داری لینے کے لئے رضامندی کا اظہار کیا ہے۔ پڑتال کمیٹی اور ڈائریکٹرز کے بورڈ نے اپنے متعلقہ اجلاس میں 31 دسمبر 2018ء کو اختتام پذیر سال کے لیے میسرز کے۔پی۔ایم۔جی تاثیر حادی اینڈ کمپنی، سندیافتہ محاسب کو خارجی اور شریعہ تعمیلی پڑتال کنندہ کے طور پر سفارش کی ہے۔

ڈائریکٹرز کے بورڈ کے اجلاس

سال 2017ء کے دوران بورڈ کے 5 اجلاس ہوئے، جن میں شرکت کی تفصیل مندرجہ ذیل ہے:۔

[14] Participant's Takaful Fund (PTF)

صحت کے شعبے کا حصہ 9 فیصد بڑھا۔ اس امر کے باوجود کہ ذاتی بیمے کی مد میں 111 ملین روپے کا اضافی بیمہ حاصل ہوا، لیکن اس کا فائدہ غیر تجدید شدہ / کچھ صحت سے متعلق کھاتوں کی تکافل آپریشنز کی جانب منتقلی کی باعث کم ہوا۔ اگرچہ کمیشن کے اخراجات ذاتی بیمہ کے حصولی ڈھانچے کی گرانی کے باعث تیزی سے بڑھے، پھر بھی اس کے نقصان کی شرح میں کمی نے صحت کے شعبے کے مجموئی نقصان کی شرح کو کم کیا اور آخر کار اس شعبے کے منافع میں کاروباری گھاٹے / منتقلی کے باوجود 6 ملین روپے کا اضافہ ہوا۔

متفرق شعبے میں سب سے زیادہ 75 ملین روپے کا منافع درج ہوا، یعنی فصلوں / مویشیوں کے بیمہ کی مد میں 76 فیصد اضافہ ہوا۔ خالص بیمہ کی آمدن میں 114 ملین روپے کا اضافہ ہوا جس میں 95 ملین روپے فصلوں / مویشیوں کے کاروبار سے آئے جو کہ نیٹ ریٹنشن پر مبنی تھے۔ فصلوں / مویشیوں کے کاروبار کے حصول کی قیمت کے ساتھ ساتھ کچھ کھاتوں کی قیمت میں ترمیم کی وجہ سے کمیشن کی آمدنی کم رہی۔ فصلوں / مویشیوں کے بیمہ میں کم نقصان کی شرح رجسٹر ہوئی جس کی وجہ سے اس شعبے میں نقصان کی شرح 36 فیصد سے بہتر ہو کے 13 فیصد پر آگئی۔

مکرر بیمہ یقیناً کسی بھی بیمہ کمپنی کا ایک اہم شعبہ تصور کیا جاتا ہے۔ آپ کی کمپنی کو نمایاں مکرر بیمہ کاروں کا تحفظ حاصل رہا ہے اور ہم نے ان کے ساتھ تعلقات کو کمپنی اور مکرر بیمہ کاروں کے باہمی مفاد کے پیش نظر تقویت اور وسعت دی ہے۔ آپ کی کمپنی نے نہایت احتیاط سے ڈیزائن کردہ بیمے سے متعلق رسک کے انتظام کے پروگرام کے ذریعے ایک خاص حد تک رسک لینے کی پالیسی اختیار کر رکھی ہے۔ کمپنی نے نہ صرف روایتی مکرر بیمہ کاری کی انتظامی صلاحیتوں میں اضافہ کیا ہے بلکہ اپنے تخصیصی شعبے میں بھی صلاحیت بڑھائی ہے۔

ونڈو تکافل آپریشنز (ڈبلیو۔ٹی۔او) نے 175 ملین روپے کی اعانت تحریر کی ہے جو کہ گزشتہ برس کے مقابلے میں 79 فیصد زیادہ رہی۔ کمپنی کے خام بیمہ میں اضافہ، گزشتہ برس کے غیر اکتسابی بیمہ میں اصل نفع کے نتیجے میں خالص بیمہ کی آمدن کی 268 فیصد نمو پر منتج ہوا، جس نے آخر کار گزشتہ برس کے 707۔13 ملین روپے کے مقابلے میں حصص داروں کے تکافل فنڈ[13] کو بلا نفع و نقصان بیشی میں 795 ہزار کی تبدیلی سے برقرار رکھا۔ خالص بیمہ کی آمدنی کی اس زبردست نمو نے وکالہ فیس

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[13] Share Holder's Fund (SHF)

شعبوں کے لحاظ سے منافع پر ایک نظر

شعبہ جات	خالص بیمہ کی آمدن	کل دعوے	خالص کمیشن	شعبہ جات کا منافع 2017ء	شعبہ جات کا منافع 2016ء	مقدار تغیر	%
آتشزدگی	37,075	19,780	24,958	42,253	80,159	(37,906)	-47%
بحری	21,283	3,207	8,572	26,648	22,776	3,872	17%
موٹر	384,425	179,918	(29,042)	175,865	194,768	(18,903)	-10%
متفرق	157,349	19,950	36,441	173,840	98,785	75,055	76%
صحت	442,690	247,775	(129,270)	65,645	60,049	5,596	9%
کُل	**1,043,222**	**470,630**	**24,958**	**484,251**	**456,537**	**27,714**	**6.1%**

آتشزدگی کے شعبے میں میسرز وارد ٹیلی کام کے کاروبار میں گھاٹے کی وجہ سے 37 ملین روپے کی کمی ہوئی جو کمپنی کے خالص بیمہ کی آمدنی اور خالص کمیشن کے منافع پر اثر انداز ہوئی۔ علاوہ ازیں خالص 10 ملین روپے کا اثر ڈالنے والے، 100 ملین روپے کے دعویٰ یکبارگی نے نقصان کی شرح[11] کو 14 فیصد سے بڑھا کر 53 فیصد کر دیا، جس سے اس شعبے کے منافع پر اثر پڑا۔

بحری شعبے کا حصہ 17 فیصد زیادہ رہا۔ جس کی وجہ خالص منافع کی شرح کے 20 فیصد اضافے کے ساتھ ساتھ نقصان کی شرح کا 21 فیصد سے کم ہو کر 15 فیصد رہ جانا ہے۔

موٹر کے شعبے کا حصہ 10 فیصد کم رہا۔ کمپنی کی خالص بیمہ کی آمدن اس مدت کے دوران مستحکم رہی اگرچہ خالص منافع کی شرح میں 18 فیصد اضافہ ہوا۔ اس کی وجہ گزشتہ سال خالص بیمہ کی آمدن کا جس میں کار اجارہ کے کاروبار[12] کے 30 ملین روپے بھی شامل ہیں اس سال ونڈو تکافل آپریشن میں شامل ہونا ہے، علاوہ ازیں بیمہ کے بھاؤ میں کمی نے نقصان کی شرح کو 42 فیصد سے بڑھا کر 47 فیصد کر دیا جس سے اس شعبے کے منافع پر اثر پڑا۔

[11] Loss Ratio
[12] Car Ijarah Business

الفلاح انشورنس کمپنی کی کارکردگی

سال 2017ء آپ کی کمپنی کی خام بیمہ کی شرح[6] میں اضافے کے حوالے سے بہتر رہا۔ کمپنی کے خام بیمہ[7] میں 8 فیصد نمو رجسٹر ہوئی۔ کمپنی کے غیر گروہی بیمے کے کاروبار[8] میں 22 فیصد اضافے کے ساتھ اندراج شدہ گروہی اور غیر گروہی بیمے کے درمیان 22:78[9] کی نسبت رہی جو گزشتہ سال 30:70 تھی۔ کمپنی کے خالص بیمہ کی آمدن میں 14 فیصد اضافہ ہوا جو خسارے کی شرح میں بہتری (گزشتہ سال کے 54 فیصد کے مقابلے میں 45 فیصد)، محتاط اخراجات (جن میں صرف 3 فیصد اضافہ ہوا جس کی بنیادی وجہ ڈبلیو۔ٹی۔او کے لئے مختص رقم میں، بڑھتے ہوئے بیمہ کے کاروبار میں اضافہ ہے) اور گزشتہ مدت کے مقابلے میں ونڈو تکافل آپریشنز کی بہتر کارکردگی کے ساتھ مل کر کمپنی کو ایک محفوظ مقام پر کھڑا کر دیا۔ اگرچہ خالص کمیشن میں اضافہ ہوا کیونکہ نیا کاروبار بیش بہا قیمت کے عوض حاصل کیا گیا، کچھ گروہوں کے کھاتوں کی دوبارہ تجدید نہ ہونے کے سبب کمپنی کے کمیشن کا منافع ضائع ہوا اور کمپنی کا ذمہ نویسی کا منافع[10] 17 فیصد زیادہ رہا۔ کمپنی کا سرمایہ کاری کا منافع 40 ملین روپے رہا جو کہ 34 فیصد کم ہے۔ اس کی بنیادی وجہ بڑھتی ہوئی سیاسی گرما گرمی اور بڑے پیمانے کے اقتصادی اشاریوں کی گرتی ہوئی حالت کے سبب کے۔ایس۔سی 100 انڈیکس کا 15 فیصد کی نچلی سطح پر آنا ہے۔ پھر بھی یہ بات قابل غور ہے کہ کمپنی کے ایکوٹی انوسٹمنٹ پورٹفولیو نے کے۔ایس۔سی 100 انڈیکس کے (-15) فیصد کی نسبت (-9) فیصد لوٹایا، جس کی بنیادی وجہ ہمارے سرمایہ کاری کا منتظمین کی طرف سے متنوع طریقہ کار اپنایا جانا ہے۔ کمپنی کو اختتامی تاریخ تک اپنے اے۔ایف۔ایس پورٹفولیو پر کوئی غیر حقیقی نقصان نہیں ہوا۔

[6] Topline Growth
[7] Written Premium
[8] Non-group business
[9] Registering Group vs Non-group ratio
[10] Underwriting Profit Earned

حصص داروں کے نام ڈائریکٹرز کی رپورٹ

الفلاح انشورنس کمپنی لمیٹڈ کے ڈائریکٹرز آپ کی کمپنی کی بارہویں سالانہ رپورٹ بخوشی پیش کر رہے ہیں۔ جس میں 31 دسمبر 2017ء کو اختتام پذیر سال کے پڑتال شدہ مالیاتی گوشوارے بھی شامل کئے گئے ہیں۔

بیمہ کاری کے شعبے کا حالیہ جائزہ اور مستقبل کے مواقع

پاکستان کی غیر زندگی بیمے کی مارکیٹ[1] 30 ستمبر 2017ء تک 90۔55 ارب روپے کا بیمہ حاصل کر چکی ہے۔ گزشتہ مدت کے مقابلے میں 71۔6 فیصد کی نمو دیکھی گئی جبکہ انڈررٹن بیمہ[2] 38۔52 ارب روپے تھا۔ یہ شرح نمو بنیادی طور پر توانائی کے نئے منصوبوں خصوصاً حرارتی و پوَن توانائی[3] کی مرہون منت ہے۔ مگر یہ نمو کاروبار کی ونڈو تکافل آپریشنز کو منتقلی کی وجہ سے قدرے کم رہی۔ سٹاک مارکیٹ میں اس سال گزشتہ سال کی 46 فیصد کی زبردست نمو کے مقابلے میں (15-) فیصد کمی کا رجحان دیکھنے میں آیا، جس کی بڑی وجہ بڑھتی ہوئی سیاسی گرماگرمی تھی۔ علاوہ ازیں آمدنی کے تمام ذرائع پر (ایک باسکٹ اپروچ) کے تحت 30 فیصد ٹیکس کی شرح نے بیمہ کمپنیوں کی خالص منافع کی شرح[4] کو کافی متاثر کیا ہے۔

بیمہ انڈسٹری کی ترقی معاشی ترقی سے براہ راست منسلک ہے۔ جیسا کہ 2018ء میں ملک عام انتخابات کی زد میں ہونے کے باعث اہم اقتصادی اور سیاسی تبدیلیاں کارکردگی پر اثر انداز ہوں گی۔ ہم یقین رکھتے ہیں کہ پر امن انتقالِ اقتدار نہ صرف ملک میں جمہوریت کو مضبوط کرے گا بلکہ اقتصادی ترقی میں بھی اہم کردار ادا کرے گا۔ سال کے دوران مختلف سنگ میل عبور کرنا جیسا کہ کئی ارب ڈالر کے سی۔ پیک منصوبے کا آغاز، بیمہ کمپنیوں کی تنظیم کی طرف سے انفرادی بیمہ / خرد بیمہ[5] کے زبردست مواقع کی توثیق، پاکستان کی بیمہ انڈسٹری کے لئے اچھا شگون ہو گا۔ سیکورٹی اینڈ ایکسچینج کمیشن آف پاکستان (ایس۔ای۔سی۔پی) نے 2017ء میں بیمہ کاری کے قوانین متعارف کروا کے انضباطی ڈھانچے کو مزید مضبوط کیا ہے، جن کا مقصد مارکیٹ کی بہتری کے لیے مخصوص ماحول فراہم کرنا اور موزوں ترین بین الاقوامی طور طریقے اپنانا ہے۔

[1] Non-life (General Insurance)
[2] Underwritten Premium
[3] Thermal and Wind Energy
[4] Bottom Line
[5] Personal Line Insurance/ Micro Insurance

Alfalah Insurance

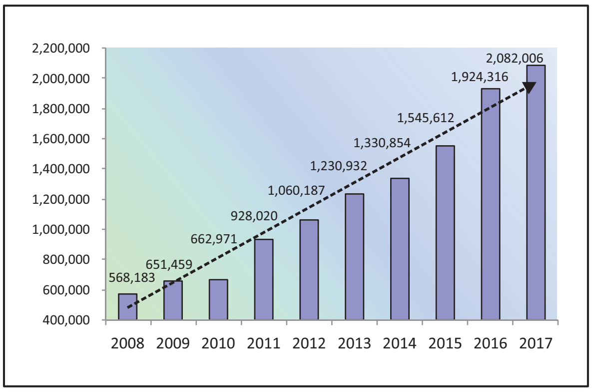
INNOVATION

Changes call for innovation, and innovation leads to progress. (Li Keqiang)

FINANCIAL SUMMARY

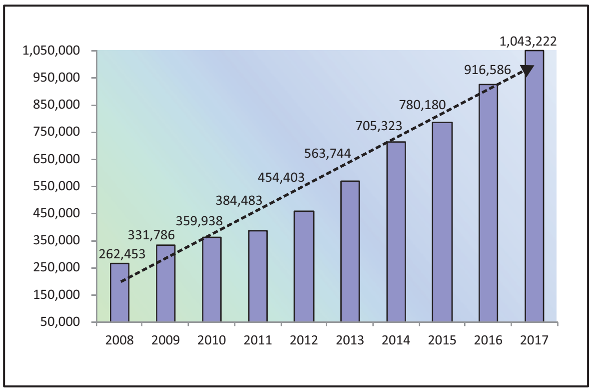
GROSS PREMIUM WRITTEN

(Rupees in Thousand)

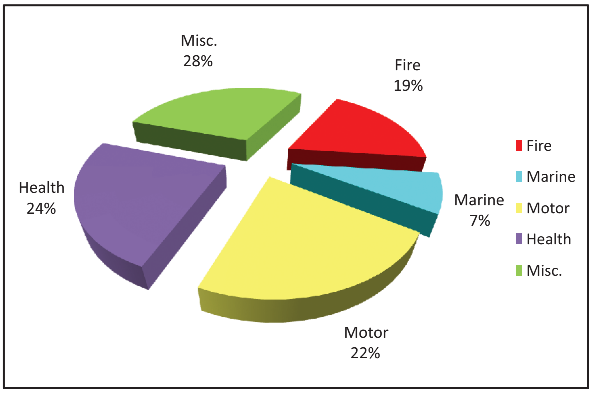


PREMIUM REVENUE

(Rupees in Thousand)

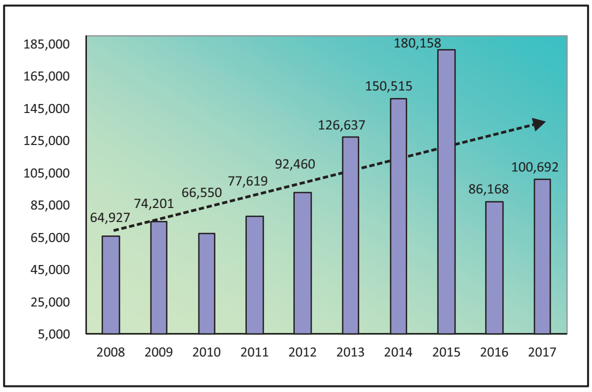


PRODUCT MIX ANALYSIS

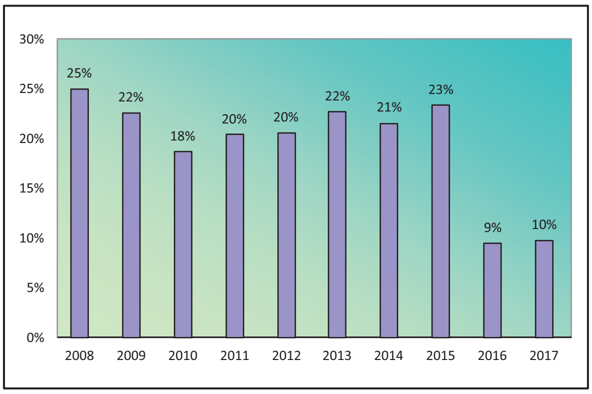


UNDERWRITING RESULTS

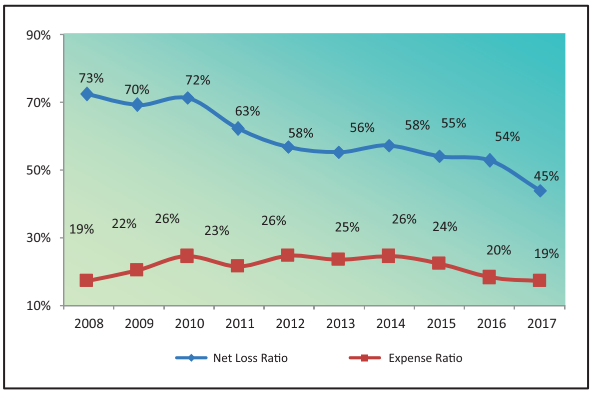
(Rupees in Thousand)



UNDERWRITING PROFIT MARGIN



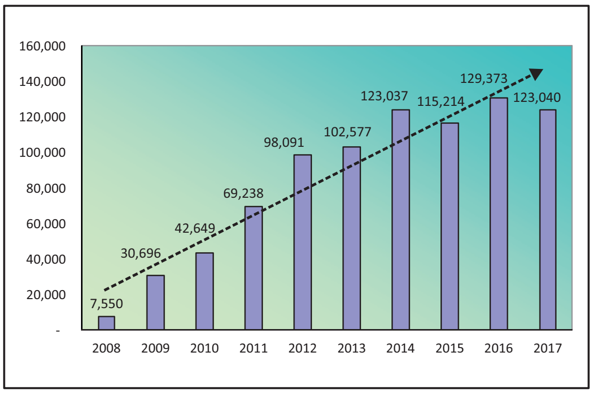
LOSS RATIO AND EXPENSE RATIO



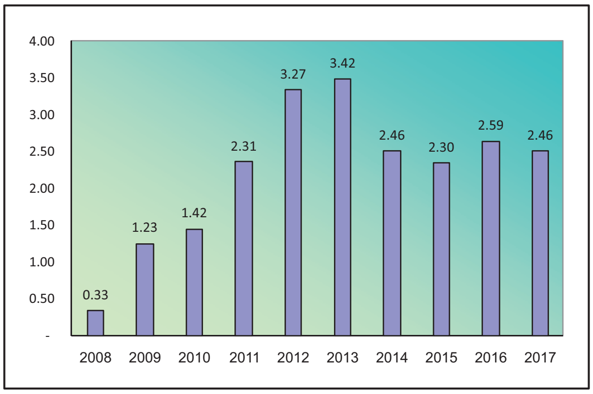
FINANCIAL SUMMARY

PROFIT AFTER TAX

(Rupees in Thousand)

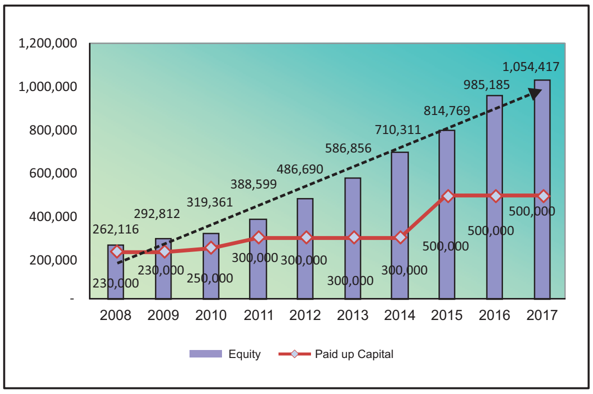


EARNING PER SHARE

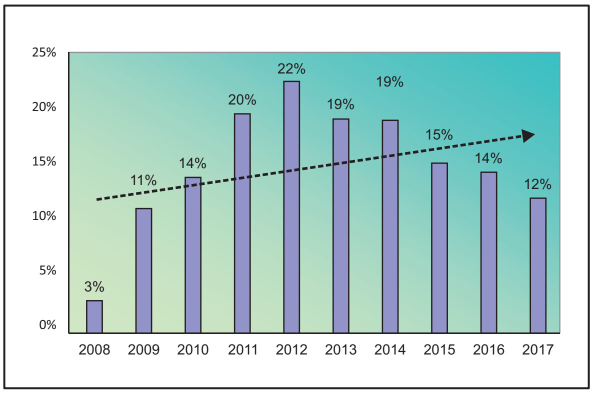


SHAREHOLDER EQUITY

(Rupees in Thousand)



RETURN ON EQUITY



TEAMWORK

For organizations seriously committed to making teamwork a cultural reality, I'm convinced that 'the right people' are the ones who have three virtues in common - humility, hunger, and people smarts. (Patrick Lencioni)

Code of Conduct and Professional Standards

1. The interest of the policyholders is absolute. We shall provide the best possible services equivalent to international standard to our clients and shall make arrangements to serve them without any cause of complaint relating to claim settlement and otherwise. Our endeavor is to introduce new and innovative schemes of arrangements for the benefit of clients so that they will be able to get better services at very economical premium.

2. As the reinsurers provide security to the Company and enable us in meeting with the requirements of solvency margin, therefore, it shall be our utmost task to ensure that the reinsurers make profit on our business ceded to them to strengthen our business relation. We shall also endeavor to meet with the projected premium and arrange future reinsurance arrangements on more favorable terms, limits and commission.

3. It is the basic principle of Alfalah Insurance Company Limited to obey the law of the land and comply with its legal system. Accordingly, every employee of the company shall obey the law. Any employee guilty of violation will be liable to disciplinary consequences because of the violation of his/her duties.

4. Board members and staff of Alfalah Insurance Company Limited shall act with honesty and openness as representatives of the organization and in their interactions with one another. Alfalah Insurance Company Limited promotes a working environment that values respect, candor, and fairness.

5. Employees must avoid conflicts of interest between their private financial activities and conduct of company business.

6. All business transactions on behalf of Alfalah Insurance Company Limited must be reflected accordingly in the financial statements of the company.

7. The image and reputation of Alfalah Insurance Company Limited is determined by the way each and every one of us acts and conducts himself/herself at all times.

8. We are an equal opportunity employer. Our employees are entitled to a safe and healthy workplace.

9. Every manager and supervisor shall be responsible to see that there is no violation of laws within his/her area of responsibility which proper supervision could have prevented. The manager and supervisor shall still be responsible if he/she delegated particular tasks.

Alfalah Insurance

TRUST

Trust is the glue of life. It's the most essential ingredient in effective communication. It's the foundational principle that holds all relationships. (Stephen Covey)

Statement of Compliance with the Code of Corporate Governance

For The Year Ended December 31, 2017

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

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

1. The company encourages representation of independent non-executive directors on its Board of Directors. Followings are the names of the Directors as at 31st December 2017.

Category	Name
Non-Executive Directors	HH Sheikh Nahayan Mabarak Al Nahayan*
Non-Executive Directors	HE Sheikh Saif Bin Mohammed Bin Butti Al Hamid
Non-Executive Directors	Mr. Khalid Mana Saeed Al Otaiba
Non-Executive Directors	Mr. Adeel Khalid Bajwa
Non-Executive Directors	Mr. Nauman Ansari
Non-Executive Directors	Mr. Suhail Yaqoob Khan
Executive Directors/Chief Executive Officer	Mr. Nasar Us Samad Qureshi

   The Company shall consider the effective representation of independent director at the time of its next election of directors.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this insurer.

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

4. Casual vacancies occurring on the Board on 15th January 2017 and 14th July 2017 due to the resignation of HH Sheikh Hamdan Bin Mubarak Bin Mohammed Al Nahayan and Mr. Atif Bajwa were filled up by H.H Sheikh Nahayan Mabarak Al Nahayan and Mr. Nauman Ansari within 90 days thereof.

