ALFALAH
INSURANCE COMPANY
peace of mind











ANNUAL REPORT 2016

CONTENTS

COMPANY INFORMATION

Chairman

H.H. Sheikh Nahayan Mabarak Al Nahayan

Board of Directors

H.H. Sheikh Nahayan Mabarak Al Nahayan	Director
H.E. Sheikh Saif Bin Mohammed Bin Butti	Director
Mr. Khalid Mana Saeed Al Otaiba	Director
Mr. Atif Aslam Bajwa	Director
Mr. Suhail Yaqoob Khan	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. Suhail Yaqoob Khan	
Mr. Adeel Khalid Bajwa	
Mr. Faisal Shahzad	Secretary

HR & Finance Committee

Mr. Atif Aslam Bajwa	Chairman
Mr. Suhail Yaqoob Khan	
Mr. Nasar us Samad Qureshi	
Mr. Adnan Waheed	Secretary

Underwriting & Coinsurance Committee

Mr. Nasar us Samad Qureshi	Chairman
Mr. Abdul Haye Mughal	
Capt. Azhar Ehtesham	
Mr. Rashid Awan	
Mr. Fawad Sarwar	
Mr. Iqbal Hassan	(Secretary)

Claim Settlement Committee

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

Reinsurance Committee

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

Bankers

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

Auditors

M/s EY Ford Rhodes
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

The Majestic Pakistan

The mesmerizing landscapes and valleys of Pakistan will make you fall in love with this beautiful country. These breathtaking spots has enthralling characteristics that can heal your mind and body to the utmost level of peace and love towards this splendid nature. There was time when access to these beautiful places considered playing with your lives but things have changed in the last two decades and the credit goes to Shahrah e Karakoram, a 1300 km long highway providing easy access to the scenic spots of Northern Pakistan.

Alfalah Insurance Company is always trying to highlight the positive aspects of Pakistan by bringing something enchanting for the public. In previous years we have brought forward the historic gates of Lahore, our beautiful cities and few other informative pieces. This year our theme for Annual Report 2016 is the majestic Pakistan.

While conducting our preparation for this theme we came across hundreds of beautiful places that are worth visiting at least once in a life time. Due to the limited space we cannot accommodate every tourist spot but the motive of providing awareness will be served by showing what we have selected for our people. We hope you will like what we are bringing in this Annual Report.

VISION

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

MISSION

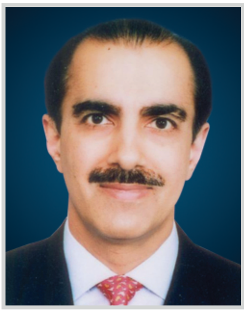
We undertake to provide world class service with unmatched security to our clients and help in increasing awareness about insurance in the country as well as enhancing public confidence in the insurance industry in Pakistan. We will introduce new modern insurance products comparable with international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

His Highness Sheikh Nahayan Mabarak Al Nahayan
Chairman Abu Dhabi Group

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

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

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



Mr. Atif Bajwa
Director

Mr. Suhail Yaqoob Khan
Director

Mr. Adeel Bajwa
Director

Mr. Nasar us Samad Qureshi
MD & CEO

Passu Cones:

Passu cones also known as Passu Cathedral is a beautiful and magnificent mountain located in a village of Passu at Karakoram Highway. Passu is famous for its golden peaks and the most photographed peaks of the region. It is also home to the world's fifth largest Glacier of Passu and Batura outside the polar region. On the main Karakorum highway around 150 km before Gilgit-Baltistan you can enjoy the view of these cone shaped mountain dipped in yellow sunlight.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors of Alfalah Insurance Company Limited are pleased to submit the 11th Annual Report of your company, together with audited financial statements for the year ended December 31, 2016.

Insurance Sector Review and Future Outlook

The non-life insurance market of Pakistan has underwritten a total of PKR 52.38Bn worth of premiums as at 30th September 2016. A growth of approximately 4.4% has been observed with premium underwritten increasing from PKR 50.17Bn as at September 2015 to PKR 50.38Bn in 2016. The growth has primarily come from new power projects which include thermal and wind power projects. This growth was little lower than last period because of shifting of some business to Window Takaful Operations. During the year, The Government has changed the taxation structure of insurance companies and has introduced one basket approach whereby income from all sources has been subject to 31% taxation. This has seriously impacted the bottom line of insurance companies because investment income of insurance companies was subject to 31% taxation which previously was in range of 15% to 31%.

The growth of insurance industry is directly linked with the growth of economy. The insurance sector is set to grow because the economy is picking up due to achievement of certain milestones during the year including the launch of multibillion dollar CPEC project, upgrade of Pakistan's sovereign rating to B from B-with a 'stable outlook' by S&P and MSCI's decision to reclassify Pakistan as an Emerging Market. These all economic indicators along with the huge potential of personal lines/micro insurance coupled with government subsidized insurance schemes shall bode well for the insurance industry of Pakistan. The Securities and Exchange Commission of Pakistan (SECP) has also taken lots of initiatives to strengthen the Insurance Regulatory Framework in Pakistan by bringing significant reforms with the objective of providing enabling environment for market development and adopting international best practices.

ALFALAH INSURANCE PERFORMANCE

Year 2016 was a remarkable year for your Company in terms of topline growth. Company registered growth of 25% in its premium written and underwriting results increased by 1%. Non-group business of the Company increased by 52% registering group vs non-group ratio at 30:70 (LY: 43:57).

Increased premium written coupled with crystallization of unearned premium written of last year resulted in higher net premium revenue i.e. 17% as compared to last year. Net claims expenses were increased by Rs. 63m i.e. 15%, however; overall net loss ratio was decreased by 1% i.e. from 55% to 54% due to improvement in loss ratio of Fire class reported as 14% (LY:39%). In absolute terms, management and admin expenses were increased by 3%, however, overall expense ratio improved to 20% (LY: 24%). Investment/other income was increased by Rs. 42m i.e. 55%. Company earned underwriting profit of Rs. 182m, 1% higher than last year, however, increase in investment income influences the bottom line and company achieved profit before tax of Rs. 194m, 27% higher than last year.

SEGMENTS AT GLANCE

Fire Class contributed Rs. 436m to the total premium written, decrease of 1% in comparison to Last year. Improvement in loss ratio from 39% of last year to 14% in current year owing to less than expected losses incurred along with reversals of last year's made it a profitable class and underwriting profit was higher by Rs. 17m as compared to last year.

Marine Class contributed Rs. 127m to the total premium written. Loss ratio for the period was improved from 45% of LY to 21% which resulted in underwriting profit of Rs. 7m (LY: 0.6m).

Motor Class premium written was decreased by 6% and contributed Rs. 386m to the total premium written, Rs. 23m less than last year. It was due to shift of Rs. 90m business of car ijarah business to Window Takaful Operations. Net premium revenue was increased by Rs. 18m which coupled with improved loss ratio of 42% (LY: 41%) resulted in underwriting profit of Rs. 100m, 25% higher than LY.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Health Class registered growth of 49% in terms of premium written by contributing Rs. 468m in comparison to Rs. 315m of LY. Loss ratio was improved from 82% to 72% due to addition of personal accident product, otherwise medical insurance loss ratio was increased from 82% to 87%. Increased loss ratio of medical insurance impacted the profitability of this class.

Miscellaneous Class registered highest growth of 85% in premium written by contributing Rs. 505m (LY:272m). High allocation of expenses (owing to 85% increase in topline) and loss ratio of 36% (LY:10%) pushed this class in lesser profitability zone and it ended up making UW profit of Rs. 39m (LP: 73m), lower by 46%.

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

Window Takaful Operations (WTO) was able to underwrite contribution of Rs. 98m. As expected, it achieved the breakeven point in Shareholder's Fund (SHF) while a deficit of Rs. 13m was recorded in Participant's Takaful Fund (PTF). Deficit was mainly due to the reason that major portion of the contribution Wakala income was lying in unearned portion while majority of the expenses were charged off during the year. SHF has given Qard-e-hasna of Rs. 20m to the PTF to meet its deficit for the year.

EARNING PER SHARE

During the year after tax earnings per share was Rs. 2.59 (2015: Rs. 2.30). Detailed working has been reported in Note 27 to the financial statements.

AUDITORS

The present auditors M/s EY Ford Rhodes Chartered Accountants were retired after completion of five years. The audit committee and board of directors in their respective meetings have recommended M/s KPMG Taseer Hadi & Company, Chartered Accountants as external and shariah compliance auditors of the company for the year ending December 31, 2017.

BOARD OF DIRECTORS MEETINGS

During the year 2016, four (4) meetings of the Board were held, with attendance as follows;

	Name of Directors	No. of Meetings Attended
-	HH Sheikh Hamdan Bin Mubarak Al Nahayan*	2
-	HE Sheikh Saif Bin Mohammad Bin Butti	-
-	Mr. Khalid Mana Saeed Al Otaiba	4
-	Mr. Atif Aslam Bajwa	4
-	Mr. Adeel Bajwa	2
-	Mr. Nasar us Samad Qureshi	4
-	Mr. Suhail Yaqoob Khan	4

DIRECTORS' REPORT TO THE SHAREHOLDERS

* HH Sheikh Hamdan Bin Mubarak Bin Mohammed Al Nahayan resigned on 15th January 2017 from the office of Director and H.H. Sheikh Nahayan Mabarak Al Nahayan was appointed as the Director on same date.

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

INSURERS FINANCIAL RATING STRENGTH

PACRA, during its recent review conducted on 1st December 2016, has maintained the IFS rating of your Company at "A+" (Single A plus) with stable outlook. 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.

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. Adeel Bajwa	Member
- Mr. Suhail Yaqoob Khan	Member

RELATED PARTY TRANSACTIONS

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

STATEMENT OF ETHICS AND BUSINESS PRACTICES/CODE OF CONDUCT

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

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

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

- The financial statements, together with the notes thereon have been drawn up in conformity with the Insurance Ordinance 2000 and rules thereunder and Companies Ordinance 1984.

DIRECTORS' REPORT TO THE SHAREHOLDERS

These statements present fairly the company's state of affairs, results of its operations, cash flow and changes in equity.

- Proper books of accounts have been maintained by the company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The international accounting standards 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 and gratuity fund on the basis of audited accounts as on December 31, 2016 is as follows:

	Rs in '000'
Provident Fund	70,531
Gratuity Fund	41,858

- The statement of pattern of shareholding in the Company as on December 31, 2016 is separately annexed with the report.

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

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

a) the annual statutory accounts of the company annexed hereto have been drawn up in accordance with the ordinance and any rules made thereunder;

b) the company has at all times in the period complied with the provisions of the ordinance and the rules made thereunder relating to paid up capital, solvency and reinsurance arrangements; and

c) as at the date of the statement, the company continues to be in compliance with the provisions of the ordinance and the rules made thereunder relating to paid up capital, solvency and reinsurance arrangements.

FUTURE OUTLOOK

With increased paid up capital of Rs. 500m and rating of 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 2017 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.

DIRECTORS' REPORT TO THE SHAREHOLDERS

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

KEY FINANCIAL DATA

Rupee '000'

Description	For the Year Ended on December 31								
	2016	2015	2014	2013	2012	2011	2010	2009	2008
Gross Premium Written	1,924,316	1,545,612	1,330,854	1,230,932	1,060,187	928,020	662,971	651,459	568,183
Net Premium Revenue	916,585	780,180	705,323	563,744	454,403	384,483	359,938	331,786	262,453
Net Claim Expense	(493,076)	(429,297)	(410,817)	(317,378)	(262,368)	(243,221)	(259,435)	(231,336)	(191,118)
Management Expenses	(274,445)	(267,333)	(239,919)	(214,401)	(195,933)	(134,810)	(109,263)	(94,556)	(65,969)
Net Commission	33,027	96,608	95,928	94,672	96,358	71,167	74,750	68,307	59,561
Underwriting Profit	182,092	180,158	150,515	126,637	92,460	77,619	65,990	74,201	64,927
Investment/Other Income	119,407	77,137	105,103	85,605	96,088	72,156	46,177	21,189	3,300
Admin Expenses	(108,414)	(103,784)	(105,024)	(89,202)	(80,662)	(74,141)	(62,660)	(47,307)	(43,764)
Profit before Tax	193,085	153,511	150,594	123,040	107,886	75,634	49,507	48,083	24,463
Profit from Window Takaful	1,890	-	-	-	-	-	-	-	-
Income Tax	(65,602)	(38,297)	(27,557)	(20,463)	(9,864)	(6,396)	(6,858)	(17,387)	(16,913)
Profit after Tax	129,373	115,214	123,037	102,577	98,022	69,238	42,649	30,696	7,550
Paid up Capital	500,000	500,000	300,000	300,000	300,000	300,000	250,000	230,000	230,000
Share Deposit Money	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381
General Reserve	150,000	150,000	150,000	150,000	15,000	15,000	25,000	25,000	-
Un-appropriated Profit	281,643	153,935	258,930	135,475	170,309	72,218	42,980	36,431	30,735
	933,024	805,316	710,311	586,856	486,690	388,599	319,361	292,812	262,116
Earnings per Share	2.59	2.30	2.46	3.42	3.27	2.31	1.42	1.23	0.33
Breakup Value per Share	18.66	16.11	23.68	19.56	16.22	12.95	12.77	12.73	11.4
Net Loss Ratio	-54%	-55%	-58%	-56%	-58%	-63%	-72%	-70%	-73%
Expense Ratio	-20%	-24%	-26%	-25%	-26%	-23%	-26%	-22%	-19%
Underwriting Profit to Net Premium	20%	23%	21%	22%	20%	21%	19%	22%	25%
Return on Equity	15%	15%	19%	19%	22%	20%	14%	11%	3%

Pattern of Share Holding

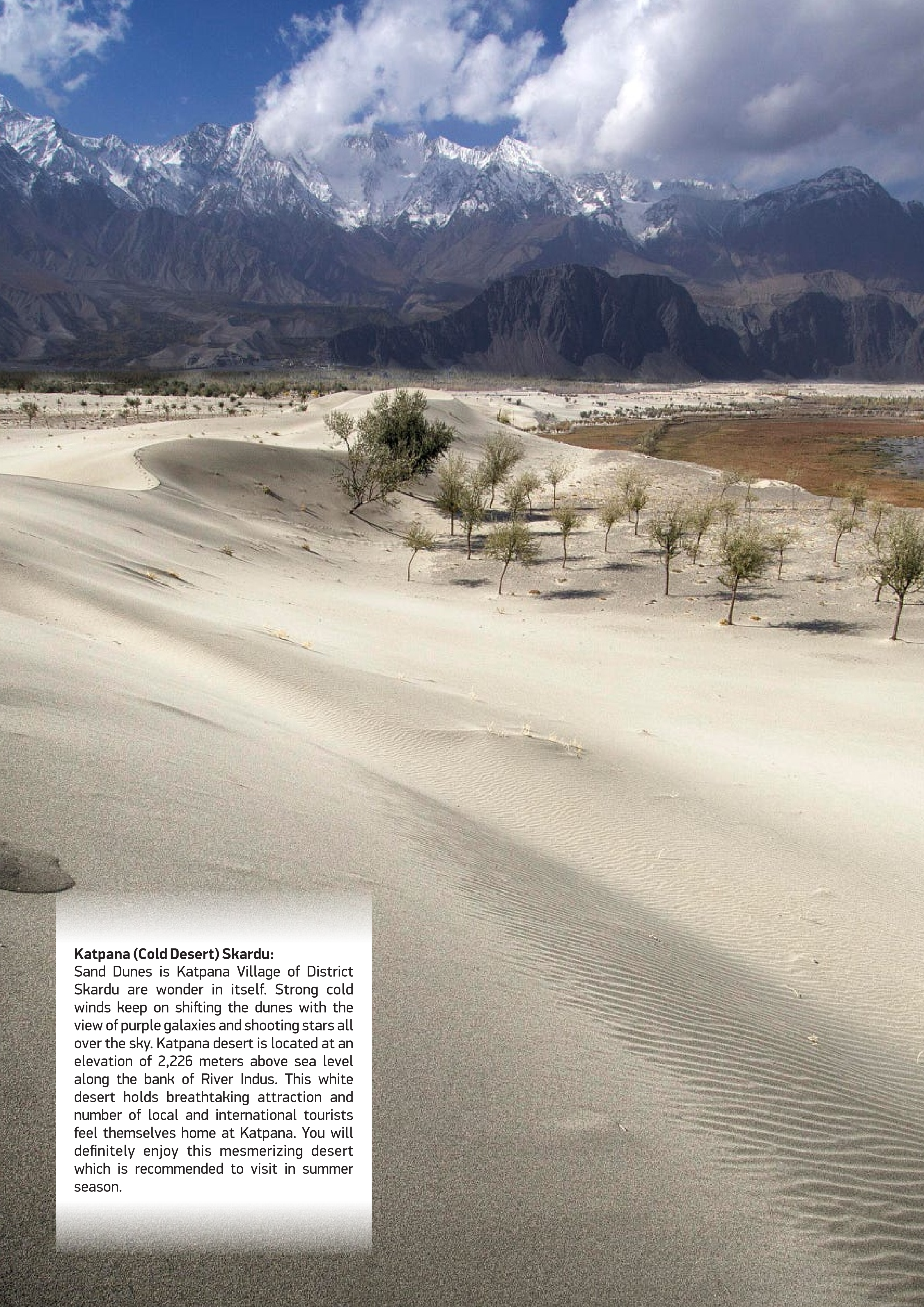
As at December 31, 2016

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
6	1	2,000	6,530
1	1,001	2,500,000	2,500,000
4	2,500,001	5,000,000	19,997,822
1	5,000,001	12,500,000	12,497,823
1	12,500,001	15,000,000	14,997,825
Total			
13			**50,000,000**

Classification of Shares Categories

As at December 31, 2016

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



Katpana (Cold Desert) Skardu:

Sand Dunes is Katpana Village of District Skardu are wonder in itself. Strong cold winds keep on shifting the dunes with the view of purple galaxies and shooting stars all over the sky. Katpana desert is located at an elevation of 2,226 meters above sea level along the bank of River Indus. This white desert holds breathtaking attraction and number of local and international tourists feel themselves home at Katpana. You will definitely enjoy this mesmerizing desert which is recommended to visit in summer season.

