Alfalah Insurance

ANNUAL REPORT 2019

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
Ms. Dominique Liana Russo	Director
Mr. Nauman Ansari	Director
Mr. Bilal Asghar	Director
Mr. Abdul Haye Mughal	Director

Chief Executive & Managing Director

Mr. Abdul Haye Mughal

Chief Financial Officer & Company Secretary

Mr. Adnan Waheed

Board Committees:

Board Advisory/Strategy Committee:

Mr. Nauman Ansari	Chairman
Mr. Dominique Ruso	Member
Mr. Bilal Asghar	Member
Mr. Abdul Haye	Member

Audit Committee:

Mr. Nauman Ansari	Chairman
Mr. Dominique Ruso	Member
Mr. Bilal Asghar	Member
Mr. Faisal Shahzad	Secretary

Ethics, Human Resource and Remuneration Committee:

Mr. Nauman Ansari	Chairman
Mr. Dominique Ruso	Member
Mr. Bilal Asghar	Member
Mr. Abdul Haye	Member
Mr. Adnan Waheed	Secretary

Investment Committee:

Mr. Nauman Ansari	Chairman
Mr. Dominique Ruso	Member
Mr. Bilal Asghar	Member
Mr. Abdul Haye	Member
Mr. Adnan Waheed	Member & Secretary

Management Committees:

Underwriting Committee

Mr. Abdul Haye	Chairman
Mr. Raza Javaid	Member
Mr. Faisal Arshad	Member
Mr. Zaheer Abbas	Member & Secretary

Claims Settlement Committee

Mr. Abdul Haye	Member
Mr. Adnan Waheed	Member
Ch. Manzoor Hussain	Member
Mr. Muhammad Sarfraz	Member & Secretary

Reinsurance, Re-takaful and Coinsurance Committee:

Mr. Abdul Haye	Chairman
Mr. Faisal Arshad	Member
Mr. Shahzad Aamir	Member
Mr. Shams ul Zuha	Member & Secretary

Risk Management & Compliance Committee:

Mr. Abdul Haye	Chairman
Mr. Adnan Waheed	Member
Mr. Faisal Shahzad	Member
Mr. Naveed Akbar	Member & Secretary

Conventional Banks

Bank Alfalah Limited
Khushsali Bank Ltd
Bank of Punjab
Zarai Taraqiati Bank Ltd
Mobilink Microfinance Bank
Silk Bank
NRSP Micro Finance Bank
Habib Bank Limited
Summit Bank Limited
Finca Micro Finance Bank
Soneri Bank Limited
The Punjab Provincial Cooperative Bank Ltd
Faysal Bank Limited

Takaful Banks

Bank Alfalah Limited
Askari Bank Limited
Meezan Bank Limited
Dubai Islamic Bank

Auditors

M/s Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisors

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

Head Office

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

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.

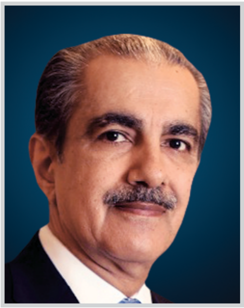
His Highness Sheikh Nahayan Mabarak Al Nahayan
Chairman Abu Dhabi Group

H.H. Sheikh Nahayan Mabarak Al Nahayan
Chairman

His Excellency Sheikh Saif Bin Mohammed Bin Butti
Director

Mr. Khalid Mana Saeed Al Otaiba
Director

Ms. Dominique Liana Russo
Director



***Mr. Atif Bajwa**
Director

Mr. Bilal Asghar
Director

Mr. Abdul Haye
MD & CEO

*Mr. Atif Bajwa replaced Mr. Nauman Ansari as Director w.e.f. 17th March, 2020.

PROPERTY INSURANCE

We are fully aware that our clients wish to secure their assets against fortuitous losses. We offer various forms of Property insurance providing comprehensive covers to safeguard the insured assets against the widest possible forms of risks.

We can provide the following forms of covers:

- “Fire & Allied Perils” covers all losses or damages by Fire, Lightning and other named allied perils.
- “Property All Risks” covers property insured that is accidentally physically lost, destroyed or damaged through any cause other than what’s excluded.
- Business interruption following insured perils.
- “Householder’s Comprehensive” to cover individual homes.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of Alfalah Insurance Company Limited are pleased to submit 14th Annual Report of your company, together with audited financial statements for the year ended December 31, 2019.

ECONOMIC OVERVIEW AND FUTURE OUTLOOK

Pakistan economy, after experiencing yet another trough, is poised to make a rebound. The recovery will be punctuated with hiccups along the way but the tide is likely to turn and growth prospects are certain to pick up from year 2020. The single most important development in 2019 on the economic front was the entry by Pakistan into a three year Extended Facility with the IMF. International credit rating agency Moody's also upgraded the country rating from 'Negative' to 'Stable' in early December 2019. Improvement can already be seen in certain macro-economic indicators such as CAD (down 73%YoY during 1HFY20) and the tax collection (up 17%YoY). Inflation, after making the record high, is forecasted to come off during 2HCY20 which will set the ground for monetary easing. Political situation, both internal and cross border, is expected to remain fickle throughout the year. The security situation within Pakistan has improved a lot paving the way for tourism. Pakistan has already been declared as the world's third top tourist destination in 2020 by the British Backpackers Society. If this momentum continued, it will bring more foreign investment into country which will not only be increasing employment opportunities but will also strengthen Pak Rupee.

INSURANCE SECTOR

The non-life insurance market of Pakistan grew by 17% on the basis of nine months ended as at 30th September 2019. The recognition of huge potential for personal lines/micro insurance both by the insurance companies and the regulator shall bode well for the insurance industry of Pakistan. The Securities and Exchange Commission of Pakistan (SECP) has further strengthened the regulatory framework by introducing various legislations with the objective of providing enabling environment for market development and adopting international best practices.

ALFALAH INSURANCE PERFORMANCE

Year 2019 was a remarkable year in terms of profitability since the very inception of the Company. Increased premium revenue coupled with improved loss ratio, controlled expenses, increased investment income and better performance of window takaful operations together pushed the Profit before tax to Rs253m i.e. 166% higher than last year.

On consolidated basis, Company registered growth of 16% in its premium written. Non-group business of the Company increased by 13% registering group vs non-group ratio at 16:84 (LY: 15:85). Net premium revenue of the Company was higher by Rs281m i.e. 22% but its impact was partially diluted by commission expense which was increased by Rs184m i.e. 70% because new business was acquired at high acquisition cost. Net claims expense was increased by Rs41m i.e. by 7%, however, overall loss ratio was improved from 47% of last year to 42% because the last year included a one-off fire claim of Rs450m. Similarly, the management/admin expenses were increased by Rs16m i.e. 4% but expense ratio was improved from 18% of last year to 16%. Investment income of the Company was increased by Rs92m i.e.128% from last year owing to increase in discount rates by around 70%. The equity market gained momentum in last quarter of the year after depressing performance in first three quarters and registered return of 10% in comparison to -8% of last year.The surplus of shareholder fund was also improved from Rs14m to Rs39m i.e. by 168%. These all positive trends helped the Company to achieve the profit before tax of Rs253m i.e. Rs158m or 166% higher than last year.

SEGMENT WISE PROFITABILITY AT GLANCE

	Net Premium Revenue	Net Claim	Net Commission	Segment Profitability 2019	Segment Profitability 2018	Variance	%
Fire	29,575	14,871	(17,994)	32,698	10,099	22,599	224%
Marine	17,547	7,753	(4,747)	14,541	19,739	(5,198)	-26%
Motor	484,703	246,976	23,102	214,625	168,043	46,582	28%
Misc.	133,150	35,226	(32,246)	130,170	159,408	(29,238)	-18%
Health	918,759	353,747	478,737	86,275	64,643	21,632	33%
Total	**1,583,734**	**658,573**	**446,852**	**478,309**	**421,932**	**56,377**	**13%**

DIRECTORS' REPORT TO THE SHAREHOLDERS

Fire Segment contribution was increased by Rs22mmainly due to improved loss ratio. The loss ratio was improved from 130% to 50% in year 2019 because last year included one-off fire claim of Rs450m on account of M/s Lucky Textile Mills Limited.

Marine Segment contribution was decreased by 26% due to reduction in net premium revenue coupled with high loss ratio from 27% to 44%.

Motor Segment contribution was increased by Rs47m to which Rs28m were contributed by increased NPR and the rest were due to improved loss ratio from 56% of last year to 51%.

Miscellaneous Segment contribution was decreased by Rs29m mainly due to reduction in net premium revenue although loss ratio almost remained the same.

Health Segment contribution was increased by 33% mainly due to improvement in loss ratio from 45% to 39%.

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 Rs338m i.e. 29% higher than last year. This increase resulted in net contribution revenue growth of 35% which was partially diluted due to increase in overall loss ratio from 54 % to 56% but it helped the Participant Takaful Fund to achieve surplus of Rs 28m in comparison to Rs10m of last year. Increase of 39% in wakala fee was aligned with the increase in earned contribution revenue by 38%.The management/admin expenses of SHF were increased by 24% in line with increase in business by 29%. Investment income was increased mainly due to increase in discount rate by the Govt coupled with better negotiation of profit rates with banks. These all positive trends helped the SHF to achieve the surplus of Rs39m in comparison to Rs14m of last year.

EARNING PER SHARE

During the year after tax earnings per share was Rs.3.19 (2018: Rs.1.32). Detailed working has been reported in Note 34to the financial statements.

AUDITORS

M/s EY Ford Rhodes, Chartered Accountants, being eligible for appointment, have shown their willingness to act as external and Shariah Compliance auditors of the Company for the year ending December 31, 2020. The Audit Committee and Board of directors in their respective meetings have recommended M/s EY Ford Rhodes, Chartered Accountants as external and Shariah Compliance Auditors of the Company for the year ending December 31, 2020.

BOARD OF DIRECTORS MEETINGS

During the year 2019, four (4) meetings of the Board were held, with attendance as follows;

Name of Directors	No. of Meetings Attended
- HH Sheikh Nahayan Mabarak Al Nahayan	4
- HE Sheikh Saif Bin Mohammad Bin Butti	-
- Mr. Khalid Mana Saeed Al Otaiba	4
- Ms. Dominique Liana Russo	2
- Mr. Nauman Ansari	4
- Mr. AdeelBajwa	1
- Mr. Bilal Asghar	4
- Mr. Nasar-us-Samad Qureshi	1
- Mr. Abdul Haye	3

DIRECTORS' REPORT TO THE SHAREHOLDERS

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

INSURERS FINANCIAL RATING STRENGTH

PACRA, during its recent review conducted on 29th August 2019, has maintained the IFS rating of your Company at "AA-" (Double A minus) with stable outlook. This rating denotes Very strong capacity to meet policyholder and contract obligations. Risk factors are modest, and the impact of any adverse business and economic factors is expected to be very small.

AUDIT COMMITTEE

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

-	Mr. Nauman Ansari	Chairman
-	Ms. Dominique Liana Russo	Member
-	Mr. Bilal Asghar	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 Act, 2017.
- These statements present fairly the company's state of affairs, results of its operations, cash flow and changes in equity.
- Proper books of accounts have been maintained by the company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The International Accounting Standards, International Financial Reporting Standards or any other regulation or law as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been continuously monitored by the internal audits. This is a continuous process and any weakness will be removed and its effective implementation shall be ensured.
- There is no significant doubt upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.
- Key operating and financial data is separately annexed with the report.
- Outstanding taxes and duties are given in the financial statements.
- The value of investments of provident and gratuity fund on the basis of un-audited accounts as on December 31, 2019 is as follows:

DIRECTORS' REPORT TO THE SHAREHOLDERS

		Rs in '000'
•	Provident Fund	**72,185**
•	Gratuity Fund	**57,776**

- The statement of pattern of shareholding in the Company as on December 31, 2019 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 paid up capital of Rs500m and rating of AA-, Alfalah Insurance is poised to increase its market share while maintaining its prudent underwriting policy which has helped the company from inception despite serious jolts in our initial years. We believe 2020 to be a very important year for us. We are aware of the challenges we face but we have set ambitious goals for ourselves and believe that the phenomenal strength of Dhabi Group will help us in achieving our targets.

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

ACKNOWLEDGEMENT

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

Director

Chief Executive Officer

KEY FINANCIAL DATA

Description	For the Year Ended on December 31									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Gross Premium Written	2,666,478	2,338,699	2,082,006	1,924,316	1,545,612	1,330,854	1,230,932	1,060,187	928,020	662,971
Net Premium Revenue	1,583,734	1,302,298	1,043,222	916,586	780,180	705,323	563,744	454,403	384,483	359,938
Net Claim Expense	(658,573)	(617,966)	(470,630)	(493,076)	(429,297)	(410,817)	(317,378)	(262,368)	(243,221)	(259,435)
Management Expenses	(396,518)	(397,735)	(383,559)	(370,370)	(267,333)	(239,919)	(214,401)	(195,933)	(134,810)	(109,263)
Net Commission	(446,852)	(262,400)	(88,341)	33,028	96,608	95,928	94,672	96,358	71,167	74,750
Underwriting Profit	81,791	24,197	100,692	86,168	180,158	150,515	126,637	92,460	77,619	65,990
Investment/Other Income	165,694	72,675	78,888	119,407	77,137	105,103	85,605	96,088	72,156	46,177
Admin Expenses	(24,238)	(16,091)	(11,095)	(12,489)	(103,784)	(105,024)	(89,202)	(80,662)	(74,141)	(62,660)
Result of Operating activities	223,247	80,782	168,485	193,086	153,511	150,594	123,040	107,886	75,634	49,507
Finance Cost	(8,748)	-	-	-	-	-	-	-	-	-
Profit from Window Takaful	38,554	14,407	8,410	1,890	-	-	-	-	-	-
Income tax	(93,709)	(29,421)	(53,855)	(65,602)	(38,297)	(27,557)	(20,463)	(9,864)	(6,396)	(6,858)
Profit after tax	159,344	65,768	123,040	129,374	115,214	123,037	102,577	98,022	69,238	42,649
Paid up Capital	500,000	500,000	500,000	500,000	500,000	300,000	300,000	300,000	300,000	250,000
Share deposit money	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381
General Reserve	150,000	150,000	150,000	150,000	150,000	150,000	150,000	15,000	15,000	25,000
Fair value reserve	33,015	(50,777)	951	52,160	9,453	-	-	-	-	-
Un-appropriated Profit	627,989	466,262	402,085	281,644	153,935	258,930	135,475	170,309	72,218	42,980
	1,312,385	1,066,866	1,054,417	985,185	814,769	710,311	586,856	486,690	388,599	319,361
Earnings per Share	3.19	1.32	2.46	2.59	2.30	2.46	3.42	3.27	2.31	1.42
Breakup Value per Share with fair value adjustment	26.25	21.34	21.09	19.70	16.30	23.68	19.56	16.22	12.95	12.77
Breakup Value per Share without fair value adjustment	25.59	22.38	21.07	18.66	16.11	23.68	19.56	16.22	12.95	12.77
Net Loss Ratio	-42%	-47%	-45%	-54%	-55%	-58%	-56%	-58%	-63%	-72%
Expense Ratio	-16%	-18%	-19%	-20%	-24%	-26%	-25%	-26%	-23%	-26%
Underwriting Profit to Net Premium	5%	2%	10%	9%	23%	21%	22%	20%	20%	18%
Return on Average Equity	13%	6%	12%	14%	15%	19%	19%	22%	20%	14%

Pattern of Share Holding
As at December 31, 2019

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
-	1	100	-
1	101	500	500
-	501	1000	-
5	1,001	5000	6,530
-	5,001	10,000	-
1	10,001	2,500,000	2,500,000
4	2,500,001	5,000,000	19,997,822
1	5,000,001	12,500,000	12,497,323
1	12,500,001	15,000,000	14,997,825

Total

13			**50,000,000**

Classification of Shares Categories
As at December 31, 2019

Categories of Members	Number of Shareholders	Number of Shares Held	Percentage
Individuals having shareholding five percent or more	**3**	**12,497,822**	**25.00%**
H.H. Sheikh Hamdan Bin Mubarak Bin Mohammed Al Nahayan		2,500,000	5.00%
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		14,997,825	30%
Directors and CEO	**7**	**12,504,353**	**25.00%**
H.H. Sheikh Nahayan Mabarak Al Nahayan		12,497,323	24.99%
H.E Sheikh Saif Bin Mohammed Bin Butti		1,085	0.002%
Mr. Khalid Mana Saeed Al Otaiba		1,085	0.002%
Ms. Dominique Liana Russo		500	0.001%
Mr. Nauman Ansari		1,085	0.002%
Mr. Bilal Asghar		1,085	0.002%
Mr. Abdul Haye Mughal		2,190	0.004%
Companies having shareholding five percent or more	**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%**

We understand the complexities of Engineering risks & coverage needs and offer the most appropriate and cost-effective insurance solutions. Our senior management has extensive experience in managing engineering insurance with in-depth knowledge of the industry, ensuring risk management of the highest standards.

