2014 Annual Report

ALFALAH
INSURANCE COMPANY

www.alfalahinsurance.com | UAN: 111-786-234

peace of mind

CONTENTS

COMPANY INFORMATION

Chairman

H.H. Sheikh Hamdan Bin Mubarak Bin Mohammed Al Nahayan

Board of Directors

H.H. Sheikh Hamdan Bin Mubarak Bin Mohammed Al Nahayan	Director
H.E. Sheikh Saif Bin Mohammed Bin Butti	Director
Mr. Khalid Mana Saeed Al Otaiba	Director
Mr. Atif Aslam Bajwa	Director
Mr. Mohammad Yousuf	Director
Mr. Adeel Khalid Bajwa	Director
Mr. Nasar us Samad Qureshi	Director

Chief Executive & Managing Director

Mr. Nasar us Samad Qureshi

Chief Financial Officer & Company Secretary

Mr. Adnan Waheed

Audit Committee

Mr. Atif Aslam Bajwa	Chairman
Mr. Muhammad Yousuf	
Mr. Adeel Khalid Bajwa	
Mr. Faisal Shahzad	Secretary

HR & Finance Committee

Mr. Atif Aslam Bajwa	
Mr. Muhammad Yousuf	
Mr. Nasar us Samad Qureshi	
Mr. Adnan Waheed	Secretary

Underwriting Committee

Mr. Nasar us Samad Qureshi	
Mr. Abdul Haye Mughal	
Capt. Azhar Ehtesham	
Mr. Amjad Masood	
Mr. Fawad Sarwar	
Mr. Irtiza Hussain Kazmi	(Secretary)

Claim Committee

Mr. Nasar us Samad Qureshi
Mr. Abdul Haye Mughal
Capt. Azhar Ehtesham
Mr. Adnan Waheed
Mr. Manzoor Hussain (Secretary)

Reinsurance/Coinsurance Committee

Mr. Nasar us Samad Qureshi
Mr. Abdul Haye Mughal
Mr. Azhar Ehtesham
Mr. Shahzad Aamir Rafique (Secretary)

Bankers

Bank Alfalah Limited
Meezan Bank Limited
Habib Bank Limited
Silk Bank Limited
The Bank of Punjab

Auditors

M/s Ernst & Young Ford Rhodes Sidat Hyder
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
Facebook: www.facebook.com/alfalahinsurance

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.

Urial

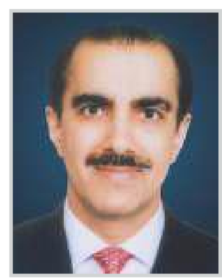
Largest and the most beautiful of the Urial family of sheep, this handsome animal is found in several areas of Balochistan. They are wild and athletic. The Urial sheep is the largest of the wild exotic sheep to be found on ranches, twice the size of a Corsican or Mouflon ram. Their horn size and shape are developed in a complete arc when viewed from the side with the tips bending slightly outwards. The underbelly is white, with a black line separating the white and tan and a black shoulder patch behind the front lags is almost always present, making them very strikingly visibile. They are also extremely wary, have great eyesight, and flee at slight disturbances, even at great distances. The conservation status of the Urial is threatened as their habitat is perfectly suitable for human development; however the Urial population has been recovering in the recent years.

His Highness Sheikh Nahayan Mabarak Al Nahayan
Chairman Abu Dhabi Group

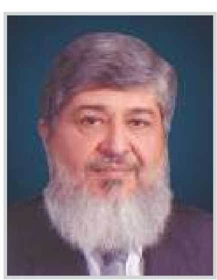
His Highness Sheikh Hamdan Bin Mubarak Al Nahayan
Chairman

His Excellency Sheikh Saif Bin Mohammed Bin Butti
Director

Mr. Khalid Mana Saeed Al Otaiba
Director

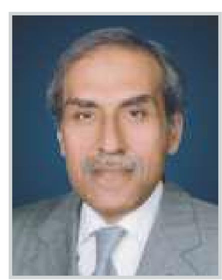


Mr. Atif Bajwa
Director



Mr. Mohammad Yousuf
Director

Mr. Adeel Bajwa
Director



Mr. Nasar us Samad Qureshi
MD & CEO

DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors of Alfalah Insurance Company Limited are pleased to submit the 9th Annual Report of your company, together with audited financial statements for the year ended December 31, 2014.

Country Overview

Pakistan's fight against terrorism moved to higher levels with launch of Operation Zarb-e-Azab when the Pakistan armed forces moved into the notorious terrorists hideouts on 15th June, 2014. Despite stiff resistance by the insurgents, our valiant forces have indeed uprooted the terrorist groups from most of their convenient locations making it hard for them to carry out their operations in the country. Initially, the dreaded blow back was muted but the atrocious attack on Army Public School was a devastating incident. However, it was heartening to note that the resolve of the nation has only become stronger and we were confident that the country would finally root out all types of terrorism from our society. The changing geo-political situation especially in Afghanistan was very encouraging and the co-operation between the two Governments would increase after the new Governments took charge in Afghanistan. We are confident that peace will finally return to this troubled area.

Unprecedented reduction in Oil prices have had a very positive effect on the economy with inflation hovering at its lowest level of about 5% after many years. The Stock market index has broken all previous records touching 35,000 level which would not have been possible without investor's confidents, both local and foreign, in the country's macro strengths and potentials.

The fledgling democracy in the country has further solidified gains although a lot of political activity took place in Islamabad and other parts of the country in last quarter of the year. It is expected that the pressure on the Government to perform has increased which will contribute positively towards economic management too.

Insurance Sector Review and Future Outlook

As at 30th September, 2014 the Gross premium of the non-life insurance market grew by about 12% and it is expected that the annual growth of the insurance sector will hover around the same figure. The Government has ambitious plans to overcome lingering energy crisis 2015 onward concentrating on wind, conventional, coal and hydro power projects. The LNG import project is also reaching its implantation stage and hopefully first shipment is expected to arrive in March/April 2015. This will have a very positive effect on the economy in 2015 and beyond. Further, GOP has also announced to start Prime Minister National Health Scheme in 2015. In the backdrop of these positive factors, we look forward towards a better future for the sector and for the country with increased confidence.

Alfalah Insurance Performance

Year 2014 was a remarkable year for your Company because PACRA has upgraded Alfalah Insurance rating from "A" to "A+" (Single A plus). This is the highest rating any insurance company has secured from PACRA within eight years of incorporation in the country's history. This makes AFIC part of select group of six general insurance companies having A+ rating. AFIC is the youngest in this group.

Company achieved 93% of topline budget and registered growth of 8% in its premium written. Non-group business of the Company increased by 14% and group business almost remained the same registering group vs non-group ratio at 46:54 (LY: 49:51). This Increased premium written coupled with crystallization of unearned premium written of LY resulted in higher net premium revenue i.e. 25% as compared to LY. Company earned underwriting profit of Rs. 150m, 19% higher than LY.

Net claims expenses were increased by Rs. 93m i.e. 29% due to high loss ratio reported in Fire Class of 104% (LY:54%) mainly on account of M/s Warid Telecom, however, its impact was diluted due to improvement in Misc. Class loss ratio to 09% (LY:45%) and Marine Class loss ratio to 30% (LY:59%). Overall net loss ratio was registered at 58% (LY: 56%), however, it remained close to our budgeted loss ratio of 58%.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Management and admin expenses were actually increased by 11% when compared with LY, however, due to incorporation of WWF provision of Rs. 6m pertaining to last years, total expenses were increaed by 14%, however, overall expense ratio remained at 26% (LY:25%).

Investment/other income was increased by Rs.19m i.e. 23% higher than LY on the backdrop of increased investment float and partially due to increase in stock index by 26%.

Profit before tax of Rs.150m higher than LY by 22% and budget by 7% has been mainly driven by Premium Income, controlled expenses and investment income.

Segments At Glance

First Class contributed Rs. 383m to the total premium written and registered growth of 6% in comparison to LY. Even though Net Premium increased by 29% than LY but increase in loss ratio from 54% of LY to 104% owing to warid claims registered in May/Jun 2014 pushed this class in red zone and it has contributed negatively to underwriting profit with Rs. -20m (LY:2.4m).

Marine Class though accounts for only 6% of the total Premium Written (as always an insignificant contributor to business) grew by 12%. Increase in premium revenue coupled with improved loss ratio of 59% (LY: 30%) resulted into higher underwriting results of Rs. 8million (LY: 3.5m).

Motor Class contributing Rs. 347m to the total premium written, registered growth of 10% over LY. Motor contributed heavily to the net premium revenue of the company, 21% higher than LY and despite loss ratio of 40% (LY:37%), it remained the most profitable class.

Health Class registered highest growth of 15% in terms of premium written by contributing Rs. 265m in comparison to Rs. 229m of LY. Net premium revenue was increased by Rs. 73m i.e. 35% and loss ratio was slightly improved from 82% of LY to 79%. This class has contributed positively to underwriting profit by Rs. 24m (LY:9m).

Miscellaneous Class remained at par in terms of premium written by contributing Rs. 248m (LY:246m). However, improved loss ratio of 9% (LY:45%) has turned this class into profitable zone by contributing Rs. 67m (LY:46m), 46% higher than LY.

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.

Insurers Financial Rating Strength

PACRA, during its recent review conducted on 2nd December 2014, has upgraded the IFS rating of your Company from "A" (Single A) to "A+" (Single A plus). This rating denotes strong capacity to meet policyholder and contract obligations.

PACRA has stated in its report that this rating recognizes successful execution of the company's business strategy leading to build up of non-captive business volumes, while keeping overall underwriting performance intact. The rating takes comfort from refinement in the monitoring and performance evaluation of the core business in a wholesome manner. This, along with the company's conservative stance, in the form of low risk retention, continued yielding profitability. The rating recognizes AFIC's sustainable improvement in financial profile, emanating from i) well managed insurance assets/liabilities structure, and ii) growing investment book that contributes a sizable income stream. AFIC's association with Abu Dhabi group provides support to the company mainly in the form of captive business, adding stability to its revenue stream.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Earning Per Share

During the year after tax earnings per share was Rs.4.10 (2013: Rs.3.42). Detailed working has been reported in Note 25 to the financial statements.

Auditors

The present auditors Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants being eligible, offer themselves for appointment. The Board of Directors on the suggestion of Audit Committee recommended the appointment of Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as statutory auditors till the conclusion of next AGM.

Board of Directors Meetings

During the year 2014, four (4) meetings of the BOD were held. Attendance of Directors was as follows;

Name of Directors	No. of Meetings Attended
• H.H. Sheikh Hamdan Bin Mubarak Al Nahayan	3
• H.E. Sheikh Saif Bin Mohammad Bin Butti	0
• Mr. Khalid Mana Saeed Al Otaiba	4
• Mr. Atif Aslam Bajwa	4
• Mr. Mohammad Yousuf	2
• Mr. Adeel Bajwa	2
• Mr. Nasar us Samad Qureshi	4

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

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. Atif Aslam Bajwa	Chairman
• Mr. Mohammad Yousuf	Member
• Mr. Adeel Bajwa	Member

Related Party Trannsactions

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

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 were 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 these financial statements and accounting estimates are based on reasonable and prudent judgment.
- The international accounting standards as applicable in Pakistan have been consistently followed in preparation of financial statements and any departure therefrom 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 fund on the basis of audited accounts and gratuity fund on the basis of unaudited accounts as on December 31, 2014 is as follows:

	Rs in '000'
Provident Fund	53,989
Gratuity Fund	29,912

- The statement of pattern of shareholding in the Company as on December 31, 2014 is separately annexed with the report.

DIRECTORS' REPORT TO THE SHAREHOLDERS

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.

Future Outlook

With rating upgrade to A+, 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 2015 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.