حصص داری کا طریقہ کار

31 دسمبر 2016ء تک

حصص داروں کی تعداد	حصص داری		مجموئی لئے گئےحصص
	سے	تک	
6	1	2،000	6،530
1	1،001	2،500،000	2،5000،000
4	2،500،001	5،000،000	19،997،823
1	5،000،001	12،500،000	12,497,823
1	12،500،001	15،000،000	14،997،825
کل 13			50,000,000

حصص کے زمروں کی درجہ بندی

31 دسمبر 2016ء تک

ارکان کے زمرے	حصص داروں کی تعداد	لئے گئےحصص کی تعداد	فیصد
افراد	**3**	**22،495،645**	**45.00%**
فضیلت مآب شیخ نہیان مبارک ال نہیان		12،497،723	25.00%
عزت مآب شیخ محمد بن بُطی ال حامد		499،8911	10.00%
عزت مآب ڈاکٹر مانع سعید العتیبہ	1	499،8911	10.00%
متعلقہ کمپنیاں		**14،997،825**	**30.00%**
میسر ز بنک الفلاح لمیٹڈ	7	14،997،825	30.00%
ڈائریکٹرز اور چیف ایگز یکٹو آفیسرز		**2،506،530**	**5.00%**
فضیلت مآب شیخ حمدان بن مبارک بن محمد ال نہیان		2،500،000	5.00%
عزت مآب شیخ سیف بن محمد بن بُطی		1،085	0.002%
جناب خالد مانع سعید العتیبہ		1،085	0.002%
جناب عاطف اسلم باجوہ		1،085	0.002%
جناب سہیل یعقوب		1،085	0.002%
جناب عدیل خالد باجوہ		1،085	0.002%
جناب نصر الصمد قریشی		1،105	0.002%
سرکاری شعبے کی کمپنیاں اور کاپوریشنز	**02**	**10،000،000**	**20.00%**
میسر زالعین کیپیٹل ایل ایل سی (پرانی میسر زالبتین انو سٹمنٹس)		5،000،000	10.00%
میسرز الیکٹرو مکینیکل کمپنی ایل ایل سی		5،000،000	10.00%
مجموعہ	**13**	**50،000،000**	**100.00%**

اہم مالیاتی اعداد و شمار

روپے 000

تفصیلات	31دسمبر کو ختم ہونے والے سال کے لئے								
سال	2016ء	2015ء	2014ء	2013ء	2012ء	2011ء	2010ء	2009ء	2008ء
خام بیمہ	1،924،316	1،545،612	1،330،854	1،230،932	1،060،932	928،020	662،971	651،459	568،183
خالص بیمہ آمدنی	91،6585	780،180	705،323	563،744	454،403	384،483	359،938	331،786	262،453
خالص دعووں کے اخراجات	(493،076)	429،297	410،817	317،378	26،2368	243،221	259،435	231،336	(191،118)
انتظامی اخراجات	(274،445)	267،333	239،919	214،401	195،933	134،810	109،263	94،556	(65،969)
خالص کمیشن کی رقم	33،027	96،608	95،928	94،672	96،358	71،167	74،750	68،307	59،561
ذمہ نویسی منافع	182،092	180،158	150،515	126،637	92،460	77،619	65،990	74،201	64،927
سرمایہ کاری /دیگر آمدنی	119،407	77،137	105،103	85،605	96،088	72،156	46،177	21،189	3،300
نظم و نسق کے اخراجات	(108،414)	103،784	105،024	89،202	80،662	74،141	62،660	47،307	43،764
قبل از ٹیکس منافع	193،085	153،511	150،594	123،040	10،7886	75،634	49،507	48،083	24،463
ونڈو تکافل منافع	1،890	--	--	--	--	--	--	--	--
آمدنی پر ٹیکس	(65،602)	38،297	27،557	20،463	9،864	6،396	6،858	17،387	(16،913)
بعد از ٹیکس منافع	12،9373	115،214	123،037	1،025،77	98،022	69،238	42،649	30،696	7،550
حصص کی مد میں حاصل کیا گیا سرمایہ	50،0000	500،000	300،000	300،000	300،000	300،000	250،000	230،000	230،000
شیئر ڈیپازٹ کی رقم	1،381	1،381	1،381	1،381	1،381	1،381	1،381	1،381	1،381
جنرل ریزرو	150،000	150،000	150،000	150،000	15،000	15،000	25،000	25،000	--
غیر مختص منافع	281،643	153،935	258،930	135،475	170،309	72،218	42،980	36،431	30،735
	933،024	808،316	710،311	486،856	486،690	388،599	319،361	292،812	262،116
فی حصص آمدنی	2.59	2.30	246	3.42	3.27	2.31	1.42	1.23	0.33
فی حصص بریک اپ ویلیو	18.66	16.11	23.68	19.56	16.22	12.95	12.77	12.73	11.4
کل خسارے کا تناسب	-54%	-55%	-58%	-56%	-58%	-63%	-72%	-70%	-73
اخراجات کا تناسب	-20%	-24%	-26%	-25%	-26%	-23%	-26%	-22%	-19%
کل بیمے کا ذمہ نویسی منافع	20%	23%	21%	22%	20%	21%	19%	22%	25%
کمپنی کے حصص پر منافع	15%	15%	19%	19%	22%	20%	14%	11%	3%

مستقبل کے مواقع

حصص کی مد میں حاصل کئے گئے سر مائے میں500 ملین روپے کے اضافے اور 'اے پلس' درجہ پانے کے بعد الفلاح انشورنس اپنا مارکیٹ شیئر بڑھانے کے حوالے سے پُر اعتماد ہے اور اس کے ساتھ اپنی محتاط ذمہ نویسی پالیسی برقرار رکھے ہوئے ہے جس نے کمپنی کو آغاز سے ہی شدید نقصانات کے باوجود مدد پہنچائی۔ ہمیں یقین ہے کہ 2017ء ایک اہم سال ہے کیونکہ اس سال ہم نے اپنے منافع کو مستحکم کرنا ہے اور نہایت ذمہ دار اور اہل مارکیٹ پلیئر کے طور پر سامنے آنا ہے۔ ہم اپنے روبرو چیلنجز سے با خبر ہیں کیونکہ ہم نے اپنے لیے خود حوصلہ مند انہ منزل منتخب کی ہے اور یقین رکھتے ہیں کہ ابو ظہبی گروپ کی غیر معمولی قوت ہدف کو پانے میں ہماری مدد کرے گی۔

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

اعتراف

ہم اپنے ضمانت کاروں اورحصص داروں کی مدد اور رہنمائی کے شکر گزار ہیں ۔ ہم اپنے موکلوں اور مکرر بیمہ کاروں کے بھی اتنے ہی شکر گزار ہیں جتنا انہوں نے اس اجتماعی کو شش میں ہمارا ساتھ دیا۔ ہم آن ریکارڈ سیکیورٹی اینڈ ایکسچینج کمیشن آف پاکستان کو ان کی بیش بہا رہنمائی پر اور پاکستان ری انشورنس کمپنی کو اس عرصہ کے دوران مدد کرنے پر خصوصی شکر یہ ادا کرتے ہیں۔ ہم اپنے ایگزیکٹوز، افسروں اور سٹاف کو ان کی محنت ، لگن، آگے بڑھنے کے مضبوط ارادے اور اس کمپنی کو پاکستان کی ایک نمایاں بیمہ کاربنانے کی کو ششوں پر خوب سراہتے ہیں۔

بورڈ کی طرف سے

N. Samad

نصرالصمد قریشی

چیف ایگزیکٹو آفیسر

- آؤٹ سٹینڈنگ ٹیکس اور ڈیوٹیز[38] مالیاتی گوشواروں میں موجود ہیں۔

- 31 دسمبر 2016ء کو ہونے والے پڑتال شدہ حساب کتاب کی بنیاد پر پراویڈنٹ اور گریجویٹی فنڈ[39] کی قیمت درج ذیل ہے :

	روپے '000'
پراویڈنٹ فنڈ	70،531
گریجو یٹی فنڈ	41،858

- 31 دسمبر 2016ء کو حصص داری کے طریقہ کار کا گوشوارہ، رپورٹ کے ساتھ ضمیمے میں شامل کر دیا گیا ہے ۔

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

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

الف) یہاں ظاہر کئے گئے کمپنی کے سالانہ سٹیچو ٹری اکاؤنٹ[40] آرڈیننس کے عین مطابق ہیں اور اس اعتبار سے وضع کئے گئے قوانین کے مطابق ہیں۔

ب) کمپنی نے اس تمام عرصہ کے دوران آرڈیننس کی شرائط کی تعمیل کی ہے اور اس کے مطابق وضع کئے گئے قوانین کی، جو کہ حصص کی مد میں حاصل کئے گئے سرمائے، ادائے قرض کی صلاحیت، اور مکرر بیمے[41] کے انتظامات کے بارے میں ہیں۔

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

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[38] Outstanding Tax and Duties
[39] Provident and Gratuity fund
[40] Statutory accounts
[41] Paid up Capital, Solvency and Reinsurance

ساتھیوں اور عام آدمیوں کے ساتھ اخلاقیات کے دائرے میں رہتے ہوئے معاملات طے کرنے کے بارے میں ہے۔

کارپوریٹ نظم و نسق کے ضابطہ کی پابندی

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

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

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

- کمپنی نے گوشواروں کے کتابچوں کی خاص طور پر دیکھ بھال کی ہے۔
- مالیاتی گوشواروں اور اکاؤنٹنگ کے تخمینے تیار کرنے کے لیے موزوں اکاؤنٹنگ پالیسی کا اطلاق تسلسل سے کیا گیا ہے اور یہ پالیسی مناسب اور معقول تفہیم کے بعد اختیار کی گئی ہے۔
- مالیاتی گوشوارے تیار کرتے وقت اکاؤنٹنگ کے وہ بین الاقوامی معیار اختیار کئے گئے ہیں جو پاکستان میں بھی لاگو ہوتے ہیں۔ مزید برآں معیار میں کسی بھی قسم کی ترمیم کو مناسب انداز میں ظاہر کیا گیا ہے۔
- اندرونی انضباطی نظام ، ڈیزائن کے اعتبار سے مستحکم ہے اور مسلسل داخلی پڑتال کنندگان کے زیر نگرانی ہے۔ یہ نگرانی مسلسل جاری رہتی ہے اور کسی بھی کمی کو فوراً دور کیے جانے کے ساتھ ساتھ اس عمل کو یقینی بنایا جاتا ہے۔
- کاروبار کو جاری رکھنے کے حوالے سے کمپنی کی صلاحیت شکوک و شبہات سے بالا تر ہے۔
- کارپوریٹ نظم و نسق[36] کے بہترین طرز عمل کے حوالے سے کوئی میٹیریل ڈیپارچر[37] نہیں ہوا۔
- اہم اثاثوناور مالیات سے متعلق اعداد و شمار، رپورٹ کے ساتھ ضمیمے میں شامل کر دیا گیا ہے۔

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[36] Corporate Governance
[37] Material Departure

بندی مرکزی کاروبار[32] کی مجموعی انداز میں جانچ اور کارکردگی کے جائزے کے شفاف انداز کے لحاظ سے اطمینان بخش ہےاور اس کے ساتھ ساتھ کم سے کم رسک والی معتدل پالیسی کی وجہ سے کمپنی مسلسل منافع بخش رہی ہے۔ یہ درجہ بندی کمپنی کے مالی حالت میں مسلسل بہتری کو تسلیم کرتی ہے ۔ جوکہ (ا) انشورنس کے اثاثوں/واجبات کےمنظم انتظامی ڈھانچے اور (ب) بڑھتی ہوئی سرمایہ کاری کی وجہ سے آمدنی[33] کا خاصا بڑا حصہ مہیا کرتی ہے۔

ابوظہبی گروپ گروہی کاروبار[34] کی صورت میں کمپنی کی مدد کر رہا ہے تاکہ آمدنی[35] کو مستحکم کیا جا سکے۔

آڈٹ کمیٹی

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

- جناب عاطف اسلم باجوہ (چیئرمین)
- جناب عدیل باجوہ (رکن)
- جناب سہیل یعقوب خان (رکن)

متعلقہ پارٹی سے لین دین

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

اخلاقی و کاروباری ضابطہءعمل کا گوشوارہ/ضابطہ اخلاق

بورڈ اخلاقی و کاروباری ضابطہءعمل کے گوشوارے پر عمل پیرا ہے۔ تمام ملازمین کو اس سے متعلق آگاہ کیا گیا ہے اور توقع رکھی گئی ہےکہ وہ ان رہنما قواعد کے مطابق ، کاروباری اصولوں کو مد نظر رکھتے ہوئے اپنا طرز عمل اختیار کریں گے۔ اخلاقی و کاروباری ضابطہ عمل کا گوشوارہ دیانتداری ، وقار، مسابقت کے ماحول اور موکلوں ،

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[32] Core Business
[33] Income Stream
[34] Captive Business
[35] Revenue Stream

سال 2016ء کے دوران بورڈ کے 4 اجلاس ہوئے ، جن میں شرکت کی تفصیل مندرجہ ذیل ہے:-

ڈائریکٹرز کے نام	اجلاس میں شرکت کی تعداد
- فضیلت مآب شیخ حمدان بن مبارک ال نہیان*	2
- عزت مآب شیخ سیف بن محمد بن بُطی	-
- جناب خالد مانع سعید العتیبہ	4
- جناب عاطف اسلم باجوہ	4
- جناب عدیل باجوہ	2
- جناب سہیل یعقوب خان	4
- جناب نصر الصمد قریشی	4

*فضیلت مآب شیخ حمدان بن مبارک ال نہیان نے 15 جنوری 2017ء کو ڈائریکٹر کے عہدہ سے استعفیٰ دیا اور اسی تاریخ میں فضیلت مآب شیخ نہیان مبارک ال نہیان کو ڈائریکٹر منتخب کر لیا گیا۔

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

کمپنی کی مالیاتی طاقت کی درجہ بندی

پی-اے-سی-آر-اے[30] (PACRA) نے یکم دسمبر 2016ء کے حالیہ جائزہ میں آپ کی کمپنی کی مالیاتی طاقت کے اعتبار سے درجہ بندی کو مستحکم تناظر میں دیکھتے ہوئے "سنگل اے پلس "کے درجے پر برقرار رکھا ہے۔ یہ درجہ بندی ، بیمہ پالیسی کے حامل افراد اور معا ہدوں کی ذمہ داریوں کو پورا کرنے کی بھر پور صلاحیت کو ظاہر کرتی ہے

پی-اے-سی-آر-اے کی رپورٹ اس بات کا اعتراف ہے کہ یہ درجہ بندی کمپنی کو اس کامیاب کاروباری لائحہ عمل کے نفاذ کی وجہ سے ملی جس کے نتیجے میں مجموعی کارکردگی کو برقرار رکھتے ہوئے غیر گروہی کاروباری حجم[31] بڑھا یا گیا ہے۔ یہ درجہ

[30] PACRA
[31] Non-captive Business Volums

(ڈبلیو-ٹی-او) ونڈو تکافل آپریشنز

اس شعبے نے 98 ملین روپےکی اعانت تحریر کی ہے اور حسب توقع حصص داروں کے فنڈ[28] کا خرچ پورا کر چکا ہے لیکن شراکت داروں کے تکافل فنڈ[29] میں 13 ملین روپے کا نقصان سامنے آیا ہے۔ نقصان کی بنیادی وجہ اعانت کے بڑے حصے / و کالہ آمدنی کی غیر اکتسابی منافع میں موجودگی تھی جبکہ اکثر اخراجات سال کے دوران وصول شدہ قرار پا چکے تھے۔ حصص داروں کے فنڈ نے سال بھر کے خسارے کو پورا کرنے کے لئے شراکت داروں کے فنڈ کو قرض حسنہ کے طور پر 20 ملین روپے دیئے۔

فی حصص آمدنی

دوران سال ٹیکس کی ادائیگی کے بعد فی حصص آمدنی 2-59 روپے رہی جو گزشتہ سال 2-30 روپے تھی۔ جس کی تفصیلی رپورٹ مالی گوشوارے کے نوٹ نمبر 27 میں موجود ہے۔

پڑتال کنندگان

موجودہ پڑتال کنندگان میسرز ای۔ وائے ۔ فورڈ رھوڈز چارٹرڈ اکاؤنٹنٹس پانچ سالہ مدت مکمل کر کے ریٹائر ہو چکے ہیں۔ آڈٹ کمیٹی اور ڈائریکٹرز کے بورڈ نے اپنےمتعلقہ اجلاس میں 31 دسمبر 2017ء کو اختتام پذیر سال کے لیے میسرز کے۔پی۔ایم۔جی تاثیر حادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کی خارجی اورشریعہ تعمیلی پڑتال کنندہ کے طور پر سفارش کی ہے۔

[28] Shareholder's Fund (SHF)
[29] Participant's Takaful fund (PTF)

صحت اور حادثاتی بیمہ

صحت کے شعبے میں خام بیمے کی مد میں 49 فیصد کے حساب سے پچھلے سال کے 315 ملین روپے کے مقابلے میں 468 ملین روپے رجسٹر ہوئے۔

خسارے کا تناسب 82 فیصد سے کم ہو کر 72 فیصد ہو گیا جس کی وجہ انفرادی حادثوں کے شعبے[27] کا اضافہ تھا اگر چہ صحت کے بیمے میں نقصان کا تناسب 82 فیصد سے بڑھ کے 87 فیصد ہو چکا تھا۔ صحت کے بیمے میں نقصان کے تناسب میں اضافے نے اس شعبے میں منافع کے امکانات کو متاثر کیا۔

متفرق بیمہ

اس شعبے میں گزشتہ سال کے 272 ملین روپے کے خام بیمے کے مقابلے میں اس سال85 فیصد کے حساب سے سب سے زیادہ 505 ملین روپے رجسٹر ہوئے۔ خالص منافع میں 85 فیصد اضافے کی وجہ سے خرچ کے لئے زیادہ رقم مختص کرنا پڑی اور گزشتہ سال کے10 فیصد کی نسبت 36 فیصد نقصان کے تناسب کی وجہ سے یہ شعبہ کم منافع والے شعبوں کے زمرے میں آ گیا اور بالآخرذمہ نویسی منافع جو گزشتہ سال 73 ملین روپے تھا، 46 فیصد کے حساب سے کم ہو کر39 ملین روپے رہ گیا۔

مکرربیمہ

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

[27] Personal Accident Product

منافع کی شرح پر اثر انداز ہوا اور کمپنی نے قبل از ٹیکس 194 ملین روپے کمائے جو گزشتہ برس سے 27 فیصد زیادہ ہیں۔

شعبہ جات پر ایک نظر

آتشزدگی بیمہ

آتشزدگی سے متعلق شعبےنے کل خام بیمے[21] کی مد میں 436 ملین روپے کا اضا فہ کیا جو کہ گزشتہ سال کی نسبت 1 فیصد کم ہے۔ نقصان کے تناسب[22] میں بہتری آئی جو کہ گزشتہ سال 39 فیصد تھا جو اس سال کم ہو کر 14 فیصد رہ گیا۔ توقعات کے بر عکس کم نقصان اور پچھلے سال کے استرداد[23] نقصان کے تنا سب میں کمی کی بنیاد بنے اور آتشزدگی سے متعلق شعبے کو ایک بھر پور آمدنی والا شعبہ ثابت کیا۔ ذمہ نویسی منافع[24] میں 17 ملین کے حساب سے گزشتہ سال کی نسبت اضافہ ہوا۔

بحری بیمہ

بحری شعبے نے کل خام بیمے[25] کی مد میں 127 ملین روپے کا اضافہ کیا۔ نقصان کا تناسب گزشتہ سال کے 39 فیصد کی نسبت اس سال 14 فیصد کے حساب سے بہتر رہا جس کے نتیجے میں 7 ملین روپے ذمہ نویسی منافع ہوا جو گزشتہ سال 0.6 ملین روپے تھا۔

موٹر بیمہ

خام بیمےمیں 6 فیصد کمی واقع ہوئی۔ کل خام بیمےمیں 386 ملین روپے کا اضافہ ہوا جو گزشتہ سال کی نسبت 23 ملین روپے کم تھا۔ اس خسارے کی وجہ ملین روپے کے کار اجارہ کاروبار[26] کا ونڈو تکافل آپریشنز کی طرف منتقل ہونا ہے۔ بیمے کے خالص منافع میں 18 ملین روپے کے اضافے کے ساتھ نقصان کا تناسب 42 فیصد کے حساب سے بہتر رہا جو گزشتہ سال 41 فیصد تھا۔ اس کے نتیجے میں 100 ملین روپے کا ذمہ نویسی منافع ہوا جو گزشتہ سال کی نسبت 25 فیصد زیادہ ہے۔

[21] Total Premium Written
[22] Loss Ratio
[23] Reversals
[24] Underwriting Profit
[25] Total Premium written
[26] Car Ijarah Business

یہ تمام معاشی اشاریے، انفرادی بیمہ/ خرد بیمہ[7] کے زبردست مواقع اور حکومت کی طرف سے بیمہ سکیموں پر سبسڈی ، پاکستان کی بیمہ انڈسٹری کے مستقبل کے لیے ایک اچھا شگون ہے۔ سکیورٹی اینڈ ایکسچینج کمیشن آف پا کستان (ایس۔ای۔سی۔پی)

نے پاکستان میں بیمے کے انضباطی ڈھانچے کی بہتری کے لیے بہت سے اقدامات کئے ہیں اور اہم اصلاحات نافذ کی ہیں ،جن کا مقصد مارکیٹ کی بہتری کے لیے مخصوص ماحول فراہم کرنا اور موزوں ترین بین الاقوامی طور طریقے اپنانا ہے۔

الفلاح انشورنس کمپنی کی کارکردگی

سال 2016ء آپ کی کمپنی کی خالص منافع کی شرح میں اضافے[8] کے حوالے سے شاندار رہا۔ کمپنی کے خام بیمہ[9] میں 25 فیصد نمو رجسٹر ہوئی اور ذمہ نویسی نتائج میں ایک فیصد اضافہ ہوا۔ کمپنی کے غیر گروہی بیمے کے کارو بار[10] میں 52 فیصد اضافے کے ساتھ اندراج شدہ گروہی اور غیر گروہی بیمے کے درمیان 30:70 کی نسبت[11] رہی جو گزشتہ سال 42:57 تھی۔

خام بیمے میں اضافے کے ساتھ ساتھ گزشتہ سال غیر اکتسابی خام بیمے[12] کی وجہ سے بیمے کا خالص منافع[13] پچھلے سال کے مقابلے میں 17 فیصد زیادہ رہا۔ کل دعووں کا[14] خرچ 15 فیصد اضا فے کے ساتھ 63 ملین روپے رہا البتہ کل نقصان کے تناسب[15] میں 1 فیصد کمی واقع ہوئی یعنی 55 فیصد سے کم ہو کر 54 فیصد رہ گئی، جس کی وجہ آتشزدگی سے متعلق شعبے کے خسارےکے تناسب میں بہتری ہے جو گزشتہ سال 39 فیصد سےکم ہو کر 14 فیصد رہ گئی ہے ۔مطلق شرائط[16] کے اعتبار سے انتظام و انصرام کا خرچ اگرچہ 3 فیصد بڑھا مگرکل خرچ کا تناسب[17] بہتری کے ساتھ 20 فیصد رہا جو کہ گزشتہ برس 24 فیصد تھا۔ سرمایہ کاری/دیگر آمدنی[18] میں 42 ملین روپے یعنی 55 فیصد کا اضا فہ ہوا۔ کمپنی نے 182 ملین روپے کا ذمہ نویسی منافع[19] کمایا جو کی گزشتہ سال سے 1 فیصد زیادہ تھا تاہم، سرمایہ کاری کی آمدنی[20] میں اضافہ خالص

7 Personal line Insurance/ Micro Insurance
8 Topline Growth
9 Written Premium
10 Non-group Business
11 Registering Group vs Non-Group ratio
12 Unearned Premium Written
13 Net Premium Revenue
14 Net Claim Expenses
15 Overall Net Loss Ratio
16 Absolute Terms
17 Net Expense Ratio
18 Investment/Other income
19 Underwriting Profit earned
20 Investment Income