Alfalah Insurance can offer a wide variety of engineering insurance solutions such as:

- Contractors All Risk
- Contractors Plant & Machinery
- Erection All Risks
- Comprehensive Machinery
- Electronic Equipment
- Machinery Breakdown
- Loss of Profit following Machinery Breakdown

ENGINEERING INSURANCE

حصص داری کا طریقہ ءکار
31 دسمبر 2019ءتک

مجموعی لئے گئے حصص	حصص داری		حصص داروں کی تعداد
	تک	سے	
-	100	1	-
500	500	101	1
-	1,000	501	-
6,530	5,000	1,001	5
-	10,000	5,001	-
2,500,000	2,500,000	10,001	1
19,997,822	5,000,000	2,500,001	4
12,497,323	12,500,000	5,000,001	1
14,997,825	15,000,000	12,500,001	1
50,000,000			**13** کل

حصص کے زمروں کی درجہ بندی
31 دسمبر 2019ءتک

فیصد	لئے گئے حصص کی تعداد	حصص داروں کی تعداد	ارکان کے زمرے
25.00%	**12,497,822**	**3**	**افراد جن کے حصص 5 فیصد یا اس سے زیادہ ہیں**
5.00%	2,500,000		جناب عالی شیخ حمدان بن مبارک بن محمد ال نہیان
10.00%	4,998,911		فضیلت مآب شیخ محمد بن بُطی حامد الحامد
10.00%	4,998,911		فضیلت مآب ڈاکٹر مانع سعید العتیبہ
30.00%	**14,997,825**	**1**	**متعلقہ کمپنیاں**
30%	14,997,825		میسرز بنک الفلاح لمیٹڈ
25.00%	**12,504,353**	**7**	**ڈائریکٹرز اور چیف ایگزیکٹو آفیسرز**
24.99%	12,497,323		جناب عالی شیخ نہیان مبارک ال نہیان
0.002%	1,085		فضیلت مآب شیخ سیف بن محمد بن بُطی
0.002%	1,085		جناب خالد مانع سعید العتیبہ
0.001%	500		محترمہ ڈوبینک لیانا روسو
0.002%	1,085		جناب نعمان انصاری
0.002%	1,085		جناب بلال اصغر
0.004%	2,190		جناب عبدالحئی مغل
20.00%	**10,000,000**	**2**	**کمپنیاں جن کے حصص 5 فیصد یا اس سے زیادہ ہیں**
10.00%	5,000,000		میسرز العین کیپیٹل ایل ایل سی (پرانی میسرز البتین انوسٹمنٹس)
10.00%	5,000,000		میسرز الیکٹرومکینیکل کمپنی ایل ایل سی
100.00%	**50,000,000**	**13**	**کل**

تفصیلات	31 دسمبر کو ختم ہونے والے سال کے لئے									
	2019ء	2018ء	2017ء	2016ء	2015ء	2014ء	2013ء	2012ء	2011ء	2010ء
خام بیمہ	2,666,478	2,338,699	2,082,006	1,924,316	1,545,612	1,330,854	1,230,932	1,060,187	928,020	662,971
خالص بیمہ آمدنی	1,583,734	1,302,298	1,043,222	916,586	780,180	705,323	563,744	454,403	384,483	359,938
خالص دعوؤں کے اخراجات	(658,573)	(617,966)	(470,630)	(493,076)	(429,297)	(410,817)	(317,378)	(262,368)	(243,221)	(259,435)
انتظامی اخراجات	(396,518)	(397,735)	(383,559)	(370,370)	(267,333)	(239,919)	(214,401)	(195,933)	(134,810)	(109,263)
خالص کمیشن کی رقم	(446,852)	(262,400)	(88,341)	33,028	96,608	95,928	94,672	96,358	71,167	74,750
ذمہ نویسی کا منافع	81,791	24,197	100,692	86,168	180,158	150,515	126,637	92,460	77,619	65,990
سرمایہ کاری / دیگر آمدنی	165,694	72,675	78,888	119,407	77,137	105,103	85,605	96,088	72,156	46,177
نظم ونسق کے اخراجات	(24,238)	(16,091)	(11,095)	(12,489)	(103,784)	(105,024)	(89,202)	(80,662)	(74,141)	(62,660)
قبل از ٹیکس منافع	223,247	80,782	168,485	193,086	153,511	150,594	123,040	107,886	75,634	49,507
مالی اخراجات	(8,748)	-	-	-	-	-	-	-	-	-
ونڈو تکافل سے منافع	38,554	14,407	8,410	1,890	-	-	-	-	-	-
آمدنی پر ٹیکس	(93,709)	(29,421)	(53,855)	(65,602)	(38,297)	(27,557)	(20,463)	(9,864)	(6,396)	(6,858)
بعد از ٹیکس منافع	159,344	65,768	123,040	129,374	115,214	123,037	102,577	98,022	69,238	42,649
حصص کی مد میں حاصل کیا گیا سرمایہ	500,000	500,000	500,000	500,000	500,000	300,000	300,000	300,000	300,000	250,000
حصص کی مد میں جمع کرائی گئی رقم	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381
عام محفوظ فنڈ	150,000	150,000	150,000	150,000	150,000	150,000	150,000	15,000	15,000	25,000
مناسب قدر و قیمت کا فنڈ	33,015	(50,777)	951	52,160	9,453	-	-	-	-	-
غیر مختص منافع	627,989	466,262	402,085	281,644	153,935	258,930	135,475	170,309	72,218	42,980
	1,312,385	1,066,866	1,054,417	985,185	814,769	710,311	586,856	486,690	388,599	319,361
فی حصص آمدنی	3.19	1.32	2.46	2.59	2.3	2.46	3.42	3.27	2.31	1.42
فی حصص الگ الگ قدر و قیمت – قدر و قیمت کے مناسب تطابق کے ساتھ	26.25	21.34	21.09	19.70	16.30	23.68	19.56	16.22	12.95	12.77
فی حصص الگ الگ قدر و قیمت – قدر و قیمت کے مناسب تطابق کے بغیر	25.59	22.38	21.07	18.66	16.11	23.68	19.56	16.22	12.95	12.77
کل خسارے کا تناسب	-42%	-47%	-45%	-54%	-55%	-58%	-56%	-58%	-63%	-72%
اخراجات کا تناسب	-16%	-18%	-19%	-20%	-24%	-26%	-25%	-26%	-23%	-26%
کل بیمے کا ذمہ نویسی منافع	5%	2%	10%	9%	23%	21%	22%	20%	20%	18%
کمپنی کے حصص پر اوسط منافع	13%	6%	12%	14%	15%	19%	19%	22%	20%	14%

۲۰۲۰ء ہمارے لئے ایک اہم سال ہے۔ ہم اپنے روبرو چیلنجز سے باخبر ہیں کیونکہ ہم نے اپنے لیے خود حوصلہ مندانہ منزل منتخب کی ہے اور یقین رکھتے ہیں کہ ظہبی گروپ کی غیر معمولی قوت اس منزل 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 جاسکے۔ ہمارا مقصد نہ صرف اس سال بلکہ اس کے بعد بھی اپنے حصص داروں کی توقعات سے بڑھ کر دکھانا ہے۔

اعتراف

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

بورڈ کی جانب سے،

ڈائریکٹر	چیف ایگزیکٹو آفیسر

روپے '۰۰۰'

- پراویڈنٹ فنڈ ۷۲،۱۸۵
- گریجویٹی فنڈ ۵۷،۷۷۶

- ۳۱دسمبر ۲۰۱۹ءتک، کمپنی کے حصص داری کے طریقہ کار کا گوشوارہ رپورٹ کے ساتھ ضمیمے میں الگ سے شامل کردیا گیا ہے۔

انشورنس آرڈیننس ۲۰۰۰ کے سیکشن (۲)۴۶ کے تحت تعمیلی گوشوارہ

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

الف) یہاں ظاہر کئے گئے کمپنی کے سالانہ قانونی گوشوارے[25]، آرڈیننس کے عین مطابق ہیں اور اس کے مطابق وضع کئے گئے قوانین کے موافق ہیں؛

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

ج) اس گوشوارے کی تاریخ تک کمپنی نے تسلسل کے ساتھ آرڈیننس کی شرائط کی تعمیل کی ہے اور اس کے مطابق وضع کیے گئے قوانین کی، جو کہ حصص کی مد میں حاصل کئے گئے سرمائے، ادائے قرض کی صلاحیت[26]، اور مکرر بیمے کے انتظامات کے بارے میں ہیں۔

مستقبل کے مواقع

حصص کی مد میں حاصل کئے گئے ۵۰۰ ملین روپے کے سرمائے کے ساتھ "اے اے مائنس" درجہ پانے کے بعد الفلاح انشورنس مارکیٹ میں اپنا کاروباری حصہ بڑھانے کے حوالے سے پُراعتماد ہے اور اس کے ساتھ ساتھ اپنی محتاط ذمہ نویسی کی حکمت عملی برقرار رکھے ہوئے ہے، جس نے کمپنی کو آغاز سے ہی شدید نقصانات کے باوجود مدد پہنچائی۔ ہمیں یقین ہے کہ

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[25] Statutory Accounts
[26] Paid up capital, Solvency

- مالیاتی گوشوارے اور انکے ضمیمے انشورنس آرڈننس ۲۰۰۰ء کے عین مطابق ہیں اور قواعد کمپنیز ایکٹ ۲۰۱۷ء کی شرائط کو ملحوظ رکھ کر بنائے گئے ہیں۔
- ان گوشواروں میں کمپنی کے معاملات کی صورتحال، سرگرمیوں کے نتائج، پیسے کے بہاؤ اور اصل کاروباری حصے میں تبدیلی کو واضح طور پر بیان کیا گیا ہے۔
- کمپنی نے گوشواروں کے کتابچوں کی خاص طور پر دیکھ بھال کی ہے۔
- مالیاتی گوشواروں اور حساب داری کے تخمینے تیار کرنے کے لیے موزوں حساب داری سے متعلق حکمت عملی کا اطلاق تسلسل سے کیا گیا ہے اور یہ حکمت عملی مناسب اور معقول تفہیم کے بعد اختیار کی گئی ہے۔
- مالیاتی گوشوارے تیار کرتے وقت حساب داری کے بین الاقوامی معیار، بین الاقوامی مالیاتی حساب داری کے معیار یا کوئی اور ضابطہ یا قانون جو پاکستان میں بھی قابل عمل ہے، اختیار کیا گیا ہے۔ مزید بر آں معیار میں کسی بھی قسم کی ترمیم کو مناسب انداز میں ظاہر کیا گیا ہے۔
- اندرونی انضباطی نظام، ڈیزائن کے اعتبار سے مستحکم ہے اور مسلسل داخلی پڑتال کنندگان کے زیر نگرانی ہے۔ یہ نگرانی مسلسل جاری رہتی ہے اور کسی بھی کمی کو فوراً دور کیے جانے کے ساتھ ساتھ اس عمل کو یقینی بنایا جاتا ہے۔
- کاروبار کو جاری رکھنے کے حوالے سے کمپنی کی صلاحیت شکوک وشبہات سے بالاتر ہے۔
- کارپوریٹ نظم ونسق[22] کے بہترین طرز عمل کے حوالے سے کوئی میٹیریل ڈیپارچر[23] نہیں ہوا۔
- اہم اثاثوں اور مالیات سے متعلق اعدادوشمار، رپورٹ کے ساتھ ضمیمے میں شامل کر دیا گیا ہے۔
- واجب الادا ٹیکس اور محسولات[24] مالیاتی گوشواروں میں موجود ہیں۔
- ۳۱ دسمبر ۲۰۱۹ء کو پڑتال کئے گئے کھاتوں کی بنیاد پر پراویڈنٹ اور گریجویٹی فنڈ سے ہونے والی سرمایہ کاری کی قیمت درج ذیل ہے:

[22] Corporate Governance
[23] Material Departure
[24] Outstanding Taxes and Duties

پڑتال کی کمیٹی

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

- جناب نعمان انصاری (چیئرمین)
- محترمہ ڈومینک لیانار و سو (رکن)
- جناب بلال اصغر (رکن)

متعلقہ گروہ سے لین دین

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

اخلاقی وکاروباری ضابطہء عمل کا گوشوارہ / ضابطہء اخلاق

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

کارپوریٹ نظم 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:۔

ڈائریکٹرز کے نام	اجلاس میں شرکت کی تعداد
- جنابِ عالی شیخ نہیان مبارک ال نہیان	4
- فضیلت مآب شیخ سیف بن محمد بن بُطی	-
- جناب خالد مانع سعید العتیبہ	4
- محترمہ ڈومینک لیاناروسو	2
- جناب نعمان انصاری	4
- جناب عدیل باجوہ	1
- جناب بلال اصغر	4
- جناب نصر الصمد قریشی	1
- جناب عبدالحئی	3

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

کمپنی کی مالیاتی طاقت کی درجہ بندی

پی۔اے۔سی۔آر۔اے[21] نے ۲۹ اگست ۲۰۱۹ء کے حالیہ جائزہ میں آپ کی کمپنی کی مالیاتی طاقت کے اعتبار سے درجہ بندی کو مستحکم تناظر میں دیکھتے ہوئے "ڈبل اے مائنس" کے درجے پر برقرار رکھا ہے۔ یہ درجہ بندی، بیمہ پالیسی کے حامل افراد اور معاہدوں کی ذمہ داریوں کو پورا کرنے کی بھرپور صلاحیت کو ظاہر کرتی ہے۔ خطرے کی علامات کم ترین ہیں اور ناموافق اقتصادی و کاروباری اثرات سے متعلق خدشات نہ ہونے کے برابر ہیں۔

[21] PACRA

۲۹ فیصد زیادہ ہے۔ اس اضافے کے نتیجے میں کل اعانت کی آمدن[18] میں ۳۵ فیصد کی نمو ہوئی، جس کا اثر مجموعی نقصان کی شرح میں ۵۴ فیصد کے مقابلے میں ۵۶ فیصد کے اضافے سے جزوی طور پر کم ہوا، لیکن اس کی وجہ سے حصص داروں کے تکافل فنڈ میں گزشتہ سال کے ۱۰ ملین روپے کے مقابلے میں ۲۸ ملین روپے کی بیشی ہوئی۔ وکالہ فیس میں ۳۹ فیصد اضافہ، اکتسابی اعانت کی آمدن[19] میں ۳۸ فیصد اضافے کے مطابق تھا۔ حصص داروں کے فنڈ[20] کے انتظامی اور نظم و نسق کے اخراجات ۲۴ فیصد بڑھے جو کاروبار میں ۲۹ فیصد اضافے کے مطابق تھے۔ سرمایہ کاری کی آمدن میں اضافے کی بنیادی وجہ حکومت کی جانب سے کٹوتی کی شرح میں اضافے کے ساتھ ساتھ بنکوں کے ساتھ منافع کی شرح پر بہتر بھاؤ تاؤ ہے۔ ان تمام مثبت رجحانات نے حصص داروں کے فنڈ کو گزشتہ سال ۱۴ ملین روپے کے مقابلے میں ۳۹ ملین روپے کی بیشی کے حصول میں مدد دی۔

فی حصص آمدنی

دورانِ سال ٹیکس کی ادائیگی کے بعد فی حصص آمدنی ۳.۱۹ روپے رہی جو ۲۰۱۸ء میں ۱.۳۲ روپے تھی۔ اس کی تفصیلی رپورٹ مالی گوشوارے کے نوٹ نمبر ۳۴ میں موجود ہے۔

پڑتال کنندگان

میسرز ای۔ وائی فورڈ رہوڈز، جو کہ سند یافتہ محاسب اور تقرری کئے جانے کے اہل ہیں، نے ۳۱ دسمبر ۲۰۲۰ء کو اختتام پذیر سال کے لئے خارجی اور شریعہ تعمیلی پڑتال کنندگان کی ذمہ داری لینے کے لئے رضامندی کا اظہار کیا ہے۔ پڑتال کمیٹی اور ڈائریکٹرز کے بورڈ نے اپنے متعلقہ اجلاسوں میں ۳۱ دسمبر ۲۰۲۰ء کو اختتام پذیر سال کے لیے میسرز ای۔ وائی فورڈ رہوڈز، سند یافتہ محاسب کی خارجی اور شریعہ تعمیلی پڑتال کنندہ گان کے طور پر سفارش کی ہے۔

ڈائریکٹرز کے بورڈ کے اجلاس

سال ۲۰۱۹ء کے دوران بورڈ کے چار (۴) اجلاس ہوئے، جن میں شرکت کی تفصیل مندرجہ ذیل ہے:۔

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[18]Net contribution revenue
[19]Earned contribution revenue
[20]SHF

آتشزدگی کے شعبے میں بنیادی طور پر نقصان کی شرح میں بہتری کے باعث ۲۲ ملین کا اضافہ ہوا۔ سال ۲۰۱۹ء میں نقصان کی شرح میں ۱۳۰ فیصد کے مقابلے میں ۵۰ فیصد کے حساب سے بہتری آئی کیونکہ گزشتہ سال میسرز لکی ٹیکسٹائل ملز لمیٹڈ کی جانب سے ۴۵۰ ملین روپے کا واحد ایک آتشزدگی کا دعویٰ بھی شامل تھا۔

بحری شعبے کا حصہ ۲۶ فیصد کم رہا، جس کی وجہ خالص بیمہ کی آمدن میں کمی کے ساتھ ساتھ نقصان کی شرح کا ۲۷ فیصد سے بڑھ کر ۴۴ فیصد ہو جانا ہے۔

موٹر کے شعبے میں ۷۴ ملین روپے کا اضافہ ہوا، جس میں ۲۸ ملین روپے خالص بیمے کی آمدن[17] نے ڈالے اور باقی اضافہ، نقصان کی شرح میں گزشتہ سال ۵۶ فیصد کے مقابلے میں ۵۱ فیصد کی بہتری کی وجہ سے ہوا۔

متفرق شعبے کا حصہ ۲۹ ملین روپے کم ہوا جس کی بڑی وجہ خالص بیمہ کی آمدن میں کمی تھی، تاہم نقصان کی شرح تقریباً اتنی ہی رہی۔

صحت کے شعبے میں ۳۳ فیصد کا اضافہ ہوا، جس کی بڑی وجہ نقصان کی شرح میں ۴۵ فیصد کے مقابلے میں ۳۹ فیصد کی بہتری ہے۔

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

ونڈو تکافل آپریشنز (ڈبلیو۔ ٹی۔ او) نے ۳۳۸ ملین روپے کی اعانت تحریر کی ہے جو کہ گزشتہ برس کے مقابلے میں

[17] Net premium revenue

شرح میں گزشتہ سال ۱۸ فیصد کے مقابلے میں ۱۶ فیصد کے حساب سے بہتری رہی۔ کمپنی کے سرمایہ کاری کی آمدن میں گزشتہ سال کے مقابلے میں ۱۲۸ فیصد کے حساب سے ۹۲ ملین کا اضافہ ہوا، جس کی وجہ سے کٹوتی کی شرح[16] میں تقریباً ۷۰ فیصد اضافہ ہوا۔ بازارِ حصص میں، سال کے پہلے تین چوتھائی حصوں میں مندے کے رجحان کے بعد، چوتھے حصے میں تیزی آئی اور گزشتہ سال کے ۸- فیصد کے مقابلے میں ۱۰ فیصد منافع رجسٹر ہوا۔ حصص داروں کے فنڈ میں بیشی میں بھی ۱۴ ملین روپے کے مقابلے میں ۳۹ ملین روپے کے اضافے سے ۱۶۸ فیصد کی بہتری آئی۔ ان تمام مثبت رجحانات نے کمپنی کو ٹیکس سے پہلے ۲۵۳ ملین روپے کے منافع کے حصول میں مدد دی جو کہ گزشتہ سال سے ۱۵۸ ملین روپے یا ۱۶۶ فیصد زیادہ تھے۔

شعبہ جات کے لحاظ سے منافع پر ایک نظر

شعبہ جات	خالص بیمہ کی آمدن	کل دعوے	خالص کمیشن	شعبہ جات کا منافع 2019ء	شعبہ جات کا منافع 2018ء	مِقدار تغیر	%
آتشزدگی	29,575	14,871	(17,994)	32,698	10,099	22,599	224%
بحری	17,547	7,753	(4,747)	14,541	19,739	(5,198)	-26%
موٹر	484,703	246,976	23,102	214,625	168,043	46,582	28%
متفرق	133,150	35,226	(32,246)	130,170	159,408	(29,238)	-18%
صحت	918,759	353,747	478,737	86,275	64,643	21,632	33%
کُل	1,583,734	658,573	446,852	478,309	421,932	56,377	13%