5. The Company has prepared a 'Statement of Ethics and Business Practices/Code of Conduct, which has been disseminated among all the directors and employees of the Company.

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

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors and the key officers, if any, have been taken by the Board.

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

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

Statement of Compliance with the Code of Corporate Governance

For The Year Ended December 31, 2017

10. The Board arranged Orientation course for its directors during the year to apprise them of their duties and responsibilities.

11. There was no new appointment of CFO, Company Secretary or Head of Internal Auditor during the year.

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

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

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

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

16. The Board has formed the following Management Committees:

Underwriting Committee:

Name	Category
Mr. Nasar us Samad Qureshi	Chairman
Mr. Abdul Haye	Member
Capt. Azhar Ehtesham Ahmed	Member
Mr. Rashid Awan	Member & Secretary

Claim Settlement Committee:

Name	Category
Mr. Nasar us Samad Qureshi	Member
Mr. Adnan Waheed	Member
Ch. Manzoor Hussain	Member & Secretary

Reinsurance, Re-takaful and Coinsurance Committee:

Name	Category
Mr. Nasar us Samad Qureshi	Chairman
Mr. Abdul Haye	Member
Capt. Azhar Ehtesham Ahmed	Member
Mr. Shahzad Aamir	Member
Mr. Shams ul Zuha	Member & Secretary

Risk Management & Compliance Committee:

Name	Category
Mr. Nasar us Samad Qureshi	Chairman
Mr. Adnan Waheed	Member
Mr. Faisal Shahzad	Member
Mr. Naveed Akbar	Member & Secretary

Statement of Compliance with the Code of Corporate Governance

For The Year Ended December 31, 2017

17. The Board has formed the following Board Committees:

Ethics, Human Resource and Remuneration Committee:

Name	Category
Mr. Adeel Bajwa	Chairman
Mr. Nauman Ansari	Member
Mr. SuhailYaqoob Khan	Member
Mr. Nasar us Samad Qureshi	Member

Terms of Reference of Nomination Committee as defined in the Code of Corporate Governance for Insurers 2016 were discharged by the Ethics, Human Resource and Remuneration Committee.

Investment Committee:

Name	Category
Mr. Adeel Bajwa	Chairman
Mr. Nauman Ansari	Member
Mr. SuhailYaqoob Khan	Member
Mr. Nasar us Samad Qureshi	Member
Mr. Adnan Waheed	Member

18. The Board has formed an audit committee comprising of three members, all of them are non-executive Directors including the Chairman of the committee. The composition of the Audit Committee is as follows:

Name	Category
Mr. Adeel Khalid Bajwa	Member-Chairman
Mr. Nauman Ansari	Member
Mr. SuhailYaqoob Khan	Member

19. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as per the requirement of the Code of Corporate Governance for Insurers, 2016. The meetings of Board and Management Committees were also held once in every quarter except Ethics, Human Resource and Remuneration Committee which met twice a year. The terms of references of the Committees have been formed and advised to the Committees for compliance.

20. The Board has set-up an effective Internal Audit function which is consider suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company. The Company is involved in the internal audit function on a regular basis.

21. The Chief Executive Officer, Chief Financial Officer and the Head of Internal Audit possess such qualification and experience as is required under the Code of Corporate Governance for Insurers, 2016. Moreover, the persons heading the underwriting, claim, reinsurance departments possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000.

Name of the Person	Designation
Mr. Nasar-us Samad Qureshi	Chief Executive Officer
Mr. Adnan Waheed	Chief Financial Officer
Mr. Faisal Shahzad	Head of Internal Audit
Mr. Naveed Akbar	Compliance Officer

Statement of Compliance with the Code of Corporate Governance

For The Year Ended December 31, 2017

Mr. Rashid Awan	Head of Underwriting
Mr. Manzoor Hussain	Head of Claims
Mr. Shamsul Zuha	Acting Head of Reinsurance

Mr. Naveed Akbar was appointed as Compliance Officer during the year as required by Code of Corporate Governance for Insurers, 2016.

22. The statutory auditors of the Company have been appointed from the panel of auditors approved by the commission in terms of section 48 of the Insurance Ordinance, 2000. The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the directors of the company, their spouses and minor children do not hold shares of the company and that the company and all its directors are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

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

24. The Company has been drawn up investment policy in accordance with the provisions of the Code of Corporate Governance for Insurers, 2016.

25. The Board ensures that the risk management system of the insurer is in place relating to underwriting/insurance risk, credit risk, and capital adequacy risk as per applicable requirement of the Code of Corporate Governance for Insurers, 2016.

26. The Company has set up a risk management function, which carries out its tasks relating to underwriting/insurance risk, credit risk, and capital adequacy risk as covered under the Code of Corporate Governance for Insurers, 2016.

27. The Company has been rated by PACRA and the rating assigned by rating agency is AA- with stable outlook.

28. The Company has set up a grievance function, which fully complies with the requirements of the Code of Corporate Governance for Insurers, 2016.

29. The Company has not obtained any exemption from the Securities and Exchange of Commission of Pakistan in respect of the requirement of the Code of Corporate Governance for Insurers, 2016.

30. We confirm that all other material principles contained in the Code of Corporate Governance for 2016 as applicable up to the reporting date have been complied by the Company.

NASAR US SAMAD QURESHI
Chief Executive Officer

NURTURE

When we nurture integrity, creativity, innovation, teamwork and trust, we produce some great achievements, human beings and organizations. (unknown)

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Review Report to the Members on Statement of Compliance with the Code of Corporate Governance

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

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

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

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

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

KPMG Taseer Hadi & Co.

Lahore

KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

Date: 25 February 2018

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Auditors' Report To The Members

We have audited the annexed statement of financial of **Alfalah Insurance Company Limited** ("the Company") as at 31 December 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) In our opinion:

   i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for the changes as stated in note 4.1 with which we concur;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

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

The financial statements of the Company for the year ended 31 December 2016 were audited by another auditor who had expressed an unmodified opinion thereon vide their audit report dated 23 February 2017.

KPMG Taseer Hadi & Co.

Lahore

KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

Date: 25 February 2018

Statement of Financial Position
As at 31 December 2017

	Note	2017	2016	2015
		------- (Rupees in thousand) -------		
			Restated	*Restated*
ASSETS				
Property and equipment	*5*	**189,126**	181,995	69,707
Intangible assets	*6*	**3,436**	1,535	2,871
Investments				
Equity securities	*7*	**120,853**	395,930	124,352
Debt securities	*8*	**453,589**	402,178	854,424
Term deposits	*9*	**-**	-	-
Loans and other receivables	*10*	**33,519**	27,005	10,215
Insurance / reinsurance receivables	*11*	**648,964**	707,607	544,015
Reinsurance recoveries against outstanding claims	*23*	**388,434**	307,497	311,880
Salvage recoveries accrued		**10,495**	10,127	5,960
Deferred commission expense / acquisition cost	*24*	**86,770**	54,274	37,390
Deferred taxation	*12*	**1,039**	-	-
Taxation - payment less provisions		**7,606**	-	1,736
Prepayments	*13*	**334,213**	317,399	291,187
Cash and bank	*14*	**765,259**	374,766	132,469
		3,043,303	2,780,313	2,386,206
Total assets of Window Takaful Operations - Operator's Fund	*15*	**107,180**	80,273	-
TOTAL ASSETS		**3,150,483**	**2,860,586**	**2,386,206**
EQUITY AND LIABILITIES				
Capital and reserves attributable to Company's equity holders				
Authorized capital				
50,000,000 (2016:50,000,000) ordinary shares of Rs 10 each		**500,000**	500,000	500,000
Ordinary share capital	*16*	**500,000**	500,000	500,000
Reserves	*17*	**152,332**	203,541	160,834
Unappropriated profit		**402,085**	281,644	153,935
Total Equity		**1,054,417**	985,185	814,769
Liabilities				
Underwriting provisions:				
Outstanding claims including IBNR	*23*	**568,892**	485,892	499,376
Unearned premium reserve	*22*	**673,331**	628,930	575,991
Unearned reinsurance commission	*24*	**82,088**	66,308	60,543
Retirement benefits obligations	*18*	**4,220**	1,962	3,086
Deferred taxation	*12*	**-**	134	1,571
Premium received in advance		**12,541**	2,511	5,531
Insurance / reinsurance payables	*19*	**397,347**	381,208	233,804
Other creditors and accruals	*20*	**308,001**	269,842	191,535
Taxation - provision less payment		**-**	10,231	-
		2,046,420	1,847,018	1,571,437
Total liabilities of Window Takaful Operations - Operator's Fund	*15*	**49,646**	28,383	-
Contingencies and commitments	*21*			
TOTAL EQUITY AND LIABILITIES		**3,150,483**	2,860,586	2,386,206

The annexed notes 1 to 42 form an integral part of these financial statements.

Chairman	Director	Director	Principal Officer and Chief Executive

Profit and Loss Account
For the year ended 31 December 2017

	Note	2017	2016
		(Rupees in thousand)	
Revenue account			
Net insurance premium	22	**1,043,222**	916,586
Net insurance claims	23	**(470,630)**	(493,076)
Net commission / acquisition (expense) / income	24	**(88,341)**	33,028
Insurance claims and acquisition expenses		**(558,971)**	(460,048)
Management expenses	25	**(383,559)**	(370,370)
Underwriting result		**100,692**	86,168
Investment income	26	**48,856**	96,509
Other income	27	**30,032**	22,898
Other expenses	28	**(11,095)**	(12,489)
Results of operating activities		**168,485**	193,086
Profit from window takaful operations	15	**8,410**	1,890
Profit before tax		**176,895**	194,976
Taxation	29	**(53,855)**	(65,602)
Profit after tax		**123,040**	129,374
		-------------(Rupees)------------	
Earnings per share - basic and diluted	30	**2.46**	2.59

The annexed notes 1 to 42 form an integral part of these financial statements.

Chairman	Director	Director	Principal Officer and Chief Executive

Statement of Comprehensive Income
For the year ended 31 December 2017

	2017	2016
	(Rupees in thousand)	
		Restated
Profit after tax	**123,040**	129,374
Other comprehensive income		
(Loss)/ gain on available for sale investments - net	**(51,209)**	42,707
Remeasurement loss on defined benefit obligations	**(2,599)**	(1,665)
Other comprehensive (loss) / income for the period	**(53,808)**	41,042
Total comprehensive income for the period	**69,232**	170,416

The annexed notes 1 to 42 form an integral part of these financial statements.

Chairman	Director	Director	Principal Officer and Chief Executive

Statement of Changes in Equity
For the Year ended 31 December 2017

	Share capital	Capital reserve	Revenue reserve			
	Issued, subscribed and paid up	Share deposit money	General reserve	Fair Value Reserve	Unappropriated Profit	Total
	--(Rupees in thousand)--					
Balance as at 31 December 2015 as previously reported	500,000	1,381	150,000	-	153,935	**805,316**
Effect of restatement as disclosed in note 4.1.2	-	-	-	9,453	-	**9,453**
Balance as at 31 December 2015 - restated	500,000	1,381	150,000	9,453	153,935	**814,769**
Total Comprehensive income for the year ended 31 December 2016						
Profit for the year	-	-	-	-	129,374	**129,374**
Other comprehensive income / (loss)	-	-	-	42,707	(1,665)	**41,042**
Total comprehensive income for the year	-	-	-	42,707	127,709	**170,416**
Balance as at 31 December 2016 - restated	500,000	1,381	150,000	52,160	281,644	**985,185**
Total Comprehensive income for the year ended 31 December 2017						
Profit for the year	-	-	-	-	123,040	**123,040**
Other comprehensive loss	-	-	-	(51,209)	(2,599)	**(53,808)**
Total comprehensive income for the year	-	-	-	(51,209)	120,441	**69,232**
Balance as at 31 December 2017	**500,000**	**1,381**	**150,000**	**951**	**402,085**	**1,054,417**

The annexed notes 1 to 42 form an integral part of these financial statements.

Chairman	Director	Director	Principal Officer and Chief Executive

Cash Flow Statement
For the Year ended 31 December 2017

	2017	2016
	--------(Rupees in thousand)--------	
Operating cash flows		
a) *Underwriting activities*		
Insurance Premium received	**2,127,181**	1,779,132
Reinsurance premium paid	**(929,553)**	(713,474)
Claims paid	**(711,734)**	(861,774)
Reinsurance and other recoveries received	**243,167**	359,597
Commission paid	**(358,028)**	(206,829)
Commission received	**244,561**	132,493
Management expenses paid	**(370,797)**	(281,206)
Net cash flow from underwriting activities	**244,797**	207,939
b) *Other operating activities*		
Income tax paid	**(72,865)**	(55,072)
Other expenses	**(9,778)**	(71,722)
Loans disbursed	**(6,833)**	(8,221)
Loans repayments received	**7,528**	6,792
Other receipts	**261**	66
Net cash used in other operating activities	**(81,687)**	(128,157)
Total cash flow from all operating activities	**163,110**	79,782
Investment activities		
Profit / return received on bank deposits	**27,606**	23,754
Return on Pakistan investments bonds	**3,702**	-
Window Takaful Operations	**-**	(50,000)
Dividends received	**15,208**	13,946
Payments for investments	**(1,600,184)**	(2,302,186)
Proceeds from disposal of investments	**1,807,175**	2,603,982
Fixed capital expenditure - tangible assets	**(31,071)**	(139,623)
Proceeds from disposal of operating fixed assets	**4,947**	12,642
Total cash flow from investing activities	**227,383**	162,515
Financing activities		
Total cash flow from financing activities	**-**	-
Net cash flow generated from all activities	**390,493**	242,297
Cash and cash equivalents at beginning of the year	**374,766**	132,469
Cash and cash equivalents at end of the period	**765,259**	374,766

Chairman	Director	Director	Principal Officer and Chief Executive

Cash Flow Statement
For the Year ended 31 December 2017

	2017	2016
	--------(Rupees in thousand)--------	
Reconciliation to profit and loss account		
Operating cash flows	**163,110**	79,782
Depreciation expense	**(18,304)**	(19,064)
Gain on disposal of operating fixed assets	**2,164**	4,371
Profit on sale of investments	**29,492**	76,964
Impairment in value of available-for-sale investments	**-**	(409)
Dividend and other income	**45,517**	37,389
(Decrease) / increase in assets other than cash	**88,130**	221,510
Decrease / (increase) in liabilities other than borrowings	**(199,569)**	(273,917)
Amortization of intangibles	**(952)**	(1,336)
Un-realized gain in value of held for trading investment	**5,042**	2,194
Profit from Window Takaful Operations	**8,410**	1,890
Profit after taxation	**123,040**	129,374
Cash for the purposes of the statement of cash flows consists of:		
Cash and other equivalents	**772**	1,371
Current and other accounts	**764,487**	373,395
Total cash and cash equivalents	**765,259**	374,766

The annexed notes 1 to 42 form an integral part of these financial statements.

Chairman	Director	Director	Principal Officer and Chief Executive

Notes to the Financial Statements
For the year ended 31 December 2017

1 Reporting entity

Alfalah Insurance Company Limited ("the Company") is a public limited Company incorporated in Pakistan on 21 December 2005 under the Companies Ordinance, 1984 (now the Companies Act, 2017). The Company is engaged in general non-life insurance business. The registered office of the Company is situated at 5-Saint Marry Park, Gulberg-III, Lahore.

The Company was granted authorization on 30 September 2015 under Rule 6 of the Takaful Rules, 2012 to undertake Window Takaful Operations in respect of general takaful products by Securities and Exchange Commission of Pakistan (SECP) and commenced Window Takaful Operations on 13 January 2016.

2 Basis of accounting

2.1 Statement of compliance

2.1.1 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, provision of and directives issued under the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and the Takaful Rules, 2012. In case requirements differ, the provision of and directives issued under the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and the Takaful Rules, 2012 shall prevail.

2.1.2 On 30 May 2017 the Companies Act, 2017 was enacted which replaced and repealed the Companies Ordinance, 1984 ("the repealed Ordinance"). However, the Securities and Exchange Commission of Pakistan, in continuation to its circular 17, dated 20 July 2017, and press release of the same day, vide its circular 23, dated 04 October 2017 has clarified that the companies whose financial year closes on or before 31 December 2017 shall prepare their financial statements in accordance with the provisions of the repealed Ordinance.

2.1.3 During the year, the Insurance Accounting Regulations, 2017 ("the Regulations") and the Insurance Rules, 2017 ("the Rules") were enacted vide SRO 88 and 89 (I)/2017, dated 09 February 2017, and replaced SEC (Insurance) Rules, 2002. The presentation and disclosure requirements have been significantly changed under the Rules and the Regulations. Further, the relaxation allowed by SECP to defer the application of International Accounting Standard (IAS) - 39 'Financial Instruments: Recognition and Measurement' in respect of 'available-for-sale' investments has not been carried in these Rules. Consequently, the Company has changed its accounting policies in respect of presentation of financial statements and 'available-for-sale' investments as explained in note 4.1 of these financial statements.

2.1.4 As per the requirements of the SECP Takaful Rules 2012 and SECP Circular No.25 of 2015 dated 09 July 2015, the assets, liabilities and profit and loss of the Operator's Fund of the General Takaful Operations of the Company have been presented as a single line item in the balance sheet and profit and loss account of the Company respectively. A separate set of financial statements of the General Window Takaful Operations has been annexed to these financial statements as per the requirements of the Takaful Rules, 2012.

Notes to the Financial Statements
For the year ended 31 December 2017

2.2 Basis of measurement

These financial statements have been prepared under historical cost convention except for certain foreign currency translation adjustments, certain financial instruments carried at fair value, and defined benefit obligations under employees benefits carried at present value. All transactions reflected in these financial statements are on accrual basis except for those reflected in cash flow statements.

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. All the financial information presented in Rupees has been rounded off to the nearest thousand in rupee, unless otherwise stated.

2.4 Use of Judgment and estimates

The preparation of financial statement in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgment and complexity, or areas where assumptions and estimates are significant to these financial statements or judgment was exercised in application of accounting policies, are as follows:

	Note
- Provision for doubtful receivables	*4.19*
- Provision for outstanding claim including claims incurred but not reported (IBNR)	*4.14*
- Premium deficiency reserve	*4.15*
- Defined benefit plans	*4.17*
- Classification of investments	*4.40*
- Provision for taxation including the amount relating to tax contingency	*4.22*
- Useful lives, pattern of economic benefits and impairments - Fixed assets	*4.20*

3 New/ revised accounting Standards and IFRIC interpretations that are not yet effective

3.1 Standards, amendments or interpretations which became effective during the year

During the year, certain amendments or new interpretations became effective. However, the amendments or interpretation did not have any material effect on the financial statements of the Company, except for those which have been specifically disclosed in these financial statements.

Notes to the Financial Statements
For the year ended 31 December 2017

3.2 New Companies Act, 2017 and new/ revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective

3.2.1 The Companies Act, 2017 applicable for financial year beginning on 01 July 2017 requires certain additional disclosures.

3.2.2 The following amendments, interpretation of approved accounting standards and annual improvement cycle will be effective for accounting periods beginning on or after 01 January 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards.

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.

- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.

Notes to the Financial Statements
For the year ended 31 December 2017

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programs'.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact on the financial statements of insurance business.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied.

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements (effective from annual period beginning on or after 01 January 2019) address amendments to following approved accounting standards:

  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

  - IAS 12 *Income Taxes* - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

  - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

  - Amendment to IFRS 4 'Insurance Contracts'- Applying IFRS 9 'Financial Instruments' with IFRS 4 (effective for annual periods beginning on or after 1 July 2018). The amendment address issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from 1 July 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied.

The above amendments and annual improvements are not likely to have any material impact on Company's financial statements, except where specifically disclosed.

Notes to the Financial Statements
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4 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements, except for change in accounting policies as disclosed in note 4.1 to these financial statements.

4.1 Change in accounting policies

4.1.1 Presentation and disclosure of financial statements

As per Insurance Rules 2017, the presentation and disclosure requirements of the financial statements have changed for companies whose financial year ended on or after 31 March 2017. Consequently, the format prescribed in Annexure II of the Insurance Rules 2017 has been adopted. Accordingly, change in presentation and disclosures of these financial statements has been applied retrospectively.

4.1.2 Basis for measurement of available for sale investments

Previously, the Company recorded its 'available-for-sale' investments at cost and remeasured them at lower of cost or market value (market value being taken as lower of the reduction other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002. As per Insurance Rules 2017, 'available for sale' investments are now initially measured at cost and subsequently remeasured at fair value at each reporting date. The unrealized gains and losses arising from changes in fair values are directly recognized in equity in the year in which these arise until the investments are sold or determined to be impaired.

The said change in accounting policy has been made in accordance with the requirements of "International Accounting Standard - 8 Accounting Policies, change in accounting estimates and errors" ("IAS-8") and resulted in following changes:

	Balance Previously Reported	Adjustment	Balance Restated
	-----------------------	(Rupees)	-----------------------
Balance Sheet			
As at 31 December 2015			
Fair value reserve	-	9,453	9,453
Equity investments	114,899	9,453	124,352
As at 31 December 2016			
Fair value reserve	-	52,160	52,160
Equity investments	343,770	52,160	395,930
Statement of comprehensive income			
For the year ended 31 December 2016			
(Loss)/ gain on available for sale investments - net	-	42,707	42,707

Notes to the Financial Statements
For the year ended 31 December 2017

4.1.3 Premium revenue

The Insurance Accounting Regulations, 2017, requires the Company, to recognize premium receivable under an insurance policy/ cover note as written from the date of attachment of risk to the policy / cover note. Accordingly, the Company is required to account for cover notes which are effective as at balance sheet date. In previous years, the Company recognized premium under a policy as written at the time of issuance of policy in accordance with the SEC Insurance Rules, 2002. The change is considered to be a change in accounting policy in accordance with IAS - 8. The impact of the same is not considered to be material to the financial statements and accordingly not included in the comparative restated financial statements.

4.2 Property and equipment

Operating fixed assets:

Items of operating fixed assets, except freehold land, are stated at cost less accumulated depreciation and any impairment loss. Freehold land is stated at cost less any identified impairment loss, if any.

Cost comprises of purchase price including import duties and non-refundable purchase taxes after deducting trade discounts, rebates and includes other costs directly attributable to the acquisition or construction including expenditures on the material, labour and overheads directly relating to constructions, errection and installation of operating fixed assets.

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

Depreciation on operating fixed assets is charged to profit and loss account using straight line method so as to write off the historical cost of an asset over its estimated useful life at the rates mentioned in note 5.1 after taking their residual value into account.

Depreciation on additions to operating fixed assets is charged from the month in which the asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed of.

Depreciation methods, residual values and the useful life of the assets are reviewed at least at each financial year end and adjusted if appropriate.

An item of operating fixed assets is derecognized upon disposal when no future economic benefits are expected from its use or disposal. Gain or loss on disposal of an asset is determined by comparing the proceeds from sale with the carrying amount and is recognized in profit and loss account.

Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss, if any and represents expenditure incurred on assets during the construction and installation. Cost also includes applicable borrowing costs, if any. Transfers are made to relevant categories as and when assets are available for use.

4.3 Intangible assets

Intangible asset is stated at cost less accumulated amortization for finite intangible asset and identified impairment loss, if any. Finite intangible assets are amortized using straight line method over its estimated useful life at the rates mentioned in the note 6.

Amortization on additions to intangible assets is charged from the month in which an asset is put to use and on disposal up to the month of disposal. The estimated useful life and amortization method is reviewed at the end of each annual reporting period, with effect of any changes in estimate being accounted for on a prospective basis.

Notes to the Financial Statements
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The Company assesses at each balance sheet date whether there is any indication that intangible asset may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.4 Financial instruments

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

4.4.1 Non-derivative financial assets

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company classifies non-derivative financial assets into the following categories namely: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss account as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognized in profit or loss.

Held to maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held to maturity. Held to maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

Notes to the Financial Statements
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Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise of long term deposits, trade debts, short term advances, deposits, other receivables and cash and bank balances.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available for sale financial assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

4.4.2 Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies financial liabilities recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities mainly includes other creditors and accruals.

4.4.3 Offsetting 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 if the Company has legal enforceable right to set off the recognized amount and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

4.5 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. 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. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

Notes to the Financial Statements
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An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

Impairment losses on available for sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss. If the fair value of an impaired available for sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed though profit and loss, otherwise it is reversed through other comprehensive income.

Non-financial assets

The carrying amounts of non-financial assets other than deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit, or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss account.

4.6 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 reduces significantly during this period, unless all rights and obligations are extinguished or expired.

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

- Fire and property damage
- Marine, aviation and transport
- Motor
- Accident and health
- Others including miscellaneous

These contracts are normally one year insurance contracts except marine and some contracts of others including miscellaneous class. Normally all marine insurance contracts are of three months period. In others including miscellaneous class, some engineering insurance contracts are of more than one year period.

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These contracts are provided to all types of customers based on assessment of insurance risk by the Company. Normally personal insurance contracts e.g. vehicle, personal accident, etc. are provided to individual customers, whereas, insurance contracts of fire and property damage, marine, aviation and transport, health and other commercial line products are provided to commercial organizations.