حصص داروں کے نام ڈائریکٹرز کی رپورٹ

الفلاح انشورنس کمپنی لمیٹڈ کے ڈائریکٹرز آپ کی کمپنی کی گیارہویں سالانہ رپورٹ بخوشی پیش کر رہے ہیں۔ جس میں 31 دسمبر 2016ء کو اختتام پذیر سال کے پڑتال شدہ مالیاتی گوشوارے بھی شامل کیے گئے ہیں۔

بیمہ کاری کے شعبے کا حالیہ جائزہ اور مستقبل کے مواقع

پاکستان کی غیر زندگی بیمے کی مارکیٹ [1] 30 ستمبر 2016ءتک 52-38 ارب روپے کا پریمئیم حاصل کر چکی ہے۔ انڈر رٹن بیمہ [2] جوستمبر 2015ء میں 50-17 ارب روپے تھا،2017ء میں بڑھ کر 50-38 ارب روپے ہو گیا ۔ اس حساب سے شرح نمو 4-4 فیصد رہی جو کہ توانائی کے نئے منصوبوں خصوصا حرارتی و پَوَن توانائی[3] کی مرہون منت ہے۔مگر یہ شرح نمو گزشتہ عرصے کے مقابلے میں کاروبار کی ونڈو تکا فل آپریشنز کی جانب منتقلی کی وجہ سے کم رہی ہے۔ علاوہ ازیں ،دوران سال حکومت نے بیمہ کمپنیوں سے متعلق ٹیکس کے نظام میں تبدیلی کرتے ہوئے (ایک باسکٹ اپروچ) متعارف کروائی ہے جس کے تحت تمام ذرائع پر 31 فیصد ٹیکس لاگو ہوگا۔ اس تبدیلی نے بیمہ کمپنیوں کی خالص منافع کی شرح[4] کو کافی متاثر کیا ہے کیونکہ اس سے پہلے بیمہ کمپنیاں سرمایہ کاری سے حاصل ہونے والی آمدنی پر 15 سے 31 فیصد کے درمیان ٹیکس ادا کرتی تھیں مگر اب مکمل 31 فیصد دینا ہوگا۔

بیمہ انڈسٹری کی ترقی معاشی ترقی سے براہ راست منسلک ہے۔ یہ شعبہ بھی ترقی کی راہ پر گامزن ہوا ہے جس کی وجہ رواں سا ل ہماری معیشت کا چند اہم سنگ میل عبور کرنا ہے ،جیسا کہ اربوں روپے کے سی پیک منصوبہ کا آغاز،ایس-اینڈ-پی(S&P) کی جانب سے "مستحکم آؤٹ لُک[5]" کے اعزاز کے ساتھ خود مختاری کی درجہ بندی [6] میں پاکستان کو'منفی بی 'کی جگہ 'بی' کا درجہ دیا جانا اور ایم -ایس- سی-آئی (MSCI) کے فیصلے کے نتیجے میں پاکستان کو ایک ابھرتی ہوئی معیشت قرار دیا جانا، شامل ہیں۔

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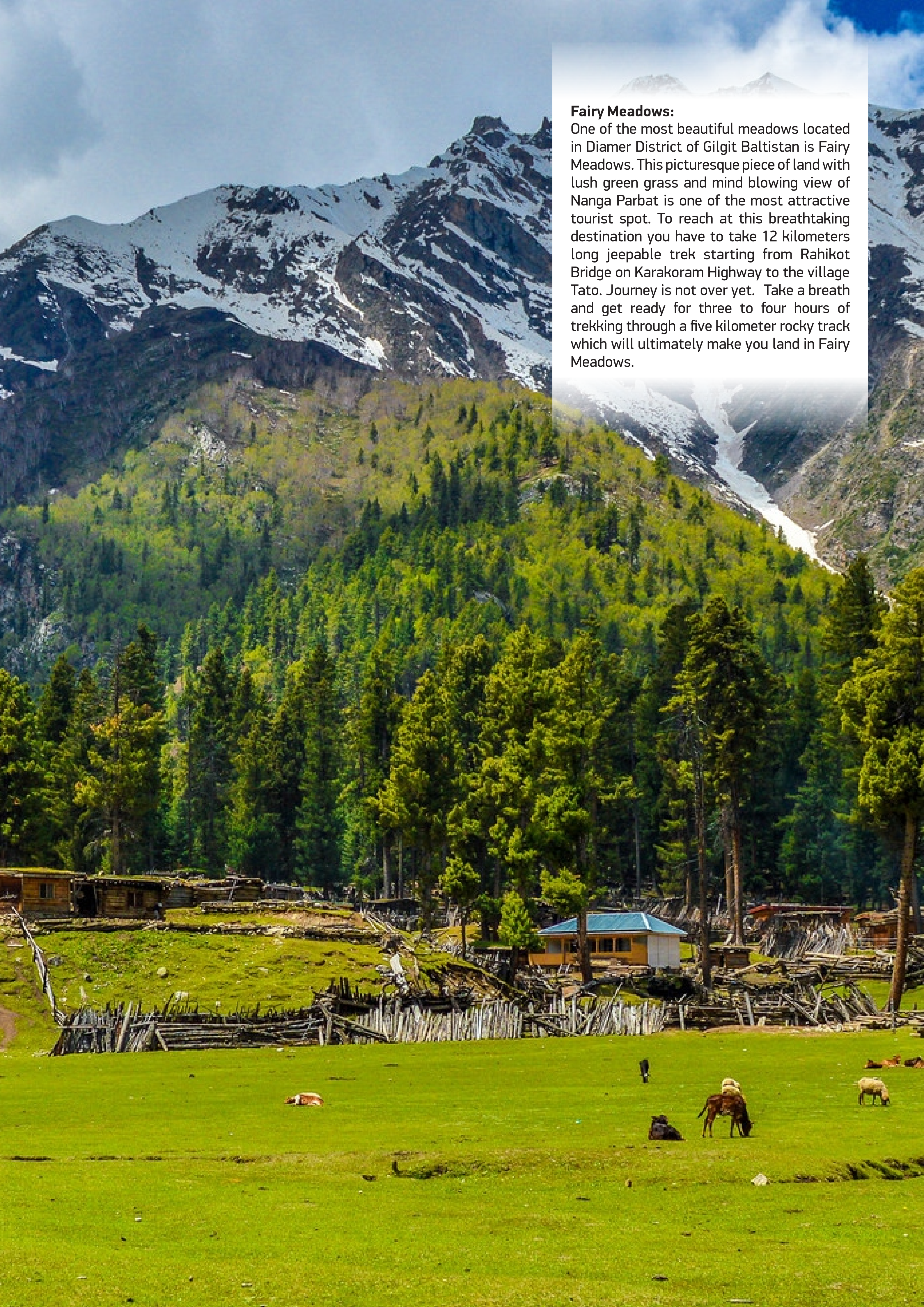
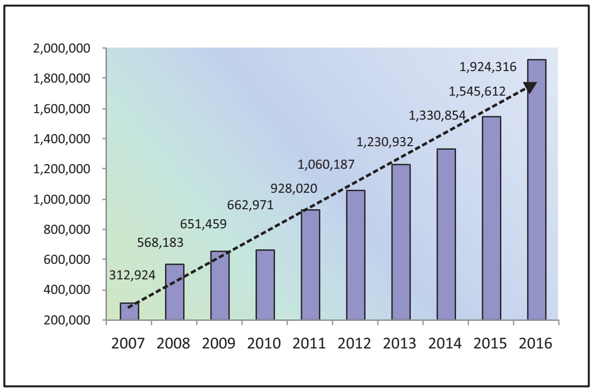
[1] Non-life (General Insurance)
[2] Underwritten Premium
[3] Thermal and Wind Energy
[4] Bottom Line
[5] Stable Outlook
[6] Sovereign Rating



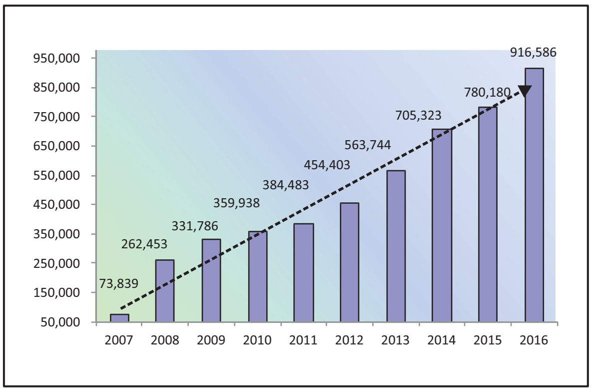
Fairy Meadows:
One of the most beautiful meadows located in Diamer District of Gilgit Baltistan is Fairy Meadows. This picturesque piece of land with lush green grass and mind blowing view of Nanga Parbat is one of the most attractive tourist spot. To reach at this breathtaking destination you have to take 12 kilometers long jeepable trek starting from Rahikot Bridge on Karakoram Highway to the village Tato. Journey is not over yet. Take a breath and get ready for three to four hours of trekking through a five kilometer rocky track which will ultimately make you land in Fairy Meadows.

FINANCIAL SUMMARY

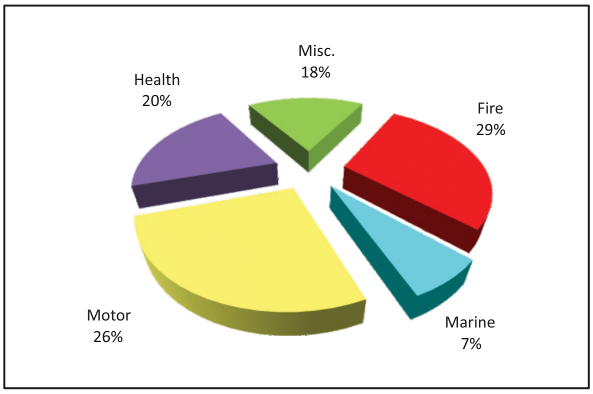
GROSS PREMIUM WRITTEN
(Rupees in Thousand)



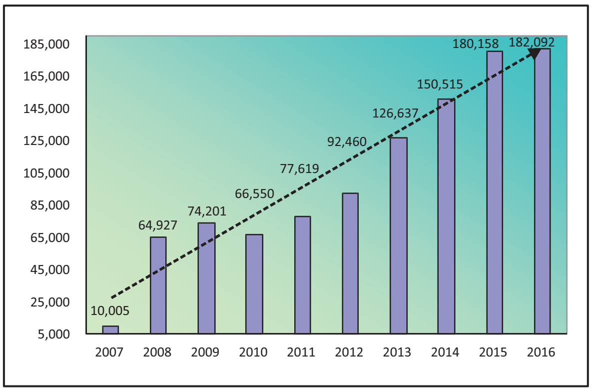
PREMIUM REVENUE
(Rupees in Thousand)



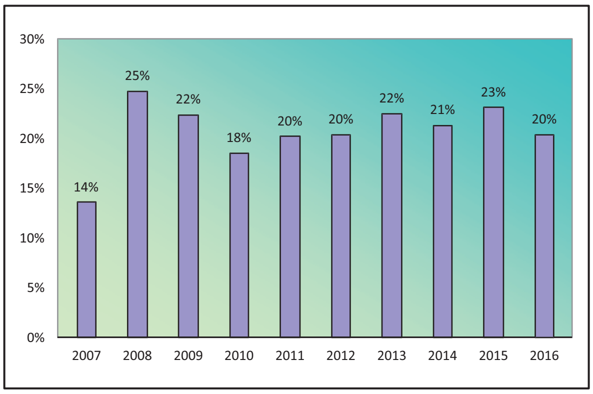
PRODUCT MIX ANALYSIS



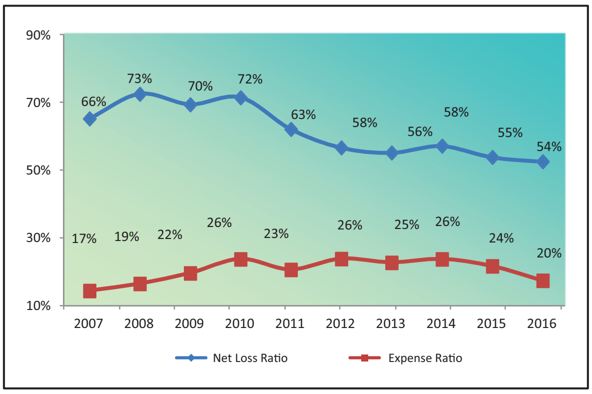
UNDERWRITING RESULTS
(Rupees in Thousand)



UNDERWRITING PROFIT MARGIN



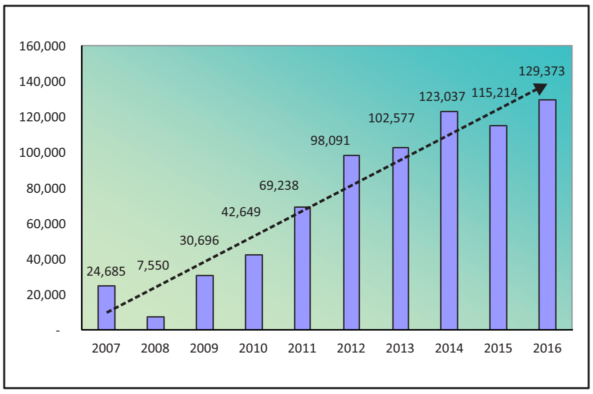
LOSS RATIO AND EXPENSE RATIO



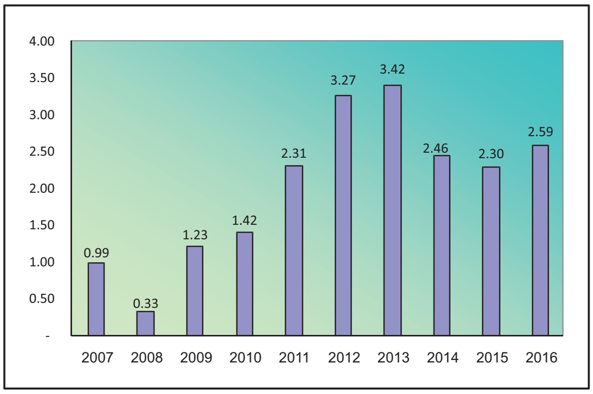
FINANCIAL SUMMARY

PROFIT AFTER TAX

(Rupees in Thousand)

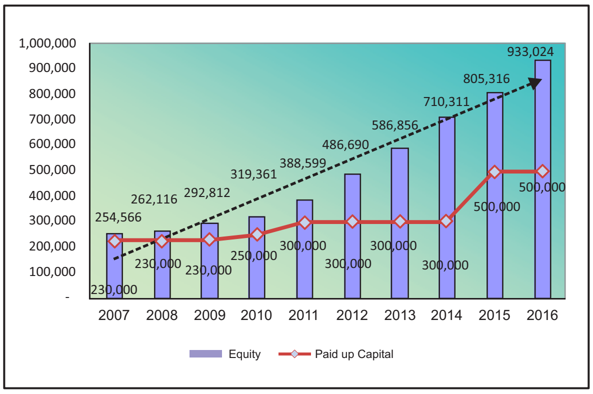


EARNING PER SHARE

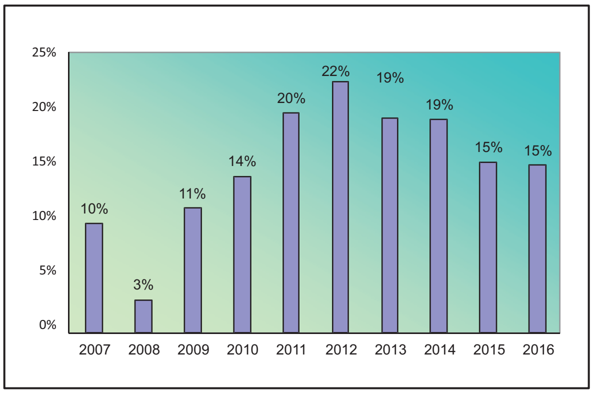


SHAREHOLDER EQUITY

(Rupees in Thousand)



RETURN ON EQUITY



Babusar Top:
You just have to get on Karakoram Highway and it will lead you to some unforgettable destinations that are incomparable to any other tourist spots. Babusar Top is among one of them that can make you stand still for number of hours. Babusar Top is easily accessible one hour drive destination through wonderfully paved Karakoram Higway located at the North of Kaghan valley. You can have cup of tea with freshly cooked snacks and mind-blowing view of multiple mountain ranges.

Code of Conduct and Professional Standards

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

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

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

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

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

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

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

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

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

Thal Desert:

Other than valleys, lakes and magnificent mountain ranges Pakistan is also blessed with number of deserts. Thal desert is one of the gifts of nature expanded up to 90 miles from North to South. The golden white sand and shifting dunes are always worth exploring in winter season. You can easily access this beautiful desert which is just 200 kilometers away from Lahore through excellent paved road. Desert starts as soon as you cross Trimu Head in Jhang City.

Statement of Compliance with the Code of Corporate Governance for Insurer, 2016

For The Year Ended December 31, 2016

This statement is being presented in compliance with the Code of Corporate Governance for Insurers, 2016 for the purpose of establishing a framework of good governance, whereby an insurer is managed in compliance with the best practices of corporate governance.

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

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

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

*The Board of Directors of the Company, in its meeting held on 15th January 2017 at Lahore, accepted the resignation of HH Sheikh Hamdan Bin Mubarak Al Nahayan, Director/ Chairman of the Board ("the outgoing Director"), with effect from 15th January 2017.

*The Board has appointed His Highness Sheikh Nahayan Mabarak Al Nahayan, as Director of the Company, subject to clearance / NOC of Securities and Exchange Commission of Pakistan (SECP) effective from 15th January 2017 for the remainder of the term of the outgoing Director. The NOC from the SECP has been obtained by the Company in this regard.

*Furthermore, the Board of Directors has also elected His Highness Sheikh Nahayan Mabarak Al Nahayan as the new Chairman of the Board of Directors with effect from 15th January 2017.

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

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

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

4. A casual vacancy occurring on the Board on January 15th 2017, subsequent to the year end, was filled up by the Directors on the same day.

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

Statement of Compliance with the Code of Corporate Governance for Insurer, 2016

For The Year Ended December 31, 2016

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

7. All 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 Chief Executive Officer, other executive directors and the key officers, if any, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least 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.

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

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

11. There was no new appointment of Chief Financial Officer, Company Secretary and Head of Internal Auditor during the year.

12. The Directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance for Insurers, 2016 and fully describes the salient matters required to be disclosed.

13. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.

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

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

16. The Board has formed an underwriting & coinsurance, a claim settlement & a reinsurance committee. However, all the Management and Board Committees shall be re-constituted in line with the requirements of Code of Corporate Governance for Insurers, 2016 within the timelines prescribed by the SECP.

Underwriting & Coinsurance Committee:

Name of the Member	Category
Mr. Nasar us Samad Qureshi	Member-Chairman
Mr. Abdul Haye	Member
Mr. Azhar Ehtesham	Member
Mr. Rashid Awan	Member
Mr. Fawad Sarwar	Member
Mr. Iqbal Hassan	Member

Statement of Compliance with the Code of Corporate Governance for Insurer, 2016

For The Year Ended December 31, 2016

Claim Settlement Committee:

Name of the Member	Category
Mr. Nasar us Samad Qureshi	Member-Chairman
Mr. Abdul Haye	Member
Mr. Azhar Ehtesham	Member
Mr. Adnan Waheed	Member
Mr. Manzoor Hussain	Member

Reinsurance Committee:

Name of the Member	Category
Mr. Nasar us Samad Qureshi	Member-Chairman
Mr. Abdul Haye	Member
Mr. Azhar Ehtesham	Member
Mr. Shahzad Aamir	Member
Mr. Shams ul Zuha	Member

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

Name of the Member	Category
Mr. Atif Aslam Bajwa	Member-Chairman
Mr. Suhail Yaqoob	Member
Mr. Adeel Khalid Bajwa	Member

18. The meetings of Committees mentioned in point 16 & 17 above were held at least once every quarter prior to approval of interim and final results of the insurer and as required by the Code of Corporate Governance for Insurers, 2016. The terms of references of the Committees have been formed and advised to the Committees for compliance.

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

20. The Chief Executive Officer, Chief Financial Officer and the Head of Internal Audit possess such qualification and experience as is required under the Code of Corporate Governance for Insurers, 2016. Moreover, the persons heading the underwriting, claim, reinsurance departments possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000).

Name of the Person	Designation
Mr. Nasar-us Samad Qureshi	Chief Executive Officer
Mr. Adnan Waheed	Chief Financial Officer/Company Secretary
Mr. Faisal Shahzad	Head of Internal Audit
Mr. Rashid Awan	Head of Underwriting
Mr. Manzoor Hussain	Head of Claims
Mr. Shamsul Zuha	Acting Head of Reinsurance

Statement of Compliance with the Code of Corporate Governance for Insurer, 2016

For The Year Ended December 31, 2016

21. The statutory auditors of the insurer have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000 (Ordinance No, XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the insurer and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the institute of Chartered Accountants of Pakistan.

22. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.

23. The Company has an investment policy in place however the Company will align the policy with the requirements of the new code of corporate governance for insurers, 2016 within the prescribed timeline

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

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

26. The Company has been rated by PACRA and the rating assigned by rating agency on December 01,2016 is A+ with stable outlook.