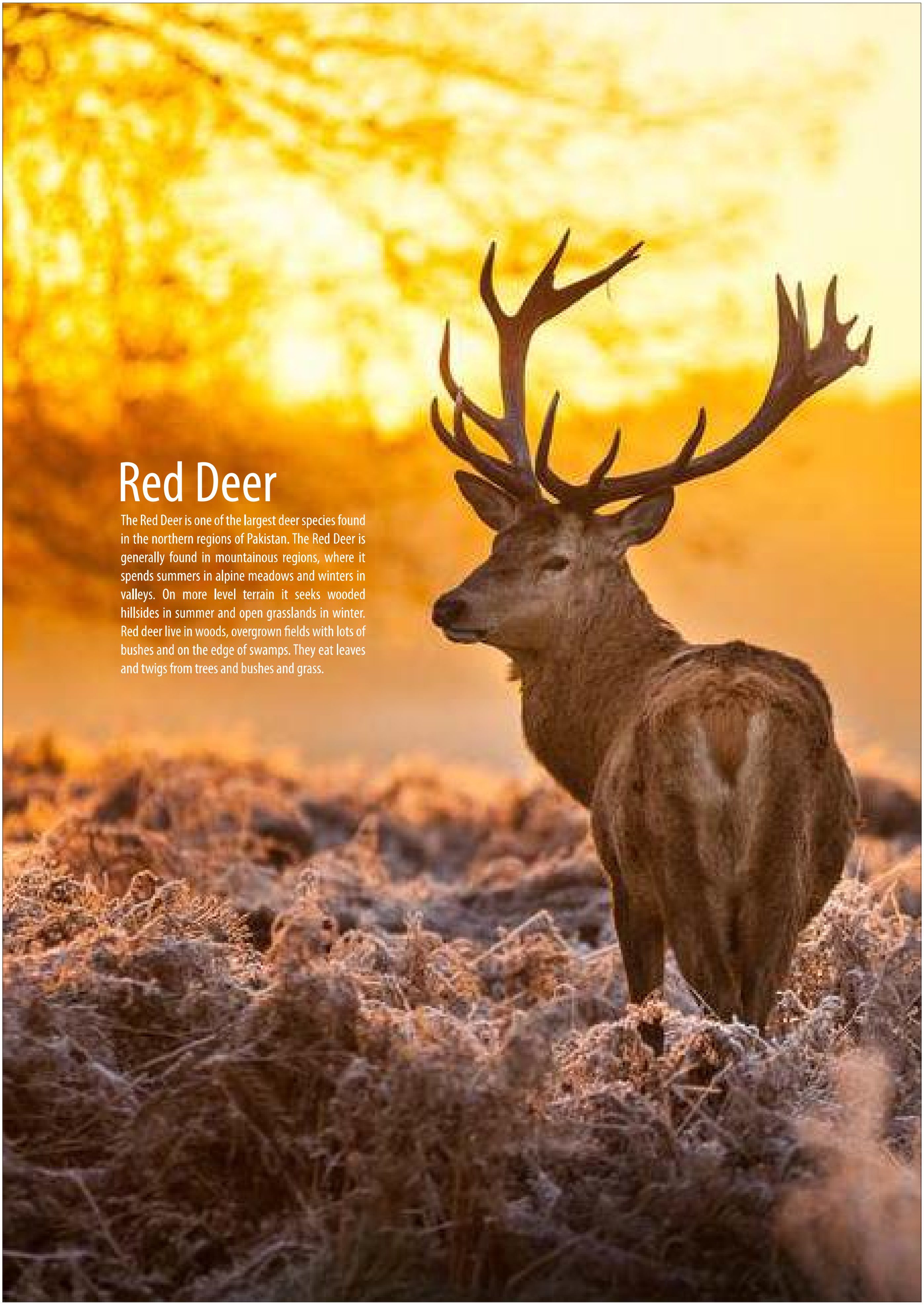
ACKNOWLEDGEMENT

We thank our sponsor shareholders for their support and guidance. We are equally thankful to 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



Red Deer

The Red Deer is one of the largest deer species found in the northern regions of Pakistan. The Red Deer is generally found in mountainous regions, where it spends summers in alpine meadows and winters in valleys. On more level terrain it seeks wooded hillsides in summer and open grasslands in winter. Red deer live in woods, overgrown fields with lots of bushes and on the edge of swamps. They eat leaves and twigs from trees and bushes and grass.

Key Financial Data

Rupee '000'

Description	For the Year Ended on December 31						
	2014	2013	2012	2011	2010	2009	2008
Gross Premium Written	1,330,854	1,230,932	1,060,187	928,020	662,971	651,459	568,183
Net Premium Revenue	705,323	563,744	454,403	384,483	359,938	331,786	262,453
Net Claim Expense	(410,817)	(317,378)	(262,368)	(243,221)	(259,435)	(231,336)	(191,118)
Management Expenses	(239,919)	(214,401)	(195,933)	(134,810)	(108,703)	(94,556)	(65,969)
Net Commission	95,928	94,672	96,358	71,167	74,750	68,307	59,561
Underwriting Profit	150,515	126,637	92,460	81,764	66,550	74,201	64,927
Investment/Other Income	105,103	85,605	96,088	72,156	46,177	21,189	3,300
Admin Expenses	(105,024)	(89,202)	(80,662)	(74,141)	(63,220)	(47,307)	(43,764)
Profit before Tax	150,594	123,040	107,886	75,634	49,507	48,083	24,463
Income Tax	(27,557)	(20,463)	(9,864)	(6,396)	(6,858)	(17,387)	(16,913)
Profit after Tax	123,037	102,577	98,022	69,238	42,649	30,696	7,550
Paid up Capital	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
General Reserve	150,000	150,000	15,000	15,000	25,000	25,000	-
Un-appropriated Profit	258,930	135,475	170,309	72,218	42,980	36,431	30,735
	710,311	586,856	486,690	388,599	319,361	292,812	262,116
Earnings per Share	4.10	3.42	3.27	2.31	1.71	1.33	0.33
Breakup Value per Share	23.68	19.56	16.22	12.95	12.77	12.73	11.4
Net Loss Ratio	-58%	-56%	-58%	-63%	-72%	-70%	-73%
Expense Ratio	-26%	-25%	-26%	-23%	-26%	-22%	-19%
Underwriting Profit to Net Premium	21%	22%	20%	21%	19%	22%	25%
Return on Equity	19%	19%	22%	20%	14%	11%	3%

Pattern of Share Holding

As at December 31, 2014

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
6	1	1,000	3,917
1	1,001	1,500,000	1,500,000
4	1,500,001	3,000,000	11,998,694
1	3,000,001	7,500,000	7,498,694
1	7,500,001	9,000,000	8,998,695
Total			
13			**30,000,000**

Classification of Shares Categories

As at December 31, 2014

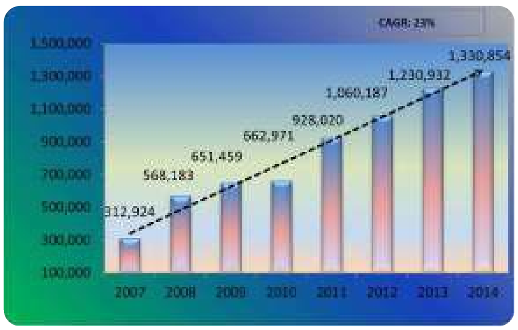
Categories of Members	Number Of Shareholders	Number Of Shares Held	Percentage
Individuals	**3**	**13,497,388**	**44.9913%**
H.H. Sheikh Nahayan Mubarak Al Nahayan		7,498,694	24.9956%
H.E. Sheikh Mohammed Bin Butti Hamid Al Hamid		2,999,347	9.9978%
H.E. Dr. Mana Saeed Al Otaiba		2,999,347	9.9978%
Associated Companies	**1**	**8,998,695**	**30.00%**
M/s Bank Alfalah Limited			
Directors and CEO	**7**	**1,503,917**	**5.0131%**
H.H. Sheikh Hamdan Bin Mubarak Bin Mohammed Al Nahayan		1,500,000	5%
H.E Sheikh Saif Bin Mohammed Bin Butti		651	0.0022%
Mr. Khalid Mana Saeed Al Otaiba		651	0.0022%
Mr. Atif Aslam Bajwa		651	0.0022%
Mr. Mohammad Yousuf		651	0.0022%
Mr. Adeel Khalid Bajwa		651	0.0022%
Mr. Nasar us Samad Qureshi		662	0.0022%
Public sector companies and corporations	**2**	**6,000,000**	**20%**
M/s Al Ain Capital LLC (Formerly M/s Al Bateen Investments)		3,000,000	10%
M/s Electromechanical Co. LLC		3,000,000	10%
Total	**13**	**30,000,000**	**100.00%**

Caracal Cat

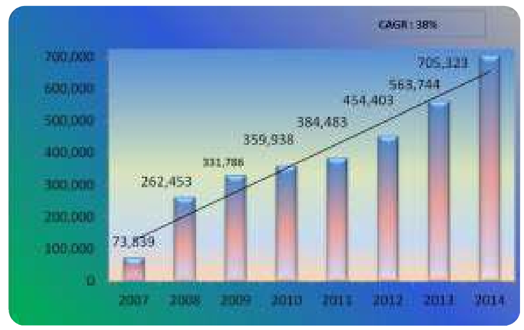
The caracal is a fiercely territorial medium-sized cat found inhabiting in Pakistan. It lives in the broken hills of Balochistan and the deserts of Sindh. The word caracal comes from the Turkish word "karakulak", meaning "black ear". With their sleek, streamlined body, short, reddish gold coat, and dramatic markings on the face, caracals are among the most beautiful of wild cats. Also called the desert lynx, medium-sized caracals have no spots or stripes and have longer legs and a slimmer body than a true lynx. It is best known for its spectacular skill at hunting birds, able to snatch a bird in flight, sometimes more than one at a time. It can jump and climb exceptionally well. Known to kill up to five times there own bodyweight they are even better killers than lions who can only take down prey only three times its own bodyweight.

FINANCIAL SUMMARY

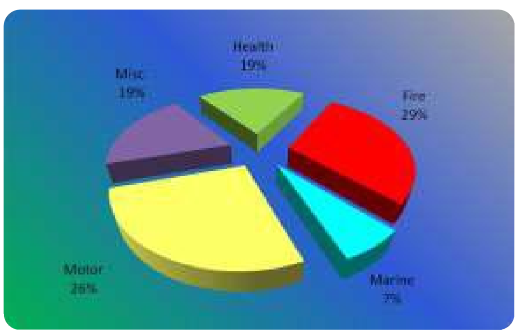
GROSS PREMIUM WRITTEN
(Rupees in Thousand)



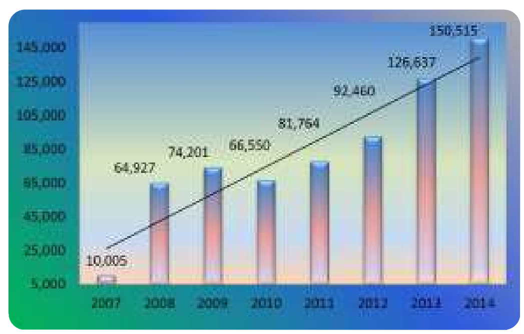
PREMIUM REVENUE
(Rupees in Thousand)



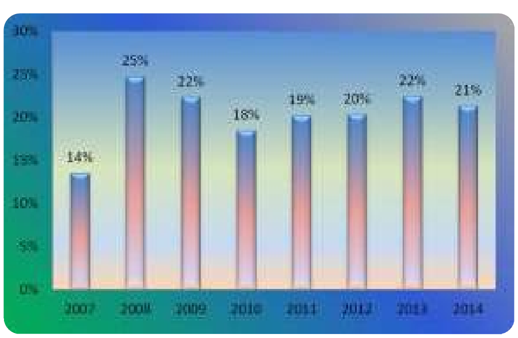
PRODUCT MIX ANALYSIS



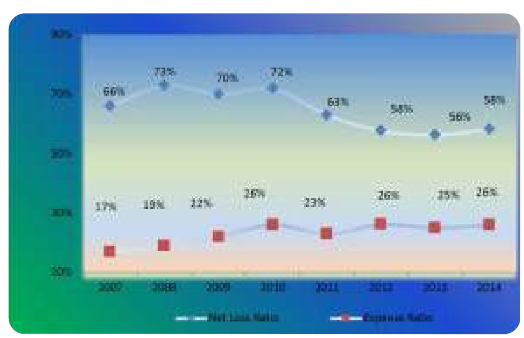
UNDERWRITING RESULTS
(Rupees in Thousand)