Fire and property damage insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities.

Marine Insurance 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.

Motor insurance provides protection against losses incurred as a result of theft, traffic accidents and against third party liability that could be incurred in an accident.

Accident and health insurance provides protection against losses incurred as a result of medical illnesses, surgical operations, accidental injuries and accidental death.

Other various types of insurance are classified in others including miscellaneous category which includes, terrorism, worker compensation, products of financial institutions, crop etc.

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

Premiums and administrative surcharge

Premiums and administrative surcharge received / receivable under a policy or cover note is recognized over the period of insurance from the date of attachment of risk to the policy on the following basis:

a) For business other than marine cargo business, evenly over the period of the policy; and
b) For marine cargo business, immediately after the commencement of voyage;

However, where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk.

Administrative surcharge represents documentation and other charges recovered by the Company from policy holders in respect of polices issued and is recognized in accordance with pattern. Administrative surcharge is recognized , at a rate of 5% of the premium restricted to a maximum of following limits:

Class	Rupees
Fire	3,000
Marine	3,000
Motor	3,000
Engineering	5,000
Health	5,000
Other including Miscellaneous	5,000

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4.7 Provision for unearned premium

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage and is recognized as a liability by the Company on the following basis:

- for other classes premium written is recognized as provision for unearned premium by applying the 1/24th method as specified in Insurance Rules, 2017.

- for marine cargo business, premium written is recognized as provision for unearned premium until the commencement of voyage.

4.8 Receivables and Payables related to insurance contracts

Receivables related to insurance contracts are known as premium due but unpaid. These are recognised at cost, which is the fair value of the consideration given less provision for impairment, if any. Premiums received in advance is recognized as liability till the time of issuance of insurance contract there against.

Provision for impairment and write-off is estimated on a systematic basis after analyzing the receivables as per their aging.

4.9 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 contracts as various reinsurance assets and liabilities.

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

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

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

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

4.10 Reinsurance expense

Premium Ceded to reinsurers is recognized as an expense. For reinsurance contracts operating on a proportional basis, on attachment of the underlying policies reinsured; and for reinsurance contracts operating on a non-proportional basis, on inception of the reinsurance contracts.

Reinsurance premium shall be recognized as an expense. For proportional reinsurance business, evenly over the period of the underlying policies, for non-proportional reinsurance business, evenly ove the period of indemnity.

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The portion of reinsurance premium ceded not yet recognized as an expense is recognized as a prepayment. The prepaid portion of premium ceded is recognized as an asset. Such asset is calculated by applying the twenty-forth method , whereby the liability shall equal 1/24 of the premium ceded relating to reinsurance contract commencing in the first month of the insurer's financial year, 3/24 of the premiums ceded relating to policies commencing in the second month of the insurer's financial years, and so on.

4.11 Commission expense/ acquisition cost

Commission expense incurred in obtaining and recording insurance policies is deferred and recognized as an asset on the attachment of the related risks. This expense is charged to the profit and loss account based on the pattern of recognition of related premium revenue.

4.12 Deferred commission expense

Deferred commission expense represents the portion of commission expense relating to the unexpired period of insurance contract and is recognized as an asset. It is calculated in accordance with the pattern of its related unearned premium income.

4.13 Claims Expense

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

4.14 Outstanding claims including incurred but not reported (IBNR)

The Company recognizes liability in respect of all claims incurred up to the balance sheet date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. The liability for claims includes amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Reinsurance recoveries against outstanding claims are recognized on occurrence of the related claim liability. These are recorded as an asset and measured at the amount expected to be received.

Claims incurred but not reported

Securities and Exchange Commission of Pakistan ("SECP"), through its circular 9 of 2016 dated 09 March 2016, issued "Guidelines for estimation of incurred but not reported (IBNR) claims reserve 2016" ("Guidelines") for non-life insurance Companies and required to comply with all provisions of these guidelines with effect from 1 July 2016.

These Guidelines require the Company to develop an estimation of provision against claims incurred but not reported for each class of business, by either using “Chain Ladder Method” ("CLM") or other alternate method as allowed under the provisions of the Guidelines. The Chain Ladder Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level to derive an IBNR estimate.

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As required under the Guidelines, the Company uses CLM by involving an actuary for determination of provision against IBNR. Accordingly, the actuarial valuation as at 31 December 2017 has been carried out by independent firm of actuaries for determination of IBNR for each class of business. The actuarial valuation is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions (as explained in preceding paragraph) that may include a margin for adverse deviation as required / allowed under the Guidelines. The method used, and the estimates made, are reviewed annually.

4.15 Premium deficiency reserve

The Company maintains a provision in respect of premium deficiency (also called unexpired risk reserve) on aggregation basis where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other claim handling expenses expected to be incurred after the balance sheet date in respect of the unexpired policies on at the balance sheet date. The movement in the premium deficiency reserve is recorded as an expense / income in the profit and loss account for the year. The calculation of the provision was previously, being calculated for each class of business separately, however, the change in calculation does not have any material impact on current and prior years.

For this purpose, premium deficiency reserve on aggregation basis is determined by independent actuary. The actuary determines the prospective loss ratio on aggregation basis and applies factors of unearned and earned premiums and uses assumptions appropriate to arrive at the expected claims settlement cost which when compared with unearned premium reserve (UPR) shows whether UPR is adequate to cover the unexpired risks. If these ratios are adverse, premium deficiency reserve is determined.

Based on recommendation of actuary, the unearned premium reserve, on aggregation basis, at year end is adequate to meet the expected future liability after reinsurance claims and claim handling expenses, expected to be incurred after the balance sheet date in respect of policies in force at the balance sheet date. Therefore, no premium deficiency reserve has been accounted for in these financial statements.

4.16 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, deposits with banks and stamps in hand.

4.17 Employees benefit

Salaries, wages and benefits are accrued in the period in which the associated services are rendered by employees of the Company and measured on an undiscounted basis. The accounting policy for employee retirement benefits is described below:

Post employment benefits - Defined contribution plan

The Company operates an approved contributory provident fund for all permanent employees by establishing a separate Trust. Equal monthly contributions are made by the Company and employees to the fund at the rate 8.33% (2016: 8.33%) of basic salary.

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

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Post employment benefits - Defined benefit plan

The Company has established an approved gratuity fund for all permanent employees including Window Takaful Operations. Monthly contributions are made to the fund on the basis of actuarial recommendations and in line with the provisions of the Income Tax Ordinance, 2001. The Company's net obligation in respect of defined benefit plans is calculated separately for plan by estimating the amount of future benefits that employees have earned in current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the 'Projected Unit Credit Method' and latest actuarial valuation has been carried out at 31 December 2017. When calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Actual gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to equity through other comprehensive income in the year in which they arise. Past service costs are recognized immediately in the profit and loss account. The main features of defined benefit schemes are mentioned in note 18.

4.18 Creditors and accruals

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

4.19 Provisions and contingencies

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

Where outflow of resources embodying economic benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

4.20 Revenue recognition

Premium income and administrative surcharge

Premium income and administrative surcharge is recognised in line with note - 4.6.

Commission income

Commission income from other 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.

The unearned portion of commission income is recognized as a liability. Such liability is calculated by applying the twenty-forth method, whereby the liability shall equal 1/24 of the premium relating to policies commencing in the first month of the insurer's financial year, 3/24 of the premiums relating to policies commencing in the second month of the insurer's financial years, and so on.

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For facultative acceptance the basis of recognizing commission and determining the unearned commission reserve is the same as for the direct policies.

Dividend income

Dividend income including bonus shares are recognized when right to receive such dividend or bonus shares is established.

Interest income and other returns

Interest / mark-up is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

Return on investments and interest on loans is accounted for on a time proportionate basis using the applicable rate of return/ interest.

Miscellaneous Income

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

Other revenues are recognized on accrual basis.

4.21 Management expenses

Management expenses are recognized in profit and loss account on accrual basis. Management expenses that are directly attributable to the distinguished operation of business (i.e. Conventional insurance business and Window Takaful Operations) are directly charged to the relevant business, whereas, common management expenses incurred for both conventional insurance business and Window Takaful Operations are proportionately changed on the basis of volume of respective business.

4.22 Taxation

Current

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

Deferred

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

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

4.23 Segment reporting

A business segment is a distinguishable component of the Company that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Company accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000, the Insurance Rules, 2017 and Insurance Accounting Regulations, 2017. The reported operating segments are also consistent with the internal reporting framework provided to Board of Directors who are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

Based on its classification of insurance contracts issued, the Company has five primary business segments for reporting purposes namely fire, marine, motor, health and others including miscellaneous. The nature and business activities of these segments are disclosed in note 4.6. Since the operation of the Company are predominantly carried out in Pakistan, information relating to geographical segment is not considered relevant.

The accounting policies of operating segment are the same as those described in the summary of significant accounting policies.

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

4.24 Dividend distribution

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability in the Company's financial statements in the year in which it is approved.

4.25 Salvage recoveries

Salvage recoveries are recognized on estimated basis based on past experience and market patterns and are in line with the recognition of related claim expenses.

4.26 Window Takaful Operations

The accounting policies followed by Window Takaful Operations are stated in the annexed financial statements of Window Takaful Operations for the year ended 31 December 2017.

	Note	**2017** **Rupees**	2016 Rupees
5 Property and equipment			
Operating assets	*5.1*	**187,902**	181,253
Capital work in progress	*5.2*	**1,224**	742
		189,126	181,995

Notes to the Financial Statements
For the year ended 31 December 2017

5.1 Operating assets

	2017									
	Cost				**Depreciation**				**written down value**	
	As at 01 January 2017	**Additions**	**Disposals**	**As at 31 December 2017**	**As at 01 January 2017**	**Charge for the year**	**On disposals**	**As at 31 December 2017**	**As at 31 December 2017**	**Depreciation rates**
	Rupees in thousand									**%**
Land - freehold	121,671		-	121,671	-	-	-	-	**121,671**	-
Building on leasehold land	50,564	-	-	50,564	37,954	4,888	-	42,842	**7,722**	10
Furniture and fixtures	17,171	341	(26)	17,486	11,931	1,681	(23)	13,589	**3,897**	10
Office equipment	19,301	633	(967)	18,967	14,206	1,840	(922)	15,124	**3,843**	20
Computer equipment	36,337	1,473	(2,133)	35,677	31,761	2,552	(2,131)	32,182	**3,495**	25
Vehicles	54,616	25,289	(7,297)	72,608	22,555	7,343	(4,564)	25,334	**47,274**	20
	299,660	**27,736**	**(10,423)**	**316,973**	**118,407**	**18,304**	**(7,640)**	**129,071**	**187,902**	

	2016									
	Cost				Depreciation				written down value	
	As at 01 January 2016	Additions	Disposals	As at 31 December 2016	As at 01 January 2016	Charge for the year	On disposals	As at 31 December 2016	As at 31 December 2016	Depreciation rates
	Rupees in thousand									%
Land - freehold	-	121,671	-	121,671	-	-	-	-	121,671	-
Building on leasehold land	50,564	-	-	50,564	32,897	5,057	-	37,954	12,610	10
Furniture and fixtures	17,172	47	(48)	17,171	10,235	1,716	(20)	11,931	5,240	10
Office equipment	17,383	2,316	(398)	19,301	12,388	2,196	(378)	14,206	5,095	20
Computer equipment	34,494	1,907	(64)	36,337	27,776	4,045	(60)	31,761	4,576	25
Vehicles	56,607	17,546	(19,537)	54,616	27,823	6,050	(11,318)	22,555	32,061	20
	176,220	143,487	(20,047)	299,660	111,119	19,064	(11,776)	118,407	181,253	

5.1.1 These include operating assets amounting to Rs. 57.84 million (2016: Rs. 35.05 million) having nil book value as at year end.

5.1.2 Depreciation has been allocated as follows:

	2017	2016
	Rupees in thousands	
Management expenses	**16,881**	18,075
Window Takaful Operations - Operator's Fund	**1,423**	989
	18,304	19,064

Notes to the Financial Statements
For the year ended 31 December 2017

5.1.3 Disposal of property and equipment

		2017				
Particulars	**Particulars of buyer**	**Cost**	**Net book value**	**Sale proceeds**	**Gain / (loss) on disposal**	**Mode of disposal**
		----------Rupees----------				
Vehicles						
Toyota GLI (LED-09-2096)	Muhammad Arshad	1,466,013	366,503	966,956	600,453	Auction
Toyota GLI (LED-09-2082)	Rafay Afzal Chaudhry	1,416,013	354,003	869,565	515,562	Auction
Honda City (LEC-10-2130)	Muhammad Arshad	1,328,315	332,079	980,000	647,921	Auction
Suzuki Cultus (LEC-12-5038)	Muhammad Arshad	1,018,650	254,662	661,739	407,077	Auction
Suzuki Mehran VXR (BGQ-706)	Muhammad. Faheem Rasheed	777,580	651,223	600,000	(51,223)	Auction
Suzuki Mehran VXR (BGQ-716)	Rehan Ahmed	777,580	641,503	510,434	(131,069)	Auction
Various motor bikes	Muhammad Arshad	255,327	63,932	71,305	7,373	Auction
Others						
Various office equipment	Muhammad Arshad	453,521	45,175	110,715	65,540	Auction
Miscellaneous assets		2,929,854	74,248	176,698	102,450	Auction
		10,422,853	**2,783,328**	**4,947,412**	**2,164,084**	

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2016						
Particulars	Particulars of buyer	Cost	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal
		------------------Rupees------------------				
Vehicles						
Audi A3	M/s. IGI Insurance Ltd	3,873,500	3,582,987	3,582,987	-	Auction
BMW - 3 series	Muhammad Arshad	4,820,000	1,205,000	1,826,000	621,000	Auction
Honda City	Salman Mohammadi	1,689,555	696,942	1,336,470	639,528	Auction
Honda Civic	M/s. IGI Insurance Ltd	1,700,000	616,250	616,250	-	Auction
Suzuki Cultus	Iqbal Hassan	1,038,050	428,195	752,000	323,805	Auction
Toyota Corolla GLI	Muhammad Arshad	1,525,500	381,375	871,000	489,625	Auction
Honda City Vario	Zeeshan Abdullah	911,500	227,875	876,000	648,125	Auction
Suzuki Cultus	Nadeem Ali	690,000	172,500	468,000	295,500	Auction
Suzuki Alto	Nadeem Ali	686,000	171,500	464,000	292,500	Auction
Suzuki Cultus	Shabbeer Hussain	647,000	161,750	466,200	304,450	Auction
Suzuki Mehran	Kashif Waseem	539,405	134,851	382,800	247,949	Auction
Suzuki Mehran	Kashif Waseem	534,355	133,589	377,300	243,711	Auction
Suzuki Mehran	Nadeem Ali	456,666	114,166	337,000	222,834	Auction
Honda CG-125	Muhammad Arshad	106,410	93,109	75,500	(17,609)	Auction
Various vehicles	Various parties	318,702	98,088 `	110,200	12,112	Auction
Others						
Various Computer Equipment	Various parties	64,300	4,019	10,000	5,981	Auction
Various Office Equipment	Various parties	397,740	19,256	48,000	28,744	Auction
Various Furniture and Fixtures	Various parties	47,546	27,383	4,000	(23,383)	
		20,046,229	8,268,835	12,603,707	4,334,872	

		Note	2017	2016
5.2	**Capital work in progress**	*Note*	**Rupees in thousand**	
	Advances to suppliers	*5.2.1*	**1,224**	742

5.2.1 This mainly pertains to advance given in respect of 'Management Information System' to a software house.

Notes to the Financial Statements
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		2017	2016
6	**Intangible assets**	**Rupees**	Rupees
	Cost		
	Cost as at 01 January	**14,645**	14,645
	Additions during the year	**2,853**	-
	Cost as at 31 December	**17,498**	14,645
	Accumulated amortization		
	Accumulated amortization as at 01 January	**13,110**	11,774
	Amortization charged during the year	**952**	1,336
	Accumulated amortization as at 31 December	**14,062**	13,110
	Net book value as at 31 December	**3,436**	1,535
	Rate of amortization	**25%**	25%

6.1 These include intangible assets amounting to Rs. 12.58 million (2016: Rs. 11.44 million) having nil book value as at year end.

		2017			2016		
	Note	**Cost**	**Impairment/ Provision**	**Carrying value**	Cost	Impairment/ Provision	Carrying value
7 Investments in equity securities		(Rupees in thousand)					
							Restated
7.1 Available for sale - Quoted							
Related parties							
Listed shares	*7.1.1*	**6,841**	**-**	**6,841**	7,601	-	7,601
Mutual funds		**-**	**-**	**-**	90,000	-	90,000
Others							
Listed shares	*7.1.2*	**113,061**	**-**	**113,061**	246,578	(409)	246,169
		119,902	**-**	**119,902**	344,179	(409)	343,770
Unrealized gain on revaluation		**-**	**-**	**951**	-	-	52,160
		119,902	**-**	**120,853**	344,179	(409)	395,930

Notes to the Financial Statements
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7.1.1 Related parties

Shares / Units 2017	Shares / Units 2016	Company / Fund name	Face value per share / unit	Cost 2017	Cost 2016	Market Value 2017	Market Value 2016
--------Number--------				------------------- (Rupees in thousand)	-------------------		
315,000.00	350,000	Bank Alfalah Limited*	10	**6,841**	7,601	**13,388**	13,286
-	569,542	Alfalah GHP Stock Fund	100	**-**	90,000	**-**	90,000
				6,841	97,601	**13,388**	103,286

7.1.2 Others

Shares / Units 2017	Shares / Units 2016	Company / Fund name	Face value per share / unit	Cost 2017	Cost 2016	Market Value 2017	Market Value 2016
		Commercial Banks					
19,400	61,400	Bank Al Habib Limited	10	**742**	2,349	1,132	3,622
69,083	69,083	United Bank Limited	10	**12,995**	12,997	12,985	16,504
45,000	105,000	Habib Bank Limited	10	**9,506**	24,399	7,519	28,691
48,500	65,000	Mcb Bank Limited	10	**10,406**	14,008	10,298	15,458
-	200,000	National Bank Of Pakistan	10	**-**	14,647	-	14,978
63,600	60,000	Meezan Bank Limited	10	**3,739**	3,558	4,267	4,087
		Engineering					
22	248,022	Amreli Steels Limited	10	**1**	15,574	2	16,516
-	96,000	International Industries Limited	10	**-**	14,005	-	19,558
60,000	-	International Steels Limited	10	**7,509**	-	6,383	-
		Cement					
11,500	4,850	Lucky Cement	10	**7,259**	2,956	5,950	4,201
42,400	-	Cherat Cement Company Limited	10	**6,224**	-	4,703	-
30,500	52,900	Pioneer Cement Limited	10	**2,608**	6,168	1,926	7,517
4,375	-	Maple Leaf Cement Factory Limited	10	**286**	-	299	-
		Fertilizers					
21,600	12,500	Engro Corporation Ltd.	10	**6,365**	3,732	5,934	3,951
-	60,000	Fauji Fertilizer Bin Qasim Ltd.	10	**-**	3,259	-	3,072
-	47,500	Fauji Fertilizer Company	10	**-**	5,622	-	4,957
12,500	108,000	Engro Fertilizer Ltd.	10	**726**	8,144	846	7,341
		Pharmaceuticals					
9,524	23,000	High Noon Laboratories Ltd.	10	**4,858**	14,774	4,065	14,698
		Automobile Assembler					
3,160	-	Indus Motor Company Limited	10	**5,600**	-	5,309	-
-	14,000	Thal Limited	10	**-**	5,038	-	7,119
		Power generation and distribution					
74,000	74,000	Kot Addu Power Company Limited	10	**3,639**	3,639	3,989	5,832
2,500	55,500	Nishat Power Limited	10	**89**	1,955	85	3,557
-	45,000	Engro Powergen Qadirpur	10	**-**	1,302	-	1,564
-	100,000	Pakgen Power Limited	10	**-**	2,226	-	2,678
120,000	120,000	Hub Power Company Limited	10	**10,101**	10,101	10,920	14,818
		Oil & Gas Exploration Companies					
3,600	117,100	Oil And Gas Development Company Ltd.	10	**536**	16,917	586	19,363
500	40,000	Pakistan Oil Fields Limited	10	**262**	18,479	298	21,384
5,000	-	Pakistan Petroleum Limited	10	**928**	-	1,029	-
-	125,000	Hi-Tech Lubricants Limited	10	**-**	11,088	-	14,359
5,500	17,500	Mari Petroleum Company Limited	10	**5,970**	18,994	7,979	24,060
		Refinery					
-	30,000	Attock Refinery Limited	10	**-**	10,238	-	12,759
		Oil & Gas Marketing Companies					
70,000	-	Sui Northern Gas Pipelines	10	**8,096**	-	6,623	-
14,800	-	Pakistan State Oil	10	**4,616**	-	4,339	-
		Value as at 31 December		**113,061**	**246,169**	**107,466**	**292,644**
		Grand Total		**119,902**	**343,770**	**120,853**	**395,930**

* 200,000 (2016: 200,000) shares are pledged with National Clearing Company of Pakistan Limited (NCCPL) as exposure margin.

Notes to the Financial Statements
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8 Investments in debt securities	Note	2017	2016
		(Rupees in thousand)	
Treasury Bills - held for trading	8.1	**428,581**	352,363
Pakistan investment bonds - held to maturity	8.2	**25,008**	49,815
		453,589	402,178

8.1 These represent Rs. 430 million (2016: Rs. 1,150 million) Treasury Bills having face value of Rs. 100 each, maturing within 12 months as at year end.

8.2 Details of Pakistan Investment Bonds are as follow:

Maturity	Effective Yield %	2017	2016
		(Rupees in thousand)	
19 July, 2017	9.81%	**-**	24,000
26 March, 2018	7.77%	**20,000**	20,000
26 March, 2018	7.77%	**5,000**	5,000
		25,000	49,000

8.3 Treasury Bills having face value of Rs. 5 million (2016: Rs. 5 million) and market value of Rs. 4.90 million (2016: 4.90 million), and Pakistan Investment Bonds having face value of Rs. 25 million (2016: Rs. 49 million) and market value of Rs. 25.15 million (2016: Rs.50.46 million) respectively are held with State Bank of Pakistan as security deposit.

9 Investments in term deposits	Note	2017	2016
Term Deposit Receipt - maturing within 12 months	9.1	**2,000**	2,000
Impairment		**(2,000)**	(2,000)
		-	-

9.1 These includes term deposit receipt (TDRs) purchased from Trust Investment Bank of Rs. 2 million (2016: Rs. 2 million) matured in 2013. Impairment has been charged due to uncertaininty surrounding the recoverability of the amount.

10 Loans and other receivables	2017	2016
	(Rupees in thousand)	
Considered good		
Accrued investment income	**1,047**	2,046
Security deposits	**4,698**	4,698
Loan to employees	**3,419**	4,114
Insurance claim receivable	**189**	146
Receivable from Shareholders' fund	**20,338**	4,783
Federal insurance fee receivable	**-**	8,931
Other advances	**3,828**	2,287
	33,519	27,005

Notes to the Financial Statements
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		Note	2017	2016
11	**Insurance / reinsurance receivables**		**(Rupees in thousand)**	
	Unsecured and considered good			
	Due from insurance contract holders		**554,808**	585,711
	Provision for impairment of receivables from insurance contract holders	*11.1*	**(18,594)**	(14,352)
			536,214	571,359
	Due from other insurers / reinsurers		**112,750**	136,248
			648,964	707,607

11.1 Provision for impairment for receivables

	2017	2016
Balance as at 01 January	**14,352**	12,959
Addition made during the year	**4,242**	1,393
Balance as at 31 December	**18,594**	14,352

12 Deferred tax

This represent deferred tax asset on deductible temporary differences in respect of fixed assets.

		Note	2017	2016
			(Rupees in thousand)	
13	**Prepayments**			
	Prepaid reinsurance premium ceded	*22*	**326,253**	306,902
	Prepaid rent		**6,456**	7,818
	Prepaid miscellaneous expenses		**1,504**	2,679
			334,213	317,399
14	**Cash and bank**			
	Cash and cash equivalent			
	Cash in hand		**239**	548
	Revenue stamps		**533**	823
			772	1,371
	Cash at bank			
	Current accounts			
	- Local currency		**76,293**	99,051
	- Foreign currency		**363**	345
			76,656	99,396
	Savings accounts	*14.1*	**687,831**	273,999
			764,487	373,395
			765,259	374,766

14.1 The balance in saving accounts carry mark-up at the rate of 3.82% to 8.25% per annum (2016: 5.25% to 5.75%)

14.2 Cash at bank deposits includes an amount of Rs. 695.37 million (2016: Rs. 327.92 million) held Bank Alfalah, an associated undertaking.