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

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

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

By Order of the Board

N. Samad

NASAR US SAMAD QURESHI
Chief Executive Officer

Khunjerab Pass:
Pakistan is proud to have the world's most elevated border crossing at the highest point on the Karakoram Highway. It is the highest paved international border between Pakistan and China and one of the top tourist's attraction. Khunjerab Pass remain closed in winter season starting from November to April. If you want to give some treat to your eyes with the scenic views of Karakoram Highway; it will take 15 hours' drive from Islamabad to cover 725 Kilometers of beautiful journey.

EY Ford Rhodes
Chartered Accountants
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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 for Insurers, 2016 (the Code) for the year ended 31 December 2016 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 are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedure and risks.

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 2016.

EY Ford Rhodes

Chartered Accountants
Lahore: 23 February 2017

Building a better
working world

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Independent Auditors' Report To The Members

We have audited the annexed financial statements comprising of:

i. balance sheet;
ii. statement of comprehensive income;
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 2016, 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 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 2.5 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 2016 and of the comprehensive income, 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) no Zakat was deductible under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

EY Ford Rhodes

Chartered Accountants
Engagement Partner: Farooq Hameed
Lahore: 23 February 2017

Balance Sheet as At 31 December 2016

	Note	2016	2015
		(Rupees in thousand)	
Share capital and reserves			
Authorized capital			
50,000,000 (31 December 2015: 50,000,000) ordinary shares of Rs.10 each		**500,000**	500,000
Issued, subscribed and paid up capital			
50,000,000 (31 December 2015: 50,000,000) ordinary shares of Rs.10 each	5	**500,000**	500,000
Share deposit money		**1,381**	1,381
General reserve		**150,000**	150,000
Unappropriated profit		**281,643**	153,935
		933,024	805,316
Underwriting provisions			
Provision for outstanding claims [including IBNR]		**485,892**	499,376
Provision for unearned premium		**628,930**	575,991
Commission income unearned		**66,308**	60,543
Total underwriting provisions		**1,181,130**	1,135,910
Deferred liabilities			
Deferred taxation	6	**134**	1,571
Creditors and accruals			
Premium received in advance		**2,511**	5,531
Amounts due to other insurers / reinsurers		**381,208**	233,804
Accrued expenses	7	**84,807**	75,948
Taxation - payments less provision		**10,231**	-
Other creditors and accruals	8	**169,800**	113,110
		648,557	428,393
Other liabilities			
Deposits and other payables	9	**17,198**	5,563
TOTAL LIABILITIES		**1,847,019**	1,571,437
Total liabilities of takaful operations - OPF		**28,383**	-
TOTAL EQUITY AND LIABILITIES		**2,808,426**	2,376,753
CONTINGENCIES AND COMMITMENTS	10		

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

Director

Director

Balance Sheet as At 31 December 2016

	Note	2016	2015
		(Rupees in thousand)	
Cash and bank deposits			
Cash and other equivalents	11	**1,371**	1,204
Current and other accounts	12	**373,395**	131,265
Deposits maturing within 12 months	13	**-**	-
		374,766	132,469
Loan - secured considered good			
To employees	14	**4,114**	2,685
Investments	15	**745,948**	969,323
Other assets			
Premiums due but unpaid - unsecured	16	**571,359**	430,587
Amounts due from other insurers / reinsurers - unsecured	17	**136,248**	113,428
Salvage recoveries accrued		**10,127**	5,960
Accrued investment income		**2,046**	2,030
Reinsurance recoveries against outstanding claims		**307,497**	311,880
Deferred commission expense		**54,274**	37,390
Prepayments - prepaid reinsurance premium ceded		**306,902**	278,397
- others		**10,497**	12,790
Taxation - payments less provision		**-**	1,736
Sundry receivables	18	**20,845**	5,500
		1,419,795	1,199,698
Fixed assets	19		
Land - freehold		**121,671**	-
Building on leasehold land		**12,610**	17,667
Furniture, fixtures and office equipment		**14,911**	18,650
Motor vehicles		**32,061**	28,784
		181,253	65,101
Capital work in progress		**742**	4,606
Intangible			
Computer software	20	**1,535**	2,871
Total assets of takaful operations - OPF	21	**80,273**	-
TOTAL ASSETS		**2,808,426**	2,376,753

Chairman

Principal Officer and Chief Executive

Statement Of Comprehensive Income For The Year Ended 31 December 2016

	Note	Fire and property damage	Marine, aviation and transport	Motor	Health	Others including Miscellaneous	Total 2016	Total 2015
							(Rupees in thousand)	
Revenue account								
Net premium revenue		47,381	18,928	383,260	424,208	42,809	**916,586**	780,180
Net claims		(6,408)	(3,992)	(160,902)	(306,219)	(15,555)	**(493,076)**	(429,297)
Management expenses	22	(51,161)	(14,936)	(94,321)	(54,852)	(59,175)	**(274,445)**	(267,333)
Net commission		39,186	7,840	(27,590)	(57,940)	71,531	**33,027**	96,608
Underwriting result		28,998	7,840	100,447	5,197	39,610	**182,092**	180,158
Investment income							**114,970**	75,583
Other income	23						**4,437**	1,554
General and administration expenses	24						**(108,414)**	(103,784)
							10,993	(26,647)
Profit before tax from general insurance business							**193,085**	153,511
Profit before tax from General Window Takaful Operations - OPF	25						**1,890**	-
Profit before taxation							**194,975**	153,511
Taxation	26						**(65,602)**	(38,297)
Profit after taxation							**129,373**	115,214
Other comprehensive loss								
Items not to be reclassified to profit and loss in subsequent periods								
Re-measurement loss on defined benefit obligations							**(1,665)**	(2,507)
Total comprehensive income for the year							**127,708**	112,707
Balance at the commencement of the year							**153,935**	258,930
Interim dividend for the year							**-**	(17,702)
Transfer to reserve for issuance of bonus shares							**-**	(200,000)
Total comprehensive income for the year							**127,708**	112,707
Balance of unappropriated profits at the end of the year							**281,643**	153,935
Earnings per share - basic and diluted - Rupees (note 27)							**2.59**	2.30

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

Director	Director	Chairman	Principal Officer and Chief Executive

Statement Of Changes In Equity For The Year Ended 31 December 2016

	Share capital	Capital Reserve: Share deposit money	Capital Reserve: Reserve for issuance of bonus shares	Revenue Reserve: General reserve	Revenue Reserve: Unappropriated Profit	Total
						(Rupees in thousand)
Balance as at 01 January 2015	300,000	1,381	-	150,000	258,930	710,311
Profit after tax for the year	-	-	-	-	115,214	115,214
Other comprehensive loss for the year	-	-	-	-	(2,507)	(2,507)
Total comprehensive income for the year	-	-	-	-	112,707	112,707
Interim dividend for the year 2015	-	-	-	-	(17,702)	(17,702)
Transfer to reserve for issue of bonus shares	-	-	200,000	-	(200,000)	-
Issuance of bonus shares @ 2 shares for every 3 ordinary shares	200,000	-	(200,000)	-	-	-
Balance as at 31 December 2015	500,000	1,381	-	150,000	153,935	805,316
Balance as at 01 January 2016	**500,000**	**1,381**	**-**	**150,000**	**153,935**	**805,316**
Profit after tax for the year	**-**	**-**	**-**	**-**	**129,373**	**129,373**
Other comprehensive loss for the year	**-**	**-**	**-**	**-**	**(1,665)**	**(1,665)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**127,708**	**127,708**
Balance as at 31 December 2016	**500,000**	**1,381**	**-**	**150,000**	**281,643**	**933,024**

Director	Director	Chairman	Principal Officer and Chief Executive

Cash Flow Statement
For The Year Ended 31 December 2016

	2016	2015
	(Rupees in thousand)	
Operating cash flows		
Underwriting activities		
Premiums received	**1,779,132**	1,490,285
Reinsurance premiums paid	**(713,474)**	(886,116)
Commissions received	**132,493**	263,893
Commissions paid	**(206,829)**	(64,292)
Claims paid	**(861,774)**	(593,629)
Reinsurance recoveries received	**359,597**	160,324
Management expense paid	**(281,206)**	(273,234)
Net cash inflow from underwriting activities	**207,939**	97,231
Other operating activities		
Income tax paid	**(55,072)**	(37,758)
Other operating payments	**(71,722)**	(70,548)
Other operating receipts	**66**	398
Loan repayment received	**6,792**	(6,175)
Loan advanced	**(8,221)**	7,400
Net cash outflow from other operating activities	**(128,157)**	(106,683)
Total cash inflow / (outflow) from all operating activities	**79,782**	(9,452)
Investment activities		
Profit / return received	**23,754**	19,486
Dividend received	**13,946**	10,653
Window Takaful Operations	**(50,000)**	-
Sale of investments	**2,603,982**	2,004,910
Purchase of investments	**(2,302,186)**	(2,068,503)
Proceeds from disposal of fixed assets	**12,642**	2,434
Fixed capital expenditure	**(139,623)**	(16,998)
Total cash inflow / (outflow) from investing activities	**162,515**	(48,018)
Financing activities		
Dividend paid	**-**	(17,702)
Net cash inflow / (outflow) from all activities	**242,297**	(75,172)
Cash at the beginning of the year	**132,469**	207,641
Cash at the end of the year	**374,766**	132,469

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

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

Cash Flow Statement
For The Year Ended 31 December 2016

		2016	2015
		(Rupees in thousand)	
Reconciliation to profit and loss account			
Operating cash flows		**79,782**	(9,452)
Depreciation of tangibles		**(19,064)**	(18,631)
Amortization of intangibles		**(1,336)**	(1,134)
Increase in assets other than cash		**221,510**	164,554
Increase in liabilities		**(273,917)**	(97,320)
Un-realized gain in value of held for trading investment		**2,193**	10,155
Others			
Gain on disposal of investments		**76,964**	36,059
Profit from General Window Takaful Operations		**1,890**	-
Impairment in value of available for sale investments		**(409)**	(286)
Gain on disposal of fixed assets		**4,371**	1,156
Dividend and other investment income		**37,389**	30,113
Profit after taxation		**129,373**	115,214
Definition of cash			
Cash for the purposes of the Cash Flow Statement consists of:			
Cash and other equivalents			
Cash in hand	- note 11	**548**	631
Stamps in hand	- note 11	**823**	573
		1,371	1,204
Current and other accounts			
Current accounts	- note 12	**99,396**	26,520
Saving accounts	- note 12	**273,999**	104,745
		373,395	131,265
Deposits maturing within 12 months	- note 13	**-**	-
		374,766	132,469

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

Director	Director	Chairman	Principal Officer and Chief Executive

Statement Of Premiums
For The Year Ended 31 December 2016

Business underwritten inside Pakistan

Direct and facultative	**Premiums written**	**Unearned premium reserve**		**Premiums earned**	**Reinsurance ceded**	**Prepaid reinsurance premium ceded**		**Reinsurance expense**	**Net premium revenue**	
		Opening	**Closing**			**Opening**	**Closing**		**2016**	**2015**
									(Rupees in thousand)	
Class										
Fire and property damage	436,858	248,571	219,922	465,507	397,859	210,903	190,636	418,126	**47,381**	49,312
Marine, aviation and transport	127,537	13,172	4,415	136,294	117,366	-	-	117,366	**18,928**	17,479
Motor	386,266	208,802	194,807	400,261	15,827	3,520	2,346	17,001	**383,260**	364,779
Health	468,371	29,439	41,683	456,127	32,361	4,051	4,493	31,919	**424,208**	305,373
Others including miscellaneous	505,285	76,007	168,103	413,189	419,884	59,923	109,427	370,380	**42,809**	43,237
	1,924,317	575,991	628,930	1,871,378	983,297	278,397	306,902	954,792	**916,586**	780,180

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

Director	Director	Chairman	Principal Officer and Chief Executive

Statement Of Claims
For The Year Ended 31 December 2016

Business underwritten inside Pakistan

Direct and facultative	Claims paid	Outstanding claims Opening	Outstanding claims Closing	Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims Opening	Reinsurance and other recoveries in respect of outstanding claims Closing	Reinsurance and other recoveries revenue	Net claim expense 2016	Net claim expense 2015
									(Rupees in thousand)	
Class										
Fire and property damage	238,029	150,870	71,526	158,685	209,302	117,946	60,921	152,277	**6,408**	19,290
Marine, aviation and transport	65,753	35,836	23,404	53,321	58,342	29,392	20,379	49,329	**3,992**	7,840
Motor	152,641	71,352	80,339	161,628	(50)	61	837	726	**160,902**	148,478
Health	303,377	51,996	58,695	310,076	3,166	-	691	3,857	**306,219**	249,550
Others including miscellaneous	101,974	189,322	251,928	164,580	88,837	164,481	224,669	149,025	**15,555**	4,139
Total	861,774	499,376	485,892	848,290	359,597	311,880	307,497	355,214	**493,076**	429,297

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

Director	Director	Chairman	Principal Officer and Chief Executive

Statement Of Expenses
For The Year Ended 31 December 2016

Business underwritten inside Pakistan

Direct and facultative	Commissions paid or payable	Deferred commission Opening	Deferred commission Closing	Net commission expenses	Other management expenses	Underwriting expense	Commissions from reinsurers	Net underwriting expense 2016	Net underwriting expense 2015
								(Rupees in thousand)	
Class									
Fire and property damage	60,970	18,249	21,448	57,771	51,161	108,932	96,957	**11,975**	18,030
Marine, aviation and transport	20,864	2,182	722	22,324	14,936	37,260	30,164	**7,096**	8,947
Motor	29,394	13,199	14,354	28,239	94,321	122,560	649	**121,911**	136,108
Health	62,817	514	576	62,755	54,852	117,607	4,815	**112,792**	42,090
Others including miscellaneous	78,819	3,246	17,174	64,891	59,175	124,066	136,422	**(12,356)**	(34,450)
Total	252,864	37,390	54,274	235,980	274,445	510,425	269,007	**241,418**	170,725

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

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

Statement Of Investment Income For The Year Ended 31 December 2016

	2016	2015
	(Rupees in thousand)	
Income from trading investments		
Gain on sale of held for trading investments	**23,827**	36,289
Dividend income	**1,366**	4,776
	25,193	41,065
Income from non-trading investments		
Held to maturity		
Return on Government Securities	**4,855**	3,978
Return on other fixed income securities and deposits	**18,461**	15,458
	23,316	19,436
Available for sale		
Dividend income	**12,707**	5,901
Gain / (loss) on sale of available for sale investments	**53,137**	(230)
	65,844	5,671
Un-realized gain in value of held for trading investments	**2,193**	10,155
Impairment in value of available for sale investments	**(409)**	(286)
Investment expenses	**(1,167)**	(458)
Net investment income for the year	**114,970**	75,583

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

Director	Director	Chairman	Principal Officer and Chief Executive

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

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 21 December 2005 under the Companies Ordinance, 1984. The registered office of the Company is situated at 5-Saint Mary Park, Gulberg III, Lahore. The Company has been allowed to work as Window Takaful Operator on 30 September 2015 by Securities and Exchange Commission of Pakistan under Takaful Rules, 2012 to carry on General Window Takaful Operations in Pakistan.

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, SECP Takaful Rules, 2012, the Companies Ordinance, 1984 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprises of 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, SECP Takaful Rules, 2012, 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 During the year, the Company was granted permission by Securities and Exchange Commission of Pakistan to transact Window Takaful Operations. As per the requirements of the SECP Takaful Rules 2012 and SECP Circular No.25 of 2015 dated 09 July 2015, the assets, liabilities and profit and loss of the Operator's Fund of the General Takaful Operations of the Company have been presented as a single line item in the balance sheet and statement of comprehensive income of the Company respectively.

2.3 A separate set of financial information of the General Window Takaful Operations has been annexed to these financial statements as per the requirements of the Takaful Rules 2012.

2.4 Presentation Currency

The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. Figures in these financial statements have been rounded off to the nearest thousands of rupees unless otherwise stated.

2.5 Standards, Interpretations and Amendments to Published Approved Accounting Standards Effective in 2016:

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 accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

IFRS 10, IFRS 12 & IAS 28	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

IFRS 11	Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)
IAS 1	Presentation of Financial Statements - Disclosure Initiative (Amendment)
IAS 16 & IAS 38	Property, Plant and Equipment and intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)
IAS 16 & IAS 41	Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)
IAS 27	Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)

Improvements to Accounting Standards Issued by the IASB in September 2014

IFRS 5	Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal
IFRS 7	Financial Instruments: Disclosures - Servicing contracts
IFRS 7	Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements
IAS 19	Employee Benefits - Discount rate: regional market issue
IAS 34	Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

The adoption of the above standards, amendment and improvement to accounting standards did not have any effect on the condensed interim financial statements.

2.6 Standards, Interpretations and Amendments to Published Approved Accounting Standards That are Not Yet Effective:

The following 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 2	Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Deferred indefinitely
IAS 7	Statement of Cash flows - Disclosure about changes in liabilities arising from financing activities (Amendments)	01 January 2016
IAS 12	Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)	01 January 2017
IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	01 January 2018
IAS 40	Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IFRIC 22 -	Foreign Currency Transactions and Advance Consideration	01 January 2018

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. Applicability of IFRS 4 to insurers has not been verified by the SECP.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016. Such improvements are generally effective for accounting periods beginning on or after 01 January 2017. The Company expects that such improvements to the standards will not have any 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. The Company does not expect a significant impact on its financial statements after applicability of IFRS 14, whereas it is in process of assessing the impact of other standards.

Standard			IASB Effective date (annual periods beginning on or after)
IFRS 1	-	First time adoption of International Financial Reporting Standards	01 January 2009
IFRS 9	-	Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14	-	Regulatory Deferral Accounts	01 January 2016
IFRS 15	-	Revenue from Contracts with Customers	01 January 2018
IFRS 16	-	Leases	01 January 2019

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.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

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

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

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

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

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

Marine Insurance covers the loss or damage of vessels, cargo, terminals, and any transport or property by which cargo is transferred, acquired, or held between the points of origin and final destination.

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

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

Other various types of insurance are classified in others including miscellaneous category which includes, terrorism, 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 recognizes liability in respect of all claims incurred up to the balance sheet date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract.

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. The liability for claims includes amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

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

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

4.2.1 Claims incurred but not reported

The provision for claims incurred but not reported (IBNR) is made at the balance sheet date. In accordance with SECP circular no. 9 of 2016, the Company has changed its method of estimation of IBNR. The Company now takes actuarial advice for the determination of IBNR claims. IBNR claim have been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level.

Upto previous year the provision for IBNR was accounted for on the basis whereby all claims incurred before the year end but reported subsequently were aggregated and the ratio of such claims to outstanding claims was applied to outstanding claims at the reporting date (except exceptional losses) to arrive at liability for IBNR. The analysis was carried out separately for each class of business.

Had the method for estimating IBNR claims, not been changed, the provision for outstanding claims would have been higher by Rs.4.9 million and reinsurance recoveries against outstanding claims would have been lower by Rs. 0.6 million and profit for the year would have been lower by Rs.5.6 million.

4.3 Premium Deficiency Reserve (Liability Adequacy Test)

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 is 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:

	2016	2015
- Fire and property damage	**52%**	66%
- Marine, aviation and transport	**32%**	44%
- Motor	**41%**	40%
- Accidental and health	**77%**	81%
- Others including miscellaneous	**19%**	21%

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 recognized as a liability by the Company on the following basis:

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

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

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

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

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.

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. Equal monthly contributions are made by the Company and employees to the fund at the rate 8.33% (2015: 8.33%) of basic salary. Contributions made by the Company are recognized as expense.

4.7.2 Defined Benefit Plan

The Company has established an approved gratuity fund for all permanent employees. Monthly contributions are made to the fund on the basis of actuarial recommendations and in line with the provisions of the Income Tax Ordinance, 2001. The latest actuarial valuation was carried out as at 31 December 2016.

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:

	2016	2015
- Discount rate	8.0% per annum	9.0% per annum
- Expected rate of increase in salary level	7.0% per annum	8.0% per annum
- Expected rate of return on plan assets	8.0% per annum	9.0% per annum

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

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

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.

4.11 Investments

4.11.1 Recognition

All investments are initially recognized 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 amortized 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.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

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.52.164 million (2015: higher by Rs. 9.454 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 recognized at cost, which is the fair value of the consideration given less provision for doubtful debts, if any.

4.13 Reinsurance Recoveries Against Outstanding Claims

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

4.14 Deferred Commission Expense

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

4.15 Prepaid Reinsurance Premium Ceded

It represents the portion of reinsurance premium ceded relating to the unexpired period of reinsurance coverage and is recognized 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.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

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 2016 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 capitalized, 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 recognized 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 recognized as an income or expense.

Intangible

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

Amortization on additions to intangible assets is charged from the month in which an asset is acquired or capitalized, while no amortization 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 recognized in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.17 Financial Instruments

Financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on 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 recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

4.19 Revenue Recognition

Premium Income

Premium income under a policy is recognized 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 recognized as revenue in accordance with the pattern of the incidence of risk.

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
Engineering	5,000
Health	5,000
Other including Miscellaneous	5,000

Premium written includes administrative surcharge amounting to Rs. 22.3 million (2015: Rs.22.3 million).

Dividend Income and Bonus Shares

Dividend income and entitlement of bonus shares are recognized 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 recognized on a time proportion basis taking into account the effective yield on investments.