UNDERWRITING PROFIT MARGIN



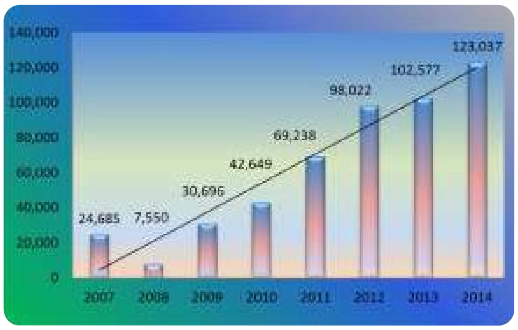
LOSS RATIO AND EXPENSE RATIO



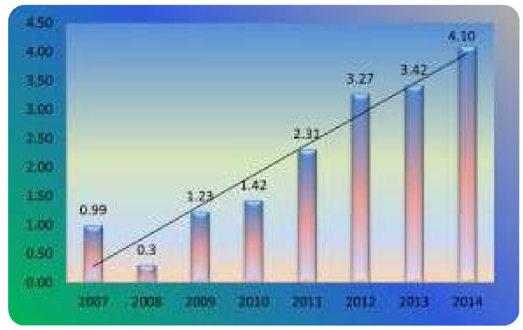
FINANCIAL SUMMARY

PROFIT AFTER TAX

(Rupees in Thousand)



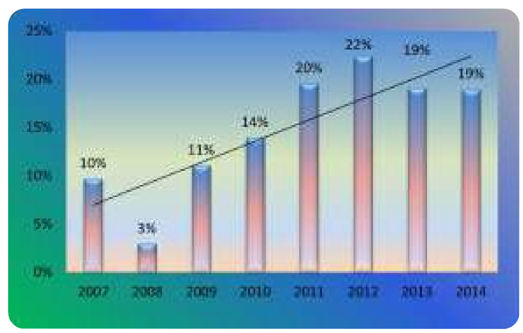
EARNING PER SHARE



SHAREHOLDER EQUITY

(Rupees in Thousand)

RETURN ON EQUITY



Shaheen

The Shaheen Falcon also known as the Peregrine Falcon is a bird of prey found in the Kashmir region of Pakistan. The peregrine is the fastest bird on record reaching horizontal cruising speeds of 65-90 kph. They are very well adapted to hunt; with strong, sharp, curved beaks for tearing flesh; large, keen eyes for viewing prey at great distances; and sharp, powerful claws (called talons) for clutching and grasping their quarry. Peregrines are favored by falconers, and have been used in that sport for many centuries, however it was seriously endangered in the mid-20th century because of the effects of DDT and other persistent pesticides.

Statement of Ethics and Business Practices

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 director and employee of the company shall obey the law. Any director and 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.

Grey Wolf

The Grey Wolf is a habitual roamer and occasionally occurs in almost any type of habitat but generally avoids natural forest regions as well as densely populated areas. It is mainly confined to remotely barren hilly regions and extensive deserts and is found in the Gilgit-Baltistan region of Pakistan. The Grey Wolf lives in burrows generally in the sand hills and under the tree roots. It largely depends on Livestock, primarily goats and sheep and even small rodents such as rats and hare. Currently the Grey Wolf has been declared endangered by Pakistan's Red List of Mammals, 2005.

Statement Of Compliance With The Code Of Corporate Governance

For The Year Ended December 31 ,2014

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 directors have confirmed that none of them is serving as a director in ten or more listed companies. The company encourages representation of independent non-executive directors on its Board of Directors. At present, the board includes six non-executive directors out of seven.

2. 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.

3. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.

4. 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.

5. 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, have been taken by the Board.

6. No casual vacancy occurred in the Board during the year.

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

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

9. An orientation was arranged for the directors during the year to apprise them of their duties & responsibilities and to keep them informed on new laws, rules and regulations and amendments thereof.

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

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

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

Statement Of Compliance With The Code Of Corporate Governance

For The Year Ended December 31 ,2014

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

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an underwriting, a claim settlement & a reinsurance committee.

16. The Board has formed an audit committee comprising of 3 members, all of them are non-executive Directors including the Chairman of the committee.

17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as per the requirement of the Code. The audit committee has adopted the same terms of reference as defined by the Code and advised to the committee for compliance.

18. 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.

19. All related parties t ransactions entered during the year were on arm's length basis and these have been placed before the Audit Committee and Board of Directors. These transactions are duly reviewed and approved by Audit Committee and Board of Directors.

20. The statutory auditors of the Company 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 partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

21. The s tatutory auditors or the persons associated with them have not been appointed to provide other s ervices except in accordance with ICAP Code of Ethics and the auditors have confirmed that they have observed IFAC guidelines in this regard.

22. The actuary a ppointed by the company has confirmed that he or his spouse and minor children do not hold shares of the company.

23. The Board ensures that the appointed actuary complied with the requirements set out for him in this code.

24. We confirm that all other material principles contained in the Code have been complied by the Company.

N Samad

NASAR US SAMAD QURESHI
Chief Executive Officer

Building a better working world

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Review Report To The Members On Statement Of Compliance With Best Practices Of Code Of Corporate Governance

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2014 prepared by the Board of Directors of Alfalah Insurance Company Limited (the Company) 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 reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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 have not carried out any special review of the internal control systems to enable us to express an opinion as to whether the Board's Statement on internal control covers all control and effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement does not appropriately reflect the status of the Company's compliance, in all material respects, with the best practices contained in the Code, for the year ended 31 December 2014.

Chartered Accountants

Engagement Partner: Farooq Hameed

Lahore: 26 February 2015

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Auditors' Report To The Members

We have audited the annexed financial statements comprising of:

(i) Balance Sheet;
(ii) Profit and loss account;
(iii) Statement of changes in equity;
(iv) Cash flow statement;
(v) Statement of premiums;
(vi) Statement of claims;
(vii) Statement of expenses; and
(viii) Statement of investment income

of Alfalah Insurance Company Limited (the Company) as at 31 December 2014, together with the notes forming part thereof, for the year then ended.

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

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

In Our Opinion:

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

(b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for the changes as stated in note 2.2 of these financial statements, with which we concur;

(c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2014 and of the profit, its cash flow and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

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

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Engagement Partner: Farooq Hameed

Lahore: 26 February 2015

Balance Sheet as At 31 December 2014

	Note	2014	2013
		(Rupees in thousand)	
Share capital and reserves			
Authorized capital			
50,000,000 (2013: 50,000,000) ordinary shares of Rs.10 each		**500,000**	500,000
Issued, subscribed and paid up capital			
30,000,000 (2013:30,000,000) ordinary shares of Rs.10 each	5	**300,000**	300,000
Share deposit money		**1,381**	1,381
General reserve		**150,000**	150,000
Unappropriated profit		**258,930**	135,475
		710,311	586,856
Underwriting provisions			
Provision for outstanding claims [including IBNR]		**456,432**	393,782
Provision for unearned premium		**505,363**	526,235
Commission income unearned		**53,238**	45,846
Total underwriting provisions		**1,015,033**	965,863
Deferred Liabilities			
Deferred taxation	6	**5,388**	5,239
Creditors and accruals			
Premium received in advance		**7,367**	4,885
Amounts due to other insurers/reinsurers		**281,020**	142,414
Accrued expenses	7	**66,624**	60,633
Taxation - provision less payments		**-**	4,080
Other creditors and accruals	8	**86,876**	63,253
		441,887	275,265
Other Liabilities			
Deposits and other payables	9	**7,234**	4,686
TOTAL LIABILITIES		**1,469,542**	1,251,053
TOTAL EQUITY AND LIABILITIES		**2,179,853**	1,837,909
CONTINGENCIES AND COMMITMENTS	10		

The annexed notes from 1 to 33 form an integral part of these financial statements.

Chairman

Director

Balance Sheet as At 31 December 2014

	Note	2014	2013
		(Rupees in thousand)	
Cash and bank deposits			
Cash and other equivalents	11	**496**	404
Current and other accounts	12	**207,145**	101,999
Deposits maturing within 12 months	13	**-**	-
		207,641	102,403
Loan - secured considered good			
To employees	14	**3,910**	2,866
Investments	15	**860,171**	785,754
Other assets			
Premiums due but unpaid - unsecured	16	**378,199**	254,286
Amounts due from other insurers/reinsurers - unsecured	17	**87,042**	86,836
Salvage recoveries accrued		**9,715**	7,190
Accrued investment income		**1,687**	1,738
Reinsurance recoveries against outstanding claims		**264,928**	218,933
Deferred commission expense		**26,386**	19,948
Prepayments - prepaid reinsurance premium ceded		**247,781**	253,685
- others		**4,725**	5,560
Taxation - payments less provision		**6,092**	-
Sundry receivables	18	**7,019**	9,789
		1,033,574	857,965
Fixed assets	19		
Building on leasehold land		**21,141**	26,683
Furniture, fixtures and office equipment		**22,176**	24,198
Motor vehicles		**28,559**	32,705
		71,876	83,586
Capital work in progress		**742**	1,333
Intangible			
Computer software	20	**1,939**	4,002
TOTAL ASSETS		**2,179,853**	1,837,909

Director

Principal Officer and
Chief Executive

Profit And Loss Account
For The Year Ended 31 December 2014

	Note	Fire and property damage	Marine, aviation and transport	Motor	Health	Others including Miscellaneous	Total 2014	Total 2013
							(Rupees in thousand)	
Revenue account								
Net premium revenue		47,900	15,127	315,795	286,265	40,236	**705,323**	563,744
Net claims		(49,968)	(4,554)	(127,349)	(225,150)	(3,796)	**(410,817)**	(317,378)
Management expenses	21	(54,966)	(12,313)	(98,974)	(38,002)	(35,664)	**(239,919)**	(214,401)
Net commission		36,932	9,762	(17,893)	243	66,884	**95,928**	94,672
Underwriting result		(20,102)	8,022	71,579	23,356	67,660	**150,515**	126,637
Investment income							**101,341**	78,329
Other Income	22						**3,762**	7,276
General and administration expenses	23						**(105,024)**	(89,202)
							79	(3,597)
Profit before taxation							**150,594**	123,040
Taxation	24						**(27,557)**	(20,463)
Profit after taxation							**123,037**	102,577
Other comprehensive income							**418**	(2,332)
Total Comprehensive Income for the year							**123,455**	100,245
Earnings per share - basic and diluted - Rupees	25						**4.10**	3.42
Balance at the commencement of the year							**135,475**	170,230
Transfer to general reserve							**-**	(135,000)
Total comprehensive income for the year							**123,455**	100,245
Balance of unappropriated profits at the end of the year							**258,930**	135,475

The annexed notes from 1 to 33 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 2014

	Share capital	Share deposit money	General reserve	Unappropriated profit	Total
					(Rupees in thousand)
Balance as at 01 January 2013	300,000	1,381	15,000	170,230	486,611
Transferred to general reserve	-	-	135,000	(135,000)	-
Profit after tax for the year		-	-	102,577	102,577
Other comprehensive income for the year	-	-	-	(2,332)	(2,332)
Total comprehensive income for the year	-	-	-	100,245	100,245
Balance as at 31 December 2013	300,000	1,381	150,000	135,475	586,856
Balance as at 01 January 2014	**300,000**	**1,381**	**150,000**	**135,475**	**586,856**
Profit after tax for the year	-	-	-	123,037	123,037
Other comprehensive income for the year	-	-	-	418	418
Total comprehensive income for the year	**-**	**-**	**-**	**123,455**	**123,455**
Balance as at 31 December 2014	**300,000**	**1,381**	**150,000**	**258,930**	**710,311**

The annexed notes from 1 to 33 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 2014