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		2017	2016
15	**Window Takaful Operations**	---- (Rupees in thousand) ----	
	Operator's Fund		
	Assets:		
	Cash and bank deposits	**48,825**	22,536
	Qard e Hasna to Participant Takaful Fund	**25,000**	20,000
	Assets - Others	**33,355**	37,737
	Total assets	**107,180**	80,273
	Total Liabilities - Current	**49,646**	28,383

15.1 Window Takaful Operations

Profit and loss account	2017	2016
Wakala fee	**43,135**	16,066
Commission expense	**(9,146)**	(2,818)
Management expense	**(24,505)**	(8,325)
Net investment income	**1,362**	1,958
Other expenses	**(2,436)**	(4,991)
Profit before tax from Window Takaful Operations	**8,410**	1,890
Taxation	**(2,702)**	-
Profit from after tax from Window Takaful Operations	**5,708**	**1,890**

Details of assets, liabilities and segment disclosures of Window Takaful Operations are stated in the annexed financial statements of Window Takaful Operations.

16 Share Capital

16.1 Authorized Capital

2017	2016		2017	2016
(Number of shares)			(Rupees in thousand)	
50,000,000	50,000,000	Ordinary share of Rs.10 each	**5,000,000**	5,000,000

16.2 Issued, subscribed and paid-up share capital

2017	2016		2017	2016
(Number of shares)			(Rupees in thousand)	
30,000,000	30,000,000	Ordinary shares of Rs. 10 each fully paid in cash	**300,000**	300,000
20,000,000	20,000,000	Ordinary shares of Rs. 10 each, issued as fully paid bonus shares	**200,000**	200,000
50,000,000	50,000,000		**500,000**	500,000

16.3 As at 31 December 2017, Bank Alfalah and Sheikh Nahayan Mubarak Al Nahayan held 14,997,825 (2016: 14,997,825 and 12,497,823 (2016: 12,497,823) ordinary shares of Rs. 10 each fully paid of the Company, respectively.

		2017	2016
17	**Reserves**	(Rupees in thousand)	
	Capital reserves		
	Share deposit money	**1,381**	1,381
	Revenue reserves		
	General reserves	**150,000**	150,000
	Fair value reserves	**951**	52,160
		152,332	203,541

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		2017	2016
		(Rupees in thousand)	
18	**Retirement benefits obligations**		
	Staff gratuity	**4,220**	1,962

Gratuity plan entitles an eligible employee to receive a lump sum amount equal to last drawn eligible salary multiply by number of eligible years of service with the Company at the time of cessation of employment. An eligible employee means a permanent employee who has successfully completed minimum five years of service with the Company. Eligible salary means monthly basic salary of the eligible employee at the time of cessation of employment.

Gratuity plan is administered through separate fund that is legally separated from the Company. The Trust of the fund comprises of four employees, out of which one employee is the Chair. The Trustees of the funds are required by law to act in the best interests of the plan participants and are responsible for making all the investments and disbursements out of the funds.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk and market (investment) risk.

These defined benefit plan is fully funded by the Company. The funding requirements are evaluated by the management using the funds' actuarial measurement framework set out in the funding policies of the plans. The funding is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from time to time. Employees are not required to contribute to gratuity plan.

The Company is responsible to manage the deficit in the defined benefit obligation towards fair value of the plan assets. The Company has devised an effective periodic contribution plan to maintain sufficient level of plan assets to meet its obligations. Further, the Company also performs regular maturity analysis of the defined benefit obligation and manage its contributions accordingly.

		2017	2016
18.1	**Balance Sheet Reconciliation**	(Rupees in thousand)	
	The amounts recognized in the balance sheet are as follows:		
	Present value of defined benefit obligations	**53,202**	43,820
	Fair value of plan assets	**(48,982)**	(41,858)
	Recognized liability	**4,220**	1,962
18.1.1	**Movement in the defined benefit obligations**		
	Obligation as at 01 January	**43,820**	36,749
	Current service cost	**6,442**	4,772
	Interest cost	**3,432**	3,246
	Actuarial losses	**1,366**	403
	Benefits paid	**(1,858)**	(1,350)
	Obligation as at 31 December	**53,202**	43,820
18.1.2	**Movement in the fair value of plan assets**		
	Fair value as at 01 January	**41,858**	33,663
	Expected return on plan assets	**3,544**	3,309
	Actuarial losses	**(1,297)**	(1,340)
	Employer contributions	**6,735**	7,576
	Benefits paid	**(1,858)**	(1,350)
	Fair value as at 31 December	**48,982**	41,858

Notes to the Financial Statements
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18.1.3 Cost

	2017	2016
	(Rupees in thousand)	
Current service cost	**6,442**	4,772
Interest cost	**3,432**	3,246
Expected return on plan assets	**(3,544)**	(3,309)
Expense	**6,330**	4,709
Actual return on plan assets	**2,247**	1,969

Principal actuarial assumptions used are as follows:

	2017	2016
Discount rate and expected return on plan assets per annum - %	**8.25%**	8.00%
Future salary increases - %	**7.25%**	7.00%
Net retirement age	**60**	60
Mortality rates	**SLIC 2001-05**	SLIC 2001-05
Withdrawal rate	**Moderate**	Moderate
Effective salary increase timing	**1st January 2018**	1st January 2017

Comparison for five years:

	2017	2016	2015	2014	2013
	------------------------------ (Rupees in thousand) ------------------------------				
As at December 31					
Present value of defined benefit obligation	**53,203**	43,821	36,749	29,918	24,259
Fair value of plan assets	**(48,983)**	(41,858)	(33,663)	(29,912)	(21,705)
Deficit	**4,220**	1,963	3,086	6	2,554

Experience adjustments

	2017	2016	2015	2014	2013
Gain / loss) on plan assets (as percentage of plan assets)	**2.57%**	3.20%	3.08%	3.03%	1.82%
Gain / loss) on plan assets (as percentage of obligations)	**2.65%**	0.52%	4.00%	-4.42%	7.99%

	2017		2016	
	Rupees In Thousand	**%**	Rupees In Thousand	%
Plan assets comprise of the following:				
Equity	**663**	**1.35%**	617	1.47%
Debt				
Others including (cash and bank balances)	**48,320**	**98.65%**	41,241	98.53%
	48,983	**100.00%**	41,858	100%

Notes to the Financial Statements
For the year ended 31 December 2017

		Note	2017	2016
			(Rupees in thousand)	
19	**Insurance / reinsurance payable**			
	Due to other insurers / reinsurers		**397,347**	381,208
20	**Other creditors and accruals**			
	Agent commission payable		**144,556**	108,422
	Cash margin against performance bonds		**5,247**	17,082
	Federal excise duty and Sales tax		**22,608**	27,906
	Federal Insurance Fee		**1,351**	-
	Workers' welfare fund		**15,003**	15,003
	Accrued expenses	*20.1*	**97,525**	84,807
	Tax deducted at source		**10,743**	10,168
	Others	*20.2*	**10,968**	6,454
			308,001	269,842

20.1 Accrued expenses

This mainly includes provision for bonus payable to employees of Rs. 30.66 million (2016: Rs. 29.77 million)

20.2 Unclaimed insurance benefits

Others include unclaimed insurance benefits of Rs. 2.92 million (2016: Rs. 1.56 million), aging of which is given below:

	Age-wise breakup of unclaimed insurance benefits					
	1 to 6 months	**7 to 12 months**	**13 to 24 months**	**25 to 36 months**	**beyond 36 months**	Total
		(Rupees in thousand)				
Claims not uncashed - 2017	-	1,133	494	534	766	2,927

	Age-wise breakup of unclaimed insurance benefits					
	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	beyond 36 months	Total
		(Rupees in thousand)				
Claims not uncashed - 2016	-	232	565	609	162	1,568

21 Contingencies and commitments

21.1 Contingencies

<u>Income tax - Tax Year 2011</u>

The Company’s appeal against order passed, raising a tax demand of Rs. 121.55 million under section 122(5A) of the Ordinance was disposed of by Commissioner Inland Revenue (Appeals - I) ['CIR(A)'] through order dated 14 September 2017 for tax year 2011. While, a substantial amount of relief was allowed on issues decided in Company’s favor by CIR(A) reducing the demand to Rs. 69.37 million, the treatment earlier accorded was repeated in respect of remaining issues. The Company has assailed the order in appeal before Appellate Tribunal Inland Revenue [‘Tribunal’], however, such appeal has not yet come up for hearing before Tribunal and is as such pending. As per Company's tax advisor, the appeal is likely to be decided in favor of the Company.

21.2 Commitments

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

	2017	2016
	(Rupees in thousand)	
Not later than one year	**7,690**	10,832
Later than one year and not later than five years	**8,769**	19,997
Later than five years	**4,763**	5,972
	21,222	36,801

Notes to the Financial Statements
For the year ended 31 December 2017

22	Net insurance premium	2017	2016
		---- (Rupees in thousand) ----	
	Written gross premium	**2,082,006**	1,924,317
	Unearned premium reserve as at 01 January	**628,930**	575,991
	Unearned premium reserve as at 31 December	**(673,331)**	(628,930)
	Premium earned	**2,037,605**	1,871,378
	Reinsurance premium ceded	**(1,013,734)**	(983,297)
	Prepaid reinsurance premium as at 01 January	**(306,902)**	(278,397)
	Prepaid reinsurance premium as at 31 December	**326,253**	306,902
	Reinsurance expense	**(994,383)**	(954,792)
		1,043,222	916,586

23	Net insurance claims	2017	2016
	Claims paid	**711,734**	861,774
	Outstanding claims including IBNR as at 31 December	**568,892**	485,892
	Outstanding claims including IBNR as at 01 January	**(485,892)**	(499,376)
	Claims expense	**794,734**	848,290
	Reinsurance and other recoveries received	**(243,167)**	(359,597)
	Reinsurance and other recoveries in respect of outstanding claims as at 31 December	**(388,434)**	(307,497)
	Reinsurance and other recoveries in respect of outstanding claims as at 01 January	**307,497**	311,880
	Reinsurance and other recoveries revenue	**(324,104)**	(355,214)
		470,630	493,076

23.1 Claim Development

The following table shows the development of fire, marine and others including miscellaneous claims over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For other classes of business the uncertainty about the amount and timings of claims payment is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at 31 December 2017.

	Accident year					
	2013	**2014**	**2015**	**2016**	**2017**	**Total**
Estimated of ultimate claims cost						
At the end of accident year with IBNR	390,699	373,502	295,983	476,945	412,866	1,949,995
One year later	337,945	331,112	231,972	436,905	-	1,337,934
Two years later	319,113	298,132	219,488	-	-	836,733
Three years later	316,417	296,984	-	-	-	613,401
Four years later	316,153	-	-	-	-	316,153
Current estimate of cumulative claims	316,153	296,984	219,488	436,905	412,866	1,682,396
Cumulative payments to date	(296,476)	(279,377)	(210,355)	(405,096)	(103,663)	(1,294,967)
Liability recognized	**19,677**	**17,607**	**9,133**	**31,809**	**309,203**	387,429

24	Net commission / acquisition expense / (income)	2017	2016
		(Rupees in thousand)	
	Commission paid or payable	**395,313**	252,864
	Deferred commission expense as at 01 January	**54,274**	37,390
	Deferred commission expense as at 31 December	**(86,770)**	(54,274)
	Net commission	**362,817**	235,980
	Commission received or recoverable	**(290,257)**	(274,773)
	Unearned reinsurance commission as at 01 January	**(66,307)**	(60,543)
	Unearned reinsurance commission as at 31 December	**82,088**	66,308
	Commission from reinsurance	**(274,476)**	(269,008)
		88,341	(33,028)

Notes to the Financial Statements
For the year ended 31 December 2017

	Note	**2017**	2016
		---- (Rupees in thousand) ----	
25 Management expenses			
Employee benefit cost	*25.1*	**214,574**	207,108
Travelling expenses		**7,328**	7,847
Advertisement and sales promotion		**1,997**	1,274
Printing and stationery		**6,799**	5,956
Depreciation	*5.1.2*	**16,881**	18,139
Amortization		**878**	1,271
Rent, rates and taxes		**18,939**	22,105
Electricity, gas and water		**5,582**	7,176
Vehicle running expenses		**12,650**	12,029
Office repairs and maintenance		**7,740**	10,820
Bank charges		**1,426**	507
Postages, telegrams and telephone		**8,252**	8,287
Annual supervision fee SECP		**3,091**	2,661
Fee and subscription		**2,725**	2,424
Tracker expense		**58,115**	49,085
Training and development		**2,554**	4,484
Inspection fee		**2,288**	2,248
Bad and doubtful debts	*11.1*	**4,242**	1,393
Miscellaneous expenses		**7,497**	5,556
		383,559	370,370

25.1 Employee benefit cost

	2017	2016
Salaries, allowances and other benefits	**201,090**	193,278
Charges for post employment benefits	**13,484**	13,830
	214,574	207,108

25.2 Management expenses amounting to Rs.16.90 million (2016: Rs. 4.08 million) have been allocated to Window Takaful Operations Operators fund.

	2017	2016
	---- (Rupees in thousand) ----	
26 Investment income		
26.1 Income from equity securities		
Dividend income		
- Available for sale	**15,032**	23,827
- Held for trading	**-**	1,366
	15,032	25,193
26.2 Income from debt securities		
- Held to maturity		
Return on Pakistan Investment Bonds	**2,879**	4,855
Balance carried forward	**17,911**	30,048

Notes to the Financial Statements
For the year ended 31 December 2017

		2017	2016
		---- (Rupees in thousand) ----	
	Balance brought forward	**17,911**	30,048
26.3	**Net realized gains on investments**		
	- Available for sale		
	Realized gains on equity securities	**12,635**	53,137
	- Held for trading		
	Realized gains on debt securities	**16,857**	12,707
		29,492	65,844
26.4	**Net unrealized gains on investments**		
	- Held for trading		
	Net un-realized gains on investments at fair value through profit or loss	**5,042**	2,193
	Total investment income	**52,445**	98,085
	- Impairment of available for sale securities		
	Equity securities	**-**	(409)
	- Investment related expenses	**(3,589)**	(1,167)
		48,856	96,509

		2017	2016
27	**Other Income**		
	Return on bank balances	**27,606**	18,461
	Gain on disposal of fixed assets	**2,164**	4,371
	Other	**262**	66
		30,032	22,898
28	**Other expenses**		
	Insurance expenses	**4,939**	4,963
	Legal and professional fee	**2,378**	3,356
	Auditor's remuneration	**1,573**	1,573
	Donation	**10**	500
	Security expense	**2,083**	2,006
	Miscellaneous expenses	**112**	91
		11,095	12,489

28.1 Other expenses amounting to Rs.0.80 million (2016: Rs. 0.36 million) have been allocated to Window Takaful Operations Operators fund.

		2017	2016
28.2	**Auditors' remuneration**	---- (Rupees in thousand) ----	
	Statutory audit fee	**591**	591
	Half yearly review	**263**	263
	Statutory returns	**131**	131
	Certification and sundry services	**438**	456
	Out of pocket expenses	**150**	132
		1,573	1,573

Notes to the Financial Statements
For the year ended 31 December 2017

	2017	2016
29 Taxation	**---- (Rupees in thousand) ----**	
Current Tax:		
Current year	**55,027**	66,255
Prior years	**-**	784
	55,027	67,039
Deferred Tax:		
- Permanent differences	**(1,164)**	-
- Exempt income	**-**	(1,388)
- Change in tax rate	**(8)**	(49)
	(1,172)	(1,437)
	53,855	65,602

29.1 Relationship between tax expense and accounting profit

A numerical reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate

	2017	2016
	---- (Rupees in thousand) ----	
Accounting profit	**176,895**	194,975
Tax at the applicable rate of 30% (2016: 31%)	**53,069**	60,442
Tax effect of amounts that are:		
- Related to permanent differences	**795**	-
- Exempt for tax purposes	**-**	4,425
- Chargeable to tax at different rates	**(8)**	(49)
Prior year adjustment	**-**	784
	787	5,160
Tax expense	**53,856**	65,602

30 Earnings per share - basic and diluted

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

	2017	2016
	---- (Rupees in thousand) ----	
Net profit after tax for the year	**123,040**	129,374
	Number of shares	
Weighted average number of shares of Rs. 10 each	**50,000,000**	50,000,000
	-------------- (Rupees) ------------	
Basic earnings per share	**2.46**	2.59

30.1 There is no dilution in basic earnings per share as the Company has not issued any instrument which would have an impact on earnings per share when exercised.

Notes to the Financial Statements
For the year ended 31 December 2017

31 Remuneration of Directors, Chief Executive and Key management personnel:

The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the Directors, Chief Executive and Key Management Personnel of the Company is as follows:

	Chief Executive Officer		Directors		Key Management Personnel	
	2017	2016	**2017**	2016	**2017**	2016
	(Rupees in thousand)					
Managerial remuneration	**20,030**	18,376	-	-	**62,011**	54,832
Leave fare assistance	**500**	421	-	-	**1,317**	1,032
Bonus	**9,063**	8,410	-	-	**10,078**	9,055
Charge for defined benefit plan	**887**	643	-	-	**2,496**	1,713
Contribution to defined contribution plan	**1,002**	918	-	-	**2,925**	2,425
Rent and house maintenance	**4,238**	3,347	-	-	**-**	-
Vehicle allowance	**-**	-	-	-	**6,285**	5,165
Other perquisites and allowances	**465**	55	-	-	**878**	652
	36,185	32,170	-	-	**85,990**	74,874
	(Number)					
	1	1	**7**	7	**34**	32

In addition, the Chief Executive and certain other executives of the Company were also provided with Company maintained cars. Chief Executive was also provided with semi furnished accommodation. No fee was paid to director for attending meetings.

32 Provident fund trust

The Company operates funded contributory provident fund scheme for all its eligible employees. The following information is based on the unaudited fianancial statements of the provident fund for the year ended 31 December 2017:

	2017	2016
	(Rupees in thousand)	
Size of the fund	**81,050**	70,019
Cost of investment made	**80,914**	70,486
Percentage of investments made (based on fair value)	**99.90%**	100.00%
Fair value of investments	**80,965**	70,019

Break up of Investments

Investments out of provident fund have been in accordance with the provisions of Section 227 of the repealed Companies Ordinance, 1984 and the rules formulated for this purpose. The break-up of investments is as follows:

	Percentage Investments as a % size of fund		Fair Value	
	2017	2016	**2017**	2016
			(Rupees in thousand)	
Mutual funds	**2%**	2%	**1,860**	1,733
Interest bearing bank accounts	**98%**	98%	**79,105**	68,799
			80,965	70,532

Notes to the Financial Statements
For the year ended 31 December 2017

33 Transactions with related parties

Related parties comprise of directors, key management personnel, associated companies, entities with common directors and employee retirement benefit funds. The Company, in the normal course of business, carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration of directors, chief executive and key management personnel is disclosed in note 31. Contributions and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan as disclosed in note 18 and 32 of these financial statements, respectively.

Investment in related parties have been disclosed in note 7 to the financial statements. Other transactions with related parties are summarized as follows:

	2017	2016
	---- (Rupees in thousand) ----	
i) Associated Undertakings and other related parties		
Premium written	**451,673**	583,498
Premium received	**545,250**	727,439
Claims paid	**310,154**	375,230
Interest income	**23,499**	17,262
Dividend Income	**3,082**	500
Rent paid	**-**	2,288
Rent expense	**2,522**	2,308
License fees and connection charges	**2,352**	2,712
Expense charged in respect of retirement benefit plans	**11,995**	10,909
Investment Advisory Fee	**3,487**	1,002
Investments purchased	**3,082**	489,221
Investments sold	**93,842**	541,984
Key management personnel		
Premium written	**70**	75
Claims paid	**102**	-
ii) Period end balances		
Associated Undertakings and other related parties		
Premium receivable from related parties	**117,182**	176,492
Provision for outstanding claims	**122,012**	210,172
Internet charges payable	**5,614**	3,182
Key Management Personnel		
Premium receivable	**140**	58
Provision for outstanding claims	**46**	248

All transactions with related parties have been carried out on commercial terms and conditions.

Notes to the Financial Statements
For the year ended 31 December 2017

34 Segment Reporting

Each class of business has been identified as reportable segment. The following is a schedule of class of business wise assets, liabilities, revenue and results have been disclosed in accordance with the requirements of the Insurance Ordinance, 2000, the Insurance Rules, 2017 and Insurance Accounting Regulations, 2017:

	31 December 2017					
	Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident & Health	Miscellaneous	Total
	(Rupees in thousand)					
Premium receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	443,290	174,501	531,375	538,273	653,585	**2,341,023**
Federal Excise Duty	(54,713)	(20,379)	(70,673)	(36,877)	(55,576)	**(238,217)**
Federal Insurance Fee	(3,734)	(1,556)	(4,605)	(4,964)	(5,942)	**(20,801)**
Gross Written Premium (inclusive of Administrative Surcharge)	**384,843**	**152,566**	**456,097**	**496,432**	**592,067**	**2,082,005**
Gross direct premium	365,819	147,964	439,974	496,227	586,509	**2,036,492**
Facultative inward premium	16,734	201	187	-	2,996	**20,118**
Administrative surcharge	2,290	4,401	15,936	205	2,562	**25,395**
	384,843	**152,566**	**456,097**	**496,432**	**592,067**	**2,082,005**
Insurance premium earned	401,727	156,890	413,274	501,348	564,366	**2,037,605**
Insurance premium ceded to reinsurers	(364,652)	(135,607)	(28,449)	(58,658)	(407,017)	**(994,383)**
Net insurance premium	**37,075**	**21,283**	**384,825**	**442,690**	**157,349**	**1,043,222**
Commission income	90,182	34,885	2,292	7,767	139,350	**274,476**
Net underwriting income	**127,257**	**56,168**	**387,117**	**450,457**	**296,699**	**1,317,698**
Insurance claims	(159,401)	(26,234)	(194,542)	(252,746)	(161,811)	**(794,734)**
Insurance claims recovered from reinsurers	139,621	23,027	13,792	5,803	141,861	**324,104**
Net claims	(19,780)	(3,207)	(180,750)	(246,943)	(19,950)	**(470,630)**
Commission expense	(65,224)	(26,313)	(31,334)	(137,037)	(102,909)	**(362,817)**
Management expense	(60,156)	(23,848)	(129,409)	(77,599)	(92,547)	**(383,559)**
Premium deficiency reserve	-	-	-	-	-	-
Net insurance claims and expenses	**(145,160)**	**(53,368)**	**(341,493)**	**(461,579)**	**(215,406)**	**(1,217,006)**
Underwriting results	**(17,903)**	**2,800**	**45,624**	**(11,122)**	**81,293**	**100,692**
Net investment income						**48,856**
Rental income						**-**
Other income						**30,032**
Other expenses						**(11,095)**
Finance costs						**-**
Profit from window takaful operations						**8,410**
Profit before tax						**176,895**
Segment assets	548,289	97,763	110,282	532,486	161,598	**1,450,418**
Unallocated assets						**1,700,065**
						3,150,483
Segment liabilities	541,433	163,063	366,313	537,802	102,547	**1,711,158**
Unallocated liabilities						**384,908**
						2,096,066

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	31 December 2016					
	Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident & Health	Miscellaneous	Total
	(Rupees in thousand)					
Premium receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	510,157	146,009	450,683	488,370	574,499	2,169,719
Less : Federal Excise Duty	(68,990)	(17,196)	(60,551)	(15,316)	(64,196)	(226,249)
Federal Insurance Fee	(4,309)	(1,277)	(3,866)	(4,684)	(5,018)	(19,154)
Gross Written Premium (inclusive of Administrative Surcharge)	436,858	127,536	386,266	468,370	505,285	1,924,316
Gross Direct Premium	423,843	123,554	371,924	468,167	499,663	1,887,152
Facultative inward premium	10,861	-	-	-	4,046	14,907
Administrative Surcharge	2,154	3,982	14,342	203	1,576	22,257
	436,858	127,536	386,266	468,370	505,285	1,924,316
Insurance premium earned	465,507	136,294	400,261	456,127	413,189	1,871,378
Insurance premium ceded to reinsurers	(418,126)	(117,366)	(17,001)	(31,919)	(370,380)	(954,792)
Net insurance premium	47,381	18,928	383,260	424,208	42,809	916,586
Commission income	96,957	30,164	650	4,815	136,422	269,008
Net underwriting income	144,338	49,092	383,910	429,023	179,231	1,185,594
Insurance claims	(158,685)	(53,321)	(161,628)	(310,076)	(164,580)	(848,290)
Insurance claims recovered from reinsurers	152,277	49,329	726	3,857	149,025	355,214
Net claims	(6,408)	(3,992)	(160,902)	(306,219)	(15,555)	(493,076)
Commission expense	(57,771)	(22,324)	(28,239)	(62,755)	(64,891)	(235,980)
Management expense	(72,939)	(21,294)	(113,574)	(78,200)	(84,363)	(370,370)
Net insurance claims and expenses	(137,118)	(47,610)	(302,715)	(447,174)	(164,809)	(1,099,426)
Underwriting results	7,220	1,482	81,195	(18,151)	14,422	86,168
Net investment income						96,509
Rental income						-
Other income						22,898
Other expenses						(12,489)
Finance costs						-
(Loss) from window takaful operations						1,890
Profit before tax						194,976
Segment assets	549,528	88,701	75,850	71,966	590,235	1,376,280
Unallocated assets						1,484,306
						2,860,586
Segment liabilities	487,766	(36,291)	309,348	103,951	697,564	1,562,338
Unallocated liabilities						1,298,248
						2,860,586

	Held to maturity	Available for sale	Fair value through profit & loss	Total
35 Movement in investments	**(Rupees in thousand)**			
As at beginning of previous year	53,141	124,353	801,283	**978,777**
Additions	-	583,555	1,635,777	**2,219,332**
Disposals (sales and redemptions)	(3,000)	(351,532)	(2,086,891)	**(2,441,423)**
Fair value net gains				**-**
(excluding net realized gains)	-	39,554	2,194	**41,748**
(Discount) on investment bonds	(326)	-	-	**(326)**
Impairment/ (reversal) losses	-	-	-	**-**
At the beginning of the year	49,815	395,930	352,363	**798,108**
Additions	-	141,263	1,459,320	**1,600,583**
Disposals (sales and redemptions)	(24,000)	(365,131)	(1,388,144)	**(1,777,275)**
Fair value net gains				**-**
(excluding net realized gains)		(51,209)	5,042	**(46,167)**
(Discount) on investment bonds	(807)	-	-	**(807)**
Impairment losses	-		-	**-**
At the end of current year	**25,008**	**120,853**	**428,581**	**574,442**

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36 Risk management

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholder from the events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognizes the critical importance of having efficient and effective risk management system in place.