[16] Discount rate

بیمہ کاری کا شعبہ

پاکستان کی غیر زندگی بیمے[8] کی مارکیٹ کے حجم میں ۹ ماہ کے دوران، ۳۰ ستمبر ۲۰۱۹ء تک، ۷ا فیصد اضافہ ہوا۔ بیمہ کمپنیوں اور ضابط ادارے[9]، دونوں کی طرف سے انفرادی بیمہ / خرد بیمہ[10] کے زبردست مواقع کی توثیق، پاکستان کی بیمہ انڈسٹری کے لئے اچھا شگون ہو گا۔ سکیورٹی اینڈ ایکسچینج کمیشن آف پاکستان (ایس۔ای۔سی۔پی) نے مختلف قوانین متعارف کروا کے انضباطی ڈھانچے کو مزید مضبوط کیا ہے، جن کا مقصد مارکیٹ کی بہتری کے لیے مخصوص ماحول فراہم کرنا اور موزوں ترین بین الاقوامی طور طریقے اپنانا ہے۔

الفلاح انشورنس کمپنی کی کارکردگی

۲۰۱۹ء کا سال، کمپنی کے بالکل آغاز سے اب تک، منافع کے اعتبار سے غیر معمولی رہا۔ بیمے کی آمدن[11] کے ساتھ ساتھ نقصان کی شرح میں بہتری، محدود اخراجات، سرمایہ کاری کی آمدن میں اضافے اور ونڈو تکافل آپریشنز نے مِل کر ٹیکس سے پہلے آمدن کو ۲۵۳ ملین روپے تک پہنچا دیا، جو کہ گزشتہ سال کے مقابلے میں ۱۶۶ فیصد زیادہ ہے۔

مجموعی طور پر کمپنی کے خام بیمے[12] میں ۱۶ فیصد نمو رجسٹر ہوئی۔ کمپنی کے غیر گروہی بیمے کے کاروبار[13] میں ۱۳ فیصد اضافے کے ساتھ اندراج شدہ گروہی اور غیر گروہی[14] بیمے کے درمیان ۱۶:۸۴ کی نسبت رہی جو گزشتہ سال ۱۵:۸۵ تھی۔ کمپنی کے خالص بیمہ کی آمدن[15] میں ۲۲ فیصد کے حساب سے ۲۸۱ ملین روپے کا اضافہ ہوا لیکن ایک حد تک اس کا اثر کمیشن اخراجات نے کم کر دیا جن میں ۷۰ فیصد کے حساب سے ۱۸۴ ملین کا اضافہ ہوا کیونکہ نئے کاروبار کا حصول مہنگے داموں ہوا۔ کل دعووں کے اخراجات میں ۷ فیصد کے حساب سے ۴۱ ملین روپے کا اضافہ ہوا، تاہم گزشتہ سال ۴۵۰ ملین روپے کے واحد ایک آتشزدگی کے دعوے کی وجہ سے مجموعی اخراجات کی شرح میں گزشتہ سال کے ۴۷ فیصد کے مقابلے میں ۴۲ فیصد کے حساب سے بہتری آئی۔ اسی طرح انتظامی و نظم و نسق کے اخراجات میں ۴ فیصد کے حساب سے ۱۶ ملین کا اضافہ ہوا لیکن اخراجات کی

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[8] Non-life (General Insurance)
[9] Regulator
[10] Personal Line Insurance/ Micro Insurance
[11] Premium revenue
[12] Premium written
[13] Non-group business
[14] Registering Group vs Non-group ratio
[15] Net premium revenue

حصص داروں کے نام ڈائریکٹرز کی رپورٹ

الفلاح انشورنس کمپنی لمیٹڈ کے ڈائریکٹرز آپ کی کمپنی کی چودھویں سالانہ رپورٹ بخوشی پیش کر رہے ہیں۔ جس میں ۳۱ دسمبر ۲۰۱۹ء کو اختتام پذیر سال کے پڑتال شدہ مالیاتی گوشوارے بھی شامل کئے گئے ہیں۔

معاشی جائزہ اور مستقبل کے مواقع

پاکستانی معیشت ایک اور مندے کے عرصے سے گزرنے کے بعد پلٹنے والی ہے۔ بحالی کا تسلسل وقفے وقفے سے ٹوٹتا رہے گا لیکن پانسہ پلٹ سکتا ہے، کیونکہ سال ۲۰۲۰ء سے معاشی نمو کے امکانات یقینی طور پر بڑھ جائیں گے۔ ۲۰۱۹ء میں معاشی محاذ پر پاکستان کی واحد اہم ترین کامیابی آئی۔ ایم۔ ایف سے تین سالہ توسیع کردہ معیاد کی سہولت[1] کا حصول ہے۔ دسمبر ۲۰۱۹ء کے اوائل میں بین الاقوامی کریڈٹ ریٹنگ ایجنسی موڈیز نے بھی پاکستان کا درجہ 'منفی' سے بڑھا کر 'مستحکم' کر دیا ہے۔ کچھ کلاں معاشی اشاریوں[2] میں بھی پہلے سے زیادہ بہتری دیکھی جا سکتی ہے جیسا کہ مالی سال ۲۰۲۰ء کے پہلے حصے[3] کے دوران سی۔ اے۔ ڈی میں سال بہ سال[4] ۷۳ فیصد کمی ہوئی اور ٹیکس کی وصولی میں سال بہ سال ۱۷ فیصد اضافہ ہوا۔ افراطِ زر میں ریکارڈ اضافے کے بعد، مالی سال ۲۰۲۰ء کے دوسرے حصے[5] کے دوران کمی کی پیشگوئی کی گئی ہے جو کہ زر کی پالیسی میں نرمی[6] کی راہ ہموار کرے گی۔ رواں سال، دونوں داخلی اور خارجی سیاسی صورتحال غیر مستحکم رہنے کی امید ہے۔ پاکستان کی داخلی سلامتی کی صورتحال میں بہت بہتری آئی ہے جو سیاحت کی راہ ہموار کرے گی۔ برطانوی بیک پیکرز کی انجمن[7] کی جانب سے پہلے ہی پاکستان کو ۲۰۲۰ء میں دنیا کا تیسرا بہترین سیاحتی مقام قرار دیا جا چکا ہے۔ اگر یہ تسلسل جاری رہا، تو ملک میں بیرونی سرمایہ کاری کو فروغ دے گا، جو کہ نا صرف روزگار کے مواقع بڑھائے گی بلکہ پاکستانی روپے کو بھی مستحکم کرے گی۔

[1] Extended Facility
[2] Macro-economic indicators
[3] 1HFY20
[4] YOY
[5] 2HFY20
[6] Monetary easing
[7] British Backpackers Society

Alfalah Insurance

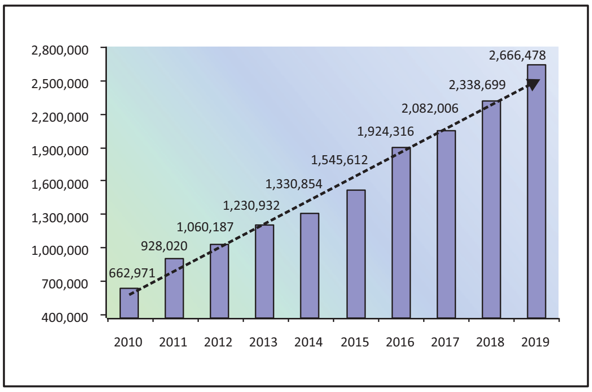
Our senior managers have the knowledge and the expertise to provide covers for a wide range of Energy risks such as oil & gas, petrochemicals, electric utilities and other entities.

We can offer Energy insurance coverages such as material damage, business interruption, contingent business interruption, and downstream liabilities.

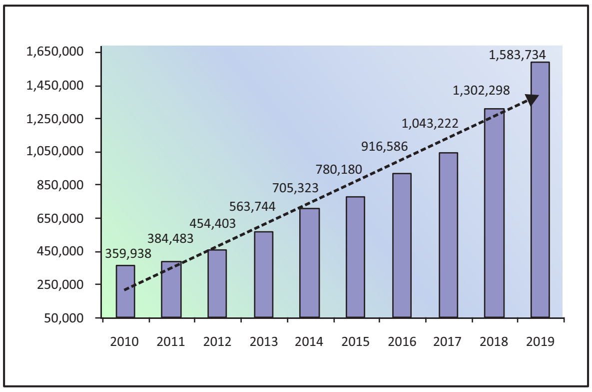
ENERGY INSURANCE

FINANCIAL SUMMARY

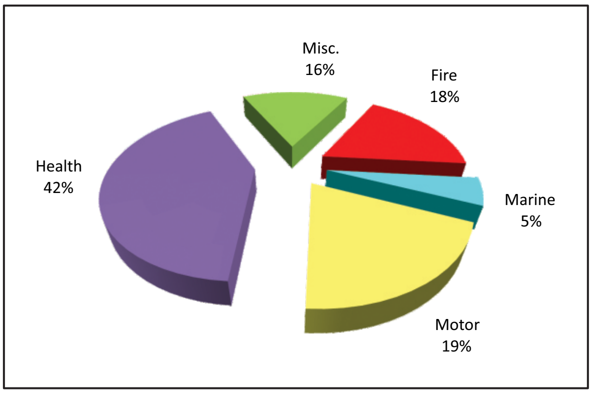
GROSS PREMIUM WRITTEN
(Rupees in Thousand)



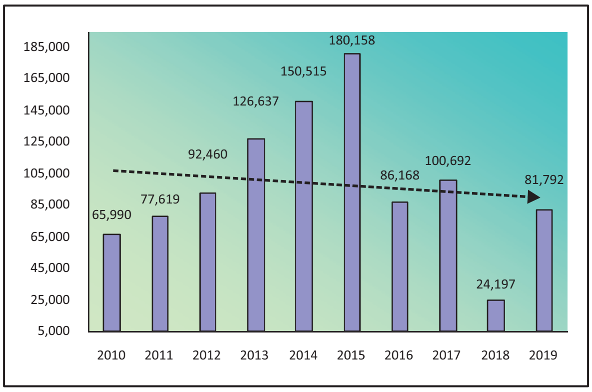
PREMIUM REVENUE
(Rupees in Thousand)



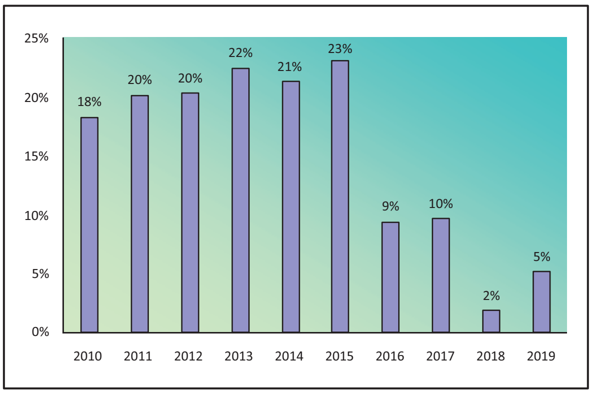
PRODUCT MIX ANALYSIS



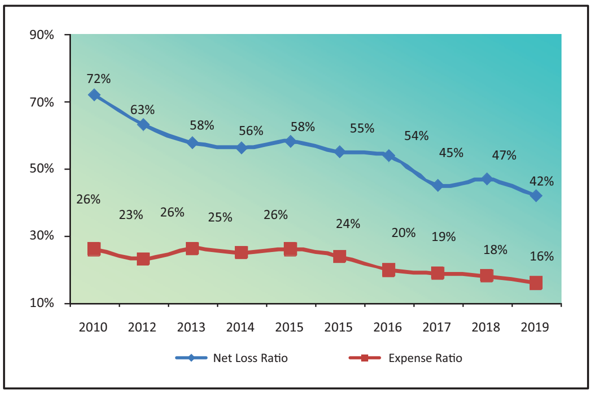
UNDERWRITING RESULTS
(Rupees in Thousand)



UNDERWRITING PROFIT MARGIN



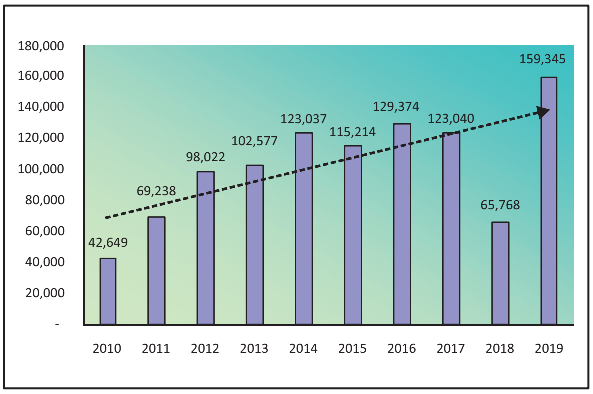
LOSS RATIO AND EXPENSE RATIO



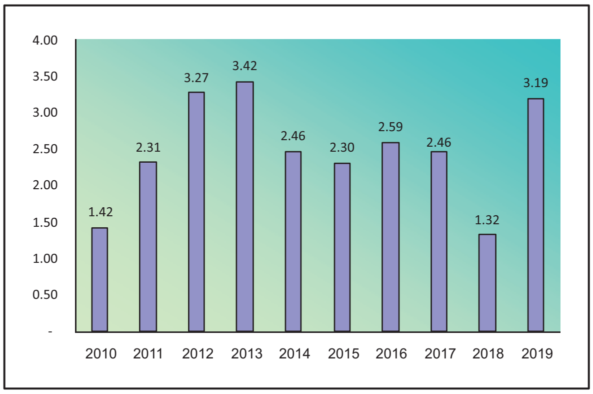
FINANCIAL SUMMARY

PROFIT AFTER TAX

(Rupees in Thousand)

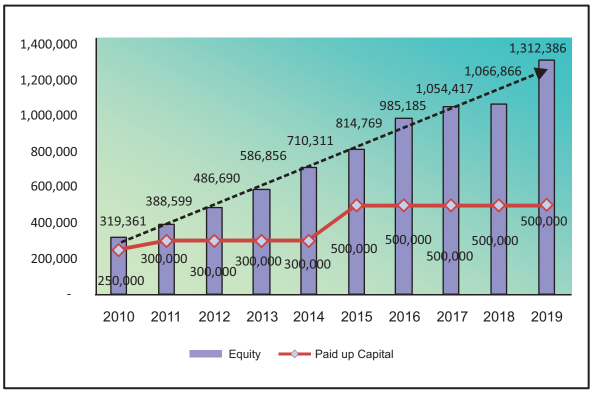


EARNING PER SHARE

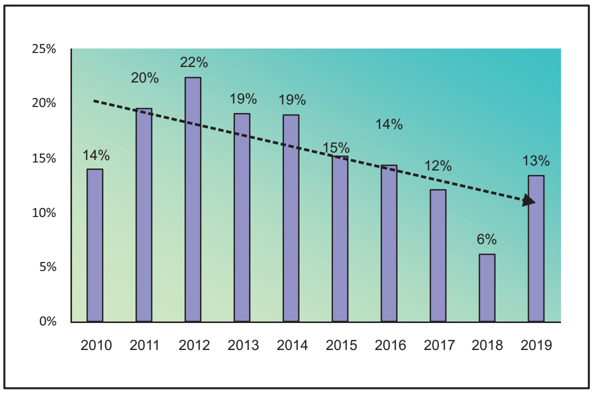


SHAREHOLDER EQUITY

(Rupees in Thousand)



RETURN ON EQUITY



Alfalah Insurance offers extensive coverage for Marine and Aviation risks.

Our experts ensure appropriate coverage at competitive prices with valuable consultancy services on risk management.

We offer:

- Marine Cargo
- Marine Hull
- Aviation
- Marine Liabilities

MARINE CARGO HULL & AVIATION INSURANCE

Code of Conduct and Professional Standards

1. **Client Service**
   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. **Compliance with the Applicable Laws**
   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. 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.

3. **Act with Honest and Openness**
   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. 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.

4. **Conflict of Interest**
   Employees must avoid conflicts of interest between their private financial activities and conduct of company business.

5. **Integrity of Financial Information**
   All business transactions on behalf of Alfalah Insurance Company Limited must be reflected accordingly in the financial statements of the company.

6. **Equal Opportunity Employer**
   We are an equal opportunity employer. Our employees are entitled to a safe and healthy workplace.

Alfalah Insurance

Alfalah Motor insurance is second to none. We have developed a very efficient infrastructure to provide excellent service to our motor insurance clients.

We can cover:

- Motor Comprehensive Insurance
- Motor Third Party Liability Insurance

Various add-ons such as:

Personal Accident Benefits to

- Driver and Passenger
- Replacement Vehicle
- Personal Effects

can also be provided subject to applicable additional premium. We have established a large network of panel workshops around country offering high quality & effective claim services

MOTOR INSURANCE

Statement of Compliance with the Code of Corporate Governance

For The Year Ended December 31, 2019

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

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

1. The company encourages representation of independent non-executive directors on its Board of Directors. Followings are the names of the Directors as at 31st December 2019.

Category	Name
Non-Executive Directors	H.H Sheikh Nahayan Mabarak Al Nahayan
Non-Executive Directors	H.E Sheikh Saif Bin Mohammed Bin Butti Al Hamid
Non-Executive Directors	Mr. Khalid Mana Saeed Al Otaiba
Non-Executive Directors	Ms. Dominique Liana Russo
Non-Executive Directors	Mr. Nauman Ansari
Non-Executive Directors	Mr. Bilal Asghar
Executive Director/Chief Executive Officer	Mr. Abdul Haye Mughal

There is no independent Director on Board due to relaxation provided in the Code of Corporate Governance for Insurers, 2016. However, the Company shall consider the effective representation of independent director at the time of its next election of directors.

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

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

4. Casual vacancies occurring on the Board on 31st March 2019 and 19th April 2019 due to the resignation of Mr. Nasar us Samad Qureshi and Mr. Adeel Bajwa were filled up by Mr. Abdul Haye and Ms. Dominique Russo within 90 days thereof.