	2014	2013
	(Rupees in thousand)	
Operating cash flows		
Underwriting activities		
Premiums received	**1,207,423**	1,147,279
Reinsurance premiums paid	**(462,373)**	(697,261)
Commissions received	**117,858**	114,440
Commissions paid	**(46,049)**	(41,661)
Claims paid	**(560,165)**	(708,483)
Reinsurance recoveries received	**166,003**	418,790
Management expense paid	**(234,888)**	(216,659)
Net cash inflow from underwriting activities	**187,809**	16,445
Other operating activities		
Income tax paid	**(37,580)**	(14,521)
Other operating payments	**(68,860)**	(40,893)
Other operating receipts	**1,144**	3,743
Loan advanced	**(7,800)**	(5,278)
Loan repayment received	**6,756**	4,539
Net cash outflow from other operating activities	**(106,340)**	(52,410)
Total cash inflow/(outflow) from all operating activities	**81,469**	(35,965)
Investment activities		
Profit/return received	**17,241**	10,807
Dividend received	**6,267**	2,956
Sale of investments	**418,399**	675,924
Purchase of investments	**(414,358)**	(695,591)
Proceeds from disposal of fixed assets	**5,795**	6,438
Fixed capital expenditure	**(9,575)**	(24,422)
Total cash inflow/(outflow) from investing activities	**23,769**	(23,888)
Net cash outflow from all activities	**105,238**	(59,853)
Cash at the beginning of the year	**102,403**	162,256
Cash at the end of the year	**207,641**	102,403

The annexed notes from 1 to 33 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 2014

		2014	2013
		(Rupees in thousand)	
Reconciliation to profit and loss account			
Operating cash flows		**81,469**	(35,965)
Depreciation of tangibles		**(18,699)**	(18,090)
Amortization of intangibles		**(2,063)**	(2,014)
Increase/decrease in assets other than cash		**176,286**	(184,178)
Increase in liabilities		**(218,489)**	260,947
Un-realized gain in value of held for trading investment		**62,317**	39,059
Others			
Gain on disposal of investments		**16,576**	25,401
Loss in value of available for sale investments		**(229)**	-
Gain on disposal of fixed assets		**2,618**	3,537
Dividend and other investment income		**23,251**	15,880
Impairment in value of term deposits		**-**	(2,000)
Profit after taxation		**123,037**	102,577

Definition of cash

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

		2014	2013
Cash and other equivalents			
Cash in hand	- note 11	**249**	211
Stamps in hand	- note 11	**247**	193
		496	404
Current and other accounts			
Current accounts	- note 12	**140,069**	31,557
Saving accounts	- note 12	**67,076**	70,442
		207,145	101,999
Deposits maturing within 12 months		**-**	-
		207,641	102,403

The annexed notes from 1 to 33 form an integral part of these financial statements.

Chairman	Director	Director	Principal Officer and Chief Executive

Statement Of Premiums
For The Year Ended 31 December 2014

Business underwritten inside Pakistan

	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		2014	2013
Direct and facultative									(Rupees in thousand)	
Class										
Fire and Property Damage	383,557	226,816	221,443	388,930	332,838	195,608	187,416	341,030	**47,900**	37,192
Marine, Aviation and Transport	85,921	9,701	10,759	84,863	69,736	-	-	69,736	**15,127**	13,357
Motor	347,324	162,833	179,954	330,203	14,877	1,671	2,140	14,408	**315,795**	260,767
Health	265,185	48,527	24,267	289,445	4,169	575	1,564	3,180	**286,265**	212,653
Miscellaneous	248,867	78,358	68,940	258,285	218,879	55,831	56,661	218,049	**40,236**	39,775
	1,330,854	526,235	505,363	1,351,726	640,499	253,685	247,781	646,403	**705,323**	563,744

The annexed notes from 1 to 33 form an integral part of these financial statements.

Chairman	Director	Director	Principal Officer and Chief Executive

Statement Of Claims
For The Year Ended 31 December 2014

Business underwritten inside Pakistan

	Claims	Outstanding claims		Claims	Reinsurance and other recoveries	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries	Net Claim Expense	
	paid	**Opening**	**Closing**	**expense**	**received**	**Opening**	**Closing**	**revenue**	**2014**	**2013**
Direct and facultative									**(Rupees in thousand)**	
Class										
Fire and Property Damage	139,641	107,730	157,569	189,480	110,414	87,595	116,693	139,512	**49,968**	20,074
Marine, Aviation and Transport	33,605	27,391	13,651	19,865	28,207	23,815	10,919	15,311	**4,554**	7,846
Motor	118,108	55,079	65,709	128,738	480	18	927	1,389	**127,349**	96,295
Health	225,472	52,641	52,319	225,150	-	-	-	-	**225,150**	175,338
Miscellaneous	43,339	150,941	167,184	59,582	26,902	107,505	136,389	55,786	**3,796**	17,825
Total	560,165	393,782	456,432	622,815	166,003	218,933	264,928	211,998	**410,817**	317,378

The annexed notes from 1 to 33 form an integral part of these financial statements.

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

Statement Of Expenses
For The Year Ended 31 December 2014

Business underwritten inside Pakistan

	Commissions paid or payable	Deferred commission		Net commission expenses	Other management expenses	Underwriting expense	Commissions from reinsurers	Net underwriting expense	
		Opening	Closing					2014	2013
Direct and facultative								(Rupees in thousand)	
Class									
Fire and Property Damage	24,189	8,544	11,695	21,038	54,966	76,004	57,970	**18,034**	14,619
Marine, Aviation and Transport	13,659	1,451	1,710	13,400	12,313	25,713	23,162	**2,551**	1,931
Motor	19,996	8,567	10,139	18,424	98,974	117,398	531	**116,867**	99,863
Health	551	238	266	523	38,002	38,525	766	**37,759**	27,838
Miscellaneous	3,178	1,148	2,576	1,750	35,664	37,414	68,634	**(31,220)**	(24,522)
Total	61,573	19,948	26,386	55,135	239,919	295,054	151,063	**143,991**	119,729

The annexed notes from 1 to 33 form an integral part of these financial statements.

Chairman	Director	Director	Principal Officer and Chief Executive

Statement Of Investment Income For The Year Ended 31 December 2014

	2014	2013
	(Rupees in thousand)	
Income from trading investments		
Gain on sale of held for trading investments	**16,576**	16,885
Income from non-trading investments		
Held to maturity		
Return on Government Securities	**3,474**	3,404
Return on other fixed income securities and deposits	**13,561**	9,444
	17,035	12,848
Available for sale		
Dividend income	**6,216**	3,032
Gain on sale of available for sale investments	**-**	8,516
	6,216	11,548
Un-realized gain in value of held for trading investments	**62,317**	39,059
Impairment in value of Term Deposits	**-**	(2,000)
Impairment in value of available for sale investments	**(229)**	-
Investment expenses	**(574)**	(11)
Net investment income for the year	**101,341**	78,329

The annexed notes from 1 to 33 form an integral part of these financial statements.

Chairman	Director	Director	Principal Officer and Chief Executive

Markhor

The Markhor is the National Animal of Pakistan. This animal is largely found in the Northern Areas of Pakistan especially in Chitral, Ghizar and Hunza regions. Markhor's are found at altitudes of 500 to 3500 metres, where they eat grass, leaves, and whatever other vegetative matter they can find. Today, despite being the national animal of Pakistan, the markhor is considered to be an endangered species with less than 2,500 individuals thought to be left in a few remote areas. The decline in markhor population is mainly due to deforestation resulting in the loss of their native habitats.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

Alfalah Insurance Company Limited (the Company) is a general non-life insurance company which was incorporated as an unquoted public limited company in Pakistan on December 21, 2005 under the Companies Ordinance, 1984. The registered office of the Company is situated at 5-Saint Mary Park, Gulberg III, Lahore.

2. BASIS OF PREPARATION

2.1 These financial statements have been prepared in accordance with the requirements of the Insurance Ordinance 2000, the SEC (Insurance) Rules, 2002, the Companies Ordinance, 1984 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprises such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Insurance Ordinance, 2000, SEC (Insurance) Rules, 2002, the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Insurance Ordinance, 2000, SEC (Insurance) Rules, 2002, the Companies Ordinance, 1984 or the said directives take precedence.

2.2 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS EFFECTIVE IN 2014:

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

New Standards, Interpretations and Amendments

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

IAS 32 – Financial Instruments : Presentation – (Amendment)
-Offsetting Financial Assets and Financial Liabilities

IAS 36 – Impairment of Assets
-Recoverable Amount Disclosures for Non-Financial Assets

IAS 39 – Financial Instruments: Recognition and Measurement – (Amendment)
-Novation of Derivatives and Continuation of Hedge Accounting

IFRIC 21 – Levies

'The adoption of the above did not have any material effect on the financial statements for the current year.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

2.3 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE:

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

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 10 – Consolidated Financial Statements	01-Jan-15
IFRS 11 – Joint Arrangements	01-Jan-15
IFRS 12 – Disclosure of Interests in Other Entities	01-Jan-15
IFRS 13 – Fair Value Measurement	01-Jan-15
IAS 1 – Presentation of Financial Statements – (Amendment) - Disclosure Initiative	01-Jan-15
IAS 16 and 38 – Property, Plant and Equipment & intangible assets '- (Amendment) - Clarification of Acceptable Method of Depreciation and Amortization	01-Jan-16
IAS 16 and 41 – Property, Plant and Equipment & Agriculture - (Amendment) -Agriculture: Bearer Plants	01-Jan-16
IAS 19 – Employee Benefits - (Amendment) - Defined Benefit Plans: Employee Contributions	01-Jul-14

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

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

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

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01-Jan-18
IFRS 14 – Regulatory Deferral Accounts	01-Jan-16
IFRS 15 – Revenue from Contracts with Customers	01-Jan-17

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment and estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Provision for outstanding claims including incurred but not reported (IBNR) (note 4.2);
b) Premium deficiency reserve (note 4.3);
c) Provision for taxation (note 4.6);
d) Employee retirement benefits (note 4.7); and
e) Useful life and residual values of fixed assets (note 4.16);

4. 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 the periods presented, unless otherwise stated.

4.1 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
- Health
- Miscellaneous

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

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.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

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.

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

Other various types of insurance are classified in miscellaneous category which includes mainly engineering, terrorism, personal accident, worker compensation, products of financial institutions, crop etc.

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

4.2 PROVISION FOR OUTSTANDING CLAIMS INCLUDING INCURRED BUT NOT REPORTED (IBNR)

The Company recognises liability in respect of all claims incurred upto 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.

Provision for IBNR is based on the management's best estimate which takes into account past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date, except for the provision of IBNR related to health which is based on actuarial valuation.

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

4.3 PREMIUM DEFICIENCY RESERVE

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

For this purpose average loss ratio of last three years inclusive of claim settlement cost but excluding exceptional claims are taken into consideration to determine ultimate loss ratio except for health which is based on actuarial valuation. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, premium deficiency is determined. The loss ratios estimated on these basis for the unexpired portion are as follows;

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

	2014	2013
- Fire and property damage	72%	42%
- Marine, aviation and transport	36%	38%
- Motor	43%	48%
- Health	78%	80%
- Miscellaneous	32%	56%

Based on an analysis of loss ratios for the expired period of each reportable segment, management considers that the unearned premium reserve for all classes of business as at the year end is adequate to meet the expected future liability after reinsurance claims and other expenses, expected to be incurred after the balance sheet date in respect of policies in those classes of business in force at the balance sheet date. Hence, no reserve for the same has been made in these financial statements.

4.4 PROVISION FOR UNEARNED PREMIUM

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

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

- for other classes premium written is recognised as provision for unearned premium by applying the 1/24th method as specified in the SEC (Insurance) Rules, 2002.

4.5 COMMISSION INCOME UNEARNED

Unearned commission income from the reinsurers represents the portion of commission income relating to the unexpired period of reinsurance coverage and is recognised as a liability. It is calculated in accordance with the pattern of its related prepaid reinsurance premium ceded.