The Company's risk management function is carried out by the Board of Directors (the Board), with its associated committees. This is supplemented with a clear organizational structure with documented delegated authorities and responsibilities from the Board of Directors to the Chief Executive Officer and senior managers.

The Board of Directors meets regularly to approve any commercial, regulatory and organizational decisions. The Chief Executive Officer under the authority delegated from the Board of Directors defines the Company's risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirement.

The risk faced by the Company and the way these risks are mitigated by management are summarized below :

a) Financial risk, categorized into ;

- Credit risk - note 36.1.1
- Liquidity risk - note 36.1.2
- Market risk - note 36.1.3

b) Capital adequacy risk - note 36.2

c) Insurance risk - note 36.3

36.1 Financial risk

The Company's activities exposes it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest / mark-up rate risk and price risk).

The Company's principal financial risk instruments are financial investments, receivables arising from insurance and reinsurance contracts, statutory deposits and cash and cash equivalents. The Company's does not enter into any derivative transactions.

The Company's financial risk focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Financial 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.

36.1.1 Credit risk

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring the following:

a) Credit worthiness of counter party;
b) Sector wise concentration of counter party; and
c) Aging analysis of counter party.

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

Financial assets		**2017**	2016
		(Rupees in thousand)	
Bank balances	-note 36.1.1.1	**764,487**	373,395
Investments		**574,442**	798,108
Due from insurance contract holders	-note 36.1.1.2	**536,214**	571,359
Amount due from other insurers / reinsurers	-note 36.1.1.3	**112,750**	136,248
Accrued investment income		**1,047**	2,046
Reinsurance recoveries against outstanding claims	-note 36.1.1.3	**388,434**	307,497
Loans and Other receivables		**33,519**	27,005
		2,410,893	2,215,658

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

	Rating		**Rating**		
	Short term	**Long term**	**Agency**	**2017**	2016
				(Rupees in thousand)	
Bank Alfalah Limited	A1+	AA+	PACRA	**695,375**	327,927
Habib Bank Limited	N/A	AA+	JCR-VIS	**163**	6,419
The Bank of Punjab	A1+	AA	PACRA	**105**	3,005
Silk Bank Limited	A-2	A-	JCR-VIS	**2**	1
Summit Bank Limited	A-1	A-	JCR-VIS	**2,482**	4,770
Mobilink Micro Finance Bank	A1	A	PACRA	**1,911**	-
Zarai Tarakiati Bank Limited	A1+	AAA	JCR-VIS	**16,746**	-
NRSP Microfinance Bank Limited	N/A	A	PACRA	**44,639**	31,272
Khushhali Microfinance Bank	A-1	A	JCR-VIS	**3,064**	1
				764,487	373,395

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36.1.1.2 The management monitors exposure to credit risk in premium receivable arising from insurance and reinsurance contracts, through regular review of credit exposure and prudent estimates of provision for doubtful receivables. The provision for doubtful receivables amounting to Rs.18.59 million (2016: Rs. 14.35 million) is shown in note 11.1. The figures shown below are exclusive of any provisions made during the year. 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 sector segments.

Sector wise analysis of due from insurance contract holders but unpaid is as follows :

	2017	2016
	(Rupees in thousand)	
Financial institutions	**138,043**	154,328
Telecom sector	**19,448**	74,607
Foods & beverages	**4,862**	6,452
Personal Goods	**12,041**	15,776
Health	**7,251**	4,691
Textile	**76,831**	123,362
Others including miscellaneous	**296,332**	206,495
	554,808	585,711
Provision for impairment of receivables from insurance contract holders	**(18,594)**	(14,352)
	536,214	571,359

The aging analysis of premium due but unpaid can be assessed with the following:

	2017			2016		
	Related parties	**Others**	**Total**	Related parties	Others	Total
	(Rupees in thousand)					
Up to 1 year	**117,176**	**419,291**	**536,467**	167,639	381,322	548,961
1-2 years	**-**	**16,362**	**16,362**	8,853	23,685	32,538
2-3 years	**-**	**1,886**	**1,886**	-	2,407	2,407
Over 3 years	**-**	**93**	**93**	-	1,805	1,805
	117,176	**437,632**	**554,808**	176,492	409,219	585,711

36.1.1.3 The credit quality of amount due from other insurers / reinsurers and reinsurance recoveries against outstanding claims can be assessed with reference to external ratings as follows:

	Amount due from other insurers / reinsurers	**Reinsurance recoveries against outstanding claims**	**Total**
	(Rupees in thousand)		
As at 31 December 2017			
BB+ or above (including PRCL)	**112,750**	**388,434**	**501,184**
BBB and BBB+	**-**		**-**
	112,750	**388,434**	**501,184**
As at 31 December 2016			
BB+ or above (including PRCL)	131,954	307,455	439,409
BBB and BBB+	4,294	42	4,336
	136,248	307,497	443,745

The credit risk of reinsurance recoveries against outstanding claims can be assessed with the following age analysis, estimated in a manner consistent with the provision for outstanding claims, in accordance with the reinsurance contracts:

The age analysis of reinsurance against outstanding claims is shown below:

	2017		2016	
	Reinsurance recoveries against outstanding claims	**Provision for outstanding claims**	Reinsurance recoveries against outstanding claims	Provision for outstanding claims
	(Rupees in thousand)			
Up to 1 year	**300,657**	**455,416**	221,417	372,981
1-2 years	**23,460**	**34,348**	26,636	40,089
2-3 years	**6,199**	**11,458**	30,484	35,243
Over 3 years	**58,118**	**67,670**	28,960	37,579
	388,434	**568,892**	307,497	485,892

Notes to the Financial Statements
For the year ended 31 December 2017

36.1.2 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 and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

On the balance sheet date, the Company has cash and bank deposits and readily marketable securities with insignificant change in value of Rs. 765.259 million (2016: Rs. 374.740 million) and Rs. 428.581 million (2016: Rs. 352.263 million) respectively.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2017			
	Carrying amount	**Contractual cash flows**	**Maturity up to one year**	**Maturity after one year**
	- - - - - - - - (Rupees in thousand) - - - - - - - -			
Provision for outstanding claims	**568,892**	**568,892**	**568,892**	-
Amounts due to other insurers / reinsurers	**397,347**	**397,347**	**397,347**	-
Other creditors and accruals	**308,001**	**308,001**	**308,001**	-
	1,274,240	**1,274,240**	**1,274,240**	**-**

	2016			
	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year
	- - - - - - - - (Rupees in thousand) - - - - - - - -			
Provision for outstanding claims	485,892	485,892	485,892	-
Amounts due to other insurers / reinsurers	381,208	381,208	381,208	-
Accrued expenses	84,807	84,807	84,807	-
Other creditors and accruals	126,745	126,745	126,745	-
	1,078,652	1,078,652	1,078,652	-

36.1.3 Market risk

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

The Company is exposed to market risk with respect to its bank balances deposits and investments.

The Company limits market risk by maintaining a diversified portfolio of money market and equity market and by continuous monitoring of developments in respective markets. The company has formulated a liquidity-risk based investment policy approved by the Board of Directors which contains various guidelines for investment of surplus funds in money market and equity market.

36.1.3.1 Interest rate risk

Interest 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 rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instrument exposes the Company to fair value interest risk.

Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2017 Effective Interest rate %	**Carrying amounts Maturity up to one year**		**Carrying amounts Maturity after one year**	
		2017	2016	**2017**	2016
		(Rupees in thousand)			
Financial assets					
Bank balances	*3.75% to 8.25%*	**687,831**	373,395	-	-

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	2017 Effective Interest rate %	Carrying amounts Maturity up to one year		Carrying amounts Maturity after one year	
		2017	2016	**2017**	2016
		(Rupees in thousand)			
Investments					
Money market funds	*4.56% to 6.16%*	**-**	-	**-**	-
PIB's	*7.76% to 10.12%*	**25,000**	24,000	**-**	25,000
T.Bills	*5.85% to 5.99%*	**428,581**	352,363	**-**	-

Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not effect fair value of any financial instrument. For cash flow sensitivity analysis of variable rate instruments a hypothetical change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit for the year by the amounts shown below.

It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	Increase by 100 bps	Decrease by 100 bps
Impact on profit and loss	(Rupees in thousand)	
As at 31 December 2017		
Cash flow sensitivity-variable rate financial assets	**4,090**	**(4,090)**
As at 31 December 2016		
Cash flow sensitivity-variable rate financial assets	3,289	(3,289)

36.1.3.2 **Price risk**

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark-up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Company is exposed to price risk since it has investments amounting to Rs. 549.43 million (2016: Rs 696.13 million) at the balance sheet date. However the Company has no significant concentration of price risk.

The Company's strategy is to hold its strategic equity investments for long period of time. Thus, Company's management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business, economic and management characteristics of the investee remain favorable.

Sensitivity analysis

The table below summarizes Company's equity price risk as of 31 December 2017 and 31 December 2016 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios.

The impact of hypothetical change on held for trading portfolio would be as follows:

		Fair value	Hypothetical price change	Estimated fair value after hypothetical changes in price	Hypothetical increase/(decrease) in	
					Asset	Profit after tax
					(Rupees in thousand)	
31 December 2017	**Available for sale**	**120,853**	**10% increase**	**132,938**	**12,085**	**8,218**
			10% decrease	**108,768**	**(12,085)**	**(8,218)**
	Held for trading	**428,581**	**10% increase**	**471,439**	**42,858**	**29,144**
			10% decrease	**385,723**	**(42,858)**	**(29,144)**
31 December 2016	Available for sale	395,930	10% increase	435,523	39,593	23,961
			10% decrease	356,337	(39,593)	(23,961)
	Held for trading	352,363	10% increase	387,599	35,236	23,961
			10% decrease	317,127	(35,236)	(23,961)

Notes to the Financial Statements
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36.1.3.3 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company's exposure to exchange rate fluctuation risk is insignificant as it hold liabilities of US $ Nil as at 31 December 2017 (2016: US $ Nil).

36.1.3.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of all financial assets and financial liabilities approximate their fair values, except for certain debt instruments held. The fair values of financial instruments are disclosed in note 37 to these financial statements.

36.2 Capital adequacy risk

The Company's objective when managing capital is 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 other stakeholders; and to maintain a strong capital base to support the sustained development in its businesses.

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

The Company's current paid-up capital is in accordance with the limit prescribed by the SECP vide SRO 89 (1)/2017 .

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

36.3 Insurance risk

The Company's insurance activities are primarily concerned with the pricing, acceptance and management of risks from its customers. In accepting risks the Company is committing to the payment of claims and therefore these risks must be understood and controlled. Disciplined underwriting, encompassing risk assessment, risk management, pricing and exposure control is critical to the Company's success. The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The company is facing three kinds of risk in its insurance activities, namely;

- Premium Risk	-note 36.3.1
- Claim Risk	-note 36.3.2
- Reinsurance Risk	-note 36.3.3

36.3.1 Premium Risk

The underwriting strategy aims to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Pricing is generally based upon risk quality, historical claims frequencies, claims averages, adjusted for inflation and imposition of deductibles. Risk inspections surveys are also conducted before acceptance of larger risks. Underwriting limits and guidelines are in place to enforce appropriate risk selection criteria. For example, the Company does not offer health insurance to walk-in individual customers. Health insurance is generally offered to corporate customers with a large population to be covered under the policy.

The Company manages the insurance risk arising from the geographical concentration of risk with the help of various MIS reports generated from the IT system. For this purpose all critical underwriting information including address lookups and geocoding is punched into the IT system. For example, for catastrophic aggregates, the IT system assigns precise geographic CRESTA (Catastrophe Risk Evaluating and Standardizing Target Accumulations) codes with reference to the accumulation of sum insured in force at any particular location against natural perils. For Marine risks, complete underwriting details, besides sums insured and premiums, like vessel identification, voyage input (sea/air/inland transit), sailing dates, origin and destination of the shipments, per carry limits, etc. are fed into the IT system.

The Company also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. 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 following table demonstrates the class wise concentration of risk on the basis of sum insured:

	Gross sum insured		Net sum insured	
	2017	2016	**2017**	2016
Fire	**45%**	49%	**17%**	16%
Marine	**28%**	24%	**19%**	22%
Motor	**2%**	2%	**15%**	15%
Health	**14%**	10%	**34%**	40%
Others including miscellaneous	**10%**	15%	**16%**	8%
	100%	100%	**100%**	100%

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The following table demonstrates the class wise concentration of risk on the basis of premium :

	Gross premium written		Net premium written	
	2017	2016	**2017**	2016
Fire	**18%**	23%	**4%**	5%
Marine	**8%**	7%	**2%**	2%
Motor	**22%**	20%	**37%**	42%
Health	**24%**	24%	**42%**	46%
Others including miscellaneous	**28%**	26%	**15%**	5%
	100%	100%	**100%**	100%

36.3.2 Claim Risk

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in insurance is inevitably reflected in the financial statements of insurance companies and can be characterized under a number of specific headings, such as;

• Uncertainty as to whether an event has occurred which would give rise to an insured loss.
• Uncertainty as to the extent of policy coverage and limits applicable.
• Uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring.
• Uncertainty over the timing of a settlement to a policyholder for a loss suffered.

Therefore the objective of the Company is to ensure that sufficient reserves are available to cover these uncertainties and in case of any change in estimation due to further development on uncertainty or change on assumptions, Company account for that change immediately.

Claims provisions are determined based upon previous claims experience, the knowledge of events and the terms and conditions of the relevant policies and on interpretation of circumstances. Particularly relevant is experience with similar cases and historical claims payment trends. It should be emphasized that corroborative evidence obtained from as wide a range of sources as possible also contribute to form the overall estimate. Large claims impacting each relevant business class are generally assessed separately, being measured at the face value of the surveyor's estimates.

Company has reasonably accounted for claims that have occurred by the end of the reporting period but remain unsettled and for those that may have occurred but have not yet been notified to the company and those that are not yet apparent to the insured. The Company's policy for accounting of its claims has been disclosed in note 4.14 to the financial statements.

Sensitivity analysis

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

As the Company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit before tax net of reinsurance.

	Underwriting result		Shareholders' Equity	
	2017	2016	**2017**	2016
	------------------ (Rupees in thousand) ------------------			
Fire	**1,976**	641	**1,383**	4,422
Marine	**352**	399	**246**	2,754
Motor	**18,075**	16,090	**12,653**	111,022
Health	**251,587**	30,622	**176,111**	211,291
Others including Miscellaneous	**20,200**	1,556	**14,140**	10,733
	292,190	49,308	**204,533**	340,222

36.3.3 Reinsurance risk

The Company purchases reinsurance as part of its risks mitigation program. Reinsurance ceded is placed on both proportional and non-proportional basis. The majority of proportional reinsurance is quota share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance is primarily excess of loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess of loss reinsurance vary by product line. The Company also arranges the local and foreign facultative reinsurance as part of its risk management strategy.

Notes to the Financial Statements
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37 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy and has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

		Carrying amount							Fair value			
31 December 2017	Note	Available for sale	Fair value through profit or loss	Held to maturity	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		(Rupees in thousand)										
Financial assets - measured at fair value												
Investment - Equity securities / Debt Security	7&8	120,853	428,581	-	-	-	-	549,434	549,434	-	-	549,434
Financial assets - not measured at fair value												
Investment - Debt securities	8	-	-	25,008	-	-	-	25,008	-	-	-	-
Loans and other receivables*	10	-	-	-	33,519		-	33,519	-	-	-	-
Insurance / reinsurance receivables - unsecured and considered good*	11	-	-	-	648,964	-	-	648,964	-	-	-	-
Reinsurance recoveries against outstanding claims*	23	-	-	-	388,434	-	-	388,434	-	-	-	-
Cash and bank*	14	-	-	-	-	765,259	-	765,259	-	-	-	-
Total assets of Window Takaful Operations- Operator's Fund*	15	-	-	-	-	107,180	-	107,180	-	-	-	-
		-	428,581	25,008	1,070,917	872,439	-	1,968,364	-	-	-	-
Financial liabilities - measured at fair value		-	-	-	-	-	-	-	-	-	-	-
Financial liabilities - not measured at fair value												
Underwriting provision against outstanding claims including IBNR*	23	-	-	-	-	-	568,892	568,892	-	-	-	-
Insurance / reinsurance payables*	19	-	-	-	-	-	397,347	397,347	-	-	-	-
Other creditors and accruals*	20	-	-	-	-	-	308,001	308,001	-	-	-	-
Total liabilities of Window Takaful Operations- Operator's Fund*	15	-	-	-	-	-	49,646	49,646	-	-	-	-
		-	-	-	-	-	1,323,886	1,323,886	-	-	-	-

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

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31 December 2016	Note	Carrying amount: Available for sale	Fair value through profit or loss	Held to maturity	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Fair value: Level 1	Level 2	Level 3	Total
		----------	----------	----------	----------	----------	(Rupees in thousand)	----------	----------	----------	----------	----------
Financial assets - measured at fair value												
Investment - Equity securities / Debt Security	7&8	395,930	352,363	-	-	-	-	748,293	748,293	-	-	748,293
Financial assets - not measured at fair value												
Investment - Debt securities	8	-	-	49,815	-	-	-	49,815	-	-	-	-
Loans and other receivables*	10	-	-	-	27,005		-	27,005	-	-	-	-
Insurance / reinsurance receivables												
- unsecured and considered good*	11		-	-	707,607	-	-	707,607	-	-	-	-
Reinsurance recoveries against outstanding claims*	23		-	-	307,497	-	-	307,497	-	-	-	-
Cash and bank*	14	-	-	-	-	374,766	-	374,766	-	-	-	-
Total assets of Window Takaful Operations- Operator's Fund*	15	-	-	-	-	-	80,273	80,273	-	-	-	-
		-	352,363	49,815	1,042,109	374,766	80,273	1,546,963	-	-	-	-
Financial liabilities - measured at fair value		-	-	-	-	-	-	-	-	-	-	-
Financial liabilities - not measured at fair value												
Underwriting provision against		-	-	-	-	-	-	-	-	-	-	-
outstanding claims including IBNR*	23	-	-	-	-	-	485,892	485,892	-	-	-	-
Insurance / reinsurance payables*	19	-	-	-	-	-	381,208	381,208	-	-	-	-
Other creditors and accruals*	20	-	-	-	-	-	269,842	269,842	-	-	-	-
Total liabilities of Window Takaful Operations- Operator's Fund*	15	-	-	-	-	-	28,383	28,383	-	-	-	-
		-	-	-	-	-	1,165,325	1,165,325	-	-	-	-

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

38 Subsequent events - non adjusting event

There are no non-adjusting event that need to be disclosed for the year ended 31 December 2017.

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39 Number of employees

The number of employees of the Company are as follows:	**2017**	2016
Average number of employees during the year	**209**	214
As at 31 December	**226**	217

40 Corresponding figures

During the year the SECP vide SRO 89(I)/2017 dated 9th February, 2017 has issued Insurance Rules, 2017 (the Rules), which requires every insurer to prepare their financial statements as per the presentation and disclosure requirement prescribed in the format, in view of the applicability of the Rules, the Company has changed the presentation and disclosures of the financial statements and recorded its investments as per IAS 39, which was further explained in note 4.1.1 and 4.1.2.

41 Date of authorization for issue

These financial statements were authorized for issue on February 25, 2018 by the Board of Directors of the Company.

42 General

Figures have been rounded off to the nearest thousand rupees unless other wise stated.

Chairman	Director	Director	Principal Officer and Chief Executive

WINDOW TAKAFUL OPERATIONS

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Independent Reasonable Assurance Report to the Board of Directors on the Statement of Management's Assessment of Compliance with the Shariah Principles

We were engaged by the Board of Directors of Alfalah Insurance Company 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 year ended 31 December 2017, 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.

Applicable criteria

The criteria against which the subject matter information (the statement) is assessed comprise of the provisions of Takaful Rules, 2012.

Responsibilities of the management

The Board of Directors/management of the Company are responsible for 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 Board of Directors/management of the Company are 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 Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for chartered accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and other Assurance and related Services Engagements" and accordingly maintains a Comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities

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 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 judgement, including the assessment of the risks of material non-compliances 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.

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Independent Reasonable Assurance Report to the Board of Directors on the Statement of Management's Assessment of Compliance with the Shariah Principles

The procedures performed included:

Evaluate the systems, procedures and practices in place with respect to the Takaful operations against the Takaful Rules, 2012 and Shariah advisor's guidelines;

Evaluating the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee / Shariah Advisor and the board of directors;

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

Review the statement of management's assessment of compliance of the Takaful transactions during the year ended 31 December 2017 with the Takaful Rules, 2012.

Conclusion

Our conclusion has been formed on the basis of, and 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 year ended 31 December 2017 presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012 in all material respects.

KPMG Taseer Hadi & Co.

Lahore

KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

Date: 25 February 2018

Shariah Advisory Report to the Board of Directors
For the Period 1st January 2017 to 31st December 2017

The year 2017 was the second year of Alfalah Insurance Company Ltd. (Window Takaful Operations), By launching Window Takaful Operations (WTO), Alfalah Insurance Company Ltd. (AICL) has taken a step in the direction of promotion the Islamic Economic System and has provided the most awaited Shariah Compliant Takaful facilities to the people of Pakistan.

Progress of the year:

During this period AICL (WTO) has achieved significant successes, details of which are as follow:

1. Under the guidance of the Shariah Advisor AICL (WTO) developed and offered the number of Takaful products of Motor, Marine, Property, Health and Miscellaneous for its participants.

2. Head Office and all branches actively participated in the business of Takaful in the different locations of country and by their efforts number of Takaful contracts were recorded in the Head Office branch of Takaful and later on some divisions recorded the Takaful Policies in their offices.

3. Significant success has been achieved in the Takaful agreements with Islamic Banks. At this stage, I am thankful to the partners banks for the confidence they have shown on AICL (WTO)'s Takaful products. During the year, number of Islamic Banks entered into MOU with AICL (WTO).

4. AICL (WTO) has implemented a dedicated Takaful administration system which manages all operational aspects of Window Takaful Operations.

5. For the investment purpose of Takaful Funds, a Shariah Compliant investment policy has been drafted with the consultation of Shariah Advisor and all the investments of Takaful are undertaken in accordance with this policy. Moreover, all Bank Accounts of Takaful are separate from the conventional insurance Business and are maintained in Islamic Banks.

Shariah Certification:

As Shariah Advisor of AICL (WTO);I confirm that:

- I have carefully reviewed all the products of AICL (WTO) including Waqf Deed, PTF Policies, Takaful Policies and Re-Takaful Agreements etc. And Alhamdulillah I have found them in accordance with Shariah Principles. Further, I confirm that the Takaful Policies issued during the year under review are in accordance with the guidelines of Shariah.
- Dedicated Window Takaful Staff of head office, before launching any Takaful product, take guidance and advice of Shariah from the Shariah Advisor and always develop the Takaful products with consultation of Shariah Compliance Officer and in accordance with the guidelines provided by Shariah Advisor.
- Segregation of Window Takaful Operations is the essential part of valid Takaful contracts. I am pleased to state that AICL (WTO) has realized criticalities of this issue and from the day one, Alhamdulillah, all the Takaful Funds, Investments, Bank Accounts, Systems and other related issues are kept separate from its conventional insurance business, as per requirement of Shariah.
- For the fulfillment of the financial needs of window Takaful Operations, Shariah Compliant Funds were arranged and the expenses of Takaful including the cede money of Waqf were made with these compliant funds.
- Conducting Training and Development is an imperative for understanding the principles of Takaful and its practical outline. For this purpose AICL (WTO) fulfilled its responsibility and arranged Takaful training for head office and branches staff, I hope AICL (WTO) will continue this practice in the future and provide these opportunities.

In the end; I pray to Allah Almighty that the passion and dedication with which AICL has launched its Window Takaful Operations; may Allah Almighty grant us success and help us at every step, keep us away from every hindrance and difficulty, and give financial success to Alfalah Insurance Company Ltd. (Window Takaful Operations).