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

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

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

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

Statement of Compliance with the Code of Corporate Governance

For The Year Ended December 31, 2019

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

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

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

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

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

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

16. The Board has formed the following Management Committees:

Underwriting Committee:

Name	Category
Mr. Abdul Haye	Chairman
Mr. Raza Javaid	Member
Mr. Faisal Arshad	Member
Mr.ZaheerAbbas	Member & Secretary

Claims Settlement Committee:

Name	Category
Mr. Abdul Haye	Member
Mr. Adnan Waheed	Member
Ch. Manzoor Hussain	Member
Mr. Muhammad Sarfraz	Member & Secretary

Reinsurance, Re-Takaful and Coinsurance Committee:

Name	Category
Mr. Abdul Haye	Chairman
Mr. Faisal Arshad	Member
Mr. Shahzad Aamir	Member
Mr. Shams ul Zuha	Member & Secretary

Risk Management & Compliance Committee:

Name	Category
Mr. Abdul Haye	Chairman
Mr. Adnan Waheed	Member
Mr. Faisal Shahzad	Member
Mr. Naveed Akbar	Member & Secretary

Statement of Compliance with the Code of Corporate Governance

For The Year Ended December 31, 2019

17. The Board has formed the following Board Committees:

Ethics, Human Resource and Remuneration Committee:

Name	Category
Mr. Nauman Ansari	Chairman
Ms. Dominique Russo	Member
Mr. Bilal Asghar	Member
Mr. Abdul Haye	Member
Mr. Adnan Waheed	Secretary

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

Investment Committee:

Name	Category
Mr. Nauman Ansari	Chairman
Ms. Dominique Russo	Member
Mr. Bilal Asghar	Member
Mr. Abdul Haye	Member
Mr. Adnan Waheed	Member & Secretary

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

Name of the Member	Category
Mr. Nauman Ansari	Chairman
Ms. Dominique Russo	Member
Mr. Bilal Asghar	Member

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

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

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

Name of the Person	Designation
Mr. Abdul Haye	Chief Executive Officer
Mr. Adnan Waheed	Chief Financial Officer & Company Secretary

Statement of Compliance with the Code of Corporate Governance

For The Year Ended December 31, 2019

Mr. Faisal Shahzad	Head of Internal Audit
Mr. Naveed Akbar	Compliance Officer & Head of Risk Management
Mr. Faisal Arshad	Head of Underwriting
Mr. Manzoor Hussain	Head of Claims
Mr. Shamsul Zuha	Acting Head of Reinsurance

Mr. Abdul Haye appointed as Chief Executive Officer of the Company with effect from 1st April 2019 to fill up the casual vacancy arising from the resignation of Mr. Nasar us Samad Qureshi.

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

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

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

25. The Board ensures that the risk management system of the Company is in place as per requirement of the Code of Corporate Governance for Insurers, 2016.

26. The Company has set up a risk management function, which carries out its tasks as covered under the Code of Corporate Governance for Insurers, 2016.

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

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

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

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

Chief Executive Officer

GROUP HEALTH INSURANCE

Human resource potential is the greatest asset of every company. Whether you wish to attract the cream of the industry or retain your finest talent, Health Insurance plays a paramount role. No company is better than the employees it keeps. Smart employers appreciate the importance of a good medical insurance package which provides top drawer health benefits to keep their workforce happy, attract qualified applicants and reduce staff turnover.

With the rising cost of health insurance, you need a Medical Insurance Plan which is cost-effective and yet offers the best benefits. Alfalah Insurance Company Limited offers ideal Employee Medical Insurance solutions providing quality health care with the following features:

- Flexible insurance plans to suit each group
- "Cashless" treatment facilities at our network of panel hospitals
- A team of doctors and pharmacists to help find the most cost effective treatment
- 24 hours helpline
- Prompt and efficient case management
- Friendly claim service

Explore Alfalah Insurance Employee Medical Plans and take the first step in building and engaging a high-performance workforce.

EY Ford Rhodes
Chartered Accountants
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ey.com/pk

To the Members of Alfalah Insurance Company Limited

Review Report on the Statement of Compliance Contained in the Code of Corporate Governance for Insurers, 2016

We have reviewed the enclosed Statement of Compliance with the Code of Corporate Governance for Insurers, 2016 (the Code) as prepared by the Board of Directors of **Alfalah Insurance Company Limited** (the Company) for the year ended **31 December 2019** 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, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to assess and determine the company's process for identification of related parties and whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2019.

EY Ford Rhodes

EY Ford Rhodes
Chartered Accountants
Engagement Partner: Abdullah Fahad Masood
Lahore: 16 March 2020

EY Ford Rhodes
Chartered Accountants
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M. M. Alam Road, Gulberg-II
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INDEPENDENT AUDITOR'S REPORT

To the members of Alfalah Insurance Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Alfalah Insurance Company Limited (the Company), which comprise the statement of financial position as at 31 December 2019, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 31 December 2019 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Insurance Ordinance, 2000 and, Companies Act, 2017 (XIX of 2017), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material

INDEPENDENT AUDITOR'S REPORT

if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

- As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XIX of 2017), and are in agreement with the books of account;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

Other Matter

The financial statements for the year ended 31 December 2018 were audited by another firm of chartered accountants. The audit report dated 21 February 2019 expressed an unmodified opinion.

The engagement partner on the audit resulting in this independent auditor's report is Abdullah Fahad Masood.

EY Ford Rhodes

EY Ford Rhodes
Chartered Accountants
Lahore: 16 March 2020

Alfalah Insurance Company Limited
Statement of Financial Position
As at 31 December 2019

	Note	2019	2018
ASSETS		(Rupees in thousand)	
Property and equipment	5	173,006	178,672
Right of use asset	6	70,673	-
Intangible assets	7	8,552	3,511
Investment property	8	1,588	1,588
Investments			
Equity securities	9	219,097	293,222
Debt securities	10	1,322,362	721,286
Term deposits	11	-	-
Loans and other receivables	12	65,581	36,990
Insurance / reinsurance receivables - unsecured and considered good	13	796,688	541,304
Reinsurance recoveries against outstanding claims	26	396,122	293,866
Salvage recoveries accrued		13,836	17,582
Deferred commission expense / acquisition cost	27	68,324	83,486
Deferred taxation	14	-	1,862
Taxation - payment less provisions		10,881	21,376
Retirement benefits	20	2,879	-
Prepayments	15	379,591	277,126
Cash and bank	16	328,906	592,898
		3,858,086	3,064,769
Total assets of Window Takaful Operations - Operator's Fund	17	165,676	122,102
TOTAL ASSETS		4,023,762	3,186,871
EQUITY AND LIABILITIES			
Capital and reserves attributable to Company's equity holders			
Authorized capital			
50,000,000 (2018: 50,000,000) ordinary shares of Rs.10 each		500,000	500,000
Ordinary share capital	18	500,000	500,000
Reserves	19	184,396	100,604
Unappropriated profit		627,989	466,262
Total Equity		1,312,385	1,066,866
Liabilities			
Underwriting provisions:			
Outstanding claims including IBNR	26	649,326	532,442
Unearned premium reserve	25	759,513	650,096
Unearned reinsurance commission	27	72,961	67,929
Deferred taxation	14	12,792	-
Retirement benefits obligation	20	-	638
Premium received in advance		35,077	19,564
Insurance / reinsurance payables	21	495,516	406,939
Lease liabilities	22	73,332	-
Other creditors and accruals	23	542,320	388,058
		2,640,837	2,065,666
Total liabilities of Window Takaful Operations - Operator's Fund	17	70,540	54,339
		2,711,377	2,120,005
TOTAL EQUITY AND LIABILITIES		4,023,762	3,186,871
CONTINGENCIES AND COMMITMENTS	24		

The annexed notes 1 to 44 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer

Alfalah Insurance Company Limited
Profit and Loss Account
For the year ended 31 December 2019

	Note	2019	2018
		(Rupees in thousand)	
Revenue account			
Net insurance premium	25	1,583,734	1,302,298
Net insurance claims	26	(658,573)	(617,966)
Net commission and other acquisition cost	27	(446,852)	(262,400)
Insurance claims and acquisition expenses		(1,105,425)	(880,366)
Management expenses	28	(396,518)	(397,735)
Underwriting result		81,791	24,197
Investment income	29	110,855	36,932
Other income	30	54,839	35,743
Other expenses	31	(24,238)	(16,091)
Results of operating activities		223,247	80,781
Finance cost	32	(8,748)	-
Profit before taxation from Window Takaful Operations - Operator's Fund	17	38,554	14,407
Profit before tax		253,053	95,188
Income tax expense	33	(93,709)	(29,421)
Profit after tax		159,344	65,767
Earnings per share - Basic and diluted	34	3.19	1.32

The annexed notes 1 to 44 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer

Alfalah Insurance Company Limited
Statement of Comprehensive Income
For the year ended 31 December 2019

	2019	2018
	(Rupees in thousand)	
Profit after tax	**159,344**	65,767
Other comprehensive income:		
Items that may be reclassified to profit and loss account in subsequent periods:		
Unrealized gain / (loss) on available-for-sale investments - net of tax	**83,792**	(51,728)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain / (loss) on defined benefit obligations	**2,383**	(1,590)
Other comprehensive income / (loss) for the year	**86,175**	(53,318)
Total comprehensive income for the year	**245,519**	12,449

The annexed notes 1 to 44 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer

Alfalah Insurance Company Limited
Cash Flow Statement
For the Year ended 31 December 2019

	2019	2018
	(Rupees in thousand)	
Operating cash flows		
a) Underwriting activities		
Insurance premium received	**2,479,542**	2,453,545
Reinsurance premium paid	**(1,051,849)**	(1,090,598)
Claims paid	**(921,704)**	(1,170,043)
Reinsurance and other recoveries received	**277,757**	608,607
Commission paid	**(590,450)**	(459,070)
Commission received	**224,939**	359,546
Management expenses paid	**(359,534)**	(357,072)
Net cash flow from underwriting activities	**58,701**	344,915
b) Other operating activities		
Income tax paid	**(68,560)**	(43,689)
Other receipts / (expenses)	**73,984**	(41,864)
Loans disbursed	**(9,576)**	(9,279)
Loans repayments received	**10,063**	7,702
Net cash generated from / (used in) other operating activities	**5,911**	(87,130)
Total cash flow from all operating activities	**64,612**	257,785
Investment activities		
Profit / return received on bank deposits	**81,385**	38,771
Dividends received	**12,945**	12,874
Payments for investments	**(3,458,143)**	(2,609,630)
Proceeds from disposal of investments	**3,071,438**	2,134,718
Fixed capital expenditure	**(17,497)**	(10,222)
Proceeds from disposal of operating fixed assets	**4,812**	3,343
Total cash flow used in investing activities	**(305,060)**	(430,146)
Financing activities		
Payment of lease liability in respect of right of use assets	**(23,544)**	-
Total cash flow used in financing activities	**(23,544)**	-
Net cash flow used in all activities	**(263,992)**	(172,361)
Cash and cash equivalents at beginning of the year	**592,898**	765,259
Cash and cash equivalents at end of the year	**328,906**	592,898

Chairman	Director	Director	Chief Executive Officer

Alfalah Insurance Company Limited
Cash Flow Statement
For the Year ended 31 December 2019

	2019	2018
	(Rupees in thousand)	
Reconciliation to profit and loss account		
Operating cash flows	**64,612**	257,785
Depreciation expense	**(44,488)**	(16,549)
Amortization of intangibles	**(1,170)**	(1,246)
Gain on disposal of operating fixed assets	**1,237**	537
Profit on sale of investments	**43,891**	12,149
Impairment in value of available-for-sale investments	**(11,177)**	-
Dividend and other income	**124,231**	58,317
(Decrease) / increase in assets other than cash	**507,140**	(242,531)
Increase in liabilities other than borrowings	**(572,787)**	(21,834)
Un-realized gain in value of held for trading investment	**9,301**	4,732
Profit from Window Takaful Operations	**38,554**	14,407
Profit after taxation	**159,344**	65,767
Cash for the purposes of the statement of cash flows consists of:		
Cash and other equivalents	**2,181**	1,038
Current and other accounts	**326,725**	591,860
Total cash and cash equivalents	**328,906**	592,898

The annexed notes 1 to 44 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer

Alfalah Insurance Company Limited
Statement of Changes in Equity
For the Year ended 31 December 2019

(Rupees in thousand)

	Share capital	Capital reserve		Revenue Reserve		
	Issued, subscribed and paid up	Share deposit money	Fair Value Reserves	General reserve	Unappropriated Profit	Total
Balance as at 1 January 2018	500,000	1,381	951	150,000	402,085	1,054,417
Profit for the year	-	-	-	-	65,767	65,767
Other comprehensive income for the year	-	-	(51,728)	-	(1,590)	(53,318)
Total comprehensive income for the year	-	-	(51,728)	-	64,177	12,449
Balance as at 31 December 2018	**500,000**	**1,381**	**(50,777)**	**150,000**	**466,262**	**1,066,866**
Profit for the year	**-**	**-**	**-**	**-**	**159,344**	**159,344**
Other comprehensive income for the year	**-**	**-**	**83,792**	**-**	**2,383**	**86,175**
Total comprehensive income for the year	**-**	**-**	**83,792**	**-**	**161,727**	**245,519**
Balance as at 31 December 2019	**500,000**	**1,381**	**33,015**	**150,000**	**627,989**	**1,312,385**

Chairman	Director	Director	Chief Executive Officer

Alfalah Insurance Company Limited
Notes to the Financial Statements
For the year ended 31 December 2019

1 REPORTING ENTITY

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

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

1.1 The Company operates through the following location in Pakistan;

Locations	**Address**
Head Office - Lahore	5-Saint Mary Park, Gulberg-III, Lahore
Lahore Main Branch	5-Saint Mary Park, Gulberg-III, Lahore
South Zone Karachi Office	1st Floor, Finlay House, I.I. Chundrigar Road Karachi
Karachi Unit 1	1st Floor, Finlay House, I.I. Chundrigar Road Karachi
Peshawar Office	Ays Centre, 2nd Floor, Arbab Road, Peshawar Cantt. Peshawar
Islamabad Office	2nd Floor, Bank Alfalah Building Markaz I-8 Islamabad
Faisalabad Office	P-72/2 Chirag Plaza, 4th Floor, Liaqat Road, Faisalabad
Gujranwala Office	1st Floor, Al-Hameed Centre, Opp Govt. Iqbal High School, G.T. Road, Gujranwala
Sialkot Office	1st Floor, City Tower, Shahab Pura Road, Sialkot
Multan Office	10-A, 2nd Floor, Tehsil Chowk, Bosan Road, Multan
Hyderabad Branch	House No.49, 2nd Floor, Dr. Line Saddar Cantt, Hyderabad

2 BASIS OF ACCOUNTING

2.1 Statement of compliance

2.1.1 These financial statements have been prepared in accordance with accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017 and the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and the Takaful Rules, 2012.

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

2.1.2 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 statement of financial position and profit and loss account of the Company respectively. A separate set of financial statements of the General Window Takaful Operations has been annexed to these financial statements as per the requirements of the Takaful Rules, 2012.

Alfalah Insurance Company Limited
Notes to the Financial Statements
For the year ended 31 December 2019

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of judgment and estimates

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

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

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

	Note
- Provision for doubtful receivables	4.19
- Provision for outstanding claims including claims incurred but not reported (IBNR)	4.14
- Premium deficiency reserve	4.15
- Defined benefit plans	4.17
- Provision for taxation including the amount relating to tax contingency	4.22
- Useful lives, pattern of economic benefits and impairments - Fixed assets	4.1

2.4.1 Change in Estimates

The Company has changed its estimate regarding useful life of motor vehicles from 5 years to 4 years. This change has been accounted for as a change in accounting estimate and hence applies prospectively. Had there been no change in accounting estimate, the depreciation charge for the period would have been lower by Rs. 1.4 million while carrying value of motor vehicles and profit before tax for the year would have been higher by the same amount.

3 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

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

The accounting policies adopted are consistent with those of the previous financial period, except

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for the following new and amended standards and interpretations effective for annual period beginning on 01 January 2019, as listed below. The Company has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New Standards, Interpretations and Amendments

IFRS 14	Regulatory Deferral Accounts
IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
IFRS 9	Prepayment Features with Negative Compensation — (Amendments)
IAS 28	Long-term Interests in Associates and Joint Ventures — (Amendments)
IAS 19	Plant Amendment, Curtailment or Settlement — (Amendments)
IFRS 3	Business Combinations - Previously held Interests in a joint operation — (AIP)
IFRS 11	Joint Arrangements - Previously held Interests in a joint operation — (AIP)
IAS 12	Income Taxes - Income tax consequences of payments on financial instruments classified as equity — (AIP)
IAS 23	Borrowing Costs - Borrowing costs eligible for capitalization — (AIP)

The nature and effect of the changes as a result of adoption of IFRS 16 are described below. The adoption of other standards, interpretations and amendments applied for the first time in the year did not have any impact on the financial statements of the Company.

3.1.1 IFRS 16 - Leases

During the period, IFRS 16 - Leases became applicable to the Company. IFRS 16 replaces IAS 17-Leases, existing interpretations and guidance on accounting for leases. IFRS 16 introduces an on-balance sheet lease accounting model for leases entered by the lessee. A lessee recognizes a right of use assets representing its right of using the underlying assets and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

The Company has adopted IFRS 16 from January 1, 2019 thereby recognizing right of use assets and lease liability, in respect of leased properties, there-against on January 01, 2019 using modified retrospective restatement approach, as permitted under the specific transitional provisions in the standard, and has not restated comparatives for the corresponding reporting period of 2018. Previously, these leases were accounted for as operating leases.

As at January 01, 2019, these liabilities were initially measured at the present value of the remaining lease payments discounted using Company's incremental weighted average borrowing rate of 12.68% per annum. The lease liability is subsequently measured at amortized cost using the effective interest rate method. The associated right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognized in the unconsolidated financial statements of financial position immediately before the date of initial application.

The right of use assets recognized subsequent to the adoption are measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right of use assets are depreciated over the lease term using a straight line basis as it closely reflects the expected pattern of consumption of future economic benefits. The right of use assets are reduced by impairment losses, if any, and adjusted for certain re-measurements of lease liability.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

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The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

Statement of Financial Position

	Rupees in thousands
Assets	
Right of use assets	**91,074**
Prepayments	**(4,607)**
Total assets	**86,467**
Liabilities	
Lease liabilities	**86,467**

Statement of Profit and Loss Account

	01 January 2019 to 31 December 2019
Finance cost	**(9,504)**
Amortization of right of use assets	**(21,606)**
Rent expense	**22,910**
Profit before tax	**(8,200)**

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

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

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

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 3	Definition of a business — (Amendments)	1 January 2020
IAS 1 and	Definition of Material — (Amendments)	1 January 2020
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform — (Amendments)	1 January 2020

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The above 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 and conceptual framework have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2020.

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements.

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

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 1	First Time Adoption of IFRS	1 July 2019
IFRS 17	Insurance Contracts	1 January 2021

The management, in consultation with Insurance Association of Pakistan, is in the process of determining the effect of application of IFRS 17.

3.3 Amendments to IFRS 4 applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts

The Company meets the eligibility criteria of the temporary exemption from IFRS 9 and intends to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) of annual reporting periods beginning on or after 1 January 2021, as allowed by the amendments contained in Annual Improvements to IFRS Standards 2015-2017 Cycle.

The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 and continue to apply IAS 39 to financial assets and liabilities. An entity may apply the temporary exemption from IFRS 9 if:

(i) it has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as FVPL; and

(ii) its activities are predominantly connected with insurance on its annual reporting date.

The Company performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2018. During 2019, there had been no significant change in the activities of the Company that requires reassessment.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements except as stated in note 3.1.1.

4.1 Property and equipment

Operating fixed assets:

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

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

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

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

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

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

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

Capital work in progress

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

4.2 Investment Property

Property not held for own use or for the sale in the ordinary course of business is classified as investment property. The investment property of the Company comprises of land and is valued using the cost method. This is stated at cost less any identified impairment loss.

Any gain or loss on disposal or retirement of investment property represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as income or expense in the profit and loss account.