4.6 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 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 recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

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 equity in which case it is included in equity.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

4.7 EMPLOYEE RETIREMENT BENEFITS

The main features of the schemes operated by the Company for its employees are as follows:

4.7.1 DEFINED CONTRIBUTION PLAN

The Company has established an approved contributory provident fund for all permanent employees with effect from 01 September 2007. Equal monthly contributions are made by the Company and employees to the fund at the rate 8.33 % of basic salary. Contributions made by the company are recognised as expense.

4.7.2 DEFINED BENEFIT PLAN

The Company has established an approved gratuity fund for all permanent employees with effect from 01 September 2007. 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 latest actuarial valuation was carried out as at 31 December 2014.

The future contribution rates of these plans include allowances for deficit and surplus. Projected unit credit method, using the following significant assumptions, is used for valuation of this scheme:

- Discount rate	10.5% per annum
- Expected rate of increase in salary level	9.5% per annum
- Expected rate of return on plan assets	10.5% per annum

Retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

Actuarial gains or losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements and net interest income (expense).

4.8 AMOUNT DUE TO/FROM OTHER INSURERS/REINSURERS

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

4.9 CREDITORS, ACCRUALS AND PROVISIONS

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

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

4.10 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.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

4.11 INVESTMENTS

4.11.1 RECOGNITION

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs. These are classified into the following categories:

- Held to maturity
- Available for sale
- Held for trading

All 'regular way' purchases and sales of financial assets are accounted for at trade date.

4.11.2 MEASUREMENT

HELD TO MATURITY

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost and at subsequent reporting dates measured at amortised cost using the effective yield method.

Any premium paid or discount availed on acquisition of held to maturity investments is deferred and included in the income for the period on a straight-line-basis over the term of the investment.

AVAILABLE FOR SALE

The financial assets including investments in associated undertakings where the Company does not have significant influence that are intended to be held for an indefinite period of time or may be sold in response to the need for liquidity are classified as available for sale.

Subsequent to initial recognition at cost, these are stated at the lower of cost or market value (market value being taken as lower if the fall is other than temporary) in accordance with the requirements of the S.R.O. 938 issued by the SECP in December 2002. The Company uses latest stock exchange quotations in an active market to determine the market value of its quoted investments whereas, impairment of unquoted investments is computed by reference to net assets of the investee on the basis of the latest available audited/unaudited financial statements.

Had these investments been measured at fair value as required by IAS 39, the Company's net equity would have been higher by Rs.17.570 million (2013: higher by Rs.7.261 million)

Gain/(loss) on sale of available for sale investments are recognized in profit and loss account.

HELD FOR TRADING

These financial assets are acquired principally for the purpose of generating profit from short-term fluctuations in price or are part of a portfolio for which there is a recent actual pattern of short-term profit taking and are included in current assets.

Subsequent to initial recognition these are re-measured at fair value by reference to quoted market prices with the resulting gain/(loss) being included in net profit/(loss) for the period in which it arises.

4.12 PREMIUMS DUE BUT UNPAID

These are recognised at cost, which is the fair value of the consideration given less provision for doubtful debts, if any.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

4.13 REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS

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

4.14 DEFERRED COMMISSION EXPENSE

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

4.15 PREPAID REINSURANCE PREMIUM CEDED

It represents the portion of reinsurance premium ceded relating to the unexpired period of reinsurance coverage and is recognised as a prepayment. It is calculated in accordance with the pattern of its related unearned premium income.

4.16 FIXED ASSETS

TANGIBLE

These are stated at cost, signifying historical cost, less accumulated depreciation and any identified impairment loss.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of the residual value of its tangible fixed assets as at 31 December 2014 has not required any adjustment.

Depreciation on all fixed assets is charged to profit and loss account on the straight line method so as to write off depreciable amount of an asset over its useful life at the rates stated in note 19. The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant.

Depreciation on additions to fixed assets is charged from the month in which an asset is acquired or capitalised, while no depreciation is charged for the month in which the asset is disposed off.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items 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 period in which they are incurred.

The gain or loss on disposal or retirement of an asset, represented by the difference between the sale proceeds and the carrying amount of the asset, is recognised as an income or expense.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

INTANGIBLE

Expenditure incurred to acquire computer software are capitalised as intangible assets and stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets are amortised at the rate specified in note 20.

Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalised, while no amortisation is charged for the month in which the asset is disposed off.

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 recognised 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 recognised, the amortisation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.17 FINANCIAL INSTRUMENTS

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

Financial instruments carried on the balance sheet include cash and bank deposits, investments, premiums due but unpaid, amounts due from other insurers/reinsurers, accrued investment income, salvage recoveries accrued, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other insurers/reinsurers, accrued expenses and sundry creditors. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.18 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

4.19 REVENUE RECOGNITION

PREMIUM INCOME

Premium income under a policy is recognised over the period of insurance from the date of issuance on the following basis :

(a) For business other than marine cargo business, evenly over the period of the policy,

(b) For marine cargo business, immediately after the commencement of voyage; and

Where the pattern of incidence of risk varies over the period of the policy, premium is recognised as revenue in accordance with the pattern of the incidence of risk.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

ADMINISTRATIVE SURCHARGE

This represents documentation and other charges recovered by the Company from policy holders in respect of polices issued, 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
Miscellaneous	5,000
Health	5,000

Premium written includes administrative surcharge amounting to Rs.19.8 million.

DIVIDEND INCOME AND BONUS SHARES

Dividend income and entitlement of bonus shares are recognised when right to receive such dividend and bonus shares is established.

Gain /(loss) on sale of investments is taken to the profit and loss account in the year of sale as per trade date.

INCOME ON HELD TO MATURITY INVESTMENTS

Income on held to maturity investments is recognised on a time proportion basis taking into account the effective yield on investments.

MISCELLANEOUS INCOME

Other revenues are recognised on accrual basis.

4.20 REINSURANCE CEDED

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

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

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

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

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

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

4.21 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.

4.22 COMMISSION

COMMISSION EXPENSE

Commission expense incurred in obtaining and recording insurance policies is deferred and recognised 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.

COMMISSION INCOME

Commission income from reinsurers is recognised at the time of issuance of the underlying insurance policy by the Company. This income is deferred and 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 recognised on accrual basis.

4.23 IMPAIRMENT

The carrying amount of the assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such assets is estimated and the impairment losses are recognised in the profit and loss account currently.

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

4.24 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognised in the profit and loss account. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

4.25 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 administrative expenses.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

4.26 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 and the SEC (Insurance) Rules, 2002. 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 miscellaneous. The nature and business activities of these segments are disclosed in note 4.1.

As the operation of the Company are predominantly carried out in Pakistan, information relating to geographical segment is not considered relevant.

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

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

4.27 SALVAGE RECOVERIES

Salvage recoveries are recognised on estimated basis and are in line with the recognition of related claim expenses.

4.28 ZAKAT

Zakat deductible compulsorily under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) is accounted for in the year of deduction.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2014	2013		2014	2013
(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
		Ordinary shares of Rs 10 each, issued as fully paid bonus shares		

8,998,695 (2013: 8,998,695) ordinary shares of the Company are held by Bank Alfalah Limited, an associated undertaking as at 31 December 2014.

6. DEFERRED TAXATION

The liability for deferred taxation comprises of temporary differences relating to accelerated tax depreciation.

7. ACCRUED EXPENSES

	2014	2013
	(Rupees in thousand)	
Accrued expenses	**37,225**	36,810
Bonus payable	**29,302**	23,766
EOBI payable	**97**	57
	66,624	60,633

8. OTHER CREDITORS AND ACCRUALS

		2014	2013
		(Rupees in thousand)	
Agent commission payable		**39,820**	25,167
Federal Insurance Fee		**1,650**	1,555
Federal Excise Duty		**26,018**	23,375
Gratuity payable	- note 8.1	**6**	2,554
Workers' Welfare Fund payable	- note 8.2	**11,870**	2,511
Others	- note 8.3	**7,512**	8,091
		86,876	63,253

8.1 GRATUITY PAYABLE

The amounts recognised in the balance sheet are as follows:

	2014	2013
Present value of defined benefit obligation	**29,918**	24,259
Fair value of plan assets	**(29,912)**	(21,705)
Liability as at 31 December	**6**	2,554
Net obligation as at 01 January	**2,554**	(206)
Charge to profit and loss account	**4,610**	3,975
Other comprehensive income	**(418)**	2,332
Company contribution	**(6,740)**	(4,286)
Refund to the company	**-**	739
	6	2,554

8.1.1 The movement in the present value of defined benefit obligation is as follows:

	2014	2013
Present value of defined benefit obligation as at 01 January	**24,259**	16,789
Service cost	**4,717**	3,998
Interest cost	**3,099**	1,931
Benefits paid	**(834)**	(397)
Experience adjustments	**(1,323)**	1,938
Present value of defined benefit obligation as at 31 December	**29,918**	24,259

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

8.1.2 The movement in fair value of plan assets is as follows:

	2014	2013
	(Rupees in thousand)	
Fair value as at 01 January	**21,705**	16,994
Expected return on plan assets	**3,206**	1,955
Company contributions	**6,740**	4,285
Refund to Alfalah Insurance	**-**	(738)
Benefit paid	**(834)**	(397)
Return on plan assets excluding interest income	**(905)**	(394)
Fair value as at 31 December	**29,912**	21,705

8.1.3 Plan assets are comprised as follows:

	2014		2013	
	Fair Value (Rupees in thousand)	Percentage	Fair Value (Rupees in thousand)	Percentage
Investment in units of mutual funds	**538**	**2%**	471	2%
Cash at bank	**29,374**	**98%**	21,234	98%
	29,912		21,705	

8.1.4 Actual return on plan assets

	2014	2013
	(Rupees in thousand)	
Expected return on assets	**3,206**	1,955
Actuarial loss	**(905)**	(394)
	2,301	1,561

8.1.5 Charge to profit and loss account:

	2014	2013
Current service cost	**4,717**	3,998
Net Interest	**(107)**	(23)
Interest cost	**-**	-
Expected return on plan assets	**-**	-
Recognition of actuarial gain	**-**	-
Expense for the year	**4,610**	3,975

8.1.6 Remeasurements recognized in other comprehensive income, expense / (income) during the year

	2014	2013
Experience adjustments	**(1,323)**	1,938
Return on plan assets excluding interest income	**905**	394
	(418)	2,332

8.1.7 Sensitivity analysis on significant actuarial assumptions: Actuarial liability

	2014	2013
	(Rupees in thousand)	
Discount rate +1%	**(2,054)**	(1,074)
Discount rate -1%	**2,426**	1,172
Future salary increases +1%	**2,531**	1,229
Future salary increases -1%	**(2,173)**	(1,135)

The present value of defined benefit obligation, fair value of plan assets and surplus or deficit of gratuity fund is as follows:

	2014	2013	2012	2011	2010
			(Rupees in thousand)		
As at 31 December					
Present value of defined benefit obligation	**29,918**	24,259	16,788	10,858	7,559
Fair value of plan assets	**(29,912)**	(21,705)	(16,994)	(12,286)	(9,966)
(Deficit)/Surplus	**6**	2,554	(206)	(1,428)	(2,407)
Experience adjustment on obligation	**-4.42%**	7.99%	10.97%	-3.53%	-50.41%
Experience adjustment on plan assets	**3.03%**	1.82%	-1.10%	5.71%	-0.30%

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

8.2 Workers' Welfare Fund payable

		2014	2013
		(Rupees in thousand)	
Opening balance		**2,511**	-
Provision for the year	- note 23	**9,359**	2,511
Payment		**-**	-
Balance as at 31 December		**11,870**	2,511

8.2.1 The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Insurance companies have been brought within the scope of WWF Ordinance.

During the year ended 31 December 2012, the Honorable Lahore High Court (LHC) in Constitutional Petition relating to the amendments brought to WWF Ordinance, 1971 through Finance Act, 2006 and the Finance Act, 2008, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Honorable Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act, 2006 and Finance Act, 2008 do not suffer from any constitutional or legal infirmity. However, the SHC has not addressed the other amendments made in the WWF Ordinance 1971 about applicability of WWF to the insurance companies which is still pending before the Court. Without prejudice to the above, the Management of the Company, as matter of abundant caution, has decided to make the provision for WWF amounting to Rs 9,359 thousand for the current year in these financial statements.