Miscellaneous Income

Other revenues are recognized 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.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

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

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

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

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

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 recognized as an asset on the attachment of the related risks. This expense is charged to the profit and loss account based on the pattern of recognition of related premium revenue.

Commission Income

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

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 recognized 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 recognized 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 recognized 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.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

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.

4.26 Expense Allocation to Takaful Operations

Expenses that are directly attributable to the distinguished operation of business that is Conventional Insurance Business and Takaful Business have been charged directly to the relevant operation. Whereas expenses incurred commonly for both Takaful and Conventional Insurance businesses have been allocated proportionately on the basis of volume of business of respective operation.

4.27 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 others including 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.

4.28 Salvage Recoveries

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

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2016	2015		2016	2015
(Number of shares)			(Rupees in thousand)	
23,000,000	23,000,000	Ordinary shares of Rs. 10 each fully paid in cash	**230,000**	230,000
27,000,000	27,000,000	Ordinary shares of Rs. 10 each, issued as fully paid bonus shares	**270,000**	270,000
50,000,000	50,000,000		**500,000**	500,000

14,997,825 (2015: 14,997,825) ordinary shares of the Company are held by Bank Alfalah Limited, an associated undertaking as at 31 December 2016.

5.1 Movement in Paid up Capital

	Number of Shares	Rupees in thousand
As at 01 January 2015	300,000	300,000
Issued as fully paid bonus shares	200,000	200,000
As at 31 December 2015	500,000	500,000
Issued as fully paid bonus shares	-	-
As at 31 December 2016	**500,000**	**500,000**

6. DEFERRED TAXATION

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

		2016	2015
		(Rupees in thousand)	
7. ACCRUED EXPENSES			
Accrued expenses		**54,923**	47,118
Bonus payable		**29,773**	28,767
EOBI payable		**111**	63
		84,807	75,948
8. OTHER CREDITORS AND ACCRUALS			
Agent commission payable		**108,422**	59,418
Federal insurance fee		**-**	1,677
Federal excise duty		**27,906**	23,688
Gratuity payable	- note 8.1	**1,962**	3,086
Workers' welfare fund	- note 8.2	**15,003**	15,003
Others	- note 8.3	**16,361**	10,238
Payable to Participant fund		**146**	-
		169,800	113,110
8.1 Gratuity Payable			
The amounts recognized in the balance sheet are as follows:			
Present value of defined benefit obligation		**43,820**	36,749
Fair value of plan assets		**(41,858)**	(33,663)
Liability as at 31 December		**1,962**	3,086
Net obligation as at 01 January		**3,086**	6
Charge to profit and loss account		**4,709**	5,079
Other comprehensive income		**1,743**	2,507
Company contribution		**(7,576)**	(4,506)
		1,962	3,086
8.1.1 The Movement in the Present Value of Defined Benefit Obligation			
Present value of defined benefit obligation as at 01 January		**36,749**	29,918
Service cost		**4,772**	5,315
Interest cost		**3,246**	2,987
Benefits paid		**(1,350)**	(2,941)
Experience adjustments		**228**	1,470
Financial assumption		**175**	-
Present value of defined benefit obligation as at 31 December		**43,820**	36,749
8.1.2 The Movement in Fair Value of Plan Assets			
Fair value as at 01 January		**33,663**	29,912
Expected return on plan assets		**3,309**	3,223
Company contributions		**7,576**	4,506
Benefits paid		**(1,350)**	(2,941)
Return on plan assets excluding interest income		**(1,340)**	(1,037)
Fair value as at 31 December		**41,858**	33,663

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

8.1.3 Plan Assets

	Percentage		Fair Value	
	2016	2015	2016	2015
			(Rupees in thousand)	
Investment in units of mutual funds	**1%**	2%	**617**	586
Cash at bank	**99%**	98%	**41,241**	33,077
			41,858	33,663

8.1.4 Actual Return on Plan Assets

	2016	2015
	(Rupees in thousand)	
Expected return on assets	**3,309**	3,223
Actuarial loss	**(1,340)**	(1,037)
	1,969	2,186

8.1.5 Charge to Profit and Loss Account

	2016	2015
Current service cost	**4,772**	5,315
Net interest	**(63)**	(236)
Expense for the year	**4,709**	5,079

8.1.6 Re-measurements Recognized in Other Comprehensive Income

	2016	2015
Experience adjustments	**228**	1,470
Financial assumption	**175**	-
Return on plan assets excluding interest income	**1,340**	1,037
	1,743	2,507

8.1.7 Sensitivity Analysis on Significant Actuarial Assumptions: Actuarial Liability

	2016	2015
Discount rate +1%	**(3,026)**	(2,502)
Discount rate -1%	**3,572**	2,955
Future salary increases +1%	**3,733**	3,085
Future salary increases -1%	**(3,209)**	(2,650)

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

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

	2016	2015	2014	2013	2012
	(Rupees in thousand)				
As at 31 December					
Present value of defined benefit obligation	**43,820**	36,749	29,918	24,259	16,788
Fair value of plan assets	**(41,858)**	(33,663)	(29,912)	(21,705)	(16,994)
Surplus / (Deficit)	**1,962**	3,086	6	2,554	(206)
Experience adjustment on obligation	**0.52%**	4.00%	-4.42%	7.99%	10.97%
Experience adjustment on plan assets	**3.20%**	3.08%	3.03%	1.82%	-1.10%

8.2 Workers' Welfare Fund

		2016	2015
		(Rupees in thousand)	
Opening balance		**15,003**	11,870
Provision for the year	- note 24	**-**	3,133
Payment		**-**	-
Balance as at 31 December		**15,003**	15,003

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 Honorable Supreme Court of Pakistan declared broadening the scope of WWF (become applicable for all commercial organizations) to be void. Based on the above developments, the Company has decided not to make provision against WWF for the current year, however being prudent prior periods provision has not been reversed.

8.3 Unclaimed Insurance Benefits

Others include unclaimed insurance benefits of Rs. 1,568 thousand (2015: Rs. 1,461 thousand), aging of which is given below:

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

	2015					
	Age-wise breakup of unclaimed insurance benefits					
	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	beyond 36 months	Total
	(Rupees in thousand)					
Claims not uncashed	18	510	663	170	-	1,361
Other unclaimed benefits	4	1	77	18	-	100
	22	511	740	188	-	1,461

9. DEPOSITS AND OTHER PAYABLES

	2016	2015
	(Rupees in thousand)	
Retention money	**116**	116
Cash margin	**17,082**	5,447
	17,198	5,563

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

	2016	2015
Claim against the company not acknowledged as debt.	**261**	261

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

10.2 Commitments

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

	2016	2015
	(Rupees in thousand)	
Not later than one year	**10,832**	7,361
Later than one year and not later than five years	**19,997**	30,835
Later than five years	**5,972**	-
	36,801	38,196

11. CASH AND OTHER EQUIVALENTS

Cash in hand	**548**	631
Stamps in hand	**823**	573
	1,371	1,204

12. CURRENT AND OTHER ACCOUNTS

Current accounts		**99,396**	26,520
Savings accounts	- note12.1	**273,999**	104,745
		373,395	131,265

12.1 The balance in savings accounts bear mark-up at the rate of 5.25% to 5.75% per annum (2015: 6% to 6.5% per annum).

		2016	2015
13. DEPOSITS MATURING WITHIN 12 MONTHS		(Rupees in thousand)	
Term Deposits Receipt		**2,000**	2,000
Impairment	- note 13.1	**(2,000)**	(2,000)
		-	-

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

14. LOAN TO EMPLOYEES - secured considered good

	2016				2015			
	Opening	**Loan paid**	**Loan received**	**Closing**	Opening	Loan paid	Loan received	Closing
		(Rupees in thousand)				(Rupees in thousand)		
Executives	**623**	3,467	2,713	**1,377**	1,899	1,710	2,986	623
Others	**2,062**	4,754	4,079	**2,737**	2,011	4,465	4,414	2,062
	2,685	**8,221**	**6,792**	**4,114**	3,910	6,175	7,400	2,685

		2016	2015
		(Rupees in thousand)	
15. INVESTMENTS			
The investments comprise of the following:			
Held to maturity	- note 15.1	**49,815**	53,141
Available for sale - quoted	- note 15.2	**343,770**	114,899
Held for trading	- note 15.3	**352,363**	801,283
		745,948	969,323

15.1 Held to Maturity

Statutory deposits	- note 15.1.1	**49,000**	52,000
Unamortized premium / (discount) on investment bonds		**815**	1,141
		49,815	53,141

15.1.1 Statutory Deposits

Pakistan Investment Bonds	**Maturity**	**Effective Yield %**		
	July, 2017	9.81%	**24,000**	24,000
	March, 2018	7.77%	**20,000**	20,000
	March, 2018	7.77%	**5,000**	5,000
	August, 2016	10.70%	**-**	3,000
			49,000	52,000

These Pakistan Investment Bonds are held with State Bank of Pakistan as statutory deposit. Market value as at 31 December 2016 is Rs. 50.463 million (2015: Rs. 54.768 million).

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

15.2 Available for Sale - Quoted

2016	2015	Company's / Fund name	Face value per share / unit	2016	2015
Number of Shares / Units			Rupees	(Rupees in thousand)	
Investment in associated undertakings / related parties					
350,000	500,000	Bank Alfalah Limited*	10	**7,601**	10,859
569,542	-	Alfalah GHP Stock Fund	100	**90,000**	-
				97,601	10,859
Market value as at 31 December				**104,840**	14,410
Investment in others					
120,000	110,500	Hub Power Company Limited	10	**10,102**	8,106
74,000	74,000	Kot Addu Power Company Limited	10	**3,640**	3,640
61,400	51,400	Bank AL-Habib Limited	10	**2,349**	1,763
4,850	30,000	Lucky Cement Limited	10	**2,957**	14,945
-	27,500	Nishat Chunian Limited	10	**-**	1,451
-	30,000	Nishat Mills Limited	10	**-**	2,998
117,100	-	Oil and Gas Development Company Limited	10	**16,916**	-
40,000	-	Pakistan Oil Fields Limited	10	**18,479**	-
-	10,000	Pakistan Petroleum Limited	10	**-**	1,058
-	15,000	Pakistan State Oil Limited	10	**-**	4,666
-	45,000	DG Khan Company Limited	10	**-**	6,010
66,500	66,500	Nishat Power Limited	10	**-**	2,343
69,083	59,083	United Bank Limited	10	**12,996**	9,554
100,000	100,000	Pakgen Power Limited	10	**2,226**	2,226
47,500	47,500	Fauji Fertilizer Company Limited	10	**5,622**	5,622
60,000	50,000	Fauji Fertilizer Bin Qasim Limited	10	**3,259**	2,784
108,000	70,000	Engro Fertilizer Limited	10	**8,144**	6,372
-	10,000	Engro Foods Limited	10	**-**	1,651
22,500	22,500	Engro Corporation Limited	10	**3,732**	6,927
45,000	45,000	Engro Powergen Qadirpur Limited	10	**1,710**	1,710
248,022	12,522	Amreli Steels Limited	10	**15,574**	729
30,000	-	Attock Refinery Limited	10	**10,238**	-
23,000	-	Highnoon Laboratories Limited	10	**14,774**	-
105,000	-	Habib Bank Limited	10	**24,399**	-
125,000	-	Hi-tech Lubricants Limited	10	**11,088**	-
96,000	-	International Industries Limited	10	**14,005**	-
17,500	-	Mari Petroleum Company Limited	10	**18,994**	-
60,000	-	Meezan Bank Limited	10	**3,558**	-
65,000	-	MCB Bank Limited	10	**14,009**	-
200,000	-	National Bank of Pakistan	10	**14,647**	-
55,500	-	Nishat Power Limited	10	**1,956**	-
52,900	-	Pioneer Cement Limited	10	**6,167**	-
14,000	-	Thal Limited	10	**5,037**	-
-	1,552,976	NAFA Stock Fund	10	**-**	20,000
				246,578	104,555
Impairment in value of available for sale investments				**(409)**	(515)
				246,169	104,040
Market value as at 31 December				**292,644**	109,943
Total available for sale - quoted				**343,770**	114,899
Total market value as at 31 December				**397,484**	124,353

* 200,000 (2015: 300,000) shares are pledged with National Clearing Company of Pakistan Limited (NCCPL), as exposure margin.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

			2016	2015
			(Rupees in thousand)	
15.3	**Held for Trading**			
	Held for trading - Treasury Bills	- note 15.3.1	**352,363**	-
	Held for trading - Shares	- note 15.3.2	-	801,283
			352,363	801,283

15.3.1 Market treasury bill having a face value of Rs. 5 million (Market value: Rs. 4.9 million) is held with State Bank of Pakistan.

15.3.2 Held for Trading - Shares

2016	2015	Company's / Fund name	Face value per share / unit	2016	2015
Number of Units			Rupees	(Rupees in thousand)	
		Investment in associated undertaking			
-	86,020	Alfalah GHP Cash Fund	500	-	44,276
-	610,659	Alfalah GHP Money Market Fund	100	-	63,321
				-	**107,597**
		Investment in others			
-	131,313	MCB Cash Management Optimizer Fund	100	-	13,539
-	737,871	MCB Dynamic Allocation Fund	100	-	56,813
-	146,164	Atlas Money Market Fund	500	-	75,930
-	612,980	UBL Liquidity Plus Fund	100	-	63,262
-	600,198	Pakistan Cash Management Fund	50	-	30,999
-	787,751	Askari Sovereign Cash Fund	100	-	81,721
-	7,221,690	ABL Cash Fund	10	-	74,453
-	681,421	Faysal Money Market Fund	100	-	70,813
-	669,392	HBL Money Market Fund	100	-	69,551
-	5,770,471	NAFA Money Market Fund	10	-	58,446
-	2,346,096	NAFA Financial Sector Income Fund	10	-	25,372
-	49,000	Hub Power Company Limited	10	-	5,027
-	12,500	Pakistan State Oil Limited	10	-	4,072
-	29,000	Allied Bank Limited	10	-	2,734
-	21,500	Amreli Steels Limited	10	-	1,292
-	360	Bata Pakistan Limited	10	-	1,177
-	9,800	Engro Corporation Limited	10	-	2,738
-	56,500	Engro Fertilizer Limited	10	-	4,753
-	21,000	Engro Foods Limited	10	-	3,079
-	85,000	Fatima Fertilizer Company Limited	10	-	3,802
-	48,000	Fauji Cement Company Limited	10	-	1,767
-	12,893	Habib Bank Limited	10	-	2,580
-	5,000	Honda Atlas Cars Limited	10	-	1,195
-	5,500	ICI Pakistan Limited	10	-	2,662
-	1,640	Indus Motor Company Limited	10	-	1,659
-	125,000	JS Bank Limited	10	-	969
-	52,000	Kot Addu Power Company Limited	10	-	4,212
-	4,900	Lucky Cement Limited	10	-	2,426
-	75,000	Lalpir Power Limited	10	-	2,231
-	25,500	Maple Leaf Cement Factory Limited	10	-	1,902
-	18,000	Mughal Iron & Steel Industries Limited	10	-	1,255
-	36,500	Oil and Gas Development Company Limited	10	-	4,283
-	11,000	Nishat Power Limited	10	-	590
-	4,300	Pak Suzuki Motor Company Limited	10	-	2,130
-	32,200	Pakistan Petroleum Limited	10	-	3,922
-	55,000	Pakgen Power Limited	10	-	1,619
-	7,700	Pakistan Oilfields Limited	10	-	2,064
-	15,000	Pioneer Cement Limited	10	-	1,363
-	650	Shezan International Limited	10	-	398
-	9,500	Thal Limited	5	-	2,407
-	16,000	United Bank Limited	10	-	2,479
				-	693,686
		Total - held for trading		-	801,283

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

			2016	2015
			(Rupees in thousand)	
16.	**PREMIUMS DUE BUT UNPAID**			
	Unsecured			
	- Considered good		**571,359**	430,587
	- Considered doubtful		**14,352**	12,959
			585,711	443,546
	Less: Provision for doubtful receivables	- note 16.1	**(14,352)**	(12,959)
			571,359	430,587
16.1	**Provision for Doubtful Receivables**			
	Balance as at 01 January		**12,959**	11,856
	Provision made during the year	- note 22	**1,393**	1,103
	Balance as at 31 December		**14,352**	12,959

17. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS - UNSECURED

These are unsecured and considered good.

			2016	2015
18.	**SUNDRY RECEIVABLES**			
	Security deposits		**4,698**	5,018
	Receivable from provident fund	- note 18.1	**12**	-
	Insurance claim receivable		**146**	162
	Receivable from Shareholders' fund		**4,783**	-
	Federal insurance fee receivable		**8,931**	-
	Other advances		**2,275**	320
			20,845	5,500
18.1	**Provident Fund Trust**			
	Size of the fund		**70,020**	58,063
	Cost of investment made		**70,486**	59,744
	Percentage of investments made (based on fair value)		**102%**	105%
	Fair value of investments		**70,531**	60,646

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:

	Percentage Investments as a % size of fund		Fair Value	
	2016	2015	2016	2015
			(Rupees in thousand)	
Mutual funds	**2%**	3%	**1,732**	1,645
Interest bearing bank accounts	**98%**	101%	**68,799**	59,001
			70,531	60,646

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Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

19. TANGIBLE

2016	Cost as at 01 January 2016	Additions	Disposals	Cost as at 31 December 2016	Accumulated depreciation as at 01 January 2016	Depreciation charge for the year	Accumulated Depreciation on Disposal	Accumulated depreciation as at 31 December 2016	Book value as at 31 December 2016	Depreciation rates
					(Rupees in thousand)					
Land - freehold	-	121,671	-	121,671	-	-	-	-	121,671	-
Building on leasehold land	50,564	-	-	50,564	32,897	5,057	-	37,954	12,610	10%
Furniture, fixtures and office equipment										
Furniture and fixtures	17,172	47	(48)	17,171	10,235	1,716	(20)	11,931	5,240	10%
Office equipment	17,383	2,316	(398)	19,301	12,388	2,196	(378)	14,206	5,095	20%
Computer equipment	34,494	1,907	(64)	36,337	27,776	4,045	(60)	31,761	4,576	25%
	69,049	4,270	(510)	72,809	50,399	7,957	(458)	57,898	14,911	
Motor vehicles	56,607	17,546	(19,537)	54,616	27,823	6,050	(11,318)	22,555	32,061	20%
	176,220	143,487	(20,047)	299,660	111,119	19,064	(11,776)	118,407	181,253	

2015	Cost as at 01 January 2015	Additions	Disposals	Cost as at 31 December 2015	Accumulated depreciation as at 01 January 2015	Depreciation charge for the year	Accumulated Depreciation on Disposal	Accumulated depreciation as at 31 December 2015	Book value as at 31 December 2015	Depreciation rates
					(Rupees in thousand)					
Building on leasehold land	49,032	1,532	-	50,564	27,891	5,006	-	32,897	17,667	10%
Furniture, fixtures and office equipment										
Furniture and fixtures	17,288	413	(529)	17,172	8,907	1,736	(408)	10,235	6,937	10%
Office equipment	14,729	2,691	(37)	17,383	10,759	1,666	(37)	12,388	4,995	20%
Computer equipment	33,388	1,828	(722)	34,494	23,563	4,838	(625)	27,776	6,718	25%
	65,405	4,932	(1,288)	69,049	43,229	8,240	(1,070)	50,399	18,650	
Motor vehicles	53,114	6,670	(3,177)	56,607	24,555	5,385	(2,117)	27,823	28,784	20%
	167,551	13,134	(4,465)	176,220	95,675	18,631	(3,187)	111,119	65,101	

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

19.1 Depreciation has Been Allocated as Follows:

		2016	2015
		(Rupees in thousand)	
Management expenses	- note 22	**5,076**	5,775
General and administration expenses	- note 24	**12,999**	12,856
Window takaful operations - OPF		**989**	-
		19,064	18,631

20. INTANGIBLE

2016	Cost as at 01 January 2016	Additions	Cost as at 31 December 2016	Accumulated amortization as at 01 January 2016	Amortization charge for the year	Accumulated amortization as at 31 December 2016	Book value as at 31 December 2016	Amortization rate
							(Rupees in thousand)	
Software	**14,645**	**-**	**14,645**	**11,774**	**1,336**	**13,110**	**1,535**	**25%**

2015	Cost as at 01 January 2015	Additions	Cost as at 31 December 2015	Accumulated amortization as at 01 January 2015	Amortization charge for the year	Accumulated amortization as at 31 December 2015	Book value as at 31 December 2015	Amortization rate
							(Rupees in thousand)	
Software	12,579	2,066	14,645	10,640	1,134	11,774	2,871	25%

20.1 The amortization charge for the year has been charged to the general and administrative expenses as referred to in note 24.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

21. TOTAL ASSETS OF TAKAFUL OPERATIONS - OPF

This includes qard-e-hasna given to Participants' fund amounting to Rs. 20 million.