The useful lives, residual values, depreciation method and impairment loss are reviewed on a regular basis. The effect of any changes in estimate is accounted for on a prospective basis. Further, fair value determination for the purpose of impairment loss requires adjustments for any differences in nature, location and condition of the investment property, if any, which involves significant judgment.

4.3 Intangible assets

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

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

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The Company assesses at each statement of financial position 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 profit and loss account currently. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.4 Financial instruments

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

4.4.1 Non-derivative financial assets

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

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

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

Financial assets at fair value through profit and loss account

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

Held to maturity financial assets

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

Loans and receivables

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

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Available for sale financial assets

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

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

4.4.2 Non-derivative financial liabilities

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

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

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

4.4.3 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Company has legal enforceable right to set off the recognized amount and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

4.5 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

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

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

Non-financial assets

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

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

4.6 Insurance Contracts

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

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

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

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

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.

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

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

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

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

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

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

Premiums and administrative surcharge

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

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

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

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

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

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4.7 Provision for unearned premium

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

- for marine cargo business, premium written is recognized as provision for unearned premium until the commencement of voyage
- for Fire, Motor, Miscellaneous and Health (except Personal Accident) business, premium written is recognized as provision for unearned premium by applying the 1/24th method.
- for Personal accident business, premium written is recognized as provision for unearned premium, as the ratio of the unexpired period of the policy and the total period, both measured to the nearest day.

4.8 Receivables and Payables related to insurance contracts

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

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

4.9 Reinsurance contracts held

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

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

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

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

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

4.10 Reinsurance expense

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

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

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

4.11 Commission expense/ acquisition cost

Commission expense incurred in obtaining and recording insurance policies is charged to the profit and loss account based on the pattern of recognition of related premium revenue.

4.12 Deferred commission expense/ acquisition cost

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

4.13 Claims Expense

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

4.14 Outstanding claims including incurred but not reported (IBNR)

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

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

Claims incurred but not reported

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

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

As required under the Guidelines, the Company uses CLM by involving an actuary for determination of provision against IBNR. Accordingly, the actuarial valuation as at 31 December 2019 has been carried out by independent firm of actuaries for determination of IBNR for each class of business. The actuarial valuation is based on a range of standard actuarial claim

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projection techniques, based on empirical data and current assumptions (as explained in preceding paragraph) that may include a margin for adverse deviation as required / allowed under the Guidelines. The method used, and the estimates made, are reviewed annually.

4.15 Premium deficiency reserve

The Company maintains a provision in respect of premium deficiency (also called unexpired risk reserve) on aggregation basis where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other claim handling expenses expected to be incurred after the statement of financial position date in respect of the unexpired policies as at the statement of financial position 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, premium deficiency reserve on aggregation basis is determined by independent actuary. The actuary determines the prospective loss ratio on aggregation basis and applies factors of unearned and earned premiums and uses assumptions appropriate to arrive at the expected claims settlement cost which when compared with unearned premium reserve (UPR) shows whether UPR is adequate to cover the unexpired risks. If these ratios are adverse, premium deficiency reserve is determined.

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

4.16 Cash and cash equivalents

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

4.17 Employees benefit plans

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

Post employment benefits - Defined contribution plan

The Company operates an approved contributory provident fund for all permanent employees by establishing a separate Trust. Equal monthly contributions are made by the Company and employees to the fund at the rate of 8.33% (2018: 8.33%) of basic salary.

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

Post employment benefits - Defined benefit plan

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

The calculation of defined benefit obligation is performed annually by a qualified actuary using the 'Projected Unit Credit Method' and latest actuarial valuation has been carried out at 31 December 2019. When calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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Actual gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to equity through other comprehensive income in the year in which they arise. Past service costs are recognized immediately in the profit and loss account. The main features of defined benefit schemes are mentioned in note 19.

4.18 Creditors and accruals

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

4.19 Provisions and contingencies

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

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

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the note 4.5

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

4.20 Revenue recognition

Premium income and administrative surcharge

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

Commission income

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

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

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

Dividend income

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

Interest income and other returns

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

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

Miscellaneous Income

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

Other revenues are recognized on accrual basis.

4.21 Management expenses

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

4.22 Taxation

Current

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

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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 statement of financial position 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 statement of financial position date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to other comprehensive income in which case it is included in other comprehensive income.

4.23 Segment reporting

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

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

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

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

4.24 Dividend distribution

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

4.25 Salvage recoveries

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

4.26 Window Takaful Operations

The accounting policies followed by Window Takaful Operations are stated in the annexed financial statements of Window Takaful Operations for the year ended 31 December 2019.

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	Note	2019	2018
		Rupees in thousand	
5 PROPERTY AND EQUIPMENT			
Operating assets	5.1	**173,006**	178,672

5.1 Operating assets

	2019									
	Cost				Depreciation				written down value	
	As at 01 January 2019	Additions	Disposals	As at 31 December 2019	As at 01 January 2019	Charge for the year	On disposals	As at 31 December 2019	As at 31 December 2019	Depreciation rates
	Rupees in thousand									%
Land - freehold	121,671	-	-	121,671	-	-	-	-	**121,671**	-
Building on leasehold land	50,564	-	-	50,564	46,429	1,105	-	47,534	**3,030**	10
Furniture and fixtures	17,795	33	(19)	17,809	14,895	694	(13)	15,576	**2,233**	10
Office equipment	20,076	4,430	(3,589)	20,917	16,466	1,367	(2,814)	15,019	**5,898**	20
Computer equipment	38,697	2,542	(1,153)	40,086	33,708	2,234	(1,016)	34,926	**5,160**	25
Vehicles	73,862	4,282	(5,195)	72,949	32,495	7,978	(2,538)	37,935	**35,014**	25
	322,665	**11,287**	**(9,956)**	**323,996**	**143,993**	**13,378**	**(6,381)**	**150,990**	**173,006**	

	2018									
	Cost				Depreciation				written down value	
	As at 01 January 2018	Additions	Disposals	As at 31 December 2018	As at 01 January 2018	Charge for the year	On disposals	As at 31 December 2018	As at 31 December 2018	Depreciation rates
	Rupees in thousand									%
Land - freehold	121,671	-	-	121,671	-	-	-	-	121,671	-
Building on leasehold land	50,564	-	-	50,564	42,842	3,587	-	46,429	4,135	10
Furniture and fixtures	17,486	328	(19)	17,795	13,589	1,318	(12)	14,895	2,900	10
Office equipment	18,967	1,380	(271)	20,076	15,124	1,604	(262)	16,466	3,610	20
Computer equipment	35,677	3,588	(568)	38,697	32,182	1,986	(460)	33,708	4,989	25
Vehicles	72,608	4,829	(3,575)	73,862	25,334	8,054	(893)	32,495	41,367	20
	316,973	10,125	(4,433)	322,665	129,071	16,549	(1,627)	143,993	178,672	

5.1.1 Immovable freehold land in the name of the Company comprise of land having an area of 2 Kanal situated at Tariq Block, Garden Town, Lahore.

5.1.2 These include operating assets amounting to Rs. 125.10 million (2018: Rs. 110.16 million) having nil book value as at year end.

5.1.3 Total depreciation and amortization is as follows

	Note	2019	2018
		Rupees in thousand	
Operating assets	5.1	**13,378**	16,549
Right Of Use Asset	6	**21,606**	-
		34,984	**16,549**

5.1.4 Depreciation has been allocated as follows:

	2019	2018
Management expenses	**31,039**	14,875
Window Takaful Operations - Operator's Fund	**3,945**	1,674
	34,984	16,549

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5.1.3 **Disposal of property and equipment**

Particulars	Particulars of buyer	Relationship with the Company	Cost	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal
			2019				
			---Rupees in thousand)---				
Office Equipment's							
Denyo Generator	Mr. Nasar us Samad	Former CEO	1,475	565	565	-	Other
Various Office Equipment	Various Parties	Third Parties	2,114	210	322	112	Auction
Vehicles							
Honda Civic (AVP-436)	Mr. Rehan Ahmed	Third Party	1,931	482	976	494	Auction
Honda Civic (AJV-11-175)	Mr.Nasar us Samad	Former CEO	2,805	2,060	2,600	540	Other
Various Vehicles	Various Parties	Third Parties	460	115	117	2	Auction
Others							
Various Computer Equipment	Various Parties	Third Parties	1,153	137	229	92	Auction
Various Furniture & Fixtures	Various Parties	Third Parties	19	6	3	(3)	Auction
2019			**9,956**	**3,575**	**4,812**	**1,237**	
2018			4,433	2,806	3,343	537	

		2019	2018
		Rupees in thousand	
6 RIGHT OF USE ASSET			
Balance as at 01 January		-	-
Initial recognition due to application of IFRS 16		**91,074**	-
Additions		**1,205**	
Less: Depreciation		**21,606**	-
Balance as at 31 December		**70,673**	**-**
7 INTANGIBLE ASSETS			
Intangible assets		**1,364**	2,273
Capital work in progress - intangibles	**7.2**	**7,188**	1,238
		8,552	3,511
Intangible assets			
Cost			
Cost as at 01 January	**7.1.1**	**17,581**	17,498
Additions during the year		**261**	83
Cost as at 31 December		**17,842**	17,581
Accumulated amortization			
Accumulated amortization as at 01 January		**15,308**	14,062
Amortization charged during the year		**1,170**	1,246
Accumulated amortization as at 31 December		**16,478**	15,308
Net book value as at 31 December		**1,364**	2,273
Rate of amortization		**25%**	25%

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7.1.1 These include intangible assets amounting to Rs.14.65 million (2018: Rs. 12.58 million) having nil book value as at year end.

	2019	2018
	Rupees in thousand	
7.1.2 Amortization has been allocated as follows:		
Management expenses	**1,038**	1,119
Window Takaful Operations - Operator's Fund	**132**	127
	1,170	1,246

7.2 This includes advance given in respect of 'Management Information System' to a software house.

8 INVESTMENT PROPERTY

	2019							
	Cost			Depreciation			Written down value as at 31 December 2019	Useful life
	As at 01 January 2019	Additions (disposals)	As at 31 December 2019	As at 01 January 2019	For the year	As at 31 December 2019		
	(Rupees in thousand)							
Land	1,588	-	1,588	-	-	-	1,588	-
	1,588	**-**	**1,588**	**-**	**-**	**-**	**1,588**	
2018	-	1,588	1,588	-	-	-	1,588	

8.1 The market value of investment property as per valuation carried out by professional valuers as at 31December 2019 is Rs. 7.76 million, having area of 7 Marla 15 Sift. kept for capital appreciation purpose.

9 INVESTMENTS IN EQUITY SECURITIES

	Note	2019			2018		
		Cost	Impairment/ Provision	Carrying value	Cost	Impairment /Provision	Carrying value
		(Rupees in thousand)					
9.1 Available for sale - Quoted							
Related parties							
Listed shares	9.1.1	-	-	-	5,469	-	5,469
Mutual funds		-	-	-	70,000	-	70,000
Others							
Listed shares	9.1.2	226,592	(11,177)	215,415	265,088	-	265,088
		226,592	(11,177)	215,415	340,557	-	340,557
Unrealized gain / (loss) on revaluation		-	-	3,682	-	-	(47,335)
		226,592	(11,177)	219,097	340,557	-	293,222

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9.1.1 Related parties

Shares / Units		Company / Fund name	Face value per share / unit	Cost		Market Value	
2019	2018			**2019**	2018	**2019**	2018
--------Number---------				------------------- (Rupees in thousand) -------------------			
-	277,000	Bank Alfalah Limited**	10	-	5,469	-	11,243
-	540,410	Alfalah GHP Stock Fund	10	-	70,000	-	56,289
				-	75,469	-	67,532

9.1.2 Others

Shares / Units		Company / Fund name	Face value per share / unit	Cost		Market Value	
2019	2018			**2019**	2018	**2019**	2018
		Commercial Banks					
-	30,400	Bank AL Habib Limited	10	-	2,205	-	2,091
142,583	162,583	United Bank Limited	10	**22,372**	26,122	**23,455**	19,939
137,800	177,800	Habib Bank Limited	10	**20,319**	27,823	**21,692**	21,416
75,100	88,600	MCB Bank Limited	10	**15,734**	18,562	**15,391**	17,150
433,000	463,000	The Bank of Punjab	10	**5,212**	5,935	**4,906**	5,542
11,000	22,000	Faysal Bank Limited	10	**284**	569	**209**	530
-	360	Meezan Bank Limited	10	-	20	-	33
		Engineering					
10,000	10,000	International Steels Limited	10	**519**	767	**579**	658
-	42,000	Mughal Iron and Steels Industries	10	-	2,046	-	1,699
		Cement					
10,325	19,225	Lucky Cement Limited	10	**4,707**	8,788	**4,423**	8,357
69,300	88,800	D.G Khan Cement Limited	10	**5,143**	8,606	**5,147**	7,117
167,193	114,375	Maple Leaf Cement Factory Limited	10	**5,336**	5,587	**3,869**	4,649
		Fertilizers					
-	13,800	Engro Corporation Limited	10	-	4,181	-	4,017
97,000	192,000	Engro Polymer and Chemicals Limited	10	**3,452**	7,106	**3,221**	7,131
-	26,000	Fauji Fertilizer Bin Qasim Limited	10	-	1,039	-	969
-	174,000	Fauji Fertilizer Company	10	-	16,768	-	16,156
174,000	179,000	Engro Fertilizer Limited	10	**13,091**	13,467	**12,777**	12,360
		Pharmaceuticals					
-	2,409	Highnoon Laboratories Limited	10	-	1,017	-	837
		Automobile Assembler					
2,980	2,980	Indus Motor Company Limited	10	**4,123**	4,401	**3,462**	3,635
		Power generation and distribution					
170,000	170,000	Kot Addu Power Company Limited*	10	**8,014**	9,360	**5,360**	8,424
-	-	Nishat Power Limited	10	-	-	-	-
63,896	-	Hub Power Company Limited	10	**5,191**	-	**5,965**	-
48,500	46,000	Nishat Chunian Limited	10	**2,184**	2,442	**2,069**	2,235
		Oil & Gas Exploration Companies					
177,900	150,400	Oil And Gas Development Company Limited	10	**25,963**	24,693	**25,319**	19,251
58,000	27,100	Pakistan Oil Fields Limited	10	**26,032**	14,724	**25,910**	11,513
154,650	122,875	Pakistan Petroleum Limited	10	**22,306**	22,244	**21,209**	18,389
8,483	8,712	Mari Petroleum Company Limited	10	**9,247**	12,235	**11,114**	10,766
		Textile composite					
-	65,500	Gul Ahmad Textile Mills Limited	10	-	3,220	-	3,024
124,000	103,000	Nishat Mills Limited	10	**15,832**	15,269	**13,161**	13,033
		Foods and personal care products					
126,500	126,500	Fauji Foods Company	10	**4,777**	4,777	**1,830**	3,830
		Oil & Gas Marketing Companies					
12,000	12,000	Sui Northern Gas Pipelines	10	**1,103**	1,103	**914**	925
-	60	Pakistan State Oil	10	-	12	-	14
		Furniture					
122,576	-	Interloop Limited	10	**5,651**	-	**7,114**	-
		Value as at 31 December		**226,592**	265,088	**219,097**	225,690
		Grand Total		**226,592**	340,557	**219,097**	293,222

* 6,000 (2018: Nil) shares are pledged with National Clearing Company of Pakistan Limited (NCCPL) as exposure margin.
**2018: 200,000 shares were pledged with National Clearing Company of Pakistan Limited (NCCPL) as exposure margin.

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		Note	2019	2018
10	**INVESTMENTS IN DEBT SECURITIES**		(Rupees in thousand)	
10.1	**Available for sale - Unquoted**			
	Sukuk certificates	10.1.1	29,950	35,000
	Term finance certificates	10.1.2	54,707	34,720
	Pakistan Investment Bonds	10.1.3	743,732	210,000
			828,389	279,720
	Unrealized gain / (loss) on debt securities		42,817	(3,442)
			871,206	276,278
10.2	**Held for trading**			
	Treasury Bills	10.1.4	304,512	440,276
	Pakistan Investment Bonds	10.1.5	137,343	-
			441,855	440,276
	Unrealized gain on debt securities		9,301	4,732
	Total Investment in debt securities		1,322,362	721,286

	Description	Maturity	Profit Payment	Yield	2019	2018
					(Rupees in thousand)	
10.1.1	**Sukuk certificates**					
	Sukuk-International Brands Ltd "ISBLSC"	15-Nov-21	Quarterly	3M KIBOR + 0.50%	29,950	-
	Sukuk-International Brands Ltd "ISBLSC"	15-Nov-21	Annually	12M KIBOR + 0.50%	-	35,000
					29,950	35,000
10.1.2	**Term finance certificates**					
	Habib Bank Limited	15-Nov-24	Quarterly	3M KIBOR + 1.60%	20,000	-
	The Bank of Punjab	23-Dec-26	Semi Annually	6M KIBOR + 1.00%	34,707	34,728
					54,707	34,728
10.1.3	**Pakistan Investment Bonds**					
	Pakistan Investment Bond-Floater	09-Aug-28	Semi Annually	14.64%	110,000	210,000
	Pakistan Investment Bond	19-Sep-22	Semi Annually	12.87%	136,989	-
	Pakistan Investment Bond	12-Jul-23	Semi Annually	13.77%	63,193	-
	Pakistan Investment Bond	12-Jul-23	Semi Annually	13.59%	169,419	-
	Pakistan Investment Bond	12-Jul-23	Semi Annually	13.78%	63,182	-
	Pakistan Investment Bond	19-Sep-24	Semi Annually	12.38%	89,915	-
	Pakistan Investment Bond	12-Jul-28	Semi Annually	13.45%	28,701	-
	Pakistan Investment Bond	12-Jul-28	Semi Annually	13.40%	38,382	-
	Pakistan Investment Bond	19-Sep-29	Semi Annually	12.15%	43,951	-
	Average Yield / total			13.34%	743,732	210,000
10.1.4	**Treasury Bills - Held for Trading**					
	Treasury Bills	24-Sep-20	On Maturity	13.77%	140,687	-
	Treasury Bills	13-Feb-20	On Maturity	13.46%	163,825	-
	Treasury Bills	03-Jan-19	On Maturity	8.74%	-	196,056
	Treasury Bills	28-Feb-19	On Maturity	10.27%	-	97,692
	Treasury Bills	14-Mar-19	On Maturity	10.30%	-	146,528
	Average Yield / total			11.31%	304,512	440,276
10.1.5	**Pakistan Investment Bonds - Held for Trading**					
	Pakistan Investment Bond	12-Jul-21	Semi Annually	13.61%	91,451	-
	Pakistan Investment Bond	12-Jul-21	Semi Annually	13.35%	45,891	-
	Average Yield / total			13.48%	137,342	-

10.1.6 Pakistan Investment Bonds having face value of Rs.60 million (2018: Rs. 60 million) and market value of Rs. 58.93 million (2018: Rs.58.93 million) respectively are held with State Bank of Pakistan as security deposit.