8.3 Unclaimed Insurance benefits

Others include unclaimed Insurance benefits of Rs.1,075 thousands, 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	Total
	(Rupees in thousands)				
Claims not encashed	469	344	177	-	990
Other unclaimed benefits	-	8	-	77	85
Total	469	352	177	77	1,075

9. DEPOSITS AND OTHER PAYABLES

	2014	2013
	(Rupees in thousand)	
Retention money	**116**	116
Cash margin	**7,118**	4,570
	7,234	**4,686**

10. CONTINGENCIES AND COMMITMENTS

10.1 CONTINGENCIES

	2014	2013
Claim against the company not acknowledged as debt.	**261**	-

10.2 COMMITMENTS

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

	2014	2013
	(Rupees in thousand)	
Not later than one year	**13,976**	10,244
Later than one year and not later than five years	**35,970**	43,100
Later than five years	**1,092**	930
	51,038	54,274

11. CASH AND OTHER EQUIVALENTS

Cash in hand	**249**	211
Stamps in hand	**247**	193
	496	404

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

			2014	2013
			(Rupees in thousand)	
12.	**CURRENT AND OTHER ACCOUNTS**			
	Current accounts		**140,069**	31,557
	Saving accounts		**67,076**	70,442
			207,145	101,999

The balance in saving accounts bear mark-up at the rate of 8.5% to 8.75% per annum. (2013: 8.0% to 8.5% per annum).

			2014	2013
13.	**DEPOSITS MATURING WITHIN 12 MONTHS**		(Rupees in thousand)	
	Term Deposits Receipt		**2,000**	2,000
	Impairment	13.1	**(2,000)**	(2,000)
			-	-

13.1 Impairment has been charged due to uncertainty surrounding the recoverability of the investment.

14. LOAN - secured considered good

	2014 (Rupees in thousand)			
	Opening	Loan paid	Loan received	Closing
Executives	**962**	**3,200**	**(2,263)**	**1,899**
Others	**1,904**	**4,600**	**(4,493)**	**2,011**
	2,866	**7,800**	**(6,756)**	**3,910**

	2013 (Rupees in thousand)			
	Opening	Loan paid	Loan received	Closing
Executives	639	1,803	(1,480)	962
Others	1,488	3,475	(3,059)	1,904
	2,127	5,278	(4,539)	2,866

			2014	2013
			(Rupees in thousand)	
15.	**INVESTMENTS**			
	The investments comprise of the following:			
	Held to maturity	- note 15.1	**32,865**	33,071
	Available for sale - quoted	- note 15.2	**71,619**	48,797
	Held for trading	- note 15.3	**755,687**	703,886
			860,171	785,754
15.1	**HELD TO MATURITY**			
	Statutory deposits	- note 15.1.1	**32,000**	32,000
	Unamortized premium / (discount) on investment bonds		**865**	1,071
			32,865	33,071

15.1.1 STATUTORY DEPOSITS

	Maturity	Effective Yield %	2014	2013
Pakistan Investment Bonds	July, 2017	9.81%	**24,000**	24,000
	August, 2016	10.70%	**3,000**	3,000
	July, 2015	13.85%	**5,000**	5,000
			32,000	32,000

This represents Pakistan Investment Bond held with State Bank of Pakistan as statutory deposit. Market value as at 31 December 2014 is Rs.33.09 million (2013: Rs.31.9 million).

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

15.2 AVAILABLE FOR SALE - QUOTED

2014	2013	Company's / Fund name	Face value per Share	2014	2013
Number of Shares			Rupees	(Rupees in thousand)	
Investment in associated undertaking					
500,000	400,000	*Bank Alfalah Limited	10	**10,859**	8,013
Market value as at 31 December				**17,440**	10,816
Investment in others					
70,500	500	Hub Power Company Limited	10	**4,228**	23
74,000	74,000	Kot Addu Power Company Limited	10	**3,640**	3,640
26,400	24,000	Bank Al-Habib Limited	10	**661**	661
10,000	10,000	Lucky Cement Limited	10	**2,239**	2,239
27,500	27,500	Nishat Chunian Limited	10	**1,451**	1,451
100,000	100,000	NIB Bank Limited	10	**260**	260
30,000	30,000	Nishat Mills Limited	10	**2,998**	2,998
9,900	9,900	Oil and Gas Development Company	10	**2,300**	2,300
10,000	10,000	Pakistan Oil Fields Limited	10	**4,808**	4,808
44,000	34,000	Pakistan Petroleum Limited	10	**8,358**	6,161
33,000	30,000	Pakistan State Oil	10	**10,266**	10,266
50,000	50,000	DG Khan Company	10	**4,196**	4,196
56,500	56,500	Nishat Power Limited	10	**1,781**	1,781
49,083	-	United Bank Limited	10	**7,755**	-
100,000	-	Pakgen Power Limited	10	**2,226**	-
35,000	-	Fauji Fertilizer Company	10	**3,822**	-
				60,989	40,784
Impairment in value of available for sale investments				**(229)**	-
				60,760	40,784
Market value as at 31 December				**71,749**	45,242
Total available for sale - qouted				**71,619**	**48,797**
Total market value as at 31 December				**89,189**	**56,058**

* 300,000 shares are pledged with National Clearing Company of Pakistan Limited (NCCPL), as exposure margin.

15.3 HELD FOR TRADING

2014	2013	Company's / Fund name	Face value per Unit / Share	2014	2013
Number of Units / Shares			Rupees	(Rupees in thousand)	
Investment in associated undertaking					
154,918	149,350	Alfalah GHP Cash Fund	500	**81,196**	74,753
Investment in others					
96,282	559,699	MCB Cash Management Optimizer Fund	100	**10,044**	55,999
771,159	693,779	MCB Dynamic Allocation Fund	100	**61,106**	51,599
138,229	149,431	Atlas Money Market Fund	500	**72,504**	75,126
362,519	349,092	IGI Money Market Fund	100	**38,176**	35,098
734,572	553,780	UBL Liquidity Plus Fund	100	**76,899**	55,696
648,157	-	Pakistan Cash Management Fund	50	**33,808**	-
633,555	768,183	Askari Sovereign Cash Fund	100	**66,393**	77,432
5,736,787	7,664,390	ABL Cash Fund	10	**60,030**	76,703
689,927	778,820	Faysal Money Market Fund	100	**72,615**	79,222
668,391	740,044	HBL Money Market Fund	100	**69,962**	74,811
6,594,213	4,337,458	NAFA Money market fund	10	**68,952**	43,426
200,987	-	Metro Bank Pakistan Soverign Fund	50	**10,954**	-
53,500	31,500	Hub Power Company Limited	10	**4,192**	1,913
-	20,500	Nishat Chunian Power Limited	10	**-**	713
-	4,200	Pakistan State Oil Limited	10	**-**	1,395
3,000	-	Allied Bank Limited	10	**342**	
8,200	-	Attock Cement Limited	10	**1,600**	-
360	-	Bata Pakistan Limited	10	**1,256**	-
9,600	-	Engro Corporation Limited	10	**2,126**	-

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

2014	2013	Company's / Fund name	Face value per unit / share	2014	2013
Number of Units / Shares			Rupees	(Rupees in thousand)	
Investment in others					
21,000	-	Engro Fertilizer Limited	10	**1,640**	-
39,000	-	Fatima Fertilizer Company Limited	10	**1,395**	-
70,000	-	Fauji Cement Company Limited	10	**1,809**	-
500	-	Fauji Fertilizer Bin Qasim	10	**23**	-
10,500	-	Fauji Fertilizer Company Limited	10	**1,230**	-
47,500	-	Habib Metropolitan Bank	10	**1,772**	-
23,500	-	Kot Addu Power Company Limited	10	**1,855**	-
4,100	-	Lucky Cement Limited	10	**2,051**	-
43,500	-	Maple Leaf Cement Factory Limited	10	**1,925**	-
6,650	-	MCB Bank Limited	10	**2,033**	-
2,200	-	Millat Tractors Limited	10	**1,423**	-
11,000	-	Nishat Power Limited	10	**502**	-
4,300	-	Pak Suzuki Motor Company Limited	10	**1,596**	-
14,000	-	Pakistan Petroleum Limited	10	**2,471**	-
10,230	-	United Bank Limited	10	**1,808**	-
				674,491	629,133
Total - held for trading				**755,687**	703,886

16. PREMIUMS DUE BUT UNPAID

		2014	2013
Unsecured			
- Considered good		**378,199**	254,286
- Considered doubtful		**11,856**	9,856
		390,055	264,142
Less: Provision for doubtful receivables	- note16.1	**(11,856)**	(9,856)
		378,199	254,286

16.1 PROVISION FOR DOUBTFUL RECEIVABLES

		2014	2013
Balance as at 01 January		**9,856**	9,856
Provision made during the year	- note 21	**2,000**	-
Balance as at 31 December		**11,856**	9,856

17. AMOUNTS DUE FROM OTHER INSURERS/REINSURERS

These are unsecured and considered good.

18. SUNDRY RECEIVABLES

		2014	2013
Security deposits		**5,018**	5,195
Receivable from provident fund	- note 18.1	**381**	-
Insurance claim receivable		**146**	212
Other advances		**1,474**	4,382
		7,019	9,789

18.1 PROVIDENT FUND TRUST

	2014	2013
Size of the fund	**51,477**	40,912
Cost of investment made	**53,220**	41,564
Percentage of investments made (based on fair value)	**105%**	103%
Fair value of investments	**53,989**	42,144

18.1.1 Break-up of investments

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

	2014		2013	
	Investments	Investments as a % size of fund	Investments	Investments as a % size of fund
Listed securities / mutual funds	**1,511**	**3%**	1,322	3%
Interest bearing bank accounts	**52,478**	**102%**	40,822	100%
	53,989		42,144	

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

19. TANGIBLE

(Rupees in thousand)

	Cost as at 01 January 2014	Additions	Disposals / Adjustments	Cost as at 31 December 2014	Accumulated depreciation as at 01 January 2014	Depreciation charge for the year	Accumulated Depreciation on Disposal / Adjustments	Accumulated depreciation as at 31 December 2014	Book value as at 31 December 2014	Depreciation rates
Furniture, fixtures and office equipment										
Furniture and fixtures	16,534	374	(289) 669	17,288	6,877	1,719	(73) 384	8,907	8,381	10%
Office equipment	13,888	1,531	(260) (430)	14,729	9,861	1,582	(131) (553)	10,759	3,970	20%
Computer equipment	28,425	4,017	- 946	33,388	17,911	4,991	- 661	23,563	9,825	25%
	58,847	5,922	636	65,405	34,649	8,292	288	43,229	22,176	
Building on leasehold land	50,235	319	(337) (1,185)	49,032	23,552	4,918	(87) (492)	27,891	21,141	10%
Motor vehicles	56,871	3,925	(7,682)	53,114	24,166	5,489	(5,100)	24,555	28,559	20%
2014	**165,953**	**10,166**	**(8,568)**	**167,551**	**82,367**	**18,699**	**(5,391)**	**95,675**	**71,876**	

(Rupees in thousand)

	Cost as at 01 January 2013	Additions	Disposals / Adjustments	Cost as at 31 December 2013	Accumulated depreciation as at 01 January 2013	Depreciation charge for the year	Accumulated Depreciation on Disposal / Adjustments	Accumulated depreciation as at 31 December 2013	Book value as at 31 December 2013	Depreciation rates
Furniture, fixtures and office equipment										
Furniture and fixtures	16,210	702	(378)	16,534	5,456	1,632	(211)	6,877	9,657	10%
Office equipment	14,271	425	(808)	13,888	8,744	1,875	(758)	9,861	4,027	20%
Computer equipment	23,129	6,446	(1,150)	28,425	14,701	4,345	(1,135)	17,911	10,514	25%
	53,610	7,573	(2,336)	58,847	28,901	7,852	(2,104)	34,649	24,198	
Building on leasehold land	50,235	-	-	50,235	18,529	5,023	-	23,552	26,683	10%
Motor vehicles	51,112	14,379	(8,620)	56,871	24,902	5,215	(5,951)	24,166	32,705	20%
2013	**154,957**	**21,952**	**(10,956)**	**165,953**	**72,332**	**18,090**	**(8,055)**	**82,367**	**83,586**	