22. MANAGEMENT EXPENSES

		2016	2015
		(Rupees in thousand)	
Salaries, wages and other benefits		**141,615**	125,995
Staff retirement benefits	- note 24.2	**6,638**	7,209
Tracker expenses		**49,085**	58,081
Rent, rates and taxes		**13,552**	13,201
Communication and utility expenses		**11,338**	11,730
Printing and stationery		**7,313**	7,802
Generator expense		**2,768**	2,495
Travelling and conveyance		**7,847**	7,784
Inspection fee		**2,248**	1,480
Provision for doubtful receivables	- note16.1	**1,393**	1,103
Fees and subscription		**5,079**	4,866
Training and development		**4,483**	3,676
Depreciation on tangible assets	- note 19.1	**5,076**	5,775
Vehicles running and maintenance expenses		**6,925**	6,704
Sundry expenses		**9,085**	9,432
		274,445	267,333

22.1 Management expenses amounting to Rs. 3.6 million have been allocated to Window Takaful Operation Operators fund.

23. OTHER INCOME

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

24. GENERAL AND ADMINISTRATION EXPENSES

		2016	2015
		(Rupees in thousand)	
Salaries, wages and other benefits		**54,427**	47,342
Staff retirement benefits	- note 24.2	**4,271**	3,775
Depreciation on tangible assets	- note 19.1	**12,999**	12,856
Amortization of intangible assets	- note 20	**1,336**	1,134
Vehicles running and maintenance expenses		**5,104**	5,341
Repair and maintenance		**10,057**	9,849
Insurance expense		**4,963**	4,932
Rent expense		**8,554**	9,911
Legal and professional		**3,356**	2,488
Advertisement expenses		**1,274**	1,295
Donations	- note 24.3	**500**	500
Auditors' remuneration	- note 24.4	**1,573**	1,228
Workers' welfare fund	- note 8.2	**-**	3,133
		108,414	103,784

24.1 General and admin expenses amounting to Rs. 766 thousand have been allocated to Window Takaful Operation Operators fund.

24.2 Staff Retirement Benefits

Staff retirement benefits comprises of provident fund and gratuity amounting to Rs. 6.2 million (2015: Rs. 5.9 million) and Rs. 4.7 million (2015: Rs. 5.1 million) respectively.

24.3 None of the directors or their spouses have any interest in the donee.

24.4 Auditors' Remuneration

	2016	2015
	(Rupees in thousand)	
Statutory audit fee	**591**	552
Half yearly review	**263**	245
Statutory returns	**131**	123
Certification and sundry services	**439**	192
Out of pocket expenses (including sales tax)	**149**	116
	1,573	1,228

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

		2016	2015
		(Rupees in thousand)	
25.	**PROFIT BEFORE TAX FROM GENERAL WINDOW TAKAFUL OPERATIONS - OPF**		
	Wakala fee	**16,066**	-
	Commission expense	**(2,818)**	-
	Management expenses	**(8,325)**	-
	Profit on deposits	**1,958**	-
	General and administration expenses	**(4,913)**	-
	Profit for the year	**1,968**	-
	Other comprehensive income	**(78)**	-
	Profit before tax	**1,890**	**-**
26.	**TAXATION**		
	Current Tax		
	Current year	**66,255**	42,312
	Prior years	**784**	(198)
		67,039	42,114
	Deferred Tax		
	Relating to reversal and origination of temporary differences	**(1,388)**	(3,980)
	Income resulting from reduction in tax rate	**(49)**	163
		(1,437)	(3,817)
	- note 26.1	**65,602**	38,297
26.1	**Tax Charge Reconciliation**		
	A numerical reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate		
	Accounting profit	**194,975**	153,511
	Tax at the applicable rate of 31% (2015: 32%)	**60,442**	49,124
	Tax effect of amounts that are:		
	- Exempt for tax purposes	**4,425**	4,735
	- Chargeable to tax at different rates	**(49)**	(15,364)
	Prior year current tax	**784**	(198)
		5,160	(10,827)
	Tax expense	**65,602**	38,297

27. EARNINGS PER SHARE - BASIC AND DILUTED

		2016	2015
Net profit for the year	**Rupees in thousand**	**129,373**	115,214
Weighted average number of ordinary shares issued and paid at the end of the year	**Number of shares**	**50,000,000**	50,000,000
Earnings per share - basic and diluted	**Rupees per share**	**2.59**	2.30

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

28. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND KEY MANAGEMENT PERSONNEL

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

	Chief Executive Officer		Directors		Key Management Personnel	
	2016	2015	2016	2015	2016	2015
			(Rupees in thousand)			
Managerial remuneration	**18,376**	16,859	**-**	-	**29,796**	28,626
Staff retirement benefits	**1,838**	1,686	**-**	-	**2,978**	2,861
Bonus	**8,050**	7,248	**-**	-	**3,973**	3,817
Other perquisites and allowances	**3,805**	421	**-**	-	**2,453**	3,078
	32,069	26,214	**-**	-	**39,200**	38,382
Number of persons	**1**	1	**7**	7	**10**	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 accommodation. No fee was paid to director for attending meetings.

29. 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 28. Amounts due to / from and other significant transactions with related parties are as follows:

			2016	2015
			(Rupees in thousand)	
Transactions during the period				
Relationship	**Nature of transactions**			
Associated undertakings and other related parties	Insurance premium		**583,498**	660,998
	Net premium received		**727,439**	834,656
	Claims paid		**375,230**	325,356
	Interest income		**17,262**	15,139
	Dividend received		**500**	1,000
	Rent paid		**2,288**	3,951
	Rent expense		**2,308**	2,026
	License fees and connection charges		**2,712**	2,694
	Investments purchased		**489,221**	179,950
	Investments sold		**541,984**	199,837
	Investment advisory fee		**1,002**	-
Key management personnel	Premium written		**75**	218
	Claims paid		**-**	131
Post employment benefit plans	Expense charged		**10,909**	10,404
Period end balances				
Associated undertakings and other related parties	Premium receivable	- note 31.1.1.2	**176,492**	186,506
	Provision for outstanding claims		**210,172**	316,408
	Internet charges payable		**3,182**	411
Key management personnel	Premium receivable		**58**	98
	Provision for outstanding claims		**248**	253

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 2016

30. 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 2016 and 31 December 2015, unallocated capital expenditure and non-cash expenses during the year.

	Fire and property damage		Marine, aviation and transport		Motor		Health		Others including Miscellaneous		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Other information												
Segment assets	**549,528**	601,804	**88,701**	86,613	**75,850**	98,234	**71,966**	65,499	**590,235**	301,778	**1,376,280**	1,153,928
Unallocated corporate assets											**1,432,146**	1,222,825
Consolidated total assets											**2,808,426**	2,376,753
Segment liabilities	**487,766**	596,220	**(36,291)**	69,219	**309,348**	306,114	**103,951**	82,950	**697,564**	300,534	**1,562,338**	1,355,037
Unallocated corporate liabilities											**313,064**	216,400
Consolidated total liabilities											**1,875,402**	1,571,437
Unallocated capital expenditure											**139,623**	16,998
Unallocated depreciation and amortization											**20,400**	19,765

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

31. RISK MANAGEMENT

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

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

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

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

a) Financial risk, categorized into ;

- Credit risk	- note 31.1.1
- Liquidity risk	- note 31.1.2
- Market risk	- note 31.1.3
b) Capital adequacy risk	- note 31.2
c) Insurance risk	- note 31.3

31.1 Financial Risk

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

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

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

31.1.1 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		2016	2015
		(Rupees in thousand)	
Bank balances	-note 31.1.1.1	**373,395**	131,265
Investments		**402,178**	53,141
Premium due but unpaid	-note 31.1.1.2	**585,711**	443,546
Amount due from other insurers / reinsurers	-note 31.1.1.3	**136,248**	113,428
Accrued investment income		**2,046**	2,030
Reinsurance recoveries against outstanding claims	-note 31.1.1.3	**307,497**	311,880
Sundry receivables		**20,845**	4,407
		1,827,920	1,059,697

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

	Rating Short term	Rating Long term	Rating Agency	2016	2015
				(Rupees in thousand)	
Bank Alfalah Limited	A1+	AA	PACRA	**327,927**	119,504
Habib Bank Limited	N/A	AAA	JCR-VIS	**6,419**	6,196
The Bank of Punjab	AA	A1+	PACRA	**3,005**	3,006
Silk Bank Limited	A-2	A-	JCR-VIS	**1**	1
Summit Bank Limited	A-1	A-	JCR-VIS	**4,770**	2,558
NRSP Microfinance Bank Limited	A-1	A	JCR-VIS	**31,272**	-
Khushhali Microfinance Bank	A-1	A+	JCR-VIS	**1**	-
				373,395	131,265

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

31.1.1.2 The management monitors exposure to credit risk in premium receivable arising from insurance and reinsurance contracts, through regular review of credit exposure and prudent estimates of provision for doubtful receivables. The provision for doubtful receivables amounting to Rs.14.352 million (2015: Rs. 12.959 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 :

	2016	2015
	(Rupees in thousand)	
Financial institutions	**154,328**	135,851
Telecom sector	**74,607**	81,565
Foods & beverages	**6,452**	6,220
Personal Goods	**15,776**	17,194
Health	**4,691**	4,637
Textile	**123,362**	97,921
Others including miscellaneous	**206,495**	100,158
	585,711	443,546

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

	2016			2015		
	Related parties	**Others**	**Total**	Related parties	Others	Total
			(Rupees in thousand)			
Up to 1 year	**167,639**	**381,322**	**548,961**	181,238	244,081	425,319
1-2 years	**8,853**	**23,685**	**32,538**	4,711	7,666	12,377
2-3 years	**-**	**2,407**	**2,407**	557	5,293	5,850
Over 3 years	**-**	**1,805**	**1,805**	-	-	-
	176,492	**409,219**	**585,711**	186,506	257,040	443,546

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

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Total
		(Rupees in thousand)	
As at 31 December 2016			
BB+ or above (including PRCL)	**131,954**	**307,455**	**439,409**
BBB and BBB+	**4,294**	**42**	**4,336**
	136,248	**307,497**	**443,745**
As at 31 December 2015			
BB+ or above (including PRCL)	111,903	311,880	423,783
BBB and BBB+	1,525	-	1,525
	113,428	311,880	425,308

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:

	2016		2015	
	Reinsurance recoveries against outstanding claims	**Provision for outstanding claims**	**Reinsurance recoveries against outstanding claims**	**Provision for outstanding claims**
		(Rupees in thousand)		
Up to 1 year	**220,822**	**372,981**	166,293	314,113
1-2 years	**26,636**	**40,089**	97,649	123,135
2-3 years	**30,484**	**35,243**	26,298	34,892
Over 3 years	**28,960**	**37,579**	21,640	27,236
	306,902	**485,892**	311,880	499,376

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

31.1.2 Liquidity Risk

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

On the balance sheet date, the Company has cash and bank deposits and readily marketable securities with insignificant change in value of Rs. 374.740 million (2015: Rs. 132.469 million) and Rs. 352.263 million (2015: Rs. 801.283 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.

	2016			
	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year
	(Rupees in thousand)			
Provision for outstanding claims	**485,892**	**485,892**	**485,892**	-
Amounts due to other insurers / reinsurers	**381,208**	**381,208**	**381,208**	-
Accrued expenses	**84,807**	**84,807**	**84,807**	-
Other creditors and accruals	**126,745**	**126,745**	**126,745**	-
Deposits and other payables	**17,198**	**17,198**	**17,198**	-
	1,095,850	**1,095,850**	**1,095,850**	**-**

	2015			
	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year
	(Rupees in thousand)			
Provision for outstanding claims	499,376	499,376	499,376	-
Amounts due to other insurers / reinsurers	233,804	233,804	233,804	-
Accrued expenses	75,948	75,948	75,948	-
Other creditors and accruals	72,742	72,742	72,742	-
Deposits and other payables	5,563	5,563	5,563	-
	887,433	887,433	887,433	-

31.1.3 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:

	2016 Effective Interest rate	Carrying amounts Maturity up to one year		Carrying amounts Maturity after one year	
		2016	2015	2016	2015
	%	(Rupees in thousand)			
Financial assets					
Bank balances	**5.25% to 5.75%**	**273,999**	104,745	-	-

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

	2016 Effective Interest rate %	Carrying amounts Maturity up to one year		Carrying amounts Maturity after one year	
		2016	2015	2016	2015
		(Rupees in thousand)			
Investments					
Money market funds	**4.56% to 6.16%**	**-**	685,175	-	-
PIB's	**7.71% to 10.70%**	**-**	3,000	**25,000**	27,927
T.Bills	**5.90% to 5.95%**	**-**	-	**-**	-

Sensitivity analysis

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

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

Impact on profit and loss	Increase by 100 bps	Decrease by 100 bps
	(Rupees in thousand)	
As at 31 December 2016		
Cash flow sensitivity-variable rate financial assets	**3,298**	**(3,298)**
As at 31 December 2015		
Cash flow sensitivity-variable rate financial assets	26,867	(26,867)

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. 696.133 million (2015: Rs 916.182 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 2016 and 31 December 2015 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios.

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

	Fair value	Hypothetical price change	Estimated fair value after hypothetical changes in price	Hypothetical increase/(decrease) in equity	Hypothetical increase/(decrease) in profit before tax
				(Rupees in thousand)	
31 Dec 2016	**352,363**	**10% increase**	**387,599**	**35,236**	**23,960**
		10% decrease	**317,127**	**(35,236)**	**(23,960)**
31 Dec 2015	801,283	10% increase	881,411	80,128	54,487
		10% decrease	721,155	(80,128)	(54,487)

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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 2016 (2015: US $ Nil).

d) **Fair value of financial instruments**

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

The carrying amounts of all other financial assets and liabilities reflected in the financial statements approximate their fair values. Incase of available for sale investments, the equity securities are carried at lower of cost or market value in line with SECP's SRO 938.

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

-Level 1- Quoted (unadjusted) market prices in active markets for identical assets or liabilities. The Company has measured its held for trading portfolio using level 1 input method.

-Level 2- Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable. The Company has no item to report at this level.

-Level 3- Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. The Company has no item to report at this level.

Following are the assets where fair value is only disclosed and is different from their carrying value:

	2016		2015	
	Fair value measurement using			
	Level 1	Level 2	Level 1	Level 2
	(Rupees in thousand)			
Available for sale investment				
Listed and mutual funds-Available for sale	**397,484**	-	124,353	-
Government securities	-	**50,463**	-	54,768
	397,484	**50,463**	124,353	54,768

31.2 **Capital Adequacy Risk**

The Company’s objective when managing capital is to safeguard the Company’s ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development in its businesses.

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

The Company's current paid-up capital is in excess of the limit prescribed by the SECP vide SRO 828(I)2015.

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

31.3 **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 31.3.1
- Claim Risk -note 31.3.2
- Reinsurance Risk -note 31.3.3

31.3.1 **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.

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

The Company also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. For fire and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. For earthquake risk, a complete city is classified as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk.

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

	Gross sum insured		Net sum insured	
	2016	2015	2016	2015
Fire	**29%**	63%	**7%**	32%
Marine	**14%**	24%	**10%**	21%
Motor	**1%**	3%	**7%**	15%
Health	**47%**	5%	**72%**	28%
Others including miscellaneous	**9%**	5%	**4%**	4%
	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	
	2016	2015	2016	2015
Fire	**23%**	29%	**23%**	6%
Marine	**7%**	6%	**7%**	2%
Motor	**20%**	27%	**21%**	49%
Health	**24%**	20%	**23%**	37%
Others including miscellaneous	**26%**	18%	**26%**	6%
	100%	100%	**100%**	100%

31.3.2 Claim Risk

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

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

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

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

Company has reasonably accounted for claims that have occurred by the end of the reporting period but remain unsettled and for those that may have occurred but have not yet been notified to the company and those that are not yet apparent to the insured. The Company's policy for accounting of its claims has been disclosed in note 4.2 to the financial statements.

Sensitivity analysis

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

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

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

	Underwriting result		Shareholders' Equity	
	2016	2015	2016	2015
	(Rupees in thousand)			
Fire	**641**	1,929	**442**	1,312
Marine	**399**	784	**275**	533
Motor	**16,090**	14,848	**11,102**	10,097
Health	**30,622**	24,955	**21,129**	16,969
Others including Miscellaneous	**1,556**	414	**1,074**	282
	49,308	42,930	**34,022**	29,193

Claims development tables

The following table shows the development of fire, marine and others including miscellaneous claims over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For other classes of business the uncertainty about the amount and timings of claims payment is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at 31 December 2016.

	Accident year					
	2012	2013	2014	2015	2016	Total
	(Rupees in thousand)					
Estimated of ultimate claim cost						
At the end of accident year with IBNR	755,950	390,699	373,502	295,983	476,945	2,293,079
One year later	552,694	337,945	331,112	231,972	-	1,453,723
Two years later	537,248	319,113	298,132	-	-	1,154,493
Three years later	534,634	316,417	-	-	-	851,051
Four years later	534,002	-	-	-	-	534,002
Estimated of cumulative claims	534,002	316,417	298,132	231,972	476,945	1,857,468
Cumulative payments to date	(506,309)	(312,925)	(273,347)	(198,675)	(239,219)	(1,530,475)
Liability recognized	**27,693**	**3,492**	**24,785**	**33,297**	**237,726**	**326,993**

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

	Gross claim expense		Net claim expense	
	2016	2015	2016	2015
Fire	**17%**	17%	**1%**	4%
Marine	**7%**	8%	**1%**	2%
Motor	**19%**	23%	**33%**	35%
Health	**37%**	39%	**62%**	58%
Others including miscellaneous	**20%**	13%	**3%**	1%
	100%	100%	**100%**	100%

31.3.3 **Reinsurance Risk**

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

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.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2016

		2016	2015
32.	**NUMBER OF EMPLOYEES**		
	The number of employees of the Company are as follows:		
	Average number of employees during the year	**214**	208
	As at 31 December	**217**	214

33. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 23 February 2017 by the Board of Directors of the Company.

Director	Director	Chairman	Principal Officer and Chief Executive

Ratti Gali Lake:

Pakistan is packed with number of heavenly lakes famous around the world and serves as attraction to many international tourists. Ratti Gali Lake is one of the most astounding lakes in the Kashmir region. Ratti Gali Lake falls into the category of Alpine Glacial Lakes that means lake has been formed by melting glaciers. Lake is situated around 120 kilometers from Muzaffarabad in Neelum Valley. One should plan the tour in summer season because in winter trekking paths and lake itself remain covered in snow which is not safe for travelling.

WINDOW TAKAFUL OPERATIONS

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Building a better working world

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Independent Assurance Report to the Board of Directors and Shariah Advisor of Alfalah Insurance Company Limited in Respect of Operator's Compliance with Shariah Rules and Principles

We have performed an independent assurance engagement (Shariah Compliance Audit) of Alfalah Insurance Company Limited - Window Takaful Operations (the Operator) to ensure that the Operator has complied with the Shariah rules and principles as prescribed by the Shariah Advisor / Shariah Board (prior to promulgation of Takaful Rules 2012) of the Operator and the Takaful Rules 2012, during the year ended 31- December 2016.

2. Management's responsibility for Shariah compliance

It is the responsibility of the Operator to ensure that the financial arrangements, contracts, products and transactions entered into by the Operator and Waqf Fund (the Waqf) with participants, other financial institutions and stakeholders are, in substance and in their legal form, in compliance with the requirements of Shariah rules and principles as determined by the Shariah Advisor / Shariah Board and the Takaful Rules, 2012.

3. Our responsibility

3.1. Our responsibility in connection with this engagement is to express an opinion, based on the procedures performed on a sample basis, whether these financial arrangements, contracts, products and transactions are in compliance with the requirements of the Shariah rules and principles as prescribed by the Operator's Shariah Advisor / Shariah Board and the Takaful Rules, 2012.

3.2. The procedures selected by us for the engagement depended on our judgment, including the assessment of the risks of material non-compliance with the said Shariah rules and principles. In making those risk assessments, we considered such internal control procedures as were relevant to the Operator's compliance with Shariah rules and principles. Our engagement was, however, not intended for expressing opinion on the effectiveness of the Operator's internal controls for purposes of compliance with the Shariah rules and principles.

3.3. We believe that the evidence we have obtained through performing our procedures on a sample basis were sufficient and appropriate to provide a basis for our opinion.

3.4. In addition, interpretation and conclusion of the Shariah Advisor / Shariah Board of the Operator is considered final for the purpose of interpretation of the Shariah matters mentioned in the Takaful Rules, 2012.

4. Framework for the Engagement

We have conducted our engagement in accordance with International Standard for Assurance Engagements 3000 (ISAE 3000) issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. This Standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance regarding the subject-matter i.e. the Operator's compliance with the Shariah rules and principles as determined by the Shariah Advisor / Shariah Board and the Takaful Rules, 2012.

5. Our Opinion

In our opinion, based on the sample selected, the financial arrangements, contracts, products and transactions entered into by the Operator and the Waqf, as the case may be, for the year ended 31 December 2016, are in compliance with the requirements of the Shariah rules and principles as prescribed by the Shariah Advisor / Shariah Board and the Takaful Rules, 2012 in all material respects.

EY Ford Rhodes

Chartered Accountants
Engagement Partner: Farooq Hameed
Lahore: 23 February 2017

Shariah Advisory Report to the Board of Directors

For the Period from 1st January 2016 to 31 December 2016

The year 2016 was the first year of Alfalah Insurance Company Limited. (Window Takaful Operation) By launching Window Takaful Operations, Alfalah insurance Company Limited has taken a step in the direction of promoting the Islamic Economic System and has provided the most awaited Shariah Compliant Takaful facilities to the people of Pakistan.