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		2019	2018
		(Rupees in thousand)	
11 INVESTMENTS IN TERM DEPOSITS			
Term Deposit Receipt - maturing within 12 months	11.1	**2,000**	2,000
Impairment		**(2,000)**	(2,000)
		-	-

11.1 These includes term deposit receipts (TDRs) purchased from Trust Investment Bank of Rs 2 million (2018: Rs. 2 million) matured in 2013. Impairment has been charged due to uncertainty surrounding the recoverability of the amount.

	2019	2018
12 LOANS AND OTHER RECEIVABLES	(Rupees in thousand)	
Considered good		
Accrued investment income	**36,652**	7,718
Security deposits	**4,298**	4,698
Loan to employees	**4,509**	4,996
Insurance claim receivable	**34**	542
Receivable from Shareholders' fund	**18,972**	10,494
Receivable from Participants' takaful fund	**-**	6,642
Other advances	**4,916**	3,800
	69,381	38,890
Provision against other advances	**(3,800)**	(1,900)
	65,581	36,990

12.1 Provision against other advances

Balance as at 01 January	**1,900**	-
Addition made during the year	**1,900**	1,900
Balance as at 31 December	**3,800**	1,900

		2019	2018
13 INSURANCE / REINSURANCE RECEIVABLES			
Unsecured and considered good			
Due from insurance contract holders		**648,104**	445,085
Less : provision for impairment of receivables from insurance contract holders	13.1	**(31,496)**	(30,133)
		616,608	414,952
Due from other insurers / reinsurers		**180,385**	129,128
Less : provision for impairment of due from other insurers / reinsurers	13.2	**(305)**	(2,776)
		180,080	126,352
		796,688	541,304

13.1 Provision for impairment for receivables from insurance contract holders

Balance as at 01 January	**30,133**	18,594
Addition made during the year	**1,363**	11,539
Balance as at 31 December	**31,496**	30,133

13.2 Provision for impairment of due from other insurers / reinsurers

Balance as at 01 January	**2,776**	-
(Reversal) / Addition made during the year	**(2,471)**	2,776
Balance as at 31 December	**305**	2,776

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	Note	2019	2018
		(Rupees in thousand)	
14 DEFERRED TAXATION			
Credit / (debit) balances arising in respect of timing differences relating to:			
Deferred credits arising in respect of			
Accelerated tax depreciation allowance		**2,618**	1,862
Leases - net		**771**	-
Deferred debits arising due to			
Investments - Available for sale		**(13,484)**	-
Investments - Held for trading		**(2,697)**	-
		(12,792)	1,862
14.1 Reconciliation of deferred tax liabilities, net			
Opening balance		**1,862**	1,039
Tax expense recognized in statement of profit or loss		**(1,170)**	823
Tax expense recognized in OCI	**14.2**	**(13,484)**	-
Closing balance		**(12,792)**	1,862

14.2 This represents deferred tax charged to unrealized (loss) / gain on available-for-sale investments in other comprehensive income.

	Note	2019	2018
		(Rupees in thousand)	
15 PREPAYMENTS			
Prepaid reinsurance premium ceded	**25**	**376,527**	270,454
Prepaid rent		**-**	4,607
Prepaid miscellaneous expenses		**3,064**	2,065
		379,591	277,126
16 CASH AND BANK			
Cash and cash equivalents			
Cash in hand		**388**	429
Revenue stamps		**1,793**	609
		2,181	1,038
Cash at bank			
Current accounts			
- Local currency		**49,730**	292,596
- Foreign currency (USD 3,294.98) (2018: USD 3,294.98)		**510**	456
		50,240	293,052
Savings accounts	**16.1**	**276,485**	298,808
		326,725	591,860
		328,906	592,898

16.1 The balance in saving accounts carry mark-up at the rate of 5.53% to 12.40% per annum (2018: 1.69% to 9% per annum).

16.2 Cash at bank deposits includes an amount of Rs. 308.32 million (2018: Rs. 534.46 million) held with Bank Alfalah Limited, an associated undertaking.

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17 WINDOW TAKAFUL OPERATIONS

	2019	2018
	(Rupees in thousand)	
Operator's Fund		
Assets:		
Cash and bank deposits	**114,424**	65,261
Qard e Hasna to Participant Takaful Fund	**25,000**	30,000
Assets - Others	**26,252**	26,841
Total assets	**165,676**	122,102
Total Liabilities - Current	**70,540**	54,339

17.1 Window Takaful Operations

Profit and loss account

	2019	2018
Wakala fee	**87,090**	62,847
Commission expense	**(18,848)**	(16,987)
Management expense	**(37,267)**	(30,686)
Investment income - net	**-**	1,166
Mudarib's share of PTF investment income	**5,476**	557
Other income	**7,037**	951
Finance cost	**(1,072)**	-
Other expenses	**(3,862)**	(3,441)
Profit before tax from Window Takaful Operations	**38,554**	14,407
Taxation	**(11,181)**	(4,178)
Profit after tax from Window Takaful Operations	**27,373**	10,229

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

18 SHARE CAPITAL

18.1 Authorized Capital

2019	2018		2019	2018
(Number of shares)			(Rupees in thousand)	
50,000,000	50,000,000	Ordinary share of Rs. 10 each	**500,000**	500,000

18.2 Issued, subscribed and paid-up share capital

2019	2018		2019	2018
(Number of shares)			(Rupees in thousand)	
30,000,000	30,000,000	Ordinary shares of Rs. 10 each, fully paid in cash	**300,000**	300,000
20,000,000	20,000,000	Ordinary shares of Rs. 10 each, issued as fully paid bonus shares	**200,000**	200,000
50,000,000	50,000,000		**500,000**	500,000

18.3 As at 31 December 2019, Bank Alfalah Limited and Sheikh Nahayan Mubarak Al Nahayan held 14,997,825 (2018: 14,997,825) and 12,497,323 (2018: 12,497,823) ordinary shares of Rs. 10 each fully paid, respectively.

19 RESERVES

	2019	2018
	(Rupees in thousand)	
Capital reserves		
Share deposit money	**1,381**	1,381
Fair value reserves	**33,015**	(50,777)
Revenue reserves		
General reserves	**150,000**	150,000
	184,396	100,604

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	2019	2018
	(Rupees in thousand)	
20 RETIREMENT BENEFITS ASSET / OBLIGATION		
Staff gratuity (asset) / liability	**(2,879)**	638

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

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

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

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

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

	2019	2018
20.1 Statement of financial position reconciliation	(Rupees in thousand)	
The amounts recognized in the statement of financial statements are as follows:		
Present value of defined benefit obligations	**54,897**	62,709
Fair value of plan assets	**(57,776)**	(62,071)
Recognized (asset) / liability	**(2,879)**	638
20.1.1 Movement in the defined benefit obligations		
Obligation as at 01 January	**62,709**	53,202
Current service cost	**8,028**	7,204
Interest cost	**6,981**	4,303
Actuarial (gain) / losses	**(2,780)**	97
Benefits paid	**(20,041)**	(2,097)
Obligation as at 31 December	**54,897**	62,709
20.1.2 Movement in the fair value of plan assets		
Fair value as at 01 January	**62,071**	48,982
Expected return on plan assets	**7,505**	4,459
Actuarial losses	**(397)**	(1,493)
Employer contributions	**8,638**	12,220
Benefits paid	**(20,041)**	(2,097)
Fair value as at 31 December	**57,776**	62,071

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20.1.3 Cost

	2019	2018
	(Rupees in thousand)	
Current service cost	**8,028**	7,204
Interest cost	**6,981**	4,303
Expected return on plan assets	**(7,505)**	(4,459)
Expense	**7,504**	7,048
Actual return on plan assets	**9,230**	2,966

20.1.4 Principal actuarial assumptions used are as follows:

	2019	2018
Discount rate and expected return on plan assets per annum - %	**11.25%**	13.25%
Future salary increases - %	**10.25%**	12.25%
Net retirement age	**60**	60
Mortality rates	**SLIC 2001-05**	SLIC 2001-05
Withdrawal rate	**Moderate**	Moderate
Effective salary increase timing	**1st January 2020**	1st January 2019

20.1.5 Comparison for five years:

	2019	2018	2017	2016	2015
			(Rupees in thousand)		
As at December 31					
Present value of defined benefit obligation	**54,897**	62,709	53,202	43,821	36,749
Fair value of plan assets	**(57,776)**	(62,071)	(48,982)	(41,858)	(33,663)
Deficit	**(2,879)**	638	4,220	1,963	3,086

20.1.6 Experience adjustments

	2019	2018	2017	2016	2015
Gain / (loss) on plan assets (as percentage of plan assets)	**-5.06%**	0.15%	2.57%	3.20%	3.08%
Gain / (loss) on plan assets (as percentage of obligations)	**0.69%**	2.41%	2.65%	0.52%	4.00%

20.1.7 Plan assets comprise of the following:

	2019		2018	
	Rupees in Thousand	**%**	Rupees in Thousand	%
Units of mutual funds	**789**	**1.37%**	706	1.14%
Pakistan Investment bond	**49,664**	**85.96%**	-	0.00%
Cash and bank balances	**7,323**	**12.67%**	61,365	98.86%
	57,776	**100%**	62,071	100%

21 INSURANCE / REINSURANCE PAYABLE

	Note	2019	2018
		(Rupees in thousand)	
Due to other insurers / reinsurers		**495,516**	406,939

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22 LEASE LIABILITY

The effective interest rate used as the discounting factor (i.e. implicit in the lease) is 12.68%. The amount of future payments and the period during which they will become due are:

	Note	2019	2018
		(Rupees in thousand)	
Year ending 31 December			
2020		23,929	-
2021		29,019	-
2022		23,948	-
2023		9,090	-
2024		4,887	-
2025 onwards		1,881	-
		92,754	-
Less: Future finance charges		(19,422)	
		73,332	-

22.1 Minimum Lease Payments (MLP) and their Present Value (PV) are as follow:

	2019		2018	
	MLP	PV of MLP	MLP	PV of MLP
Due not later than 1 year	23,929	16,062	-	-
Due later than 1 year but not later than 5 years	66,944	55,533	-	-
Due later than 5 years	1,881	1,737	-	-
	92,754	73,332	-	-

22.2 Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Note	2019	2018
		(Rupees in thousand)	
Balance as at 01 January		-	-
Initial recognition		86,467	-
Addition		905	
Markup on lease liabilities		9,504	-
		96,876	
Lease rentals paid		(23,544)	
Balance as at 31 December		73,332	

23 OTHER CREDITORS AND ACCRUALS

	Note	2019	2018
Agent commission payable		292,645	238,332
Cash margin against performance bonds		62,604	16,254
Federal excise duty and sales tax		39,803	4,370
Federal Insurance Fee		2,940	1,521
Workers' welfare fund	23.1	22,110	15,003
Accrued expenses	23.2	98,653	82,066
Tax deducted at source		8,928	13,913
Payable to Participant Fund		72	-
Others	23.3	14,565	16,599
		542,320	388,058

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23.1 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 (becoming applicable for all commercial organizations) to be void. Based on the above developments, the Company decided not to make provision against WWF for the year 2016 and 2017, however being prudent prior periods provision has not been reversed.

During the year, provincial assembly of the Punjab has through notification dated 10 December 2019 has published The Punjab Workers Welfare Fund Act, 2019. Based on the above , management has recorded provision in respect of WWF amounting to Rs. 7.11 million.

23.2 Accrued expenses

This mainly includes provision for bonus payable to employees of Rs. 33.37 million (2018: Rs. 24.95 million)

23.3 Unclaimed insurance benefits

Others include unclaimed insurance benefits of Rs. 4.22 million (2018: Rs. 3.15 million), aging of which is given below:

	Age-wise breakup of unclaimed insurance benefits					
	1 to 6 months	**7 to 12 months**	**13 to 24 months**	**25 to 36 months**	**beyond 36 months**	**Total**
	(Rupees in thousand)					
Claims not encashed - 2019	**9**	**585**	**753**	**1,089**	**1,788**	**4,224**

	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 encashed - 2018	7	257	1,088	454	1,340	3,146

24 CONTINGENCIES AND COMMITMENTS

24.1 Tax Contingencies

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

The Company's appeal against order passed, raising a tax demand of Rs. 121.55 million under section 122(5A) of the Ordinance, was disposed of by Commissioner Inland Revenue (Appeals - I) ['CIR(A)'] through order dated 14 September 2017 for tax year 2011. While, a substantial amount of relief was allowed on issues decided in Company's favor by CIR(A) reducing the demand to Rs. 69.37 million, the treatment earlier accorded was repeated in respect of remaining issues. The Company, as well as the Department, assailed the order for cross appeals before Appellate Tribunal Inland Revenue ['Tribunal'] whereby substantial relief was given, by ATIR's order dated 17 May 2018, by reducing demand to Rs. 0.61 million. The department has filed an appeal in Lahore High Court against ATIR's order. As per Company's Tax advisor, the Company has strong case, accordingly, the appeal is likely to be decided in favor of the Company. Therefore, no provision has been made in these financial statements.

b) <u>Income tax - Tax Year 2017</u>

For tax year 2017, the tax department disputed Company's treatment on certain issues and raised the aggregate liability of Rs. 93.9 million, however, upon assailing the assessment order before the first appellate authority, additions only to the extent of Rs 5.9 million were confirmed in respect of unpaid liabilities (Rs 0.4 million) and unverified expenses (Rs 5.5 million). While the former will be claimed on payment basis, the Company has preferred an appeal before the Appellate Tribunal Inland Revenue is respect of the latter. No provision has been made in the financial statements regarding the said additions, as the management is of the view that these issues will be decided in the Company's favor as and when these are taken up by the Appellate Authorities. Therefore, no provision has been made in these financial statements.

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25	NET INSURANCE PREMIUM	2019	2018
		(Rupees in thousand)	
	Written gross premium	**2,666,478**	2,338,699
	Unearned premium reserve as at 01 January	**650,096**	673,331
	Unearned premium reserve as at 31 December	**(759,513)**	(650,096)
	Premium earned	**2,557,061**	2,361,934
	Reinsurance premium ceded	**(1,079,400)**	(1,003,837)
	Prepaid reinsurance premium ceded as at 01 January	**(270,454)**	(326,253)
	Prepaid reinsurance premium ceded as at 31 December	**376,527**	270,454
	Reinsurance expense	**(973,327)**	(1,059,636)
		1,583,734	1,302,298

26	NET INSURANCE CLAIMS	2019	2018
	Claims paid	**921,704**	1,168,455
	Outstanding claims including IBNR as at 31 December	**649,326**	532,442
	Outstanding claims including IBNR as at 01 January	**(532,442)**	(568,892)
	Claims expense	**1,038,588**	1,132,005
	Reinsurance and other recoveries received	**(277,759)**	(608,607)
	Reinsurance and other recoveries in respect of outstanding claims net of impairment as at 31 December	**(396,122)**	(293,866)
	Reinsurance and other recoveries in respect of outstanding claims net of impairment as at 01 January	**293,866**	388,434
	Reinsurance and other recoveries revenue	**(380,015)**	(514,039)
		658,573	617,966

26.1 Claim Development

The following table shows the development of fire, marine and others including miscellaneous claims over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For other classes of business the uncertainty about the amount and timings of claims payment is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at 31 December 2019.

	Accident year					
	2015 and prior	2016	2017	2018	2019	Total
Estimate of ultimate claims cost						
At the end of accident year with IBNR	295,983	476,945	412,866	638,739	444,627	2,269,160
One year later	231,972	436,905	355,994	591,802	-	1,616,673
Two years later	219,488	430,268	344,956	-	-	994,712
Three years later	214,656	448,259	-	-	-	662,915
Four years later and prior	2,197,797	-	-	-	-	2,197,797
Current estimate of cumulative claims	2,197,797	448,259	344,956	591,802	444,627	4,027,441
Cumulative payments to date	(2,158,735)	(421,259)	(339,579)	(540,855)	(115,622)	(3,576,050)
Liability recognized	**39,062**	**27,000**	**5,377**	**50,947**	**329,005**	**451,391**

27	NET COMMISSION / ACQUISITION EXPENSE / (INCOME)	2019	2018
		(Rupees in thousand)	
	Commission paid or payable	**650,497**	552,439
	Deferred commission expense as at 01 January	**83,486**	86,770
	Deferred commission expense as at 31 December	**(68,324)**	(83,486)
	Net commission	**665,659**	555,723
	Commission received or recoverable	**(223,839)**	(279,164)
	Unearned reinsurance commission as at 01 January	**(67,929)**	(82,088)
	Unearned reinsurance commission as at 31 December	**72,961**	67,929
	Commission from reinsurance	**(218,807)**	(293,323)
		446,852	262,400

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	Note	2019	2018
		(Rupees in thousand)	
28 MANAGEMENT EXPENSES			
Employee benefit cost	28.1	**230,504**	218,369
Travelling expenses		**9,947**	5,927
Advertisement and sales promotion		**2,056**	955
Printing and stationery		**9,253**	8,512
Depreciation	5.1.4	**31,039**	14,875
Amortization	7.1.2	**1,038**	1,119
Rent, rates and taxes		**5,020**	22,380
Electricity, gas and water		**7,288**	6,166
Vehicle running expenses		**15,225**	13,921
Office repairs and maintenance		**10,080**	8,387
Bank charges		**2,189**	1,696
Postages, telegrams and telephone		**10,043**	8,728
Annual supervision fee SECP		**4,164**	3,849
Fee and subscription		**3,937**	2,802
Tracker expense		**40,771**	54,196
Training and development		**3,084**	3,008
Inspection fee		**937**	1,133
Bad and doubtful debts	12 & 13	**792**	16,215
Miscellaneous expenses		**9,151**	5,497
		396,518	397,735

28.1 Employee benefit cost

	2019	2018
Salaries, allowances and other benefits	**211,765**	201,999
Charges for post employment benefits	**18,739**	16,370
	230,504	218,369

28.2 Management expenses amounting to Rs. 28.08 million (2018: Rs. 23.05 million) have been allocated to Window Takaful Operations Operators fund.