19.1 The depreciation charge for the year has been charged to the management expenses and general and administrative expenses as referred to in note 21 and 23.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

20. INTANGIBLE

(Rupees in thousand)

2014	Cost as at 01 January 2014	Additions	Cost as at 31 December 2014	Accumulated amortisation as at 01 January 2014	Amortisation charge for the year	Accumulated amortisation as at 31 December 2014	Book value as at 31 December 2014	Amortisation rate
Software	**12,579**	**-**	**12,579**	**8,577**	**2,063**	**10,640**	**1,939**	**25%**

(Rupees in thousand)

2013	Cost as at 01 January 2013	Additions	Cost as at 31 December 2013	Accumulated amortisation as at 01 January 2013	Amortisation charge for the year	Accumulated amortisation as at 31 December 2013	Book value as at 31 December 2013	Amortisation rate
Software	11,442	1,137	12,579	6,563	2,014	8,577	4,002	25%

20.1 The amortization charge for the year has been charged to the general and administrative expenses as referred to in note 23.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

			2014	2013
			(Rupees in thousand)	
21.	**MANAGEMENT EXPENSES**			
	Salaries, wages and other benefits		**114,387**	102,822
	Staff retirement benefits	- note 23.2	**6,817**	6,499
	Tracker expenses		**49,201**	43,087
	Rent, rates and taxes		**9,967**	9,616
	Communication and utility expenses		**11,943**	10,476
	Printing and stationery		**7,582**	6,472
	Generator expense		**2,656**	3,245
	Travelling and conveyance		**6,497**	4,375
	Inspection fee		**766**	920
	Provision for doubtful debts	- note 16.1	**2,000**	-
	Fees and subscription		**4,302**	3,594
	Training and development		**1,436**	580
	Depreciation on tangible assets	- note 19	**5,532**	5,528
	Vehicles running and maintenance expenses		**8,170**	8,363
	Sundry expenses		**8,663**	8,824
			239,919	214,401

22. OTHER INCOME

This represents gain/(loss) arising on disposal of fixed assets, liabilities written back and exchange gain/(loss) arising on foreign currency transactions.

			2014	2013
			(Rupees in thousand)	
23	**GENERAL AND ADMINISTRATION EXPENSES**			
	Salaries, wages and other benefits		**43,952**	37,378
	Staff retirement benefits	- note 23.2	**3,388**	2,698
	Depreciation on tangible assets	- note 19	**13,167**	12,562
	Amortisation of intangible assets	- note 20	**2,063**	2,014
	Vehicles running and maintenance expenses		**5,720**	6,500
	Repair and maintenance		**7,481**	6,163
	Insurance expense		**4,480**	4,492
	Rent expense		**8,994**	8,625
	Legal and professional		**3,070**	2,478
	Advertisement expenses		**2,284**	2,825
	Auditors' remuneration	- note 23.1	**1,066**	956
	Workers' welfare fund	- note 8.2	**9,359**	2,511
			105,024	89,202
23.1	**AUDITORS' REMUNERATION**			
	Statutory audit fee		**515**	477
	Half yearly review		**229**	212
	Statutory returns		**114**	106
	Certification and sundry services		**122**	80
	Out of pocket expenses		**86**	81
			1,066	956

23.2 STAFF RETIREMENT BENEFITS

Staff retirement benefits comprises of provident fund and gratuity amounting to Rs. 5.5 million (2013: Rs. 5.2 million) and Rs. 4.6 million(2013: Rs.3.9 million) respectively.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

		2014	2013
		(Rupees in thousand)	
24. TAXATION			
Current Tax			
Current year		**27,881**	22,067
Prior years		**(473)**	518
		27,408	22,585
Deferred Tax			
Relating to reversal and origination of temporary differences		**(5)**	(2,332)
Income resulting from reduction in tax rate		**154**	210
		149	(2,122)
	- note 24.1	**27,557**	**20,463**

24.1 TAX CHARGE RECONCILIATION

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

	2014	2013
Accounting profit	**150,594**	123,040
Tax at the applicable rate of 33% (2013: 34%)	**49,696**	41,833
Tax effect of amounts that are:		
- Exempt for tax purposes	**(24,339)**	(20,922)
- Chargeable to tax at different rates	**2,673**	(966)
Prior year current tax	**(473)**	518
	(22,139)	(21,370)
Tax expense	**27,557**	20,463

25. EARNINGS PER SHARE - BASIC AND DILUTED

		2014	2013
Net profit for the year	**Rupees in thousand**	**123,037**	102,577
Weighted average number of ordinary shares issued and paid at the end of the year	**Number of shares**	**30,000,000**	30,000,000
Earnings per share - basic and diluted	**Rupees per share**	**4.10**	3.42

26. 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:

	2014 (Rupees in thousand)		
	Directors	**Chief Executive**	**Key Management Personnel**
	(Rupees in thousand)		
Managerial remuneration	**-**	**15,053**	**25,980**
Contribution to post employment benefits	**-**	**1,505**	**2,597**
Bonus	**-**	**6,207**	**4,342**
Other prequisites and allowances	**-**	**376**	**2,846**
	-	**23,141**	**35,765**
Number of persons	**6**	**1**	**10**

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

	2013		
	(Rupees in thousand)		
	Directors	Chief Executive	Key Management Personnel
	(Rupees in thousand)		
Managerial remuneration	-	13,440	22,167
Contribution to post employment benefits	-	1,343	2,078
Bonus	-	5,392	3,933
Other prequisites and allowances	-	336	1,666
	-	20,511	29,844
Number of persons	**6**	**1**	**10**

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 accomodation. No fee was paid to director for attending meetings.

27. NUMBER OF EMPLOYEES

The number of employees in the company is as follows:

	2014	2013
Average number of employees during the year	**200**	198
As at 31 December	**199**	198

28. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated undertakings, other related Companies, directors of the Company and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Remuneration of directors, chief executive and key management personnel is disclosed in note 26. Amounts due to/from and other significant transactions with related parties are as follows:

			2014	2013
			(Rupees in thousand)	
Transactions during the period				
Relationship	**Nature of transactions**			
Associated undertakings and other related parties	Insurance premium		**615,582**	604,134
	Net premium received		**761,692**	700,953
	Claims paid		**325,359**	376,640
	Interest income		**13,154**	9,236
	Dividend received		**1,000**	19
	Rent paid		**1,830**	1,664
	Rent expense		**1,999**	1,894
	License fees and connection charges		**2,938**	2,933
Key management personnel	Premium written		**153**	268
	Claims paid		**78**	-
	Receipt from sale of motor vehicle		**-**	675
Post employment benefit plans	Expense charged		**10,205**	9,197
Period end balances				
Associated undertakings and other related parties	Premium receivable	- note 30.1.1.3	**183,589**	161,957
	Provision for outstanding claims		**307,803**	227,984
	Internet Charges Payable		**440**	440
Key management personnel	Premium receivable		**104**	388
	Provision for outstanding claims		**121**	5

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

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

29. SEGMENT REPORTING

Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirement of Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002. The following table presents information regarding segment assets, liabilities as at 31 December 2014 and 31 December 2013, unallocated capital expenditure and non-cash expenses during the year.

(Rupees in thousand)

	Fire and property damage		Marine, aviation and transport		Motor		Health		Miscellaneous		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Segment assets	**548,897**	479,886	**49,550**	48,984	**83,105**	56,136	**49,176**	41,298	**273,608**	213,576	**1,004,336**	839,880
Unallocated corporate assets											**1,175,517**	998,029
Consolidated total assets											**2,179,853**	1,837,909
Segment liabilities	**532,457**	398,689	**74,315**	45,026	**273,894**	236,474	**76,977**	101,966	**338,416**	328,704	**1,296,059**	1,110,859
Unallocated corporate liabilities											**173,483**	140,194
Consolidated total liabilities											**1,469,542**	1,251,053
Unallocated capital expenditure											**9,575**	**24,422**
Unallocated depreciation and amortization											**20,762**	20,104

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

30. 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 recognises 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 organisational 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 summarised below :

a) Financial risk, categorized into ;
- Credit risk - note 30.1.1
- Liquidity risk - note 30.1.2
- Market risk - note 30.1.3

b) Capital adequacy risk - note 30.2

c) Insurance risk - note 30.3

30.1 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 minimise 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.

30.1.1 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		**2014**	**2013**
		(Rupees in thousand)	
Bank balances	-note 30.1.1.1	**207,145**	101,999
Investments	-note 30.1.1.2	**827,306**	752,683
Premium due but unpaid	-note 30.1.1.3	**390,055**	264,142
Amount due from other insurers / reinsurers	-note 30.1.1.4	**87,042**	86,836
Accrued investment income		**1,687**	1,738
Reinsurance recoveries against outstanding claims	-note 30.1.1.4	**264,928**	218,933
Sundry receivables	-note 30.1.1.5	**7,019**	9,789
		1,785,182	1,436,120

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

	Rating Short term	**Long term**	**Rating Agency**	**2014**	2013
				(Rupees in thousand)	
Bank Alfalah Limited	A1+	AA	PACRA	**198,213**	93,176
HSBC Bank Middle East Limited	-	-		**-**	259
Habib Bank Limited	A1+	AA+	PACRA	**5,928**	5,562
The Bank of Punjab	A1+	AA-	PACRA	**3,003**	3,001
Silk Bank Limited	A-2	A-	JCR-VIS	**1**	1
				207,145	101,999

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

30.1.1.2 The credit quality of Company's investments can be assessed with reference to external credit rating which is as follows :

Company/Asset Management Company Name	Rating	Rating Agency	2014	2013
			(Rupees in thousand)	
Alfalah GHP Cash Fund	AA+	PACRA	**81,196**	74,753
Askari Sovereign Cash Fund	AA+	PACRA	**66,393**	77,432
Atlas Money Market Fund	AA+	PACRA	**72,504**	75,126
Faysal Money Market Fund	AA+	JCR-VIS	**72,615**	79,222
HBL Money Market Fund	AA(f)	PACRA	**69,962**	74,811
IGI Money Market Fund	AA+(f)	PACRA	**38,176**	35,098
MCB Cash Management Optimizer Fund	AA(f)	JCS-VIS	**10,044**	55,999
MCB Dynamic Allocation Fund	AA(f)	PACRA	**61,106**	51,599
Metro Bank Pakistan Soverign Fund	AA+(f)	JCR-VIS	**10,954**	-
NAFA Money market Fund	AA(f)	PACRA	**68,952**	43,426
Pakistan Cash Management Fund	AA-	PACRA	**33,808**	-
UBL Liquidity Plus Fund	AA(f)	JCR-VIS	**76,899**	55,696
ABL Cash Fund	AA	PACRA	**60,030**	76,703
Allied Bank Limited	AA+	JCR-VIS	**342**	-
Attock Cement Limited	A-	JCR-VIS	**1,600**	-
Bank Alfalah Limited	AA-	PACRA	**10,859**	8,013
Bank Al-Habib Limited	AA	PACRA	**661**	661
Bata Pakistan Limited	AAA	JCR-VIS	**1,256**	-
DG Khan Company	N/A	-	**4,196**	4,196
Engro Corporation Limited	AA-	PACRA	**2,126**	-
Engro Fertilizer Limited	AA+	PACRA	**1,640**	-
Fatima Fertilizer Company Limited	AA-	JCR-VIS	**1,395**	-
Fauji Cement Company Limited	A+	PACRA	**1,809**	-
Fauji Fertilizer Bin Qasim	AA+	JCR-VIS	**23**	-
Fauji Fertilizer Company Limited	AA	PACRA	**5,052**	-
Habib Metropolitan Bank	AAA(f)	PACRA	**1,772**	-
Hub Power Company Limited	3-STAR	PACRA	**8,420**	1,936
Kot Addu Power Company Limited	AA+(f)	PACRA	**5,495**	3,640
Lucky Cement Limited	AA(f)	JCR-VIS	**4,290**	2,239
Maple Leaf Cement Factory Limited	AM3-	PACRA	**1,925**	-
MCB Bank Limited	AAA(f)	PACRA	**2,033**	-
Millat Tractors Limited	AA(f)	PACRA	**1,423**	-
NIB Bank Limited	AA+	PACRA	**232**	260
Nishat Chunian Limited	AA-(f)	PACRA	**1,249**	1,451
Nishat Chunian Power Limited	AM3-	PACRA	**2,283**	2,494
Nishat Mills Limited	AA+	PACRA	**2,998**	2,998
Oil and Gas Development Company	A-	PACRA	**2,300**	2,300
Pak Suzuki Motor Company Limited	A-	PACRA	**1,596**	-
Pakgen Power Limited	AA-	PACRA	**2,226**	-
Pakistan Oil Fields Limited	AA-	PACRA	**4,808**	4,808
Pakistan Petroleum Limited	N/A	-	**10,829**	6,161
Pakistan State Oil	AA+	PACRA	**10,266**	11,661
United Bank Limited	5-STAR	PACRA	**9,563**	-
			827,306	**752,683**