Wassalam

Dr. Khalil Ahmad Aazami
Shari'ah Advisor
Alfalah Insurance Company Limited
(Window Takaful Operation)

- ✓ ونڈو تکافل آپریشنز کی مالی ضروریات کو پورا کرنے کے لیے شریعت کے تقاضوں کے مطابق فنڈ ز فراہم کئے گئے ہیں اور تکافل کے تمام اخراجات بشمول وقف کی گئی اصل رقم، اسی فنڈ سے پورے کئے گئے ہیں۔
- ✓ تکافل نظام کے اصولوں اور اس کی عملی صورت کو سمجھنے کے لئے علمی ونظریاتی ترقی کی کوشش اور تربیت بہت اہم ہے۔ (AIC(WTO نے اس معاملے میں بھی اپنی ذمہ داری کو پورا کیا ہے اور ہیڈ آفس اور برانچز کے عملہ کے لئے تربیتی پروگرام کا انتظام کیا ہے۔ مجھے یقین ہے کہ AIC-WTO اس عمل کو مستقبل میں جاری رکھے گی اور تربیت کے یہ مواقع ہیڈ آفس اور برانچز کے عملے کو آئندہ بھی فراہم کئے جائیں گے۔

اختتام پر میں اللہ تعالیٰ سے دعا گو ہوں کہ جس جذبے اور عزم سے AFIC-WTO نے ونڈو تکافل آپریشنز کا اجرا کیا ہے اللہ تعالیٰ اس میں مزید کامیابی عطا کرے اور ہر قدم پر ہماری مدد کرے، ہمیں کسی بھی مشکل اور رکاوٹ سے دور رکھے اور الفلاح انشورنس کمپنی لمیٹڈ (ونڈو تکافل آپریشن) کو معاشی طور پر مضبوط اور مستحکم فرمائے۔

والسلام

ڈاکٹر خلیل احمد اعظمی

شریعہ ایڈوائزر

الفلاح انشورنس کمپنی لمیٹڈ

(ونڈو تکافل آپریشن)

بورڈ آف ڈائریکٹرز کو پیش کردہ 31 دسمبر، 2017ء کو اختتام پذیر سال کی

شریعہ ایڈوائزری رپورٹ

سال 2017ء الفلاح انشورنس کمپنی۔ ونڈو تکافل آپریشن (AFIC-WTO) کا دوسرا سال تھا۔ ونڈو تکافل آپریشن کا افتتاح کرتے ہوئے، الفلاح انشورنس کمپنی لمیٹڈ نے اسلامی معاشی نظام کی ترقی کے لئے بہت اہم پیش رفت کی ہے اور پاکستانی عوام کی امنگوں کے مطابق شریعہ کمپلائینٹ تکافل سہولیات فراہم کرنے کا آغاز کیا ہے۔

سال کی پیش رفت

اس عرصہ کے دوران، AIFC-WTO نے نمایاں کامیابیاں حاصل کی ہیں جن کی تفصیلات درج ذیل ہیں۔

1. شریعہ ایڈوائزر کی رہنمائی میں AFIC-WTO نے موٹر، میرین، املاک، صحت اور متفرق تکافل مصنوعات اپنے صارفین / حصہ داران کو پیش کیں۔
2. ہیڈ آفس اور ملک کے مختلف حصوں میں قائم برانچز کے اسٹاف تکافل بزنس کو بڑھانے میں تندہی سے کام کیا اور ان کی محنت کے نتیجے میں ہیڈ آفس اور برانچز میں متعدد تکافل معاہدات ریکارڈ کئے گئے۔
3. اسلامی بنکوں کے ساتھ تکافل معاہدوں کے معاملے میں نمایاں کامیابی حاصل کی گئی ہے۔ سال کے دوران، متعدد بنکوں نے AFIC-WTO کے ساتھ MOU پر دستخط کئے ہیں۔ اس سلسلے میں، میں شراکت دار بنکوں کی جانب سے AFIC-WTO پر اعتماد ظاہر کرنے کا شکریہ ادا کرتا ہوں۔
4. AFIC-WTO نے ایک مستقل تکافل ایڈمیسٹریشن سسٹم کا نفاذ کیا ہے۔ جو ونڈو تکافل آپریشنز کی تمام انتظامی ذمہ داریوں کو نبھا رہا ہے۔
5. تکافل فنڈز سے سرمایہ کاری کے لئے شریعہ ایڈوائزر کے مشورہ سے شریعہ کمپلائنٹ سرمایہ کاری پالیسی مرتب کی گئی ہے۔ تکافل فنڈز کی سرمایہ کاری کے تمام امور اس پالیسی کے تحت طے پاتے ہیں۔ مزید برآں تکافل کے تمام بنک اکاؤنٹس روایتی انشورنس سے علیحدہ رکھنے کا اہتمام کیا گیا ہے اور یہ اکاؤنٹس اسلامی بنکوں کے ذریعے چلائے جاتے ہیں۔

شریعہ سرٹیفکیشن

AIC-WTO کے شریعہ ایڈوائزر ہونے کی حیثیت سے میں تصدیق کرتا ہوں کہ:

- ✓ میں نے (AIC(WTO کی تمام دستاویزات بشمول وقف ڈیڈ، PTF پالیسیاں، تکافل پالیسیاں اور ری تکافل معاہدے وغیرہ کا احتیاط سے جائزہ لیا ہے۔ الحمدللہ میں نے انہیں شریعہ اصولوں سے ہم آہنگ پایا ہے۔ مزید یہ کہ دوران سال جاری کی جانے والی تکافل پالیسیاں شریعہ کی ہدایات کے مطابق جاری کی گئیں۔
- ✓ ونڈو تکافل کے مرکزی دفتر کا پرعزم عملہ، کسی بھی پالیسی کے اجراء سے پہلے شریعہ کی رہنمائی اور مشورہ لیتا ہے۔ اور ہمیشہ شریعہ کمپلائنس افسر کے مشورہ اور شریعہ ایڈوائزر کی جانب سے فراہم کردہ ہدایات کے مطابق ہی تکافل پالیسیاں بناتا ہے۔
- ✓ ونڈو تکافل آپریشنز کی علیحدگی جائز تکافل نظام کی بنیاد ہے۔ میں یہ بیان کرنے میں خوشی محسوس کرتا ہوں کہ AFIC-WTO نے اس معاملہ کی حساسیت کو ملحوظ رکھا ہے اور الحمدللہ پہلے دن سے ہی تمام تکافل فنڈز، سرمایہ کاری، بنک اکاؤنٹس، سسٹمز اور دوسرے متعلقہ معاملات روایتی انشورنس کے کاروبار سے علیحدہ رکھے گئے ہیں جیسا کہ شریعت کا تقاضہ ہے۔

Statement of Compliance with the Shariah Principles
For the year ended December 31, 2017

The financial arrangements, contracts and transactions, entered into by Alfalah Insurance Company Limited - Window Takaful Operations ('the Operator') for the year ended December 31, 2017 are in compliance with the Takaful Rules, 2012.

Further, we confirm that:

- The Operator has developed and implemented all the policies and procedures in accordance with the Takaful Rules, 2012 and rulings of the Shariah Advisor along with a comprehensive mechanism to ensure compliance with such rulings and Takaful Rules, 2012 in their overall operations. Further, the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee / Shariah Advisor and the Board of Directors have been implemented;

- The Operator has imparted necessary trainings / orientations and ensured availability of manuals / agreements approved by Shariah Advisor to maintain the adequate level of awareness, capacity and sensitization of the staff and management;

- 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 accordance with the polices approved by Shariah Advisor; and

- The assets and liabilities of Window Takaful Operations (Participants' Takaful Fund and Operator's fund) are segregated from its other assets and liabilities, at all times in accordance with the provisions of the Takaful Rules, 2012.

This has been duly confirmed by the Shariah Advisor of the Company.

NASAR US SAMAD QURESHI
Chief Executive Officer

KPMG

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Auditors' Report To The Members

We have audited the annexed statement of financial position of Alfalah Insurance Company Limited - Window Takaful Operations ("the Operator") as at 31 December 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in funds together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) In our opinion, proper books of accounts have been kept by the Operator as required by the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984;

b) In our opinion:

i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for the changes as stated in note 4.1 with which we concur;

ii) the expenditure incurred during the year was for the purpose of the Operator's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Operator;

c) In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in funds together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Operator's affairs as at 31 December 2017 and of the profit, its comprehensive income, its cash flows and changes in funds for the year then ended; and

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

The financial statements of the Operator for the year ended 31 December 2016 were audited by another auditor who had expressed an unmodified opinion thereon vide their audit report dated 23 February 2017.

KPMG Taseer Hadi & Co.

Lahore

KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

Date: 25 February 2018

Statement of Financial Position
As at 31 December 2017

		2017			2016
		Operator's Fund	Participants' Takaful Fund	Aggregate	Aggregate
ASSETS	Note	(Rupees in thousand)			
Operating assets	5	62	-	**62**	-
Investment - Term deposits	6	25,000	25,000	**50,000**	-
Wakala and mudarib fee receivable		22,583	-	**22,583**	33,940
Loans and other receivables		5,000	235	**5,235**	382
Takaful / retakaful receivables	7	-	18,393	**18,393**	8,288
Retakaful recoveries against outstanding claims		-	587	**587**	107
Salvage recoveries accrued		-	4,253	**4,253**	803
Qard-e-Hasna to Participant Takaful Fund		25,000	-	**25,000**	20,000
Deferred commission expense / acquisition cost	19	5,710	-	**5,710**	3,602
Deferred wakala fee	14	-	21,866	**21,866**	17,874
Taxation - payments less provision		-	488	**488**	268
Prepaid retakaful contribution ceded	12	-	6,649	**6,649**	2,780
Cash and bank	8	23,825	92,208	**116,033**	114,307
TOTAL ASSETS		107,180	169,679	**276,859**	202,351
FUND AND LIABILITIES					
Funds attributable to Operator and Participants					
Operator's Fund:					
Statutory fund	9	50,000	**-**	**50,000**	50,000
Unappropriated profit		7,534	**-**	**7,534**	1,890
		57,534	**-**	**57,534**	51,890
Waqf / Participants' Takaful Fund:					
Ceded money		-	500	**500**	500
Accumulated deficit		-	(12,912)	**(12,912)**	(13,707)
		-	(12,412)	**(12,412)**	(13,207)
Liabilities					
Underwriting provisions:					
Outstanding claims including IBNR	13	**-**	31,074	**31,074**	13,177
Unearned contribution reserve	12	**-**	73,721	**73,721**	51,476
Unearned retakaful rebate	16	**-**	960	**960**	686
Qard-e-Hasna from Operators' Fund		-	25,000	**25,000**	20,000
Contribution received in advance		-	622	**622**	1,369
Re takaful / Co-takaful payables		275	12,003	**12,278**	7,393
Wakala and mudarib fee payable		-	22,583	**22,583**	33,940
Unearned wakala fee	14	21,866	-	**21,866**	17,874
Other creditors and accruals	10	27,505	16,128	**43,633**	17,753
Total liabilities		49,646	182,091	**231,737**	163,668
Contingencies and commitments	11				
TOTAL FUND AND LIABILITIES		107,180	169,679	**276,859**	202,351

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

Chairman	Director	Director	Principal Officer and Chief Executive

Profit and Loss Account
For the year ended 31 December 2017

	Note	2017	2016
Participants' revenue account		(Rupees in thousand)	
Net contribution revenue	12	**136,269**	37,063
Net claims	13	**(78,271)**	(17,913)
Wakala fee	14	**(43,135)**	(16,066)
Direct expenses	15	**(21,203)**	(18,595)
Rebate on re-takaful	16	**3,177**	1,060
Claims and acquisition expenses		**(139,432)**	(51,514)
Underwriting deficit		**(3,163)**	(14,451)
Investment income - net	17	**529**	-
Other income	18	**3,429**	744
Surplus/ (deficit) for the year		**795**	(13,707)
Operators' revenue account			
Wakala fee	14	**43,135**	16,066
Commission expense	19	**(9,146)**	(2,818)
Management expenses	20	**(24,503)**	(11,023)
		9,486	2,225
Investment income - net	17	**235**	-
Mudarib's share of PTF investment income		**177**	-
Other income	18	**949**	1,958
Other expenses	21	**(2,437)**	(2,215)
Profit before tax		**8,410**	1,968
Taxation	22	**(2,702)**	-
Profit after tax		**5,708**	1,968

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

Chairman	Director	Director	Principal Officer and Chief Executive

Statement of Comprehensive Income
For the year ended 31 December 2017

	2017	2016
	(Rupees in thousand)	
Profit after tax	**5,708**	1,968
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Re-measurement loss on defined benefit obligations	**(64)**	(78)
Total comprehensive income	**5,644**	1,890

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

Chairman	Director	Director	Principal Officer and Chief Executive

Statement of Cash Flows
For the year ended 31 December 2017

	2017			2016		
	Operator's Fund	Participants' Takaful Fund	Aggregate	Operator's Fund	Participants' Takaful Fund	Aggregate
Operating cash flows	---(Rupees in thousand) ---					
(a) Takaful activities						
Contributions received	-	168,127	**168,127**	-	92,089	92,089
Retakaful contribution paid	-	(18,714)	**(18,714)**	-	(4,822)	(4,822)
Retakaful rebate received	-	2,570	**2,570**	-	1,269	1,269
Claims paid	-	(60,980)	**(60,980)**	-	(4,843)	(4,843)
Commissions paid	(8,341)	-	**(8,341)**	(2,952)	-	(2,952)
Retakaful recoveries received	-	126	**126**	-	-	-
Management expenses	(30,548)	(21,056)	**(51,604)**	(6,334)	(12,915)	(19,249)
Net cash (outflows)/ inflows from takaful activities	**(38,889)**	**70,073**	**31,184**	(9,286)	70,778	61,492
(b) Other operating activities						
Income tax paid	(119)	(415)	**(534)**	(195)	(73)	(268)
Other operating receipts/ (payments)	69,195	(53,356)	**15,839**	59	(178)	(119)
Loans disbursed	(325)	-	**(325)**	-	-	-
Loans repayed	325	-	**325**	-	-	-
Net cash inflows/ (outflows) from other operating activities	**69,076**	**(53,771)**	**15,305**	(136)	(251)	(387)
Total cash inflows/ (outflow) from operating activities	**30,187**	**16,302**	**46,489**	(9,422)	70,527	61,105
Investment activities						
Profit/ return received	1,184	4,135	**5,319**	1,958	744	2,702
Payment for investments	(25,000)	(25,000)	**(50,000)**	-	-	-
Fixed capital expenditure	(82)	-	**(82)**	-	-	-
Total cash (outflows) / inflows from investing activities	**(23,898)**	**(20,865)**	**(44,763)**	1,958	744	2,702
Financing activities						
Contribution to operator's fund	-	-	**-**	50,000	-	50,000
Qard-e-Hasna received from Operator's Fund	(5,000)	5,000	**-**	(20,000)	20,000	-
Ceded money	-	-	**-**	-	500	500
Total cash (outflow)/ inflows from financing activities	**(5,000)**	**5,000**	**-**	**30,000**	**20,500**	**50,500**
Net cash inflow during the year	**1,289**	**437**	**1,726**	22,536	91,771	114,307
Cash at the beginning of the year	**22,536**	**91,771**	**114,307**	-	-	-
Cash at the end of the year	**23,825**	**92,208**	**116,033**	22,536	91,771	114,307
Reconciliation to profit and loss account						
Operating cash flows	30,187	16,302	**46,489**	(9,422)	70,527	61,105
Depreciation	(20)	-	**(20)**	-	-	-
Increase in assets other than cash	(4,130)	22,164	**18,034**	37,737	30,307	68,044
Increase in liabilities	(21,513)	(41,806)	**(63,319)**	(28,305)	(115,285)	(143,590)
Return on bank deposits	1,184	4,135	**5,319**	1,958	744	2,702
Net surplus / (deficit) for the year	**5,708**	**795**	**6,503**	1,968	(13,707)	(11,739)

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

Chairman	**Director**	**Director**	**Principal Officer and Chief Executive**

Statement of Changes in Fund
For the year ended 31 December 2017

	Operator's Fund		
	Statutory fund	Unappropriated profit	Total
	------------- (Rupees in thousand) -------------		
Contribution made during the year	50,000	-	**50,000**
Total comprehensive loss for the year :			
Profit after tax	-	1,968	**1,968**
Other comprehensive income for the year	-	(78)	**(78)**
	-	1,890	**1,890**
Balance as at 31 December 2016	50,000	1,890	**51,890**
Total comprehensive loss for the year :			
Profit after tax	-	5,708	**5,708**
Other comprehensive income for the year	-	(64)	**(64)**
	-	5,644	**5,644**
Balance as at 31 December 2017	**50,000**	**7,534**	**57,534**

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

Chairman	Director	Director	Principal Officer and Chief Executive

Statement of Changes in Fund
For the year ended 31 December 2017

	Participants' Takaful Fund		
	Cede money	Accumulated deficit	Total
	--------------(Rupees in thousand) --------------		
Waqf money / Cede money received during the year	500	-	**500**
Total comprehensive loss for the year:			
Deficit for the year	-	(13,707)	**(13,707)**
Balance as at 31 December 2016	500	(13,707)	**(13,207)**
Total comprehensive loss for the year:			
Surplus for the year	-	795	**795**
Balance as at 31 December 2017	**500**	**(12,912)**	**(12,412)**

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

Chairman | Director | Director | Principal Officer and Chief Executive

Notes to the Financial Statements
For the year ended 31 December 2017

1 Reporting entity

Alfalah Insurance Company Limited (“the Operator”) is a public limited Company incorporated in Pakistan on 21 December 2005 under the Companies Ordinance, 1984 (now the Companies Act, 2017). The Company is engaged in general non-life insurance business. The registered office of the Company is situated at 5-Saint Marry Park, Gulberg-III, Lahore.

The Operator was granted authorization on 30 September 2015 under Rule 6 of the Takaful Rules, 2012 to undertake Window Takaful Operations in respect of general takaful products by Securities and Exchange Commission of Pakistan (SECP).

For the purpose of carrying on the takaful business, the Operator formed a Waqf/ Participant Takaful Fund on 13 January 2016 under the Waqf deed. The Waqf deed governs the relationship of Operator and participants for management of takaful operations.

2 Basis of accounting

2.1 Statement of compliance

2.1.1 These financial statements of Window Takaful Operations ("WTO") 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, provision of and directives issued under the Companies Ordinance, 1984, SRO 938 dated 12 December 2002, Circular 25 of 2015 dated 9 July 2015, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and the Takaful Rules, 2012. In case requirements differ, the provision of and directives issued under the Companies Ordinance, 1984, SRO 938 dated 12 December 2002, Circular 25 of 2015 dated 9 July 2015, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and the Takaful Rules, 2012 shall prevail.

2.1.2 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.

2.1.3 On 30 May 2017 the Companies Act, 2017 was enacted which replaced and repealed the Companies Ordinance, 1984 ("the repealed Ordinance"). However, the Securities and Exchange Commission of Pakistan, in continuation to its circular 17, dated 20 July 2017, and press release of the same day, vide its circular 23, dated 04 October 2017 has clarified that the companies whose financial year closes on or before 31 December 2017 shall prepare their financial statements in accordance with the provisions of the repealed Ordinance.

2.1.4 During the year, the Insurance Accounting Regulations, 2017 ("the Regulations") and the Insurance Rules, 2017 ("the Rules") were enacted vide SRO 88 and 89 (I)/2017, dated 09 February 2017, and replaced SEC (Insurance) Rules, 2002. The presentation and disclosure requirements have been significantly changed under the Rules and the Regulations. Consequently, the Operator has changed its accounting policies in respect of presentation of financial statements as explained in note 4.1 of these financial statements.

Notes to the Financial Statements
For the year ended 31 December 2017

Further, the relaxation allowed by SECP to defer the application of International Accounting Standard (IAS) - 39 'Financial Instruments: Recognition and Measurement' in respect of 'available-for-sale' investments has not been carried in these Rules. However, there has been no impact of this change on these financial statements as the WTO does not hold such investments as at year end.

2.2 Basis of measurement

These financial statements have been prepared under historical cost convention except for defined benefit obligations under employee's benefits carried at present value. All transaction reflected in these financial statements are on accrual basis except for those reflected in cash flow statements.

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Operator operates ("the functional currency"). The financial statements are presented in Pak Rupees, which is the Operator's functional and presentation currency. All the financial information presented in Rupees has been rounded off to the nearest thousand in rupee, unless otherwise stated.

2.4 Use of Judgment and estimates

The preparation of financial statement in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgment and complexity, or areas where assumptions and estimates are significant to these financial statements or judgment was exercised in application of accounting policies, are as follows:

		Note
-	Residual values and useful lives of property and equipment	*4.2*
-	Classification of takaful Contracts	*4.6*
-	Provision for unearned contributions	*4.7*
-	Rebate from retakaful operators	*4.21*
-	Outstanding claims (including IBNR) and reinsurance recoveries there against	*4.14*
-	Contribution deficiency reserve	*4.15*
-	Defined benefit plans	*4.18*
-	Segment reporting	*4.24*

Notes to the Financial Statements
For the year ended 31 December 2017

3 New/ revised accounting Standards and IFRIC interpretations that are not yet effective

3.1 Standards, amendments or interpretations which became effective during the year

During the year, certain amendments or new interpretations became effective. However, the amendments or interpretation did not have any material effect on the financial statements of the Operator, except for those which has been specifically disclosed in these financial statements.

3.2 New Companies Act, 2017 and new/ revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective

3.2.1 The Companies Act, 2017 applicable for financial year beginning on 01 July 2017 requires certain additional disclosures.

3.2.2 The following amendments, interpretation of approved accounting standards and annual improvement cycle will be effective for accounting periods beginning on or after 01 January 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards.

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.

- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

Notes to the Financial Statements
For the year ended 31 December 2017

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programs'.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de recognition of financial instruments from IAS 39.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect Operators that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied.

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements (effective from annual period beginning on or after 01 January 2019) address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when an operator increases its interest in a joint operation that meets the definition of a business. An Operator remeasures its previously held interest in a joint operation when it obtains control of the business. An Operator does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

- IAS 23 Borrowing Costs - the amendment clarifies that an operator treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

- Amendment to IFRS 4 'Insurance Contracts'- Applying IFRS 9 'Financial Instruments' with IFRS 4 (effective for annual periods beginning on or after 1 July 2018). The amendment address issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from 1 July 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied.

Notes to the Financial Statements
For the year ended 31 December 2017

The above amendments and annual improvements are not likely to have any material impact on Operator's financial statements, except where specifically disclosed.

4 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements, except for change in accounting policies as disclosed in note 4.1 to these financial statements.

4.1 Change in accounting policies

4.1.1 Presentation and disclosure of financial statements

As per Insurance Rules 2017, the presentation and disclosure requirements of the financial statements have changed for companies whose financial year ended on or after 31 March 2017. Consequently, the format prescribed in Annexure II of the Insurance Rules 2017 has been adopted. Accordingly, change in presentation and disclosures of these financial information has been applied retrospectively.

4.1.2 Contribution revenue

The Insurance Accounting Regulations, 2017, requires the Operator to recognize contribution receivable under a takaful policy/ cover note as written from the date of attachment of risk to the policy / cover note. Accordingly, the Operator is required to account for cover notes which are effective as at balance sheet date. In previous years, the Operator recognized contribution under a policy as written at the time of issuance of policy in accordance with the SEC Insurance Rules, 2002. The change is considered to be a change in accounting policy in accordance with IAS - 8. The impact of the same is not considered to be material to the financial statements and accordingly not included in the comparative restated financial statements.

4.2 Operating assets

Items of operating assets are stated at cost less accumulated depreciation and any impairment loss.

Cost comprises of purchase price including import duties and non-refundable purchase taxes after deducting trade discounts, rebates and includes other costs directly attributable to the acquisition or construction including expenditures on the material, labour and overheads directly relating to constructions, errection and installation of operating fixed assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Operator and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the year in which they are incurred.

Depreciation on equipment is charged to profit and loss account using straight line method so as to write off the historical cost of an asset over its estimated useful life at the rates mentioned in note 5 after taking their residual value into account.

Depreciation on additions to operating fixed assets is charged from the month in which the asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed of.

Notes to the Financial Statements
For the year ended 31 December 2017

Depreciation methods, residual values and the useful life of the assets are reviewed at least at each financial year end and adjusted if appropriate.

An item of equipment is derecognized upon disposal when no future economic benefits are expected from its use or disposal. Gain or loss on disposal of an asset is determined by comparing the proceeds from sale with the carrying amount and is recognized in profit and loss account.

4.3 Impairment

The carrying amount of assets are reviewed at each reporting date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset fair value less cost to sell and value in use. Impairment losses are recognized in Operator's fund profit and loss.

4.4 Financial instruments

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

4.4.1 Non-derivative financial assets

The Operator initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Operator becomes a party to the contractual provisions of the instrument.

The Operator derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Operator is recognized as a separate asset or liability.

The Operator classifies non-derivative financial assets into the following categories namely: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Operator manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Operator’s documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss account as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognized in profit or loss.