	Note	2019	2018
		(Rupees in thousand)	
29 INVESTMENT INCOME			
Dividend income	29.1	**12,946**	12,874
Income from debt securities	29.2	**68,117**	10,442
Net realized gains on investments	29.3	**33,498**	12,149
Net unrealized gains on investments	29.4	**9,301**	4,732
Impairment of available for sale securities		**(11,177)**	-
Investment related expenses		**(1,830)**	(3,265)
		110,855	36,932

29.1 Dividend income

	2019	2018
- Available for sale		
Dividend income	**12,946**	12,874

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		Note	2019	2018
			(Rupees in thousand)	
29.2	**Income from debt securities**			
	- Held to maturity			
	Return on Pakistan Investment Bonds		-	476
	- Available for sale		-	-
	Return on Pakistan Investment Bonds		47,048	7,086
	Return on Sukkuk Certificate		4,280	1,454
	Return on Term Finance Certificate		6,113	1,426
	- Held for trading			
	Return on Pakistan Investment Bonds		10,676	-
			68,117	10,442
29.3	**Net realized gains on investments**			
	- Available for sale			
	Realized loss on equity securities		(12,305)	(3,465)
	Realized loss on debt securities		(492)	
	- Held for trading			
	Realized gains on debt securities		46,295	15,614
			33,498	12,149
29.4	**Net unrealized gains on investments**			
	- Held for trading			
	Net un-realized gains on investments at fair value through profit and loss account		9,301	4,732
	Total investment income		123,862	40,197
	- Impairment of available for sale securities Equity securities		(11,177)	-
	- Investment related expenses		(1,830)	(3,265)
			110,855	36,932

30 OTHER INCOME

	Note	2019	2018
Return on bank balances		53,564	35,001
Gain on disposal of property and equipment		1,237	537
Other		38	205
		54,839	35,743

31 OTHER EXPENSES

	Note	2019	2018
Insurance expenses		4,143	4,832
Legal and professional fee		8,938	7,063
Auditor's remuneration	31.2	2,014	1,833
Security expense		1,884	2,030
Miscellaneous expenses		152	333
Workers' welfare fund	23.1	7,107	-
		24,238	16,091

31.1 Other expenses amounting to Rs. 1.92 million (2018: Rs. 1.60 million) have been allocated to Window Takaful Operations Operators fund.

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31.2 Auditor's remuneration

	2019	2018
	(Rupees in thousand)	
Statutory audit fee	**650**	650
Half yearly review	**289**	289
Statutory returns	**220**	220
Certification and sundry services	**482**	482
Out of pocket expenses	**110**	110
Sales tax	**263**	82
	2,014	1,833

32 FINANCE COST

	2019	2018
Mark up on lease liabilities	**8,432**	-
Exchange loss	**316**	-
	8,748	-

32.1 Finance cost amounting to Rs. 1.07 million (2018: Rs. Nil) have been allocated to Window Takaful Operations Operators fund.

33 TAXATION

	2019	2018
Current Tax:		
Current year	**89,876**	30,244
Prior years	**2,663**	-
	92,539	30,244
Deferred Tax:		
- Temporary differences	**1,170**	(754)
- Change in tax rate	**-**	(69)
	1,170	(823)
	93,709	29,421

33.1 Relationship between tax expense and accounting profit

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

	2019	2018
	(Rupees in thousand)	
Accounting profit	**253,053**	95,188
Tax at the applicable rate of 29% (2018: 29%)	**73,385**	27,605
Tax effect of amounts that are:		
- Related to temporary differences	**17,661**	1,885
- Chargeable to tax at different rates	**-**	(69)
Prior year adjustment	**2,663**	-
	20,324	1,816
Tax expense	**93,709**	29,421

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34 EARNINGS PER SHARE - BASIC AND DILUTED

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

	2019	2018
	(Rupees in thousand)	
Net profit after tax for the year	**159,344**	65,767
	Number of shares	
Weighted average number of shares of Rs. 10 each	**50,000,000**	50,000,000
	-------------- (Rupees) ------------	
Basic earnings per share	**3.19**	1.32

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

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35 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	
	2019	2018	2019	2018	2019	2018
	(Rupees in thousand)					
Managerial remuneration	16,505	22,033	-	-	63,939	66,628
Leave fare assistance	851	551	-	-	1,545	1,666
Bonus paid	8,452	9,490	-	-	5,963	10,667
Charge for defined benefit plan	685	1,082	-	-	3,143	2,872
Contribution to defined contribution plan	825	1,102	-	-	3,197	3,225
Rent and house maintenance	3,407	3,468	-	-	-	-
Vehicle allowance	-	-	-	-	8,226	3,468
Other perquisites and allowances	2,962	364	-	-	240	1,054
	33,687	38,090	-	-	86,253	89,580
Number	1*	1	8	8	44	36

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

* This includes compensation provided to Mr. Nasar us Samad Qureshi up to March 2019, after which Mr. Abdul Haye was appointed as the Company's CEO.

36 PROVIDENT FUND TRUST

The Company operates funded contributory provident fund scheme for all its eligible employees. The following information is based on the unaudited financial statements of the provident fund for the year ended 31 December 2019:

	2019	2018
	(Rupees in thousand)	
Size of the fund	75,251	72,980
Cost / amortised cost of investments made	67,661	72,320
Percentage of investments made (based on fair value)	95.58%	99.33%
Fair value of investments	72,185	72,491

Break up of Investments

Investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Act, 2017 and the rules formulated for this purpose. The break-up of investments is as follows:

	Percentage of Investments as a % size of fund		Fair Value	
	2019	2018	2019	2018
			(Rupees in thousand)	
Mutual funds	3%	3%	2,215	1,981
Government Securities	88%	0%	63,208	-
Profit bearing bank accounts	9%	97%	6,762	70,510
	100%	100%	72,185	72,491

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37 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of directors, key management personnel, associated companies, entities with common directors and employee retirement benefit funds. The Company, in the normal course of business, carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration of directors, chief executive and key management personnel is disclosed in note 34. Contributions and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan as disclosed in note 19 and 33 of these financial statements, respectively.

Investment in related parties have been disclosed in note 9 to the financial statements. Other transactions with related parties are summarized as follows:

	2019	2018
	(Rupees in thousand)	
i) Associated undertakings and other related parties		
Premium written	**440,333**	385,190
Premium received	**509,660**	504,366
Claims paid	**385,585**	312,500
Interest income	**52,272**	30,219
Dividend Income	**415**	788
Rent paid	**2,860**	4,784
Commission paid	**97**	-
License fees and connection charges	**-**	2,125
Expense charged in respect of retirement benefit plans	**14,841**	15,686
Investment advisory Fee	**1,640**	2,693
Investments purchased	**-**	135,000
Investments sold	**71,337**	70,356
Key management personnel		
Premium written	**40**	176
Claims paid	**57**	39
ii) Period end balances		
Associated undertakings and other related parties		
Premium receivable from related parties	**56,051**	57,594
Provision for outstanding claims	**102,407**	174,157
Internet charges payable	**-**	-
Key Management Personnel		
Premium receivable	**108**	62
Provision for outstanding claims	**-**	66

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

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38 SEGMENT REPORTING

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

	31 December 2019					
	Fire and Property Damage	**Marine, Aviation and Transport**	**Motor**	**Accident & Health**	**Miscellaneous**	**Total**
	(Rupees in thousand)					
Premium receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	559,696	153,872	611,318	1,250,844	483,857	3,059,587
Federal Excise Duty	(71,621)	(20,173)	(82,975)	(128,298)	(62,745)	(365,812)
Federal Insurance Fee	(4,736)	(1,546)	(5,236)	(11,361)	(4,418)	(27,297)
Gross Written Premium (inclusive of Administrative Surcharge)	**483,339**	**132,153**	**523,107**	**1,111,185**	**416,694**	**2,666,478**
Gross direct premium	462,755	127,856	502,709	1,110,970	410,314	**2,614,604**
Facultative inward premium	18,510	-	-	-	3,886	**22,396**
Administrative surcharge	2,074	4,297	20,398	215	2,494	**29,478**
	483,339	**132,153**	**523,107**	**1,111,185**	**416,694**	**2,666,478**
Insurance premium earned	418,285	132,139	508,297	1,093,678	404,662	**2,557,061**
Insurance premium ceded to reinsurers	(388,710)	(114,592)	(23,594)	(174,919)	(271,512)	**(973,327)**
Net insurance premium	**29,575**	**17,547**	**484,703**	**918,759**	**133,150**	**1,583,734**
Commission income	78,286	26,417	689	26,981	86,434	**218,807**
Net underwriting income	**107,861**	**43,964**	**485,392**	**945,740**	**219,584**	**1,802,541**
Insurance claims	(195,689)	(60,743)	(249,845)	(392,840)	(139,471)	**(1,038,588)**
Insurance claims recovered from reinsurers	180,818	52,990	2,869	39,093	104,245	**380,015**
Net claims	(14,871)	(7,753)	(246,976)	(353,747)	(35,226)	**(658,573)**
Commission expense	(60,292)	(21,670)	(23,791)	(505,718)	(54,188)	**(665,659)**
Management expense	(64,485)	(17,631)	(110,561)	(148,248)	(55,593)	**(396,518)**
Premium deficiency reserve	-	-	-	-	-	**-**
Net insurance claims and expenses	**(139,648)**	**(47,054)**	**(381,328)**	**(1,007,713)**	**(145,007)**	**(1,720,750)**
Underwriting results	**(31,787)**	**(3,090)**	**104,064**	**(61,973)**	**74,577**	**81,791**
Net investment income						**110,855**
Rental income						**-**
Other income						**54,839**
Other expenses						**(24,238)**
Profit from window takaful operations						**38,554**
Finance Cost						**(8,748)**
Profit before tax						**253,053**
Segment assets	725,546	117,100	66,404	319,503	394,768	**1,623,321**
Unallocated assets						**2,400,441**
						4,023,762
Segment liabilities	767,775	154,535	433,970	123,441	467,766	**1,947,487**
Unallocated liabilities						**763,890**
						2,711,377

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	31 December 2018					
	Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident & Health	Miscellaneous	Total
	(Rupees in thousand)					
Premium receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	449,854	163,148	580,768	813,173	648,825	2,655,768
Federal Excise Duty	(56,237)	(20,906)	(77,522)	(72,636)	(65,578)	(292,879)
Federal Insurance Fee	(3,711)	(1,391)	(4,985)	(7,330)	(6,773)	(24,190)
Gross Written Premium (inclusive of Administrative Surcharge)	389,906	140,851	498,261	733,207	576,474	2,338,699
Gross direct premium	361,346	136,612	479,076	733,078	570,860	2,280,972
Facultative inward premium	26,098	14	47	-	2,627	28,786
Administrative surcharge	2,462	4,225	19,138	129	2,987	28,941
	389,906	140,851	498,261	733,207	576,474	2,338,699
Insurance premium earned	393,128	140,943	484,464	733,956	609,443	2,361,934
Insurance premium ceded to reinsurers	(367,359)	(120,809)	(28,627)	(99,194)	(443,647)	(1,059,636)
Net insurance premium	25,769	20,134	455,837	634,762	165,796	1,302,298
Commission income	85,994	29,629	2,487	5,049	170,164	293,323
Net underwriting income	111,763	49,763	458,324	639,811	335,960	1,595,621
Insurance claims	(278,851)	(63,532)	(269,772)	(298,182)	(221,668)	(1,132,005)
Insurance claims recovered from reinsurers	245,428	58,034	16,701	13,594	180,282	514,039
Net claims	(33,423)	(5,498)	(253,071)	(284,588)	(41,386)	(617,966)
Commission expense	(68,241)	(24,525)	(37,211)	(290,580)	(135,166)	(555,723)
Management expense	(66,310)	(23,954)	(84,738)	(124,694)	(98,039)	(397,735)
Premium deficiency reserve	-	-	-	-	-	-
Net insurance claims and expenses	(167,974)	(53,977)	(375,020)	(699,862)	(274,591)	(1,571,424)
Underwriting results	(56,211)	(4,214)	83,304	(60,051)	61,369	24,197
Net investment income						36,932
Rental income						-
Other income						35,743
Other expenses						(16,091)
Finance costs						-
Profit from window takaful operations						14,407
Profit before tax						95,188
Segment assets	430,913	111,781	107,323	113,877	427,939	1,191,833
Unallocated assets						1,995,038
						3,186,871
Segment liabilities	458,821	74,527	435,727	158,085	559,952	1,687,112
Unallocated liabilities						432,893
						2,120,005

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	Held to maturity	Available for sale	Fair value through profit and loss account	Total
	(Rupees in thousand)			
39 MOVEMENT IN INVESTMENTS				
As at beginning of previous year	25,008	120,853	428,581	**574,442**
Additions	-	830,579	1,779,058	**2,609,637**
Disposals (sales and redemptions)	(25,008)	(330,204)	(1,767,363)	**(2,122,575)**
Fair value net gains (excluding net realized gains)		(51,728)	4,732	**(46,996)**
(Discount) on investment bonds	-	-	-	**-**
Impairment/ (reversal) losses	-	-	-	**-**
At the beginning of the year	-	569,500	445,008	**1,014,508**
Additions	-	726,670	2,731,472	**3,458,142**
Disposals (sales and redemptions)	-	(299,539)	(2,734,133)	**(3,033,672)**
Fair value net gains (excluding net realized gains)	-	97,727	4,569	**102,296**
(Discount) on investment bonds	-	7,123	4,239	**11,362**
Impairment losses	-	(11,177)	-	**(11,177)**
At the end of current year	-	**1,090,304**	**451,155**	**1,541,459**

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40 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 40.1.1
- Liquidity risk - note 40.1.2
- Market risk - note 40.1.3

b) Capital adequacy risk - note 40.2

c) Insurance risk - note 40.3

40.1 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 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.

40.1.1 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		2019	2018
		(Rupees in thousand)	
Bank balances	- note 40.1.1.1	**326,725**	591,860
Investments		**1,541,459**	1,014,508
Due from insurance contract holders	- note 40.1.1.2	**616,608**	414,952
Amount due from other insurers / reinsurers	- note 40.1.1.3	**180,080**	126,352
Accrued investment income		**36,652**	7,718
Reinsurance recoveries against outstanding claims	- note 40.1.1.3	**396,122**	293,866
Loans and Other receivables		**24,420**	24,276
		3,122,066	2,473,532

40.1.1.1 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	2019	2018
				(Rupees in thousand)	
Bank Alfalah Limited	A1+	AA+	PACRA	**308,319**	534,461
Habib Bank Limited	N/A	AA+	JCR-VIS	**1**	173
The Bank of Punjab	A1+	AA	PACRA	**107**	107
Silk Bank Limited	A-2	A-	JCR-VIS	**5**	4
Summit Bank Limited	A-3	BBB-	JCR-VIS	**753**	374
Mobilink Microfinance Bank	A1	A	PACRA	**1,595**	19,017
Zarai Tarakiati Bank Limited	A1+	AAA	JCR-VIS	**7,693**	12,769
NRSP Microfinance Bank Limited	A-1	A	PACRA	**72**	2,001
Khushhali Microfinance Bank	A-1	A	JCR-VIS	**267**	9,661
Finca Microfinance Bank Limited	A-1	A	PACRA	**7,508**	3,144
Faysal Bank Limited	A1+	AA	JCR-VIS	**300**	10,149
Soneri Bank Limited	A1+	AA-	PACRA	**5**	-
The Punjab Provincial Cooperative Bank Limited	N/A	N/A	N/A	**100**	-
				326,725	591,860

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40.1.1.2 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. 31.80 million (2018: Rs. 32.91million) is shown in note 13.1. The figures shown below are exclusive of any provisions made during the year. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sector segments.

Sector wise analysis of due from insurance contract holders but unpaid is as follows:	**2019**	2018
	(Rupees in thousand)	
Financial institutions	**314,111**	77,588
Telecom sector	**19,320**	21,432
Foods & beverages	**(44)**	67
Personal Goods	**6,074**	8,107
Health	**12,932**	7,064
Textile	**83,533**	59,310
Others including miscellaneous	**212,178**	271,517
	648,104	445,085
Provision for impairment of receivables from insurance contract holders	**(31,496)**	(30,133)
	616,608	414,952

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

	2019			2018		
	Related parties	**Others**	**Total**	Related parties	Others	Total
	(Rupees in thousand)					
Up to 1 year	56,079	552,669	**608,748**	53,478	303,251	356,729
1-2 years	(27)	18,362	**18,335**	4,115	73,174	77,289
2-3 years	-	20,482	**20,482**	-	9,771	9,771
Over 3 years	-	539	**539**	-	1,296	1,296
	56,052	592,052	**648,104**	57,593	387,492	445,085

40.1.1.3 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 2019			
BB+ or above (including PRCL)	**180,385**	**396,122**	**576,507**
	180,385	**396,122**	**576,507**
As at 31 December 2018			
BB+ or above (including PRCL)	**129,128**	**293,866**	**422,994**
	129,128	**293,866**	**422,994**

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:

	2019		2018	
	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	**293,162**	**510,849**	181,936	361,013
1-2 years	**44,726**	**59,466**	39,135	74,097
2-3 years	**15,210**	**19,875**	24,014	32,094
Over 3 years	**43,024**	**59,136**	48,781	65,238
	396,122	**649,326**	293,866	532,442

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40.1.2 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 statement of financial position date, the Company has cash and bank deposits and readily marketable securities with insignificant change in value of Rs. 328.91 million (2018: Rs. 592.90 million) and Rs. 1,541.46 million (2018: Rs. Rs. 1,014.51 million) respectively.

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

	2019			
	Carrying amount	**Contractual cash flows**	**Maturity up to one year**	**Maturity after one year**
	(Rupees in thousand)			
Provision for outstanding claims	**649,326**	**649,326**	**649,326**	-
Amounts due to other insurers / reinsurers	**495,516**	**495,516**	**495,516**	-
Other creditors and accruals	**542,320**	**542,320**	**542,320**	-
	1,687,162	**1,687,162**	**1,687,162**	**-**

	2018			
	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year
	(Rupees in thousand)			
Provision for outstanding claims	532,442	532,442	532,442	-
Amounts due to other insurers / reinsurers	406,939	406,939	406,939	-
Other creditors and accruals	388,058	388,058	388,058	-
	1,327,439	1,327,439	1,327,439	-

40.1.3 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.

40.1.3.1 Interest rate risk

Interest rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instrument exposes the Company to fair value interest risk.

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

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

	2019 Effective Interest rate	**Carrying amounts Maturity up to one year**		**Carrying amounts Maturity after one year**	
		2019	2018	**2019**	2018
	%	**(Rupees in thousand)**			
Financial assets					
Bank balances	**5.53% to 12.40%**	**276,485**	298,808	-	-

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	2019 Effective Interest rate %	Carrying amounts Maturity up to one year 2019	2018	Carrying amounts Maturity after one year 2019	2018
		(Rupees in thousand)			
Investments					
TFCs and Sukkuk	**11.03% to 15.45%**	-	-	**84,657**	69,720
PIB's	**12.15% to 14.64%**	-	-	**882,905**	210,000
T.Bills	**8.74% to 13.77%**	**311,983**	445,008	**-**	-
		311,983	445,008	**967,562**	279,720

Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss account. Therefore, a change in interest rate will not affect 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 account	**Increase by 100 bps**	**Decrease by 100 bps**
	(Rupees in thousand)	
As at 31 December 2019		
Cash flow sensitivity-variable rate financial assets	**15,448**	**(15,448)**
As at 31 December 2018		
Cash flow sensitivity-variable rate financial assets	**3,839**	**(3,839)**

40.1.3.2 Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark-up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Company is exposed to price risk since it has investments amounting to Rs. 1,541.46 million (2018: Rs 1,014.51million) at the statement of financial position date. However the Company has no significant concentration of price risk.