Progress of the Year:

During this short period of one year; AIC (WTO) has achieved significant successes, details of which are as follow:

1. Under the guidance of the undersigned AIC (WTO) developed and offered the number of Takaful Products of Motor, Marine, Property and Miscellaneous for its Customers / Participants.

2. Significant success has been achieved in the Takaful Agreements with Islamic Banks. At this stage, I am thankful to the Partners Banks for the confidence they have shown on AIC (WTO)'s Takaful Products. During the year, number of Islamic Banks entered into MOU with AIC (WTO).

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

4. For the investment purpose of Takaful Funds, a Shariah Compliant Investment Policy has been drafted with the consultation of undersigned and all the investments of Takaful are undertaken in accordance with this Policy. Moreover, all Bank Accounts of Takaful are separate from the conventional insurance business and are maintained in Islamic Banks.

Shariah Certification:

As Shari'ah Advisor of AIC (WTO); I confirm that:

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

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

Wassalam

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

- ✓ میں نے AFIC-WTO کی تمام دستاویزات بشمول وقف ڈیڈ، PTF پالیسیاں، تکافل پالیسیاں اور ری تکافل معاہدے وغیرہ کا احتیاط سے جائزہ لیا ہے۔
- ✓ الحمدللہ میں نے انہیں شریعہ اصولوں سے ہم آہنگ پایا ہے۔ مزید یہ کہ دوران سال جاری کی جانے والی تکافل پالیسیاں شریعہ کی ہدایات کے مطابق جاری کی گئیں۔
- ✓ ونڈو تکافل کے مرکزی دفتر کا پرعزم عملہ، کسی بھی پالیسی کے اجراء سے پہلے شریعہ کی رہنمائی اور مشورہ لیتا ہے۔ اور ہمیشہ شریعہ کمپلائنس افسر کے مشورہ اور شریعہ ایڈوائزر کی جانب سے فراہم کردہ ہدایات کے مطابق ہی تکافل پالیسیاں بناتا ہے۔
- ✓ ونڈو تکافل آپریشنز کی علیحدگی جائز تکافل نظام کی بنیاد ہے۔ میں یہ بیان کرنے میں خوشی محسوس کرتا ہوں کہ AFIC-WTO نے اس معاملہ کی حساسیت کو ملحوظ رکھا ہے اور الحمدللہ پہلے دن سے ہی تمام تکافل فنڈز، سرمایہ کاری بنک اکاؤنٹس، سسٹمز اور دوسرے متعلقہ معاملات روایتی انشورنس کے کاروبار سے علیحدہ رکھے گئے ہیں جیسا کہ شریعت کا تقاضہ ہے۔
- ✓ ونڈو تکافل آپریشنز کی مالی ضروریات کو پورا کرنے کے لیے شریعت کے تقاضوں کے مطابق فنڈز فراہم کئے گئے ہیں اور تکافل کے تمام اخراجات بشمول وقف کی گئی اصل رقم، اسی فنڈ سے پورے کئے گئے ہیں۔
- ✓ تکافل نظام کے اصولوں اور اس کی عملی صورت کو سمجھنے کے لئے علمی و نظریاتی ترقی کی کوشش اور تربیت بہت اہم ہے۔ AFIC-WTO نے اس معاملے میں بھی اپنی ذمہ داری کو پورا کیا ہے اور مرکزی دفتر کے عملہ کے لئے تربیتی پروگرام مرتب کیا ہے۔ مجھے یقین ہے کہ AFIC-WTO اس عمل کو مستقبل میں جاری رکھے گی اور تربیت کے یہ مواقع برانچز کے عملے کو بھی فراہم کئے جائیں گے۔

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

والسلام

ڈاکٹر خلیل احمد اعظمی

شریعہ ایڈوائزر

الفلاح انشورنس کمپنی لمیٹڈ

(ونڈو تکافل آپریشن)

بورڈ آف ڈائریکٹرز کو پیش کردہ 31 دسمبر، 2016ء کو اختتام پذیر سال کی

شریعہ ایڈوائزری رپورٹ

سال 2016ء الفلاح انشورنس کمپنی۔ ونڈو تکافل آپریشن (AFIC-WTO) کا پہلا سال تھا۔ ونڈو تکافل آپریشن کا افتتاح کرتے ہوئے، الفلاح انشورنس کمپنی لمیٹڈ نے اسلامی معاشی نظام کی ترقی کے لئے بہت اہم پیش رفت کی ہے اور پاکستانی عوام کی امنگوں کے مطابق شریعہ کمپلائینٹ تکافل سہولیات فراہم کرنے کا آغاز کیا ہے۔

سال کی پیش رفت

ایک سال کے قلیل عرصہ کے دوران، AFIC-WTO نے نمایاں کامیابیاں حاصل کی ہیں جن کی تفصیلات درج ذیل ہیں۔

1۔ شریعہ ایڈوائزر کی رہنمائی میں AFIC-WTO نے موٹر، میرین، املاک، صحت اور متفرق تکافل مصنوعات اپنے صارفین/حصہ داران کو پیش کیں۔

2۔ اسلامی بنکوں کے ساتھ تکافل معاہدوں کے معاملے میں نمایاں کامیابی حاصل کی گئی ہے۔ سال کے دوران، متعدد بنکوں نے AFIC-WTO کے ساتھ MOU پر دستخط کئے ہیں۔ اس سلسلے میں، میں شراکت دار بنکوں کی جانب سے AFIC-WTO پر اعتماد ظاہر کرنے کا شکریہ ادا کرتا ہوں۔

3۔ AFIC-WTO نے ایک مستقل تکافل ایڈمنسٹریشن سسٹم کا نفاذ کیا ہے۔ جو ونڈو تکافل آپریشنز کی تمام انتظامی ذمہ داریوں کو نبھا رہا ہے۔

4۔ تکافل فنڈز سے سرمایہ کاری کے لئے شریعہ ایڈوائزر کے مشورہ سے شریعہ کمپلائنٹ سرمایہ کاری پالیسی مرتب کی گئی ہے۔ تکافل فنڈز کی سرمایہ کاری کے تمام امور اس پالیسی کے تحت طے پاتے ہیں۔ مزید برآں تکافل کے تمام بنک اکاؤنٹس روایتی انشورنس سے علیحدہ رکھنے کا اہتمام کیا گیا ہے اور یہ اکاؤنٹس اسلامی بنکوں کے ذریعے چلائے جاتے ہیں۔

شریعہ سرٹیفیکیشن

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

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Independent Auditors' Report To The Members

We have audited the annexed financial statements comprising of:

(i) balance sheet;
(ii) statement of comprehensive income;
(iii) statement of changes in funds;
(iv) cash flow statement;
(v) statement of contributions;
(vi) statement of claims;
(vii) statement of expenses of Operator's fund;
(viii) statement of expenses of Participants' Takaful fund; and
(ix) statement of investment income

of Alfalah Insurance Company Limited Window Takaful Operations (the Operator) as at 31 December 2016, together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Operator'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 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Operator 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 Operator and are further in accordance with accounting policies consistently applied except for the changes as stated in note 2.5 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 Operator's affairs as at 31 December 2016 and comprehensive income, 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) no Zakat was deductible under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

EY Ford Rhodes

Chartered Accountants
Engagement Partner: Farooq Hameed
Lahore: 23 February 2017

Balance Sheet as At 31 December 2016

(Rupees in thousand)

	Note	2016 Operator's Fund	2016 Participants' Takaful Fund	2016 Aggregate
Operator's Fund				
Statutory Fund	5	50,000	-	**50,000**
Accumulated profit		1,890	-	**1,890**
		51,890	**-**	**51,890**
Qarde Hasna contributed to Participants' Takaful Fund		(20,000)	-	**(20,000)**
		31,890	-	**31,890**
Waqf / Participants' Takaful Fund				
Cede Money		-	500	**500**
Accumulated losses		-	(13,707)	**(13,707)**
		-	(13,207)	**(13,207)**
Qarde Hasna received from Operators' Fund		-	20,000	**20,000**
		-	6,793	**6,793**
Underwriting provisions				
Provision for outstanding claims [including IBNR]		-	13,177	**13,177**
Provision for unearned contribution		-	51,476	**51,476**
Unearned retakaful rebate	6	-	686	**686**
Total underwriting provisions		-	65,339	**65,339**
Creditors and accruals				
Contributions received in advance		-	1,369	**1,369**
Amounts due to other takaful / retakaful operator		129	7,264	**7,393**
Unearned wakala fees		17,874	-	**17,874**
Accrued expenses	7	1,991	5,680	**7,671**
Other creditors and accruals	8	8,389	1,693	**10,082**
Wakala fee payable		-	33,940	**33,940**
		28,383	49,946	**78,329**
TOTAL LIABILITIES		28,383	115,285	**143,668**
TOTAL EQUITY AND LIABILITIES		60,273	122,078	**182,351**
CONTINGENCIES AND COMMITMENTS	9			
Cash and bank deposits				
Current and other accounts	10	22,536	91,771	**114,307**
Other assets				
Contributions due but unpaid - net		-	7,345	**7,345**
Deferred commission expense		3,602	-	**3,602**
Deferred wakala fees		-	17,874	**17,874**
Prepaid retakaful contribution ceded (PTF)		-	2,780	**2,780**
Amounts due from other takaful / retakaful operator	11	-	943	**943**
Salvage recoveries accrued		-	803	**803**
Retakaful recoveries against outstanding claims		-	107	**107**
Taxation - payments less provision		195	73	**268**
Sundry receivables	12	-	382	**382**
Wakala fee receivable		33,940	-	**33,940**
		37,737	30,307	**68,044**
TOTAL ASSETS		60,273	122,078	**182,351**

The annexed notes from 1 to 22 form an integral part of these financial statements.

Director	Director	Chairman	Principal Officer and Chief Executive

Statement Of Comprehensive Income For The Year Ended 31 December 2016

	Note	Fire and property damage	Marine, aviation and transport	Motor	Others including Miscellaneous	Total
						(Rupees in thousand)
PARTICIPANTS' REVENUE ACCOUNT						
Net contribution revenue		403	186	36,466	8	**37,063**
Net claims		-	(12)	(17,901)	-	**(17,913)**
Wakala expense		(794)	(624)	(14,638)	(10)	**(16,066)**
Direct expenses	**13**	(2)	(1)	(18,592)	-	**(18,595)**
Net rebate on re-takaful		555	440	58	7	**1,060**
Underwriting results		162	(11)	(14,607)	5	**(14,451)**
Profit on deposits						**744**
General and administration expenses						**-**
						744
Deficit for the year						**(13,707)**
Accumulated deficit for the year						
Balance at the commencement of the year						**-**
Deficit for the year						**(13,707)**
Balance at the end of the year						**(13,707)**
OPERATORS' REVENUE ACCOUNT						
Wakala fee		794	624	14,638	10	**16,066**
Commission expense		(477)	(395)	(1,941)	(5)	**(2,818)**
Management expenses	**14**	(444)	(182)	(7,693)	(6)	**(8,325)**
		(127)	47	5,004	(1)	**4,923**
Profit on deposits						**1,958**
General and administration expenses	**15**					**(4,913)**
						(2,955)
Profit for the year						**1,968**
Other comprehensive income						**(78)**
						1,890
Balance of unappropriated profit at the beginning of the year						**-**
Profit for the year						**1,890**
Balance of unappropriated losses at the end of the year						**1,890**

The annexed notes from 1 to 22 form an integral part of these financial statements.

Director	Director	Chairman	Principal Officer and Chief Executive

Statement Of Changes In Fund
For The Year Ended 31 December 2016

	Operator's Fund			
	Stautory Fund	Qard-e-hasna	Unappropriated profit	Total
	(Rupees in thousand)			
Balance as at 01 January 2016	-	-	-	-
Contributions made during the year	50,000	-	-	50,000
Profit for the year	-	-	1,890	1,890
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	1,890	1,890
Transactions with owners				
Qard-e-hasna contributed to Participants' Takaful Fund	-	(20,000)	-	(20,000)
Balance as at 31 December 2016	50,000	(20,000)	1,890	31,890

	Participants' Takaful Fund			
	Ceded money	Qard-e-hasna	Accumulated loss	Total
	(Rupees in thousand)			
Balance as at 01 January 2016	-	-	-	-
Waqf money / Cede money	500	-	-	500
Loss for the year	-	-	(13,707)	(13,707)
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(13,707)	(13,707)
Transactions with owners				
Qard-e-hasna contributed by Shareholders' fund	-	20,000	-	20,000
Balance as at 31 December 2016	500	20,000	(13,707)	6,793

The annexed notes from 1 to 22 form an integral part of these financial statements.

Director	Director	Chairman	Principal Officer and Chief Executive

Cash Flow Statement
For The Year Ended 31 December 2016

	2016		
	Operator's Fund	Participants' Takaful Fund	Aggregate
	(Rupees in thousand)		
Operating cash flows			
Takaful activities			
Contribution received	-	92,089	**92,089**
Retakaful contribution paid	-	(4,822)	**(4,822)**
Retakaful rebate received	-	1,269	**1,269**
Commissions paid	(2,952)	-	**(2,952)**
Claims paid	-	(4,843)	**(4,843)**
Retakaful recoveries received	-	-	**-**
Management expense paid	(6,334)	(12,915)	**(19,249)**
Net cash (outflow) / inflow from takaful activities	(9,286)	70,778	**61,492**
Other operating activities			
Income tax paid	(195)	(73)	**(268)**
Other operating receipts / (payments)	59	(178)	**(119)**
Net cash inflow / (outflow) from other operating activities	(136)	(251)	**(387)**
Total cash (outflow) / inflow from all operating activities	(9,422)	70,527	**61,105**
Investment activities			
Profit / return received	1,958	744	**2,702**
Total cash inflow from investing activities	1,958	744	**2,702**
Financing activities			
Contribution to the Operator's Fund	50,000	-	**50,000**
Cede Money	-	500	**500**
Qard-e-hasna	(20,000)	20,000	**-**
Total cash outflow from investing activities	30,000	20,500	**50,500**
Net cash outflow from all activities	22,536	91,771	**114,307**
Cash at the beginning of the period	-	-	**-**
Cash at the end of the period	22,536	91,771	**114,307**

The annexed notes from 1 to 22 form an integral part of these financial statements.

Director	Director	Chairman	Principal Officer and Chief Executive

Cash Flow Statement
For The Year Ended 31 December 2016

	2016		
	Operator's Fund	Participants' Takaful Fund	Aggregate
	(Rupees in thousand)		
Reconciliation to profit and loss account			
Operating cash flows	(9,422)	70,527	61,105
Increase in assets other than cash	37,737	30,307	68,044
Increase in liabilities	(28,383)	(115,285)	(143,668)
	(68)	(14,451)	(14,519)
Other operating activities			
Dividend and other investment income	1,958	744	2,702
Profit / deficit for the period	1,890	(13,707)	(11,817)

Definition of cash

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

Current and other accounts			
Savings accounts	22,536	91,771	114,307
Deposits maturing within 12 months	-	-	-
	22,536	91,771	114,307

The annexed notes from 1 to 22 form an integral part of these financial statements.

Director	Director	Chairman	Principal Officer and Chief Executive

Statement of Contributions - PTF
For The Year Ended 31 December 2016

Takaful underwritten inside Pakistan

Direct and facultative	Contribution written	Unearned contribution reserve		Contribution earned	Re-takaful ceded	Prepaid re- takaful contribution ceded		Re-takaful expense	Net contribution revenue 2016
		Opening	Closing			Opening	Closing		
								(Rupees in thousand)	
Class									
Fire and property damage	5,241	-	2,597	2,644	4,424	-	2,183	2,241	**403**
Marine, aviation and transport	2,148	-	66	2,082	1,896	-	-	1,896	**186**
Motor	90,620	-	48,791	41,829	5,942	-	579	5,363	**36,466**
Others including Miscellaneous	56	-	22	34	44	-	18	26	**8**
	98,065	-	51,476	46,589	12,306	-	2,780	9,526	**37,063**

The annexed notes from 1 to 22 form an integral part of these financial statements.

Director	Director	Chairman	Principal Officer and Chief Executive

Statement of Claims - PTF
For The Year Ended 31 December 2016

Takaful underwritten inside Pakistan

Direct and facultative	Claims paid	Outstanding claims		Claims expense	Re-takaful and other recoveries received	Re-takaful and other recoveries in respect of outstanding claims		Re-takaful and other recoveries revenue	Net claims expense 2016
		Opening	Closing			Opening	Closing		
									(Rupees in thousand)
Class									
Fire and property damage	-	-	-	-	-	-	-	-	**-**
Marine, aviation and transport	-	-	119	119	-	-	107	107	**12**
Motor	4,843	-	13,058	17,901	-	-	-	-	**17,901**
Others including Miscellaneous	-	-	-	-	-	-	-	-	**-**
Total	4,843	-	13,177	18,020	-	-	107	107	**17,913**

The annexed notes from 1 to 22 form an integral part of these financial statements.

Director	Director	Chairman	Principal Officer and Chief Executive

Statement of Expenses - OPF
For The Year Ended 31 December 2016

Takaful underwritten inside Pakistan

Direct and facultative	Commission paid or payable	Deferred commission		Net commission expenses	Other management expenses	Net takaful operator expenses
		Opening	Closing			2016
						(Rupees in thousand)
Class						
Fire and property damage	997	-	520	477	444	**921**
Marine, aviation and transport	407	-	12	395	182	**577**
Motor	5,007	-	3,066	1,941	7,693	**9,634**
Others including Miscellaneous	9	-	4	5	6	**11**
Total	6,420	-	3,602	2,818	8,325	**11,143**

The annexed notes from 1 to 22 form an integral part of these financial statements.

Director	Director	Chairman	Principal Officer and Chief Executive

Statement of Expenses - PTF
For The Year Ended 31 December 2016

Takaful underwritten inside Pakistan

Direct and facultative	Gross Wakala Fee	Deferred wakala fee Opening	Deferred wakala fee Closing	Net expenses	PTF direct expenses	Net rebate from re-takaful operators	Net takaful Participants' Expense 2016
							(Rupees in thousand)
Class							
Fire and property damage	1,573	-	779	794	2	555	**241**
Marine, aviation and transport	644	-	20	624	1	440	**185**
Motor	31,706	-	17,068	14,638	18,592	58	**33,172**
Others including Miscellaneous	17	-	7	10	-	7	**3**
Total	33,940	-	17,874	16,066	18,595	1,060	**33,601**

The annexed notes from 1 to 22 form an integral part of these financial statements.

Director	Director	Chairman	Principal Officer and Chief Executive

Statement Of Investment Income
For The Year Ended 31 December 2016

	(Rupees in thousand)
	2016
PARTCIPANTS' TAKAFUL FUND	
Income from non-trading investments	
Profit on deposits	**744**
Net investment income for the period	**744**
OPERATOR'S FUND	
Income from non-trading investments	
Profit on deposits	**1,958**
Net investment income for the period	**1,958**

The annexed notes from 1 to 22 form an integral part of these financial statements.

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

Notes To The Financial Statements
For The Year Ended 31 December 2016

1 THE COMPANY AND ITS OPERATIONS

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

Alfalah Insurance Company Limited (the Operator) has been allowed to undertake Window Takaful Operations (WTO) through License No. 11 on 30 September 2015 by Securities and Exchange Commission of Pakistan under Window Takaful Rules, 2012 .

For the purpose of carrying on the takaful business, the Operator has formed a Waqf / Participant Takaful Fund (PTF) on 13 January 2016 under the Waqf Deed with a Cede money of Rs. 500 thousand. The Waqf Deed governs the relationship of Operator and Participants for management of takaful operations.

2 BASIS OF PREPARATION

2.1 These financial statements of the General Window Takaful Operations have been prepared in accordance with the requirements of the Insurance Ordinance 2000, the SEC (Insurance) Rules, 2002, SECP Takaful Rules, 2012, SECP Circular No. 25 of 2015 dated 9 July 2015, the Companies Ordinance, 1984 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002, SECP Takaful Rules 2012, the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002, the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

These financial statements reflect the financial position and results of operations of both the Operator's Fund (OPF) and Participants' Takaful Fund (PTF) in a manner that the assets, liabilities, income and expenses of the Operator and PTF remain separately identifiable. These are the first set of financial statements of the Alfalah Insurance Company Limited - Window Takaful Operations.

2.2 Basis of Measurement

These financial statements have been prepared on the historical cost basis.

2.3 Functional and Presentation Currency

These financial statements are presented in Pakistani Rupees which is the Operator's functional and presentation currency. All financial information presented in Pakistani Rupees has been rounded to the nearest thousand.

2.4 Use of Judgements and Estimates

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

Notes To The Financial Statements
For The Year Ended 31 December 2016

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the revision and future periods if the revision affects both current and future periods. In particular, the matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are;

– Provision for unearned contributions - Note 3.3
– Contribution deficiency reserve (liability adequacy test) - Note 3.4
– Provision for outstanding claims (including IBNR) 3.6
– Receivables and payables related to takaful contracts - Note 3.12

2.5 Standards, Interpretations and Amendments to Published Approved Accounting Standards Effective in 2016:

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 accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

IFRS 10, IFRS 12 & IAS 28	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)
IFRS 11	Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)
IAS 1	Presentation of Financial Statements - Disclosure Initiative (Amendment)
IAS 16 & IAS 38	Property, Plant and Equipment and intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)
IAS 16 & IAS 41	Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)
IAS 27	Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)

Improvements to Accounting Standards Issued by the IASB in September 2014

IFRS 5	Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal
IFRS 7	Financial Instruments: Disclosures - Servicing contracts
IFRS 7	Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements
IAS 19	Employee Benefits - Discount rate: regional market issue
IAS 34	Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

The adoption of the above standards, amendment and improvement to accounting standards did not have any effect on the condensed interim financial statements.