30.1.1.3 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.11.856 million (2013: Rs. 9.856 million) is shown in note 16.1. 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 premiums due but unpaid is as follows :

	2014	2013
	(Rupees in thousand)	
Financial institutions	**128,171**	93,398
Telecom sector	**6,785**	78,719
Foods & beverages	**5,232**	8,512
Personal Goods	**79,794**	15,357
Health	**12,715**	3,308
Textile	**77,425**	9,216
Miscellaneous	**79,933**	55,632
	390,055	264,142

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

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

	2014			2013		
	(Rupees in thousand)					
	Related parties	Others	Total	Related parties	Others	Total
The age analysis of receivables is as follows:						
Upto 1 year	**210,313**	**165,681**	**375,994**	160,706	94,520	255,226
1-2 years	**1,698**	**10,799**	**12,497**	1,237	4,360	5,597
2-3 years	**69**	**1,495**	**1,564**	-	3,168	3,168
Over 3 years	**-**	**-**	**-**	14	137	151
	212,080	**177,975**	**390,055**	161,957	102,185	264,142

30.1.1.4 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 2014			
BB+ or above (including PRCL)	**85,184**	**264,928**	**350,112**
BBB and BBB+	**1,858**	**-**	**1,858**
	87,042	**264,928**	**351,970**
As at 31 December 2013			
A- or above (including PRCL)	86,712	218,933	305,645
BBB and BBB+	124	-	124
	86,836	218,933	305,769

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:

	2014		2013	
	(Rupees in thousand)			
	Reinsurance recoveries against outstanding claims	Provision for outstanding claims	Reinsurance recoveries against outstanding claims	Provision for outstanding claims
Upto 1 year	**219,513**	**380,816**	147,943	306,332
1-2 years	**26,655**	**49,170**	31,603	42,067
2-3 years	**13,106**	**17,103**	13,441	16,508
Over 3 years	**5,654**	**9,343**	25,946	28,875
	264,928	**456,432**	218,933	393,782

30.1.1.5 Sundry receivable includes security deposits, advance to employees and receivable from Provident Fund which does not carry significant credit risk.

30.1.1.6 Salvage recoveries accrued does not carry significant credit risk.

30.1.2 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, Company has cash and bank deposits and readily marketable securities with insignificant change in value of Rs.207,641 million (2013: Rs.102.403 million) and Rs.755,687 (2013: Rs.703.886 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.

	2014			(Rupees in thousand)
	Carrying amount	Contractual cash flows	Maturity upto one year	Maturity after one year
Provision for outstanding claims	**456,432**	**456,432**	**456,432**	-
Amounts due to other insurers/reinsurers	**87,042**	**87,042**	**87,042**	-
Accrued expenses	**66,527**	**66,527**	**66,527**	-
Other creditors and accruals	**47,338**	**47,338**	**47,338**	-
Deposits and other payables	**7,234**	**7,234**	**7,234**	-
	664,573	**664,573**	**664,573**	-

	2013			(Rupees in thousand)
	Carrying amount	Contractual cash flows	Maturity upto one year	Maturity after one year
Provision for outstanding claims	393,782	393,782	393,782	-
Amounts due to other insurers/reinsurers	142,414	142,414	142,414	-
Accrued expenses	60,576	60,576	60,576	-
Other creditors and accruals	35,812	35,812	35,812	-
Deposits and other payables	4,686	4,686	4,686	-
	637,270	637,270	637,270	-

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

30.1.3 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.

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 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:

(Rupees in thousand)

	2014 Effective Interest rate %	Carrying amounts Maturity upto one year		Carrying amounts Maturity after one year	
		2014	2013	2014	2013
Financial assets					
Bank balances	8.5% to 8.75%	**67,076**	70,442	**-**	-
Investments					
Money market funds	**7.54% to 8.26%**	**722,639**	699,865	**-**	-
PIB's	**9.8% to 13.85%**	**4,938**	-	**27,927**	33,071

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 decreased/(increased) 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.

(Rupees in thousand)

	Increase	Decrease
Impact on profit and loss	by 100 bps	
As at 31 December 2014		
Cash flow sensitivity-variable rate financial assets	**17,038**	**(17,038)**
As at 31 December 2013		
Cash flow sensitivity-variable rate financial assets	13,260	(13,260)

b) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/mark-up rate risk or currency risk), whether those changes are caused by 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.827.306 million (2013: Rs 752.081 million) at the balance sheet date. However the company has no significant concentration of price risk.

The carrying amount of investments subject to price risk are based on quoted market prices as of the balance sheet date except for available for sale equity instruments which are stated at lower of cost or market value (market value being taken as lower if fall is other than temporary) in accordance with the requirements of the S.R.O. 938 issued by the SECP, in December 2002.

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 2014 and 2013 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:

(Rupees in thousand)

	Fair value	Hypothetical price change	Estimated fair value after hypothetical changes in price	Hypothetical increase/(decrease) in equity	Hypothetical increase/(decrease) in profit before tax
31 Dec 2014	**755,687**	**10% increase**	**831,256**	**75,569**	**50,631**
		10% decrease	**680,118**	**(75,569)**	**(50,631)**
31 Dec 2013	703,886	10% increase	774,275	70,389	46,457
		10% decrease	633,497	(70,389)	(46,457)

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

c) **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 2014 (2013: US $ 20,000).

30.2 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 currently meets minimum paid up capital requirements as required by SECP.

30.3 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 30.3.1
- Claim Risk -note 30.3.2
- Reinsurance Risk -note 30.3.3

30.3.1 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 neighbouring 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	
	2014	2013	**2014**	2013
Fire	**62%**	70%	**33%**	31%
Marine	**22%**	15%	**17%**	14%
Motor	**3%**	2%	**13%**	11%
Health	**7%**	9%	**33%**	41%
Miscellaneous	**6%**	4%	**4%**	3%
	100%	100%	**100%**	100%

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

	Gross premium written		Net premium written	
	2014	2013	**2014**	2013
Fire	**29%**	30%	**7%**	7%
Marine	**6%**	6%	**2%**	2%
Motor	**26%**	25%	**45%**	46%
Health	**20%**	19%	**41%**	38%
Miscellaneous	**19%**	20%	**5%**	7%
	100%	100%	**100%**	100%

30.3.2 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 characterised 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 emphasised 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 4.2 to the financial statements.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

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 recognised 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.

(Rupees in thousand)

	Net impact of increase / decrease in average claims by 10% on			
	Underwriting result		Shareholders' Equity	
	2014	2013	**2014**	2013
Fire	**4,997**	2,007	**3,348**	1,325
Marine	**455**	785	**305**	518
Motor	**12,735**	9,630	**8,532**	6,356
Health	**22,515**	17,534	**15,085**	11,572
Miscellaneous	**380**	1,783	**255**	1,177
	41,082	31,739	**27,525**	20,948

Claims development tables

The following table shows the development of fire and 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 2014.

(Rupees in thousand)

	Accident year					
	2010	**2011**	**2012**	**2013**	**2014**	**Total**
Estimate of ultimate claims cost:						
At end of accident year	516,129	203,636	736,572	219,715	349,937	2,025,989
One year later	399,828	147,542	533,793	169,641	-	1,250,804
Two years later	370,859	138,431	518,939	-	-	1,028,229
Three years later	368,407	126,379	-	-	-	494,786
Four years later	355,070	-	-	-	-	355,070
Five years later	-	-	-	-	-	-
Six years later	-	-	-	-	-	-
Seven years later	-	-	-	-	-	-
Estimate of cumulative claims	355,070	126,379	518,939	169,641	349,937	1,519,966
Cumulative payments to date	(345,395)	(130,771)	(486,906)	(149,063)	(89,828)	(1,201,963)
Liability recognised	**9,675**	**(4,392)**	**32,033**	**20,578**	**260,109**	**318,003**

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

	Gross claim expense		Net claim expense	
	2014	2013	**2014**	**2013**
Fire	**30%**	-4%	**12%**	6%
Marine	**3%**	38%	**1%**	2%
Motor	**21%**	22%	**31%**	30%
Health	**36%**	39%	**55%**	56%
Miscellaneous	**10%**	5%	**1%**	6%
	100%	100%	**100%**	100%

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2014

30.3.3 Reinsurance risk

The Company purchases reinsurance as part of its risks mitigation programme. 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.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. Company's strategy is to seek reinsurers with the best combination of financial strength, price and capacity. In compliance of the regulatory requirement, the reinsurance agreements are duly submitted with SECP on an annual basis.

31. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 26 February 2015 by the Board of Directors of the Company.

32. CORRESPONDING FIGURES

The corresponding figures have been rearranged, wherever necessary, for better presentation. However, no significant reclassification has been made during the year.

33. GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

Chairman	Director	Director	Principal Officer and Chief Executive

Notice of 9th Annual General Meeting

Notice is hereby given that 9th Annual General Meeting of the Shareholders of Alfalah Insurance Company Limited (the "Company") will be held on April 27, 2015 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 3rd Extra Ordinary General Meeting held on September 20, 2014

2. To receive, consider and adopt the Annual Audited Financial Statements of the Company together with the Directors' and Auditors' report thereon for the year ended December 31, 2014.

3. To appoint auditors for the year ending December 31, 2015and to fix their remuneration.

4. To transact any other business with the permission of the Chair.

Status of previous approvals for investments in associated company;

As required under the clause 4 (2) Companies (Investment in Associated Companies or Associated Undertakings) Regulation, 2012, the status of the investment in associated company against approval obtained by the Company in Annual General Meeting held on April 29, 2014 is as under:

Bank Alfalah Limited

Approval was given by the shareholders in respect of investment of Rs. 15 million in the ordinary shares of Bank Alfalah Limited. This investment was to be made during ordinary course of business from time to time in accordance with the investment policy of the Company. The Company has not utilized this limit so far. Material changes in financial statements of this company since date of the resolution passed for approval in investment are as follows:

a) Book value per share including revaluation of shares

2014	Rs. 28.24
2013	Rs. 23.65
2012	Rs. 22.28

b) Basic earnings per shares

2014	Rs. 4.09
2013	Rs. 3.41
2012	Rs. 3.38

Date: April 4, 2015
Lahore

By order of the Board
Adnan Waheed
Company Secretary

Notes

1) The Share Transfer Books of the Company will be closed from April 20, 2015 to April 27, 2015 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 NIC 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.

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 27, 2015 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 ___________________2015

-
....

-
....

Signature:

Name:

Holder of .... Ordinary Shares

WITNESSES:

1.	Signature	:	....
	Name	:	....
	Address	:	....
			....
	CNIC/PP No	:	....
2.	Signature	:	....
	Name	:	....
	Address	:	....
			....
	CNIC/PP No	:	....

ALFALAH
INSURANCE COMPANY

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