Notes to the Financial Statements
For the year ended 31 December 2017

Held to maturity financial assets

If the Operator has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held to maturity. Held to maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise of long term deposits, trade debts, short term advances, deposits, other receivables and cash and bank balances.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available for sale financial assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

4.4.2 Non-derivative financial liabilities

The Operator initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date, which is the date that the Operator becomes a party to the contractual provisions of the instrument.

The Operator derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Operator classifies financial liabilities recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities mainly includes other creditors and accruals.

4.4.3 Offsetting 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 if the Operator has legal enforceable right to set off the recognized amount and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

Notes to the Financial Statements
For the year ended 31 December 2017

4.5 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. 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. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

Impairment losses on available for sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss. If the fair value of an impaired available for sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed though profit and loss, otherwise it is reversed through other comprehensive income.

Non-financial assets

The carrying amounts of non-financial assets other than deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash generating unit, or CGU”).

The Operator's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss account.

4.6 Takaful contracts

Takaful contracts are based on the principles of Wakala. The takaful contracts so agreed usually inspired by the concept of tabarru (to donate for benefits of others) and mutual sharing of losses with the overall objective of eliminating the interest , gambling and uncertainty.

Notes to the Financial Statements
For the year ended 31 December 2017

Takaful contracts under which the Participant Takaful Fund (PTF) accepts significant takaful risk from the participant if 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 as 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.

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

- Fire and property damage
- Marine, aviation and transport
- Motor
- Accident and Health
- Others including Miscellaneous

These contracts are normally one year takaful contracts except marine and some contracts of others including miscellaneous class. Normally all marine takaful contracts are of three months period. In others including miscellaneous class, some engineering takaful contracts are of more than one year period.

These contracts are provided to all types of customers based on assessment of takaful risk by the Operator. Normally personal takaful contracts e.g. vehicle, personal accident, etc. are provided to individual customers, whereas, takaful contracts of fire and property damage, marine, aviation and transport, health and other commercial line products are provided to commercial organizations.

Fire and property damage takaful contracts mainly compensate the Operator's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the takaful properties in their business activities.

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.

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.

Accident and health takaful contracts provides protection against losses incurred as a result of medical illness, surgical operations and accidental injuries.

Other various types of takaful contracts are classified in others including miscellaneous category which includes mainly engineering, terrorism, worker compensation, products of financial institutions, crop etc.

The Operator also accepts takaful risk pertaining to takaful contracts of other takaful Operators as co-takaful and re-takaful inward. The takaful risk involved in these contracts is similar to the contracts undertaken by the Operator as takaful contracts. All retakaful inward contracts are facultative (specific risk) acceptance contracts.

Notes to the Financial Statements
For the year ended 31 December 2017

4.7 Provision for unearned contributions

Provision for unearned contribution represents the portion of contribution written relating to the unexpired period of coverage and is recognized as a liability by the Operator on the following basis:

- for other classes contribution written is recognized as provision for unearned contribution by applying the 1/24th method as specified in the Insurance Rules, 2017.

- for marine cargo business, contribution written is recognized as provision for unearned contribution until the commencement of voyage.

4.8 Receivables and Payables related to takaful contracts

Receivables related to takaful contracts are known as contribution due but unpaid. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any. Contributions received in advance is recognized as liability till the time of issuance of takaful contract there against.

Provision for impairment and write-off is estimated on a systematic basis after analyzing the receivables as per their aging.

4.9 Retakaful contracts held

These are contracts entered into by the Operator with retakaful operators for compensation of losses suffered on takaful contracts issued. These retakaful 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 Operator recognizes the entitled benefits under contracts as various retakaful assets and liabilities.

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

Retakaful assets are not offset against related takaful liabilities. Income or expenses from retakaful contracts are not offset against expenses or income from related takaful assets.

Retakaful liabilities represent balances due to retakaful operators. Due to retakaful operators are carried at cost which is the fair value of the consideration to be paid.

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

4.10 Retakaful expense

Contribution ceded to retakaful operators is recognized as an expense. For retakaful contracts operating on a proportional basis, on attachment of the underlying policies; and for retakaful contracts operating on a non-proportional basis, on inception of the retakaful contracts.

Retakaful contribution ceded shall be recognized as an expense. For proportional retakaful business, evenly over the period of the underlying policies, for non-proportional retakaful business, evenly over the period of indemnity.

Notes to the Financial Statements
For the year ended 31 December 2017

The portion of retakaful contribution ceded not yet recognized as an expense is recognized as a prepayment. The prepaid portion of contribution ceded is recognized as an asset. Such asset is calculated by applying the twenty-forth method , whereby the liability shall equal 1/24 of the contribution ceded relating to retakaful contract commencing in the first month of the operator's financial year, 3/24 of the contributions ceded relating to policies commencing in the second month of the operator's financial years, and so on.

4.11 Commission expense/ acquisition cost

Commission expense incurred in obtaining and recording takaful policies is deferred and recognized as an asset on the attachment of the related risks. This expense is charged to the profit and loss account of the Operator's Fund based on the pattern of recognition of related contribution revenue.

4.12 Deferred commission expense/ acquisition cost

Deferred commission expense represents the portion of commission expense relating to the unexpired period of takaful contract and is recognized as an asset. It is calculated in accordance with the pattern of its related unearned contribution income.

4.13 Claims Expense

General takaful claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years. Claims are charged to the PTF profit and loss account.

4.14 Outstanding claims including incurred but not reported (IBNR)

The Operator recognizes liability in respect of all claims incurred up to the balance sheet date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in any policy. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. The liability for claims includes amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Retakaful recoveries against outstanding claims are recognized on occurrence of the related claim liability. These are recorded as an asset and measured at the amount expected to be received.

Claims incurred but not reported

Securities and Exchange Commission of Pakistan ("SECP"), through its circular 9 of 2016 dated 09 March 2016, issued "Guidelines for estimation of incurred but not reported (IBNR) claims reserve 2016" ("Guidelines") and required to comply with all provisions of these guidelines with effect from 01 July 2016.

These Guidelines require the Operator to develop an estimation of provision against claims incurred but not reported for each class of business, by either using “Chain Ladder Method” ("CLM") or other alternate method as allowed under the provisions of the Guidelines. The Chain Ladder Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level to derive an IBNR estimate.

These Guidelines require the Operator to develop an estimation of provision against claims incurred but not reported for each class of business, by either using “Chain Ladder Method” ("CLM") or other alternate method as allowed under the provisions of the Guidelines. The Chain Ladder Method involves

determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level to derive an IBNR estimate.

As required under the Guidelines, the Operator uses CLM by involving an actuary for determination of provision against IBNR. Accordingly, the actuarial valuation as at 31 December 2017 has been carried out by independent firm of actuaries (i.e. Nouman Associates) for determination of IBNR for each class of business. The actuarial valuation is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions (as explained in preceding paragraph) that may include a margin for adverse deviation as required / allowed under the Guidelines. The method used, and the estimates made, are reviewed annually.

4.15 Contribution deficiency reserve

The Operator maintains a provision in respect of contribution deficiency (also called unexpired risk reserve) on aggregation basis where the unearned contribution liability is not adequate to meet the expected future liability, after reinsurance, from claims and other claim handling expenses expected to be incurred after the balance sheet date in respect of the unexpired policies on at the balance sheet date. The movement in the contribution deficiency reserve is recorded as an expense / income in the profit and loss account for the year. The calculation of the provision was previously, being calculated for each class of business separately, however, the change in calculation does not have any material impact on current and prior years.

For this purpose, contribution deficiency reserve on aggregation basis is determined by independent actuary. The actuary determines the prospective loss ratio on aggregation basis and applies factors of unearned and earned contributions and uses assumptions appropriate to arrive at the expected claims settlement cost which when compared with unearned contribution reserve (UCR) shows whether UCR is adequate to cover the unexpired risks. If these ratios are adverse, contribution deficiency is determined.

Based on recommendation of actuary, the unearned contribution reserve, on aggregation basis, at year end is adequate to meet the expected future liability after retakaful claims and claim handling expenses, expected to be incurred after the balance sheet date in respect of policies in force at the balance sheet date. Therefore, no contribution deficiency reserve has been accounted for in these financial statements.

4.16 Wakala fee and Mudarib Share

The Operator manages the general takaful operations for the participants and charge the following percentages of gross contribution as Wakala Fee to meet the marketing and selling expenses (including commissions), administrative and management expenses:

- Fire and property damage	30%
- Marine	30%
- Motor	35%
- Accident and Health	15%
- Others including miscellaneous	30%

The Takaful operator manages the investment of the Participant's Funds as Mudarib and charge 25% of the investment income earned by the PTF as Mudarib Share.

Wakala fee and Mudarib share shall be recognized on the same basis on which related revenue shall be recognized. Unexpired portion of Wakala fee shall be disclosed as a liability for the Operator's Fund and an asset for the Participant's Fund.

Notes to the Financial Statements
For the year ended 31 December 2017

4.17 Cash and Cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, deposits with banks and stamps in hand.

4.18 Employees benefit

Salaries, wages and benefits are accrued in the period in which the associated services are rendered by employees of the Operator and measured on an undiscounted basis. The accounting policy for employee retirement benefits is described below:

Post employment benefits - Defined benefit plan

The Operator has established an approved gratuity fund for all permanent employees including Window Takaful Operation's employees. Monthly contributions are made to the fund on the basis of actuarial recommendations and in line with the provisions of the Income Tax Ordinance, 2001 and reversed charged to WTO. The Operator’s net obligation in respect of defined benefit plans is calculated separately for plan by estimating the amount of future benefits that employees have earned in current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the ‘Projected Unit Credit Method’ and latest actuarial valuation has been carried out at 31 December 2017. When calculation results in a potential asset for the Operator, the recognized asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Actual gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to equity through other comprehensive income in the year in which they arise. Past service costs are recognized immediately in the profit and loss account.

Following are the significant assumptions being used:

	Per annum	
	2017	2016
- Discount rate	8.25%	8.00%
- Expected rate of increase in salary level	7.25%	7.00%
- Expected rate of return on plan assets	8.25%	8.00%

4.19 Creditors and accruals

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

Notes to the Financial Statements
For the year ended 31 December 2017

4.20 Provisions and contingencies

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

Where outflow of resources embodying economic benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

4.21 Revenue recognition

4.21.1 Participant's' Takaful Fund

Contribution

Contribution income under a policy is recognized in line with note 4.6 of these financial statements.

Rebate from retakaful operators

Rebate income from other reinsurers is recognized at the time of issuance of the underlying takaful policy by the Operator. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the retakaful contribution to which it relates. Profit commission, if any, which the Operator may be entitled to under the terms of retakaful, is recognized on accrual basis.

The unearned portion of rebate income is recognized as a liability. Such liability is calculated by applying the twenty-forth method, whereby the liability shall equal 1/24 of the contribution relating to policies commencing in the first month of the operator's financial year, 3/24 of the contributions relating to policies commencing in the second month of the operator's financial years, and so on.

For facultative acceptance the basis of recognizing commission and determining the unearned retakaful rebate is the same as for the direct policies.

4.21.2 Participants' Takaful Fund / Operator's Fund

Investment Income

Return on investments is accounted for on a time proportionate basis using the applicable rate of return/ interest.

Miscellaneous Income

Return on bank deposits is recognized on a time proportion basis taking into account the effective yield.

4.22 Management Expenses

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

Notes to the Financial Statements
For the year ended 31 December 2017

4.23 Taxation

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

4.24 Segment reporting

A business segment is a distinguishable component of the Operator that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Operator accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000, the Insurance Rules, 2017 and Insurance Accounting Regulations, 2017. The reported operating segments are also consistent with the internal reporting framework provided to Board of Directors who are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

Based on its classification of insurance contracts issued, the Operator has five primary business segments for reporting purposes namely fire, marine, motor, health and others including miscellaneous. The nature and business activities of these segments are disclosed in note 4.4 of these financial statements. Since the operation of the Operator are predominantly carried out in Pakistan, information relating to geographical segment is not considered relevant.

The accounting policies of operating segment are the same as those described in the summary of significant accounting policies.

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

4.25 Salvage recoveries

Salvage recoveries are recognized on estimated basis based on past experience and market patterns and are in line with the recognition of related claim expenses.

4.26 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.

4.27 Qard-e-Hasna

If there is a deficit of admissible assets over its liabilities in the PTF, the operator from the Operators' fund may provide Qard-e-Hasna to the PTF so that the PTF may become solvent as per Takaful Rules, 2012.

In the event of surplus in PTF, Qard-e-Hasna from PTF can be recovered by the Operator over any period of time without charging any profit, prior to distribution of surplus to participants.

Notes to the Financial Statements
For the year ended 31 December 2017

			2017			2016
			OPF	PTF	Aggregate	Aggregate
5	**Operating assets**	*Note*	---------(Rupees in thousand)----------			
	Opening balance - net book value		-	-	**-**	-
	Additions during the year	*5.1*	82	-	**82**	-
	Book value of disposals during the year		-	-	**-**	-
	Depreciation charged during the year		(20)	-	**(20)**	-
			(20)	-	**(20)**	-
			62	-	**62**	-
5.1	**Additions during the year**					
	Computer equipment		82	-	**82**	-

5.2 The depreciation charge for the year is at 25%.

6 Investment

Term deposits - Held to maturity

		2017 OPF	2017 PTF	2017 Aggregate	2016 Aggregate
Deposits maturing within 12 months	*6.1*	25,000	25,000	**50,000**	-

6.1 This represent term deposit receipts placed with Bank Alfalah Limited, an associate undertaking, carrying profit rates ranging from 5.34% to 5.88% per annum (2016: nil).

			2017			2016
			OPF	PTF	Aggregate	Aggregate
7	**Takaful / re-takaful receivables**	*Note*	---------(Rupees in thousand)----------			
	Contribution due from policy holders		-	14,616	**14,616**	7,345
	Provision for impairment of receivables from takaful contract holders		-	(654)	**(654)**	-
			-	13,962	**13,962**	7,345
	Amount due from other takaful / retakaful operator		-	4,431	**4,431**	943
			-	18,393	**18,393**	8,288
8	**Cash and Bank**					
	Cash at bank					
	Cash and other equivalents		27	-	**27**	-
	Savings accounts	*8.1*	23,798	92,208	**116,006**	114,307
			23,825	92,208	**116,033**	114,307

8.1 The rate of profit on profit and loss sharing accounts from bank range from 3.49% to 4.08% (2016: 3.79% to 4.48%) per annum depending upon the size of average deposits.

8.2 Cash and bank deposits include Rs. 85.30 million (2016: Rs. . 114.31 million) held with Bank Alfalah Limited.

9 Statutory fund

Amount of Rs. 50 million is deposited as statutory reserves to comply with provisions of para 4 of Circular No 8 of 2014 read with section 11(c) of Takaful Rules, 2012 issued by SECP.

			2017			2016
			OPF	PTF	Aggregate	Aggregate
10	**Other creditors and accruals**	*Note*	---------(Rupees in thousand)----------			
	Federal excise duty		-	1,181	**1,181**	1,012
	Federal insurance fee		-	504	**504**	96
	Payable to Alfalah Insurance Company Limited	*10.1*	20,338	-	**20,338**	4,783
	Taxes payable		9	2,473	**2,482**	455
	Agency commission payable		6,061	-	**6,061**	3,339
	Accrued expenses	*10.2*	926	6,378	**7,304**	7,671
	Payable to Participant's Fund		-	-	**-**	236
	Others		171	5,592	**5,763**	161
			27,505	16,128	**43,633**	17,753

10.1 This represents payable in respect of common expenses incurred by Alfalah Insurance Company Limited on behalf of the Operator.

		2017			2016
		OPF	PTF	Aggregate	Aggregate
10.2	**Accrued expenses**	---------(Rupees in thousand)----------			
	Tracker expense payable	-	6,378	**6,378**	5,680
	Bonus payable	685	-	**685**	650
	Audit fee payable	241	-	**241**	315
	Sundry expenses payable	-	-	**-**	1,026
		926	6,378	**7,304**	7,671

11 Contingencies and Commitments

There are no significant contingencies and commitments as at 31 December 2017.

Notes to the Financial Statements
For the year ended 31 December 2017

		2017	2016
		(Rupees in thousand)	
12	**Net contribution revenue**		
	Written gross contribution	**175,491**	98,065
	Unearned contribution reserve as at 01 January	**51,476**	-
	Unearned contribution reserve as at 31 December	**(73,721)**	(51,476)
	Contribution earned	**153,246**	46,589
	Re-takaful ceded	**(20,846)**	(12,306)
	Prepaid re-takaful contribution ceded 01 January	**(2,780)**	-
	Prepaid re-takaful contribution 31 December	**6,649**	2,780
	Re-takaful expense	**(16,977)**	(9,526)
		136,269	37,063
13	**Net claims**		
	Claims paid	**60,980**	4,843
	Outstanding claims including IBNR as at 31 December	**31,074**	13,177
	Outstanding claims including IBNR as at 01 January	**(13,177)**	-
	Claims expense	**78,877**	18,020
	Re-takaful and other recoveries received	**(126)**	-
	Re-takaful and other recoveries in respect of ountstanding claims as at 31 December	**(587)**	(107)
	Re-takaful and other recoveries in respect of outstanding claims as at 01 January	**107**	-
	Re-takaful and other recoveries revenue	**(606)**	(107)
		78,271	17,913

13.1 Claim development

The development of claims against takaful contracts written is not disclosed as there is inadequate claim experience of the takaful business till date and claims are settled within one year.

		2017	2016
		(Rupees in thousand)	
14	**Wakala fee**		
	Gross wakala fee	**47,127**	33,940
	Deferred wakala fee as at 01 January	**17,874**	-
	Deferred wakala fee as at 31 December	**(21,866)**	(17,874)
		43,135	16,066
15	**Direct Expenses - PTF**		
	Bank charges	**126**	36
	Tracker expenses	**20,423**	18,559
	Provision for doubtful debts	**654**	-
		21,203	18,595

Notes to the Financial Statements
For the year ended 31 December 2017

		2017	2016
16	**Rebate on re-takaful**	**(Rupees in thousand)**	
	Rebate on re-takaful received	**3,451**	1,746
	Rebate on re-takaful as at 01 January	**686**	-
	Rebate on re-takaful as at 31 December	**(960)**	(686)
		3,177	1,060

17 Investment income - net

Participant's Takaful Fund

	2017	2016
Profit on Term deposit receipts	**706**	-
Mudarib's fee	**(177)**	-
	529	-

Operator's Fund

	2017	2016
Profit on Term deposit receipts	**235**	-

18 Other Income

This represents profit on saving's account amounting to Rs. 3.4 million and Rs. 0.95 million (2016: Rs 0.74 and Rs. 1.96 million) pertaining to Participant Takaful fund and Operator's fund respectively.

			2017	2016
19	**Commission expense**	*Note*	**(Rupees in thousand)**	
	Commission paid or payable		**11,254**	6,420
	Deferred commission as at 01 January		**3,602**	-
	Deferred commission as at 31 December		**(5,710)**	(3,602)
			9,146	2,818

20 Management expenses

	Note	2017	2016
Employee benefit cost	*20.1*	**13,291**	3,999
Travelling expenses		**862**	23
Advertisement and sales promotion		**168**	240
Printing and stationery		**698**	423
Depreciation		**1,444**	924
Amortization		**74**	65
Rent, rates and taxes		**1,596**	1,126
Electricity, gas and water		**470**	366
Vehicle running expenses		**1,224**	-
Office repairs and maintenance		**2,726**	2,607
Bank charges		**-**	26
Postages, telegrams and telephone		**765**	454
Training and development		**672**	-
Cede money		**-**	500
Miscellaneous		**513**	270
		24,503	11,023

Notes to the Financial Statements
For the year ended 31 December 2017

	2017	2016
	(Rupees in thousand)	
20.1 Employee benefit cost		
Salaries allowances and other benefits	**12,525**	3,907
Charges for post employment benefits	**766**	92
	13,291	3,999

20.2 Management expenses include reverse charge from conventional business to the Operator of Rs. 16.90 million (2016: Rs. 4.08 million) under various heads.

	Note	2017	2016
		(Rupees in thousand)	
21 Other expenses			
Insurance expenses		**416**	253
Legal and professional fee		**201**	-
Auditor's remuneration	*21.1*	**315**	315
Shariah advisory fee		**1,320**	1,540
Miscellaneous		**185**	107
		2,437	2,215

	2017	2016
21.1 Auditor's remuneration		
Annual Audit Fee	**125**	125
Half year audit	**75**	75
Shariah's Compliance report	**75**	75
Sales tax	**14**	14
Out of pocket	**26**	26
	315	315

21.2 Management expenses include reverse charge from conventional business of the Operator of Rs. 0.80 million (2016: Rs 0.36 million) under various heads.

	2017	2016
	(Rupees in thousand)	
22 Taxation		
Current tax	**2,702**	-

Notes to the Financial Statements
For the year ended 31 December 2017

		2017	2016
		(Rupees in thousand)	
23	**Remuneration of head of Window Takaful Operations**		
	Managerial Remuneration	**1,950**	1,800
	Leave fare assistance	**49**	45
	Bonus paid	**650**	555
	Charge for defined benefit plan	**86**	63
	Contribution to defined contribution plan	**97**	90
	Vehicle allowance	**438**	438
		3,270	2,991
		--------- (Number) ---------	
		1	1

24 Transactions with related parties

Related parties comprise of directors, key management personnel, associated companies, entities with common directors and employee retirement benefit funds. The Operator, in normal course of business, carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration of head of Window Takaful Operations is disclosed in note 23. Contributions and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan.

Other transactions with related parties are summarized as follows:

		2017	2016
		(Rupees in thousand)	
i)	**Associated Undertakings and other related parties**		
	Contribution written	**36,957**	-
	Contribution received	**33,313**	-
	Claims paid	**26,069**	-
	Interest Income	**4,335**	2,703
	Expense charged in respect of retirement benefit plans	**208**	194
	Key management personnel		
	Premium written	**23**	11
ii)	**Year end balances**		
	Associated Undertakings and other related parties		
	Premium receivable from related parties	**4,113**	-
	Provision for outstanding claims	**3,805**	-
	Key Management Personnel		
	Premium receivable	-	11

All transactions with related parties have been carried out on commercial terms and conditions.