2.6 Standards, Interpretations and Amendments to Published Approved Accounting Standards That are not Yet Effective:

The following 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:

Notes To The Financial Statements
For The Year Ended 31 December 2016

Standard or Interpretation			Effective date (annual periods beginning on or after)
IFRS 2	-	Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 10	-	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Deferred indefinitely
IAS 7	-	Statement of Cashflows - Disclosure about changes in liabilities arising from financing activities (Amendments)	01 January 2016
IAS 12	-	Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)	01 January 2017
IFRS 4	-	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	01 January 2018
IAS 40	-	Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IFRIC 22	-	Foreign Currency Transactions and Advance Consideration	01 January 2018

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

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016. Such improvements are generally effective for accounting periods beginning on or after 01 January 2017. The Company expects that such improvements to the standards will not have any 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. The Company does not expect a significant impact on its financial statements after applicability of IFRS 14, whereas it is in process of assessing the impact of other standards.

Standard			IASB Effective date (annual periods beginning on or after)
IFRS 1	-	First time adoption of International Financial Reporting Standards	01 January 2009
IFRS 9	-	Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14	-	Regulatory Deferral Accounts	01 January 2016
IFRS 15	-	Revenue from Contracts with Customers	01 January 2018
IFRS 16	-	Leases	01 January 2019

2.7 In November 2012, the SECP vide its notifications SRO No. 1338 / 2012 and SRO no. 1384 /2012 published revised draft of insurance accounting regulations and draft amendments in SEC (Insurance) Rules, 2002 respectively. These regulations and ammendments are not yet effective.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Takaful Contracts

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

Notes To The Financial Statements For The Year Ended 31 December 2016

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

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

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

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

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

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

Marine takaful covers the loss or damage of vessels, cargo, terminals, and any transport or property by which cargo is transferred, acquired, or held between the points of origin and final destination.

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

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

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

3.2 Contribution

For all the takaful contracts, Contributions received / receivable under a takaful policy are recognised as written at the time of issuance of policy. Where Contributions for a policy are payable in installments, full Contribution for the duration of the policy is recognised as written at the inception of the policy and related assets set up for Contributions receivable at a later date. Contributions are stated gross of commission payable to intermediaries and exclusive of taxes and duties levied on Contributions.

Notes To The Financial Statements
For The Year Ended 31 December 2016

3.3 Provision for Unearned Contributions

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

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

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

3.4 Contribution Deficiency Reserve (Liability Adequacy Test)

The Operator maintains a provision in respect of contribution deficiency for the class of business where the unearned contribution liability is not adequate to meet the expected future liability, after retakaful, from claims and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired takaful contracts in that class of business at the balance sheet date. The movement in the contribution deficiency reserve is recorded as an expense / income in the profit and loss account for the year. No provision has been made as the unearned contribution reserve for each class of business as at the balance sheet date is adequate to meet the expected future liability, after retakaful, from claims and other supplementary expenses expected to be incurred after balance sheet date in respect of takaful contracts in force at balance sheet date. The expected ultimate net claim ratios for unexpired periods of policies in force at balance sheet date for each class of business is as follows;

	2016
- Fire and property damage	**0%**
- Marine, aviation and transport	**6%**
- Motor	**49%**
- Health	**0%**
- Others including Miscellaneous	**48%**

3.5 Claims

Claims are charged to PTF income as incurred based on estimated liability for compensation owed under the takaful contracts. It includes 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.

3.6 Provision for Outstanding Claims (Including IBNR)

A liability for outstanding claims is recognised in respect of all claims incurred up to the balance sheet date which is measured at the undiscounted value of expected future payments. Provision for outstanding claims include amounts in relation to claims reported but not settled, claims incurred but not reported (IBNR) and expected claims settlement costs.
The provision for claims incurred but not reported (IBNR) is made at the balance sheet date. In accordance with SECP circular no. 9 of 2016. The Operator takes actuarial advice for the determination of IBNR claims. IBNR claim have been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level.

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

Notes To The Financial Statements
For The Year Ended 31 December 2016

3.7 Retakaful Contracts

Retakaful Contribution is recognised as an expense at the time the retakaful is ceded. Rebate from retakaful is recognised in accordance with the policy of recognising contribution revenue. Retakaful assets represent balances due from retakaful operators and retakaful recoveries against outstanding claims. Retakaful liabilities represent balances due to retakaful operators and are primarily retakaful contributions payable for retakaful contracts and are recognised at the same time when retakaful contributions are recognised as an expense.

3.8 Commission

Commission expense

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

Rebate from retakaful operators

Rebate from retakaful operators is deferred and recognised as revenue in accordance with the pattern of recognition of the retakaful Contribution to which it relates.

3.9 Wakala fee and Mudarib Share

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

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

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

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

3.10 Revenue Recognition

Paricipants' Takaful Fund

Contribution Income

Contribution income is recognized over the period of takaful contract from the date of issuance on the following basis:

(a) For business other than marine cargo business, evenly over the period of takaful contract;

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

Where the pattern of incidence of takaful risk varies over the period, contribution is recognized as revenue in accordance with the pattern of the incidence of takaful risk.

Rebate from retakaful operators

The revenue recognition policy for rebate from retakaful operator is given under note 3.8

Operator's Takaful Fund

The revenue recognition policy for wakala fee is given under note 3.9

Notes To The Financial Statements For The Year Ended 31 December 2016

Participants' Takaful Fund / Operator's Takaful Fund

Investment Income

Return on investments, profit on profit and loss sharing accounts and bank deposits are recognised on accrual basis.

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

3.12 Receivables and Payables Related to Takaful Contracts

Receivables and payables related to takaful contracts are recognised when due at cost which is the fair value of the consideration given less provision for impairment, if any.

3.13 Expenses of Management

The expenses incurred pertaining to takaful contracts which are directly attributable to the Participant's Fund were charged to the Participant Fund as permitted under the Takaful Rules, 2012. The Direct Expenses of Participant's Fund of motor class includes the cost of installing and monitoring of tracking system incurred during the year.

3.14. Cash and Cash Equivalents

The preparation of the condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

3.15. Defined Benefit Plan

The Company has established an approved gratuity fund for all permanent employees. Monthly contributions are made to the fund on the basis of actuarial recommendations and in line with the provisions of the Income Tax Ordinance, 2001. The latest actuarial valuation was carried out as at 31 December 2016.

4 The profit of the Operator is taxed as part of the total profit of the Alfalah Insurance Company Limted as the operator is not seperately registered for tax purposes.

5 STATUTORY FUND

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

Notes To The Financial Statements
For The Year Ended 31 December 2016

		Rebate received or receivable	Unearned Rebate Opening	Unearned Rebate Closing	Rebate from retakaful operators
			(Rupees in thousand)		
6	**UNEARNED RETAKAFUL REBATE**				
	Fire and property damage	1,142	-	587	**555**
	Marine, aviation and transport	458	-	18	**440**
	Motor	135	-	77	**58**
	Others including Miscellaneous	11	-	4	**7**
		1,746	-	686	**1,060**

		2016 Operator fund	2016 Participant fund	2016 Aggregate
		(Rupees in thousand)		
7	**ACCRUED EXPENSES**			
	Tracker expense payable	-	5,680	**5,680**
	Bonus payable	650	-	**650**
	Audit fee payable	315	-	**315**
	Sundry expenses payable	1,026	-	**1,026**
		1,991	5,680	**7,671**
8	**OTHER CREDITORS AND ACCRUALS**			
	Federal excise duty	-	1,012	**1,012**
	Federal insurance fee	-	96	**96**
	Payable to Alfalah Insurance Company Limited	4,783	-	**4,783**
	Taxes payable	17	438	**455**
	Agency commission payable	3,339	-	**3,339**
	Payable to Participants' Fund	236	-	**236**
	Others	14	147	**161**
		8,389	1,693	**10,082**

9 CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

There is no contingency to be reported at the year end.

9.2 Commitments

There are no commitments to be reported at the year end.

		Note	2016 Operator fund	2016 Participant fund	2016 Aggregate
			(Rupees in thousand)		
10	**CURRENT AND OTHER ACCOUNTS**				
	Current account		-	-	-
	Savings account	**10.1**	22,536	91,771	**114,307**
			22,536	91,771	**114,307**

10.1 The rate of profit on profit and loss sharing accounts from bank range from 3.79% to 4.48% per annum depending upon the size of average deposits.

11 AMOUNTS DUE FROM OTHER TAKAFUL / RETAKAFUL OPERATOR

These are unsecured and considered good.

Notes To The Financial Statements For The Year Ended 31 December 2016

		2016		
		Operator fund	Participant fund	Aggregate
		(Rupees in thousand)		
12	**SUNDRY RECEIVABLES**			
	Receivable from Alfalah Insurance Company Limited	-	146	**146**
	Receivable from Operators' Fund	-	236	**236**
	Sales tax receivable	-	-	**-**
		-	**382**	**382**

			2016 (Rupees in thousand)
13	**DIRECT EXPENSES - PTF**		
	Bank charges		**36**
	Policy stamps		**-**
	Tracker expenses		**18,559**
			18,595
14	**MANAGEMENT EXPENSES - OPF**		
	Salaries, wages and other benefits		**3,898**
	Staff retirement benefits	**14.1**	**93**
	Communication		**610**
	Printing and stationery		**492**
	Travelling and conveyance		**23**
	Entertainment		**8**
	Inspection fee		**5**
	Sundry expenses		**441**
	Depreciation		**989**
	Generator expenses		**141**
	Rent, rates and taxes		**1,125**
	Cede money		**500**
			8,325

14.1 This Represents Gratuity Contribution For Permanent Employees.

15	**GENERAL AND ADMINISTRATION EXPENSES - OPF**		
	Shariah advisor fee		**1,540**
	Auditors' remuneration	**15.1**	**315**
	Repair and maintenance		**2,565**
	Advertisement expenses		**240**
	Insurance expense		**253**
			4,913
15.1	**AUDITORS' REMUNERATION**		
	Statutory audit fee		**125**
	Statutory certification		**75**
	Half yearly review		**75**
	Out of pocket expenses (including sales tax)		**40**
			315

Notes To The Financial Statements For The Year Ended 31 December 2016

16 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of directors, key management personnel, associated companies and entities with common directors and employee retirement benefit funds. The transactions with related parties are carried out at commercial terms and conditions except for compensation to key management personnel which are on employment terms. Contributions and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan.

	2016 (Rupees in thousand)
Transaction during the period	
Associated Undertakings and other related parties	
Profit on deposits	2,703
Expense charged in respect of retirement benefit plans	194
Key Management Personnel	
Key management personnel compensation	3,303
Contribution written	11
Contribution receivable	11
Shariah advisor fee	1,540

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

17 SEGMENT REPORTING

An operating segment is a component of the Operator that engages in business activities from which it may earn revenues and incur expenses. The Operator presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000, SECP Takaful Rules 2012 and the SEC (Insurance) Rules, 2002 as the primary reporting format.

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

Segment wise assets and liabilities as at 31 December 2016 are as follows:

(Rupees in thousand)

	Fire and property damage	Marine, aviation and transport	Motor	Others including Miscellaneous	Health	2016 Total
OPERATOR'S FUND						
Segment assets	779	20	17,068	7	-	17,874
Unallocated assets						42,399
Consolidated total assets						60,273
Segment liabilities	901	20	17,070	12	-	18,003
Unallocated liabilities						10,380
Consolidated total liabilities						28,383
PARTICIPANTS' TAKAFUL FUND						
Segment assets	5,765	358	22,859	66	-	29,048
Unallocated assets						93,030
Consolidated total assets						122,078
Segment liabilities	5,839	1,391	65,311	60	-	72,601
Unallocated liabilities						42,684
Consolidated total liabilities						115,285

Notes To The Financial Statements
For The Year Ended 31 December 2016

18 SURPLUS DISTRIBUTION

Takaful surplus attributable to the participants is calculated after charging all direct cost and setting aside various reserves.

19 QARD-E-HASNA

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

Operator would be allowed to recover this qard from the PTF over any period without charging any profit.

20 RISK MANAGEMENT

The primary objective of the Operator'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 Operator'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 Operator's risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and retakaful strategy to the corporate goals, and specify reporting requirement.

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

a) Financial risk, categorized into;

- Credit risk	- note 20.1.1
- Liquidity risk	- note 20.1.2
- Market risk	- note 20.1.3

b) Capital adequacy risk - note 20.2

c) Takaful risk - note 20.3

20.1 Financial Risk

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

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

The Operator's financial risk focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance. Financial risks arising from the 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.

20.1.1 Credit Risk

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

a) Credit worthiness of counter party;
b) Sector wise concentration of counter party; and

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

Notes To The Financial Statements
For The Year Ended 31 December 2016

	Note	2016 OPF	2016 PTF	2016 Aggregate
Financial assets		(Rupees in thousand)		
Bank balances	**20.1.1.1**	22,536	91,771	**114,307**
Contribution due but unpaid	**20.1.1.2**	-	7,345	**7,345**
Amount due from other takaful / retakaful operator		-	943	**943**
Retakaful recoveries against outstanding claims		-	107	**107**
Sundry receivables		-	382	**382**
		22,536	100,548	**123,084**

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

	Rating Short term	Rating Long term	Rating Agency	2016 OPF	2016 PTF	2016 Aggregate
				(Rupees in thousand)		
Bank Alfalah Limited	A1+	AA	PACRA	22,536	91,771	**114,307**

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

Sector wise analysis of contribution due but unpaid is as follows:

	2016 Total
	(Rupees in thousand)
Financial Institutions	**3,805**
Manufacturing	**1,384**
Health & Pharmaceutical	**984**
Miscellaneous & Others	**953**
Textile & composite	**219**
	7,345

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

	Amount due from other takaful / retakaful Operators	Retakaful recoveries against outstanding claims	Total
	(Rupees in thousand)		
As at 31 December 2016			
BB+ or above	**671**	**107**	**778**
BBB and BBB+	**272**	**-**	**272**
	943	**107**	**1,050**

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

20.1.2 Liquidity Risk

Liquidity risk is the risk that the Operator 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, Operator has cash and bank deposits insignificant change in value of Rs. 22.5 million and Rs. 91.8 million for Operator and Participants' Fund respectively.

Notes To The Financial Statements For The Year Ended 31 December 2016

The table below analyses the Operator'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.

	OPF			
	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year
	(Rupees in thousand)			
Accrued expenses	1,991	1,991	1,991	-
Other creditors and accruals	3,353	3,353	3,353	-
	5,344	5,344	5,344	-

	PTF			
	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year
	(Rupees in thousand)			
Provision for outstanding claims [including IBNR]	13,177	13,177	13,177	-
Provision for unearned contribution	51,476	51,476	51,476	-
Unearned retakaful rebate	686	686	686	-
Contributions received in advance	1,369	1,369	1,369	-
Amounts due to other takaful / retakaful operator	7,264	7,264	7,264	-
Accrued expenses	5,680	5,680	5,680	-
Other creditors and accruals	147	147	147	-
	79,799	79,799	79,799	-

20.1.3 Market Risk

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

The Operator is exposed to market risk with respect to its bank balances deposits.

The Operator limits market risk by maintaining a diversified portfolio of money market and equity market and by continuous monitoring of developments in respective markets. The 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 Operator 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 Operator 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 Operator's significant interest bearing financial instruments was as follows:

	2016				
	Effective Interest rate	Carrying amounts Maturity up to one year		Carrying amounts Maturity greater than one year	
	%	OPF	PTF	OPF	PTF
		(Rupess in thousand)			
Financial assets					
Bank balances	3.79% to 4.98%	22,536	91,771	-	-

Sensitivity analysis

As on 31 December 2016, Operator had no financial instrument valued at fair value through profit and loss.

Notes To The Financial Statements
For The Year Ended 31 December 2016

b) 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 Operator's exposure to exchange rate fluctuation risk is insignificant as it hold liabilities of US $ Nil as at 31 December 2016.

c) Other price risk

Other price risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

20.2 Capital Adequacy Risk

The Operator’s objective when managing capital is to safeguard the Operator’s ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development in its businesses.

The Operator 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 Operator may adjust the amount of dividend paid to shareholders or issue new shares.

20.3 Takaful Risk

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

The Operator is facing three kinds of risk in its takaful activities, namely;

- Contribution Risk -note 20.3.1
- Claim Risk -note 20.3.2
- Retakaful Risk -note 20.3.3

20.3.1 Contribution Risk

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

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

The Operator also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. For fire and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. For earthquake risk, a complete city is classified as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk.

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

	Participants Fund	
	Gross sum Insured	**Net sum Insured**
Fire	**40%**	**19%**
Marine	**35%**	**8%**
Motor	**25%**	**73%**
Health	**0%**	**0%**
Others including miscellaneous	**0%**	**0%**
	100%	**100%**

Notes To The Financial Statements For The Year Ended 31 December 2016

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

	Participants Fund	
	Gross contribution written	Net contribution written
Fire	5%	5%
Marine	3%	2%
Motor	92%	93%
Health	0%	0%
Others including miscellaneous	0%	0%
	100%	100%

20.3.2 Claim Risk

One of the purposes of takaful is to enable policyholders to protect themselves against uncertain future events. takaful companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in takaful is inevitably reflected in the financial statements of takaful companies and can be 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 Operator is to ensure that sufficient reserves are available to cover these uncertainties and in case of any change in estimation due to further development on uncertainty or change on assumptions, Operator account for that change immediately.

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

Operator has reasonably accounted for claims that have occurred by the end of the reporting period but remain unsettled and for those that may have occurred but have not yet been notified to the company and those that are not yet apparent to the insured. The Operator's policy for accounting of its claims has been disclosed in note 3.6 to the financial statements.

Sensitivity analysis

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

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

	PTF	
	Underwriting result	Shareholders' Equity
Fire	(Rupees in thousand)	
Marine	1	1
Motor	1,790	1,790
Others including miscellaneous	-	-
	1,791	1,791

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

	PTF	
	Gross claim expense	Net claim expense
Fire	0%	0%
Marine	1%	0%
Motor	99%	100%
Others including miscellaneous	0%	0%
	100%	100%

Notes To The Financial Statements For The Year Ended 31 December 2016

20.3.3 Retakaful Risk

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

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

21 CORRESPONDING FIGURES

The Company was authorized to work as Window Takaful Operator by SECP on 30 Septemeber 2015. The Operator has initiated operations on 1 January 2016 and Participant fund under waqf deed was created on 13 January 2016, being the first year there are no corresponding figures to report.

22 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 23 February 2017 by the Board of Directors of the Company.

Director	Director	Chairman	Principal Officer and Chief Executive

Notice of 11th Annual General Meeting

Notice is hereby given that 11th Annual General Meeting of the Shareholders of Alfalah Insurance Company Limited (the "Company") will be held on April 29, 2017 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 5th Extra Ordinary General Meeting held on August 15, 2016.

2. To receive, consider and adopt the financial statements of Conventional business and Window takaful operations for the year ended December 31, 2016 along with the Director's and Auditor's report thereon, Shariah Advisor's Report and Auditor's assurance report on Compliance with Shariah rules and principles.

3. To appoint Statutory and Shariah Compliance Auditors of the Company for the year ending December 31, 2017 and to fix their remuneration.

   The retiring Auditors, M/s EY Ford Rhodes, Chartered Accountants have completed five years as Auditors of the Company and clause (lxiv) of the Code of Corporate Governance requires that the insurer shall change external auditors after every five years. The Board of Directors has recommended the appointment of M/s KPMG Taseer Hadi & Company, Chartered Accountants, Lahore for the year ending December 31, 2017 who have also indicated their consent to act as Auditors.

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

Date: April 7, 2017
Lahore

By order of the Board
Adnan Waheed
Company Secretary

Notes

1) The Share Transfer Books of the Company will be closed from April 22, 2017 to April 29, 2017 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.

9) SECP vide SRO No. 787(1)2014 dated 8th September, 2014 has allowed companies to circulate the audited financial statements and notice of Annual General Meeting to shareholders through their email address subject to their written consent. Desiring shareholders are requested to provide their complete email address through a duly signed letter along with copy of valid CNIC or passport. Shareholders are also required to notify immediately any change in email address in writing to the Company Secretary.

Notes

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 __, 2017 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 ___________________2017

- .... Signature:

- .... Name:

Holder of .... Ordinary Shares

WITNESSES:

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

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

Alfalah Insurance Network

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Alfalah Insurance Company
Onwards
To Greater Heights

UPGRADED TO 'AA-' BY PACRA

The highest rating achieved by any non-life insurance company from PACRA in a record time of only 10 years from the start of operations in 2007.

We gratefully acknowledge the continuous support of our customers, shareholders, employees and other stakeholders for the trust and confidence they have placed in Alfalah Insurance Company Limited.

We promise to excel ourselves and work even harder to meet your expectations in the coming years.

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