Notes to the Financial Statements
For the year ended 31 December 2017

25 Segment Reporting - OPF

Each class of business has been identified as reportable segment. The following is a schedule of class of business wise assets, liabilities, revenue and results have been disclosed in accordance with the requirements of the Insurance Ordinance, 2000, the Insurance Rules, 2017, Insurance Accounting Regulations, 2017 and Takaful Rules, 2012:

	31 December 2017					
	Fire and Property Damage	**Marine, Aviation and Transport**	**Motor**	**Accident & Health**	**Miscellaneous**	**Total**
	(Rupees in thousand)					
Wakala fee	2,208	1,751	33,704	5,272	200	**43,135**
Commission expense	(1,249)	(1,052)	(6,814)	(18)	(13)	**(9,146)**
Management expenses	(1,334)	(805)	(17,115)	(5,139)	(110)	**(24,503)**
	(375)	**(106)**	**9,775**	**115**	**77**	**9,486**
Investment income - net						**235**
Mudarib's share of PTF investment income						**177**
Other income						**949**
Other expenses						**(2,437)**
Profit before tax						**8,410**
Segment assets	3,054	815	21,543	2,622	82	**28,116**
Unallocated assets						**79,378**
						107,494
Segment liabilities	5,395	2,622	25,514	248	91	**33,871**
Unallocated liabilities						**15,775**
						49,646

	31 December 2016					
	Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident & Health	Others including Miscellaneous	Total
	(Rupees in thousand)					
Wakala fee	794	624	14,638	-	10	16,066
Commission expense	(477)	(395)	(1,941)	-	(5)	(2,818)
Management expenses	(589)	(241)	(10,186)	-	(7)	(11,023)
	(272)	(12)	2,511	-	(2)	2,225
Profit on bank deposits						1,958
Other expenses						(2,215)
Profit before tax						1,968
Segment assets	779	20	17,068	-	7	17,874
Unallocated assets						42,399
						60,273
Segment liabilities	901	20	17,070	-	12	18,003
Unallocated liabilities						19,734
						37,737

Notes to the Financial Statements
For the year ended 31 December 2017

26 Segment Reporting - PTF

Each class of business has been identified as reportable segment. The following is a schedule of class of business wise assets, liabilities, revenue and results have been disclosed in accordance with the requirements of the Insurance Ordinance, 2000, the Insurance Rules, 2017, Insurance Accounting Regulations, 2017 and Takaful Rules, 2012:

	31 December 2017					
	Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident and Health	Miscellaneous	Total
	(Rupees in thousand)					
Contribution receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	10,875	6,643	142,181	37,228	906	**197,833**
Federal Excise Duty	(1,233)	(816)	(18,383)	(56)	(113)	**(20,601)**
Federal Insurance Fee	(88)	(57)	(1,219)	(369)	(8)	**(1,741)**
Gross Written Contribution (inclusive of Administrative Surcharge)	**9,554**	**5,770**	**122,579**	**36,803**	**785**	**175,491**
Gross Direct Contribution	8,517	5,744	121,859	36,803	758	**173,681**
Facultative inward contribtion	1,037	26	720	-	27	**1,810**
	9,554	**5,770**	**122,579**	**36,803**	**785**	**175,491**
Contribution earned	7,360	5,835	104,242	35,147	662	**153,246**
Retakaful expense	(6,233)	(5,304)	(4,862)	-	(578)	**(16,977)**
Net contribution revenue	**1,127**	**531**	**99,380**	**35,147**	**84**	**136,269**
Net rebate on re-takaful	1,639	1,223	198	-	117	**3,177**
Net underwriting income	**2,766**	**1,754**	**99,578**	**35,147**	**201**	**139,446**
Takaful claims	-	(600)	(46,559)	(31,636)	(82)	**(78,877)**
Re-takaful and other recoveries	-	540	11	-	55	**606**
Net claims	-	(60)	(46,548)	(31,636)	(27)	**(78,271)**
Wakala expense	(2,208)	(1,751)	(33,704)	(5,272)	(200)	**(43,135)**
Direct expense	-	-	(21,203)	-	-	**(21,203)**
Net insurance claims and expenses	**(2,208)**	**(1,811)**	**(101,455)**	**(36,908)**	**(227)**	**(142,609)**
Underwriting results	**558**	**(57)**	**(1,877)**	**(1,761)**	**(26)**	**(3,163)**
Net investment income						**529**
Other Income						**3,429**
Profit before tax						**795**
Segment assets	14,136	6,477	35,374	4,356	763	**61,106**
Unallocated assets						**108,573**
						169,679
Segment liabilities	12,836	5,258	114,337	8,835	406	**141,672**
Unallocated liabilities						**40,419**
						182,091

Notes to the Financial Statements
For the year ended 31 December 2017

	31 December 2016					
	Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident & Health	Miscellaneous	Total
	----------(Rupees in thousand)----------					
Contribution receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	5,903	2,481	105,437	-	61	113,882
Less : Federal Excise Duty	(619)	(312)	(13,914)	-	(5)	(14,850)
Federal Insurance Fee	(40)	(21)	(903)	-	-	(965)
Gross Written Contribution (inclusive of Administrative Surcharge)	5,243	2,148	90,620	-	56	98,067
Gross Direct Contribution	4,233	2,148	90,593	-	56	97,030
Facultative inward contribution	1,010	-	27	-	-	1,037
	5,243	2,148	90,620	-	56	98,067
Contribution earned	2,644	2,082	41,829	-	34	46,589
Retakaful expense	(2,241)	(1,896)	(5,363)	-	(26)	(9,526)
Net contribution revenue	403	186	36,466	-	8	37,063
Net rebate on re-takaful	555	440	58	-	7	1,060
Net underwriting income	958	626	36,524	-	15	38,123
Takaful claims	-	(119)	(17,901)	-	-	(18,020)
Re-takaful and other recoveries	-	107	-	-	-	107
Net claims	-	(12)	(17,901) a	-	-	(17,913)
Wakala expense	(794)	(624)	(14,638)	-	(10)	(16,066)
Direct expense	(2)	(1)	(18,592)	-	-	(18,595)
Net insurance claims and expenses	(796)	(637)	(51,131)	-	(10)	(52,574)
Underwriting results	162	(11)	(14,607)	-	5	(14,451)
Net investment income						744
Profit before tax						(13,707)
Segment assets	5,765	358	22,859	-	66	29,048
Unallocated assets						93,030
						122,078
Segment liabilities	5,839	1,391	65,311	-	60	72,601
Unallocated liabilities						42,684
						115,285

Notes to the Financial Statements
For the year ended 31 December 2017

27 Risk managemet

The primary objective of the Operator's risk and financial management framework is to protect the Operator's shareholder from the events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management system in place.

The Board of Directors meets regularly to approve any commercial, regulatory and organizational decisions. The Chief Executive Officer under the authority delegated from the Board of Directors defines the Operator's risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and retakaful strategy to the corporate goals, and specify reporting requirement.

The risk faced by the Operator and the way these risks are mitigated by management are summarized below :

a) Financial risk, categorized into ;

- Credit risk - note 27.1.1
- Liquidity risk - note 27.1.2
- Market risk - note 27.1.3

b) Capital adequacy risk - note 27.2

c) Takaful risk - note 27.3

27.1 Financial risk

The Operator's activities exposes it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest / mark-up rate risk and price risk).

The Operator's principal financial risk instruments are financial investments, receivables arising from takaful and retakaful contracts, statutory deposits and cash and cash equivalents. The Operator does not enter into any derivative transactions.

The Operator's financial risk focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance. Financial risks arising from the Operator's financial assets and liabilities are limited. The Operator consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below.

27.1.1 Credit risk

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Operator attempts to control credit risk by monitoring the following:

a) Credit worthiness of counter party;
b) Sector wise concentration of counter party; and
c) Aging analysis of counter party.

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

Financial assets		**2017**	2016
		(Rupees in thousand)	
Bank balances	-note 27.1.1.1	**116,033**	114,307
Takaful / re-takaful receivables	-note 27.1.1.2	**18,393**	8,288
Retakaful recoveries against outstanding claims	-note 27.1.1.3	**587**	107
Term deposits		**50,000**	-
		185,013	122,702

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

	Rating		Rating		
	Short term	**Long term**	**Agency**	**2017**	2016
				(Rupees in thousand)	
Bank Alfalah Limited	A1+	AA+	PACRA	**85,291**	114,307
Meezan Bank Limited	A-1+	AA	JCR-VIS	**25,000**	
Askari Bank Limited	A1+	AA+	PACRA	**5,715**	
				116,006	114,307

Notes to the Financial Statements
For the year ended 31 December 2017

27.1.1.2 The management monitors exposure to credit risk in contribution receivable arising from takaful and retakaful contracts, through regular review of credit exposure and prudent estimates of provision for doubtful receivables.

	2017	2016
	(Rupees in thousand)	
Sector wise analysis of Contributions due from policy holders is as follows :		
Financial institutions	**10,324**	3,805
Manufacturing	**1,753**	1,384
Construction	**316**	-
Personal Goods	**6**	-
Health & Pharmaceutical	**625**	984
Textile & Composite	**298**	219
Others including miscellaneous	**1,294**	953
	14,616	7,345

The operator monitors exposure to credit risk in contribution due from policy holders and amount due from co-takaful operators and re-takaful operators through regular review of credit exposure. The amount due from co-takaful operators/companies and re-takaful operators/companies represents low credit risk as they have strong credit ratings and have sound financial stability.

The aging analysis of contributions due from policy holders can be assessed with the following:

	2017			2016		
	Related parties	Others	Total	Related parties	Others	Total
	(Rupees in thousand)					
Up to 1 year	**4,113**	**9,849**	**13,962**	**11**	**7,334**	7,345
1-2 years	**-**	**654**	**654**	**-**	**-**	-
	4,113	**10,503**	**14,616**	11	7,334	7,345

27.1.1.3 The credit quality of amount due from other Takaful / Retakaful and retakaful recoveries against outstanding claims can be assessed with reference to external ratings as follows:

	Amount due from Takaful / Other retakaful Operators	Retakaful recoveries against outstanding claims	Total
	(Rupees in thousand)		
As at 31 December 2017			
BB+ or above	**4,431**	**585**	**5,016**
BBB and BBB+	**-**	**2**	**2**
	4,431	**587**	**5,018**
As at 31 December 2016			
BB+ or above	671	107	778
BBB and BBB+	272	-	272
	943	107	1,050

The credit risk of retakaful recoveries against outstanding claims can be assessed with the following age analysis, estimated in a manner consistent with the provision for outstanding claims, in accordance with the retakaful contracts:

Notes to the Financial Statements
For the year ended 31 December 2017

The aging analysis of retakaful recoveries against outstanding claims is shown below:

	2017		2016	
	Retakaful recoveries against outstanding claims	**Outstanding Claims including (IBNR)**	Retakaful recoveries against outstanding claims	Outstanding Claims including (IBNR)
	(Rupees in thousand)			
Up to 1 year	**587**	**27,817**	107	13,177
1-2 years	**-**	**3,257**	-	-
	587	**31,074**	107	13,177

27.1.2 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 liquidityto meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses orrisking damage to the operation's reputation. The following are the contractual maturities of financial liabilities basedon the remaining period at the reporting date to maturity date.

The table below summaries the maturity profile of the financial liabilities. The contractual maturities of theses liabilities at the year end have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. Financial liabilities not having a contractual maturity are assumed to mature on the expected date onwhich these liabilities will be settled:

	2017 OPF			
	Carrying amount	**Contractual cash flows**	**Maturity up to one year**	**Maturity after one year**
	(Rupees in thousand)			
Re takaful / Co-takaful payable	275	275	275	
Other creditors and accruals	**27,496**	**27,496**	**27,496**	-
	27,771	**27,771**	**27,771**	**-**

	2017 PTF			
	Carrying amount	**Contractual cash flows**	**Maturity up to one year**	**Maturity after one year**
	(Rupees in thousand)			
Outstanding claims including IBNR	**31,074**	**31,074**	**31,074**	-
Re takaful / Co-takaful payables	**12,003**	**12,003**	**12,003**	-
Other creditors and accruals	**13,655**	**13,655**	**13,655**	-
	56,732	**56,732**	**56,732**	-

	2016 OPF			
	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year
	(Rupees in thousand)			
Re takaful / Co-takaful payables	129	129	129	
Other creditors and accruals	10,363	10,363	10,363	-
	10,492	10,492	10,492	**-**

	2016 PTF			
	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year
	(Rupees in thousand)			
Outstanding claims including IBNR	13,177	13,177	13,177	-
Re takaful / Co-takaful payables	7,264	7,264	7,264	-
Other creditors and accruals	6,935	6,935	6,935	-
	27,376	27,376	27,376	-

Notes to the Financial Statements
For the year ended 31 December 2017

27.1.3 Market risk

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

The Operator is exposed to market risk with respect to its bank balances deposits.

The Operator limits market risk by maintaining a diversified portfolio of money market and equity market and by continuous monitoring of developments in respective markets. The Operator has formulated a liquidity-risk based investment policy approved by the Board of Directors which contains various guidelines for investment of surplus funds in money market and equity market.

a) Interest rate risk

Interest 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 rates. Floating rate instruments expose the Operator to cash flow interest risk, whereas fixed interest rate instrument exposes the Operator to fair value interest risk.

Sensitivity to interest rate risk arises from mismatching of financial assets and liabilities that mature or re-price in a given period. The Operator manages these mismatching through risk management strategies where significant changes in gap position can be adjusted.

At the balance sheet date, the interest rate profile of the Operator's significant interest bearing financial instruments was as follows:

	2017 Effective Interest rate	**Carrying amounts Maturity up to one year**		**Carrying amounts Maturity after one year**	
		OPF	**PTF**	**OPF**	**PTF**
	%	**(Rupees in thousand)**			
Financial assets					
Bank balances	***3.49% to 4.08%***	**23,825**	**92,208**	-	-
Term deposit receipt	***5.34% to 5.88%***	**25,000**	**25,000**	-	-
		48,825	**117,208**		

	2016 Effective Interest rate	Carrying amounts Maturity up to one year		Carrying amounts Maturity after one year	
		OPF	PTF	OPF	PTF
	%	(Rupees in thousand)			
Financial assets					
Bank balances	*3.79% to 4.98%*	22,536	91,771	-	-
Term deposit receipt		-	-	-	-
		22,536	91,771		

Sensitivity analysis

As on 31 December 2017, Operator had no financial instrument valued at fair value through profit and loss.

b) Price risk

Other price risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices (other than those arising from profit 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.

c) 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, are not materially exposed to currency risk as majorityof the transactions are carried out in Pak Rupees.

Notes to the Financial Statements
For the year ended 31 December 2017

27.2 Capital adequacy risk

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

27.3 Takaful risk

The Operator's takaful activities are primarily concerned with the pricing, acceptance and management of risks from its customers. In accepting risks the Operator is committing to the payment of claims and therefore these risks must be understood and controlled. Disciplined underwriting, encompassing risk assessment, risk management, pricing and exposure control is critical to the Operator's success. The Operator manages these risks through its underwriting strategy, adequate retakaful arrangements and proactive claims handling.

The Operator is facing three kinds of risk in its takaful activities, namely;

- Contribution Risk	-note 27.3.1
- Claim Risk	-note 27.3.2
- Retakaful Risk	-note 27.3.3

27.3.1 Contribution Risk

The takaful strategy aims to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Pricing is generally based upon risk quality, historical claims frequencies, claims averages, adjusted for inflation and imposition of deductibles. Risk inspections surveys are also conducted before acceptance of larger risks. Underwriting limits and guidelines are in place to enforce appropriate risk selection criteria. For example, the Operator does not offer health takaful to walk-in individual customers. Health takaful is generally offered to corporate customers with a large population to be covered under the policy.

The Operator manages the takaful risk arising from the geographical concentration of risk with the help of various MIS reports generated from the IT system. For this purpose all critical takaful information including address lookups and geocoding is punched into the IT system. For example, for catastrophic aggregates, the IT system assigns precise geographic CRESTA (Catastrophe Risk Evaluating and Standardizing Target Accumulations) codes with reference to the accumulation of sum insured in force at any particular location against natural perils. For Marine risks, complete takaful details, besides sums insured and contributions, like vessel identification, voyage input (sea/air/inland transit), sailing dates, origin and destination of the shipments, per carry limits, etc. are fed into the IT system.

The Operator also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. 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 following table demonstrates the class wise concentration of risk on the basis of sum insured:

	PTF			
	Gross sum insured		Net sum insured	
	2017	2016	**2017**	2016
Fire	**46%**	40%	**22%**	19%
Marine	**34%**	35%	**11%**	8%
Motor	**19%**	25%	**66%**	73%
Accident and Health	**0%**	0%	**0%**	0%
Others including miscellaneous	**1%**	0%	**1%**	0%
	100%	100%	**100%**	100%

The following table demonstrates the class wise concentration of risk on the basis of contribution :

	Gross contribution written		Net contribution written	
	2017	2016	**2017**	2016
Fire	**5%**	5%	**1%**	5%
Marine	**3%**	3%	**0%**	2%
Motor	**70%**	92%	**75%**	93%
Health	**21%**	0%	**24%**	0%
Others including miscellaneous	**1%**	0%	**0%**	0%
	100%	100%	**100%**	100%

Notes to the Financial Statements
For the year ended 31 December 2017

27.3.2 Claim risk

One of the purposes of takaful is to enable policyholders to protect themselves against uncertain future events. takaful companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in takaful is inevitably reflected in the financial statements of takaful companies and can be characterized under a number of specific headings, such as;

- Uncertainty as to whether an event has occurred which would give rise to an insured loss.
- Uncertainty as to the extent of policy coverage and limits applicable.
- Uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring.
- Uncertainty over the timing of a settlement to a policyholder for a loss suffered.

Therefore the objective of the Operator is to ensure that sufficient reserves are available to cover these uncertainties and in case of any change in estimation due to further development on uncertainty or change on assumptions, Operator account for that change immediately.

Claims provisions are determined based upon previous claims experience, the knowledge of events and the terms and conditions of the relevant policies and on interpretation of circumstances. Particularly relevant is experience with similar cases and historical claims payment trends. It should be emphasized that corroborative evidence obtained from as wide a range of sources as possible also contribute to form the overall estimate. Large claims impacting each relevant business class are generally assessed separately, being measured at the face value of the surveyor’s estimates.

Operator has reasonably accounted for claims that have occurred by the end of the reporting period but remain unsettled and for those that may have occurred but have not yet been notified to the operator and those that are not yet apparent to the insured. The Operator's policy for accounting of its claims has been disclosed in note 4.12 of these financial statements.

Sensitivity analysis

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

As the Operator enters into short term takaful contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit before tax net of retakaful.

	PTF			
	Underwriting result		Shareholders' Equity	
	2017	2016	**2017**	2016
	(Rupees in thousand)			
Fire	**-**	-	**-**	-
Marine	**6**	1	**4**	1
Motor	**4,655**	1,790	**3,258**	1,790
Health	**-**	-	**-**	-
Others including Miscellaneous	**-**	-	**-**	-
	4,661	1,791	**3,262**	1,791

27.3.3 Retakaful risk

The Operator purchases retakaful as part of its risks mitigation program. Retakaful ceded is placed on both proportional and non-proportional basis. The majority of proportional retakaful is quota share reinsurance which is taken out to reduce the overall exposure of the Operator to certain classes of business. Non-proportional reinsurance is primarily excess of loss reinsurance designed to mitigate the Operator's net exposure to catastrophe losses. Retention limits for the excess of loss retakaful vary by product line. The Operator also arranges the local and foreign facultative retakaful as part of its risk management strategy.

Although the Operator has retakaful arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded takaful, to the extent that any retakaful is unable to meet its obligations assumed under such retakaful agreements. The Operator's placement of retakaful is diversified such that it is neither dependent on a single retakaful nor are the operations of the Operator substantially dependent upon any single retakaful contract. Operator's strategy is to seek retakaful with the best combination of financial strength, price and capacity. In compliance of the regulatory requirement, the retakaful agreements are duly submitted with SECP on an annual basis.

Notes to the Financial Statements
For the year ended 31 December 2017

28 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the operator is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the operator to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred.

		Carrying amount				Fair value			
		Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2017	*Note*	----------	Rupees	----------					
Financial assets - measured at fair value		-	-	-	-	-	-	-	-
Financial assets - not measured at fair value									
Investment - Term deposits*	*6*	50,000	-	-	50,000	-	-	-	-
Takaful / re-takaful receivables*	*7*	18,393	-	-	18,393	-	-	-	-
Retakaful recoveries against outstanding claims*		587	-	-	587	-	-	-	-
Cash and bank*	*8*	-	116,033	-	116,033	-	-	-	-
		68,980	116,033	-	185,013	-	-	-	-
Financial liabilities - measured at fair value		-	-	-	-	-	-	-	-
Financial liabilities - not measured at fair value									
Underwriting provisions outstanding claims including IBNR*	*13*	-	-	31,074	31,074	-	-	-	-
Re takaful / Co-takaful payables*		-	-	12,278	12,278	-	-	-	-
Other creditors and accruals*	*10*	-	-	41,151	41,151	-	-	-	-
		-	-	84,503	84,503	-	-	-	-

Notes to the Financial Statements
For the year ended 31 December 2017

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

31 December 2016	Note	Carrying amount: Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Fair value: Level 1	Level 2	Level 3	Total
		---Rupees---							
Financial assets - measured at fair value		-	-	-	-	-	-	-	-
Financial assets - not measured at fair value									
Investment - Term deposits*	*6*	-	-	-	-	-	-	-	-
Takaful / re-takaful receivables*	*7*	8,288	-	-	**8,288**	-	-	-	-
Retakaful recoveries against outstanding claims*		107	-	-	**107**	-	-	-	-
Cash and bank*	*8*	-	114,307	-	**114,307**	-	-	-	-
		8,395	**114,307**	-	**122,702**	-	-	-	-
Financial liabilities - measured at fair value		-	-	-	-	-	-	-	-
Financial liabilities - not measured at fair value									
Underwriting provisions									
Outstanding claims including IBNR*	*13*	-	-	13,177	**13,177**	-	-	-	-
Re takaful / Co-takaful payables*		-	-	7,393	**7,393**	-	-	-	-
Other creditors and accruals*	*10*	-	-	17,298	**17,298**	-	-	-	-
		-	-	**37,868**	**37,868**	-	-	-	-

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

29 Subsequent events - non adjusting event

There are no significant events that need to be disclosed for the year ended 31 December 2017.

Notes to the Financial Statements
For the year ended 31 December 2017

30 Date of authorization for issue

These financial statements have been authorized for issue on ________________ by the Board of Directors of the Operator.

31 Corresponding figures

During the year, following reclassifications and rearrangements have been made for better presentation of these financial statements.

During the year the SECP vide SRO 89(I)/2017 dated 9th February, 2017 has issued Insurance Rules, 2017 (the Rules), which requires every Operator to prepare their financial statements as per the presentation and disclosure requirement prescribed in the format, in view of the applicability of the Rules, the Operator has changed the presentation and disclosures of the financial statements, which was further explained in note 4.1.1.

32 General

Figures have been rounded off to the nearest thousand rupees unless other wise stated.

Chairman	Director	Director	Principal Officer and Chief Executive

Notice of 12th Annual General Meeting

Notice is hereby given that 12th Annual General Meeting of the Shareholders of Alfalah Insurance Company Limited (the “Company”) will be held on April 30, 2018 at 11:00 a.m. at the registered office of the Company located at 5 – Saint Mary Park, Gulberg III, Lahore to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 11th Annual General Meeting held on April 29, 2017.

2. To receive, consider and adopt the financial statements of Conventional business and Window takaful operations for the year ended December 31, 2017 along with the Director's and Auditor's report thereon, Shariah Advisor's Report and Auditor's assurance report on Compliance with Shariah rules and principles.

3. To re-appoint Statutory and Shariah Compliance Auditors of the Company for the year ending December 31, 2018 and to fix their remuneration.

   M/s KPMG Taseer Hadi & Company, our retiring auditors, being eligible for re-appointment, has shown their willingness to act as statutory auditors of the Company and Sharia Compliance auditors of the Window takaful operations for the year ending December 31, 2018 and the Board Committee has also recommended its re-appointment in its meeting.

4. To transact any other business with the permission of the Chair.

Date: April 9, 2018
Lahore

By order of the Board
Adnan Waheed
Company Secretary

Notes

1) The Share Transfer Books of the Company will be closed from April 28, 2018 to April 30, 2018 both days inclusive.

2) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another person as a proxy to attend and vote instead of him/her.

3) Every proxy shall be appointed in writing under the hand of the appointer or by an agent duly authorized under a Power of Attorney or if such appointer is a company or corporation under the Common Seal of the company or corporation or the hand of its Attorney who may be the appointer.

4) The instrument of proxy in order to be effective must reach the Company's registered address at 5-Saint Mary Park, Gulberg III, Lahore not less than 48 hours before the time for holding of the Meeting.

5) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

6) The signature on the instrument of proxy must conform to the specimen signature recorded with the Company.

7) The proxy shall produce his/her original CNIC or original passport at the time of the Meeting.

8) Shareholders are requested to notify change in their address, if any, to the Company Secretary.

9) SECP vide SRO No. 787(I)2014 dated 8th September, 2014 has allowed companies to circulate the audited financial statements and notice of Annual General Meeting to shareholders through their email address subject to their written consent. Desiring shareholders are requested to provide their complete email address through a duly signed letter along with copy of valid CNIC or passport. Shareholders are also required to notify immediately any change in email address in writing to the Company Secretary.

Notes

Notes

FORM OF PROXY

The Company Secretary
Alfalah Insurance Company Limited
5-Saint Mary Park, Gulberg III, Lahore

"I/We ________________________ being a member of ALFALAH INSURANCE COMPANY LIMITED hereby appoint Mr./Mrs. __________________________ of ____ or failing him Mr./Mrs. ____________________________ of ____ as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of ALFALAH INSURANCE COMPANY LIMITED to be held on April __, 2018 at 11:00 a.m. at the registered office of the Company, 5-Saint Mary Park, Gulberg,III, Lahore and at any adjournment thereof."

Signed this ____________________ day of ___________________2018

Signature: ....

Name:..

Holder of .... Ordinary Shares

WITNESSES:

1.	Signature	:	....
	Name	:	....
	Address	:	....
			....
	CNIC/PP No	:	....
2.	Signature	:	....
	Name	:	....
	Address	:	....
			....
	CNIC/PP No	:	....

پراکسی فارم

کمپنی سیکرٹری
الفلاح انشورنس کمپنی لمیٹڈ
۵۔ سینٹ میری پارک، گلبرگ ااا لاہور۔

میں / ہم ____________ ساکن ____________ بحثیت رکن الفلاح انشورنس کمپنی لمیٹڈ
بزریعہ ہٰذا مسمی ____________ ساکن ____________ کو یا ان کی عدم دستیابی
کی صورت میں مسمی ____________ ساکن ____________ کو میری / ہماری جانب سے پراکسی
مقرر کررہا ہوں تاکہ وہ الفلاح انشورنس کمپنی لمیٹڈ کے اپریل ______، ۲۰۱۸ء بوقت ۰۰:۱۱ بجے صبح کمپنی کے رجسٹرڈ آفس ۵۔
سینٹ میری پارک، گلبرگ ااا لاہور میں منعقد ہونے والے سالانہ اجلاسِ عام یا اِس کے التوائی اجلاسِ میں میری / ہماری طرف سے
شرکت کرسکے یا ووٹ دے سکے۔

دستخط بروز ____________ بتاریخ ____________ ۲۰۱۸ء

دستخط: ____________

نام: ____________

حامل ____________ عام حصص

گواہان:

۱. دستخط: ____________

نام: ____________

پتہ: ____________

سی این آئی سی / پاسپورٹ نمبر: ____________

۲. دستخط: ____________

نام: ____________

پتہ: ____________

سی این آئی سی / پاسپورٹ نمبر: ____________

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