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

Sensitivity analysis

The table below summarizes Company's equity price risk as of 31 December 2019 and 31 December 2018 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios.

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

		Fair value	**Hypothetical price change**	**Estimated fair value after hypothetical changes in price**	**Hypothetical increase/ (decrease) in Asset**	**Profit after tax**
					(Rupees in thousand)	
31 December 2019	**Available for sale**	**219,097**	**10% increase**	**241,007**	**21,910**	**15,556**
			10% decrease	**197,187**	**(21,910)**	**(15,556)**
	Held for trading	**451,156**	**10% increase**	**496,272**	**45,116**	**32,032**
			10% decrease	**406,040**	**(45,116)**	**(32,032)**
31 December 2018	Available for sale	293,222	10% increase	322,544	29,322	20,819
			10% decrease	263,900	(29,322)	(20,819)
	Held for trading	445,008	10% increase	489,509	44,501	31,596
			10% decrease	400,507	(44,501)	(31,596)

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40.1.3.3 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company's exposure to exchange rate fluctuation risk is insignificant as it hold liabilities of US $ Nil as at 31 December 2019 (2018: US $ Nil).

40.1.3.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of all financial assets and financial liabilities approximate their fair values except for certain debt instruments held. The fair values of financial instruments are disclosed in note 40 to these financial statements.

40.2 Capital adequacy risk

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

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

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

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

40.3 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 40.3.1
- Claim Risk - note 40.3.2
- Reinsurance Risk - note 40.3.3

40.3.1 Premium Risk

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

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

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

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

	Gross sum insured		Net sum insured	
	2019	2018	**2019**	2018
Fire	**57%**	57%	**12%**	22%
Marine	**31%**	28%	**60%**	28%
Motor	**2%**	3%	**13%**	22%
Accident and Health	**2%**	2%	**10%**	17%
Others including miscellaneous	**8%**	10%	**5%**	11%
	100%	100%	**100%**	100%

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

	Gross premium written		Net premium written	
	2019	2018	**2019**	2018
Fire	**18%**	17%	**2%**	2%
Marine	**5%**	6%	**1%**	1%
Motor	**20%**	21%	**31%**	34%
Accident and Health	**41%**	31%	**58%**	51%
Others including miscellaneous	**16%**	25%	**8%**	12%
	100%	100%	**100%**	100%

40.3.2 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, the 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 4.13 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 statement of financial position 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) due to 10% change in claim expense.

	Underwriting result		Shareholders' Equity	
	2019	2018	**2019**	2018
	----------------- (Rupees in thousand) -----------------			
Fire	**1,487**	3,342	**1,056**	2,373
Marine	**775**	550	**550**	390
Motor	**24,798**	25,307	**17,607**	17,968
Accident and Health	**35,375**	4,139	**25,116**	2,938
Others including Miscellaneous	**3,523**	28,459	**2,501**	20,206
	65,958	61,797	**46,830**	43,875

40.3.3 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.

Alfalah Insurance Company Limited
Notes to the Financial Statements
For the year ended 31 December 2019

41 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

		Carrying amount							Fair value			
	Note	Available for sale	Fair value through profit and loss account	Held to maturity	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2019		(Rupees in thousand)										
Financial assets - measured at fair value												
Investment - Equity securities	9	219,097	-	-	-	-	-	219,097	219,097	-	-	-
Investment - Debt securities	10	871,206	-	-	-	-	-	871,206	871,206	-	-	-
Financial assets - not measured at fair value												
Investment - Debt securities	10	-	441,855	-	-	-	-	441,855	441,855	-	-	-
Loans and other receivables*	12	-	-	-	65,581	-	-	65,581	-	-	-	-
Insurance / reinsurance receivables - unsecured and considered good*	13	-	-	-	796,688	-	-	796,688	-	-	-	-
Reinsurance recoveries against outstanding claims*	26	-	-	-	396,122	-	-	396,122	-	-	-	-
Cash and bank*	16	-	-	-	-	328,906	-	328,906	-	-	-	-
Total assets of Window Takaful Operations- Operator's Fund*	17	-	-	-	-	165,676	-	165,676	-	-	-	-
		-	441,855	-	1,258,391	494,582	-	2,194,828	441,855	-	-	-
Financial liabilities - measured at fair value												
Financial liabilities - not measured at fair value												
Underwriting provision against outstanding claims including IBNR*	26	-	-	-	-	-	649,326	649,326	-	-	-	-
Insurance / reinsurance payables*	21	-	-	-	-	-	495,516	495,516	-	-	-	-
Other creditors and accruals*	23	-	-	-	-	-	542,320	542,320	-	-	-	-
Total liabilities of Window Takaful Operations- Operator's Fund*	17	-	-	-	-	-	70,540	70,540	-	-	-	-
		-	-	-	-	-	1,757,702	1,757,702	-	-	-	-

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

Alfalah Insurance Company Limited
Notes to the Financial Statements
For the year ended 31 December 2019

	Note	Carrying amount							Fair value			
		Available for sale	Fair value through profit and loss account	Held to maturity	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2018		(Rupees in thousand)										
Financial assets - measured at fair value												
Investment - Equity securities	9	293,222	-	-	-	-	-	293,222	293,222	-	-	293,222
Investment -Debt Securities		276,278	-	-	-		-	276,278	276,278	-	-	276,278
		569,500	-	-	-	-	-	569,500	569,500	-	-	569,500
Financial assets - not measured at fair value												
Investment - Debt securities	10	-	440,276	-	-	-	-	440,276	440,276	-	-	440,276
Loans and other receivables*	12	-	-	-	36,990		-	36,990	-	-	-	-
Insurance / reinsurance receivables												
- unsecured and considered good*	13	-	-	-	541,304	-	-	541,304	-	-	-	-
Reinsurance recoveries against outstanding claims*	26	-	-	-	293,866	-	-	293,866	-	-	-	-
Cash and bank*	16	-	-	-	-	592,898	-	592,898	-	-	-	-
Total assets of Window Takaful Operations- Operator's Fund*	17	-	-	-	-	122,102	-	122,102	-	-	-	-
		-	440,276	-	872,160	715,000	-	2,027,436	440,276	-	-	440,276
Financial liabilities - measured at fair value		-	-	-	-	-	-	-	-	-	-	-
Financial liabilities - not measured at fair value												
Underwriting provision against		-	-	-	-	-		-	-	-	-	-
outstanding claims including IBNR*	26	-	-	-	-	-	532,442	532,442	-	-	-	-
Insurance / reinsurance payables*	21	-	-	-	-	-	406,939	406,939	-	-	-	-
Other creditors and accruals*	23	-	-	-	-	-	388,058	388,058	-	-	-	-
Total liabilities of Window Takaful Operations- Operator's Fund*	17	-	-	-	-	-	54,339	54,339	-	-	-	-
		-	-	-	-	-	1,381,778	1,381,778	-	-	-	-

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

Alfalah Insurance Company Limited
Notes to the Financial Statements
For the year ended 31 December 2019

42 NUMBER OF EMPLOYEES

The number of employees of the Company are as follows:	**2019**	2018
Average number of employees during the year	**230**	226
As at 31 December	**233**	226

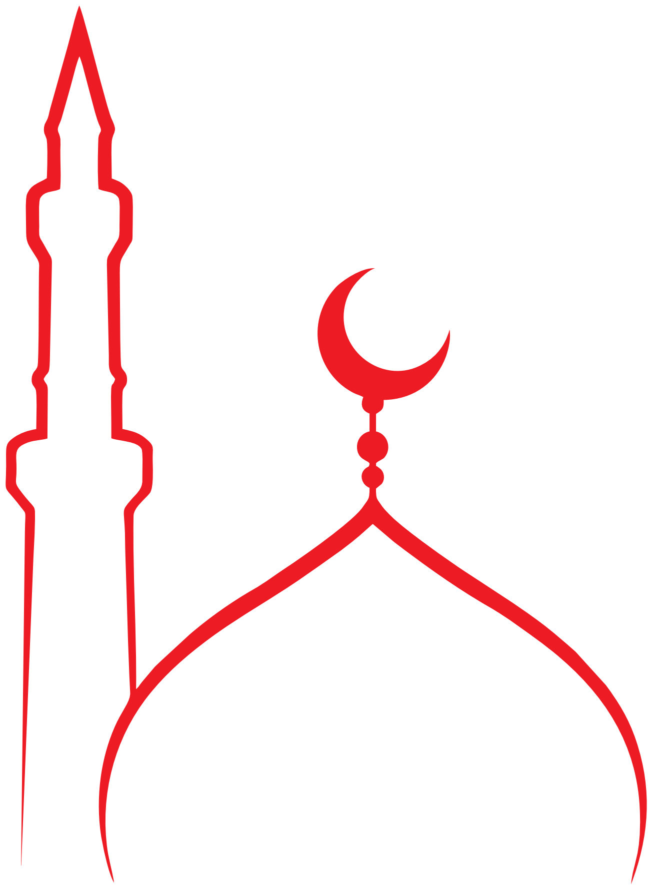
43 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors on ________________.

44 GENERAL

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

Chairman	Director	Director	Chief Executive Officer



ALFALAH INSURANCE COMPANY LIMITED WINDOW TAKAFUL OPERATIONS

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Independent Reasonable Assurance Report to the Board of Directors on the Statement of Management's Assessment of Compliance with the Takaful Rules, 2012

Introduction

We were engaged by the Board of Directors of Alfalah Insurance Company Limited (the Operator) to report on the management's assessment of compliance of the Window Takaful Operations (Takaful Operations) of the Operator, as set out in the annexed statement of compliance (the Statement) prepared by the management for the year ended 31 December 2019, with the Takaful Rules, 2012, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

Applicable criteria

The criteria against which the subject matter information (the Statement) is assessed is the Takaful Rules, 2012.

Responsibilities of the management

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

Our Independence and Quality Control

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

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

Our responsibilities and Summary of Work Performed

Our responsibility is to carry out an independent reasonable assurance engagement to express a conclusion as to whether the statement is prepared in accordance with the applicable criteria, based on our work performed and the evidences obtained.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), 'Assurance Engagements other than audits or reviews of historical financial statements (ISAE 3000) (Revised) issued by the International Auditing and Assurance Standards Board. ISAE 3000 (Revised) requires that we plan and perform our procedures to obtain reasonable level of assurance about whether the Statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules 2012, in all material respects.

The procedures selected by us for the engagement depended on our judgement, including the assessment of the, risks of the Operator's material non-compliance with the Takaful Rules, 2012, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Operator's compliance with the Takaful Rules, 2012, in order to design assurance procedures that are appropriate in the circumstances but not for the purpose of expressing a conclusion as to the effectiveness of the Operator's internal control over the Takaful Operations' compliance with the Takaful Rules, 2012. A system of internal control, because of its nature, may not prevent or detect all instances of non-compliance with the Takaful Rules, 2012, and consequently cannot provide absolute assurance that the objective of

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Independent Reasonable Assurance Report to the Board of Directors on the Statement of Management's Assessment of Compliance with the Takaful Rules, 2012

compliance with the Takaful Rules, 2012 will be met. Further, projection of any evaluation of effectiveness to future periods is subject to the risk that the controls may become inadequate or fail.

We have designed and performed necessary verification procedures on various financial arrangements, contracts, classes of transactions and related policies and procedures based on judgmental and systematic samples with regard to the compliance with Takaful Rules, 2012.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusion

In our opinion, the Statement for the year ended 31 December 2019 present fairly the status of compliance of the Takaful Operations of the Operator with the Takaful Rules, 2012, in all material respects.

Other Matter

The assurance report on the statement of management's assessment of compliance with the Takaful Rules, 2012 for the year ended 31 December 2018 was given by another firm of Chartered Accountants. The assurance report dated 21 February 2019 expressed an unmodified conclusion.

EY Ford Rhodes

EY Ford Rhodes
Chartered Accountants
Engagement Partner: Abdullah Fahad Masood
Lahore: 16 March 2020

Shariah Advisory Report to the Board of Directors
For the Period 1st Jan. 2019 to 31st Dec. 2019

The year 2019 was the Fourth year of Alfalah Insurance Company Ltd. (Window Takaful Operations), the launch of Window Takaful Operations (WTO) by Alfalah Insurance Company Ltd. (AICL) was a step towards promotion of a complete Islamic Economic System. This initiative was to provide Shariah Compliant Takaful facilities to those seeking shariah compliant alternatives to insurance.

Progress of the year:

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

1. Under the guidance of the Shariah Advisor AICL (WTO) continued to offer a host of takaful products of Motor, Marine, Property, Health and Miscellaneous for its participants.

2. Significant success has been achieved in the Takaful agreements with Islamic Banks. This year, Sharia Advisor approved two new Takaful product:
    1. “Banker’s Blanket and computer Crime Takaful Coverage for whole banking operations”.
    2. “Car a Vaan auto Takaful Coverage for Alfalah bank customers.

3. AICL (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 approved by Shariah Advisor and all the investments of Takaful are undertaken in accordance with the approved policy. Moreover, all Bank Accounts of Takaful are separate from the conventional insurance Business and are maintained in Islamic Banks.

5. ALHAMDULILLAH This year PTF has started repaying its Qard e Hasna to operator after maintaining its solvency level.

Shariah Certification:

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

- I have carefully reviewed all the products of AICL (WTO) including Waqf Deed, PTF Policies, Takaful Policies and Re-Takaful Agreements etc. And Alhamdulillah I have found them in accordance with Shariah Principles. Further, I confirm that the Takaful Policies issued during the year under review are in accordance with the guidelines of Shariah.
- The management of AICL (WTO) continuously seeks advice and guidance regarding Shariah before launching any Takaful product. Furthermore, all the Takaful products are developed through consultation with the Shariah Compliance Officer and in accordance to the guidelines provided by Shariah Advisor.
- Segregation of Window Takaful Operations is the essential part of valid Takaful contracts. I am pleased to state that AICL (WTO) has made it a priority to separate all the Takaful Funds, Investments, Bank Accounts, Systems and other related issues from its conventional insurance business, as per requirement of Shariah.
- For the fulfillment of the financial needs of window Takaful Operations, Shariah Compliant Funds were arranged and the expenses of Takaful including the seed money of Waqf were made with these compliant funds.
- Training and Development is an imperative for understanding the principles of Takaful and its practical outline. For this purpose AICL (WTO) fulfilled its responsibility and arranged Takaful training for head office and branch staff, I hope AICL (WTO) will continue to invest in its human capital to ensure complete compliance of shariah principles at business and operational levels.
- In the end; I pray to that may Allah Almighty accept our efforts and enable us to perform our duties in the best manner. May Allah Almighty grant us success and help us at every step, keep us away from every hindrance and difficulty, and give financial success to Alfalah Insurance Company Ltd. (Window Takaful Operations).

Wassalam

Dr. Khalil Ahmad Aazami
Shariah Advisor
Alfalah Insurance Company Limited
(Window Takaful Operation)

☆ میں نے الفلاح انشورنس کمپنی (ونڈو تکافل آپریشن) کی تمام دستاویزات بشمول وقف ڈیڈ، پی۔ٹی۔ ایف پالیسیوں، تکافل پالیسیوں اور ری تکافل معاہدات وغیرہ کا احتیاط سے جائزہ لیا ھے اور اَلحمدُللہ میں نے ان کو شریعہ اصولوں سے ہم آہنگ پایا ہے۔ مذید یہ کہ دوران سال جاری کی جانے والی تکافل پالیسیاں شریعہ کی ہدایات کے مطابق جاری کی گئی ہیں۔

☆ ونڈو تکافل کے مرکزی دفتر کا پرعزم عملہ، کسی بھی تکافل پالیسی کے اجراءسے قبل شریعہ کی رہنمائی اور مشورہ لیتا ہے اور ہمیشہ شریعہ کمپلائنس آفیسر کے مشورہ اور شریعہ ایڈوائزر کی جانب سے فراہم کردہ ہدایات کے مطابق ہی تکافل پالیسیاں بناتا ہے۔

☆ ونڈو تکافل آپریشنز کی علیحدگی درست تکافل معاہدوں کا جزو لازم ہے۔ میں یہ بات بیان کرتے ہوئے خوشی محسوس کر رہا ہوں کہ الفلاح انشورنس کمپنی (ونڈو تکافل آپریشن) نے اس بات کو ترجیحی بنیادوں پر ممکن بنایا ہے کہ اس کے تمام تکافل فنڈز، سرمایہ کاری، بنک اکاؤنٹس، سسٹمز اور دوسرے متعلقہ معاملات کو روایتی انشورنس کے کاروبار سے الگ رکھا جائے جیسا کہ شریعت کا تقاضا ہے۔

☆ ونڈو تکافل آپریشنز کی مالی ضروریات کو پورا کرنے کیلئے 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 از حد ضروری ہے، الفلاح انشورنس کمپنی (ونڈو تکافل آپریشن) نے اس معاملے میں بھی اپنی ذمہ داری کو پورا کیا ہے اور ہیڈ آفس اور برانچز کے عملے کیلئے تکافل کے تربیتی پروگرام کا انتظام کیا ہے، میں امید کرتا ہوں کہ الفلاح انشورنس کمپنی (ونڈو تکافل آپریشن) کاروباری و انتظامی سطح پر شریعہ اصولوں کی مکمل پاسداری یقینی بنانے کے لئے اپنی افرادی قوت پر خرچ کرتا رہے گا۔

☆ اختتام پر میں اللہ تعالی سے دعا گو ہوں، کہ اللہ تعالی ہماری کوششوں کو قبول فرمائے اور ہمیں اس قابل بنائے کہ ہم اپنی ذمہ داریاں بہترین طریقے سے پوری کر سکیں۔ اللہ تعالی ہمیں کامیابی عطا کرے اور ہر قدم پر ہماری مدد کرے، ہمیں ہر مشکل اور رکاوٹ سے دور رکھے اور الفلاح انشورنس کمپنی لمیٹڈ (ونڈو تکافل آپریشنز) کو مالی کامیابی سے ہمکنار کرے۔

والسلام

ڈاکٹر خلیل احمد اعظمی
شریعہ مشیر
الفلاح انشورنس کمپنی لمیٹڈ
(ونڈو تکافل آپریشن)

بورڈ آف ڈائریکٹرز کو پیش کردہ ۳۱ دسمبر ۲۰۱۹ کو اختتام پذیر سال کی

شریعہ ایڈوائزری رپورٹ

۲۰۱۹ کا سال الفلاح انشورنس کمپنی (ونڈو تکافل آپریشن) کا چوتھا سال تھا۔ الفلاح انشورنس لمیٹڈ نے ونڈو تکافل آپریشنز کا اجراء کرتے ہوئے ایک مکمل اسلامی معاشی نظام کی اشاعت کی جانب ایک اہم قدم اٹھایا ہے ۔ یہ قدم پاکستان کے لوگوں کو شریعہ کمپلائنٹ تکافل کی سہولیات پہنچانے کے لئے اٹھایا گیا ہے۔

سال کی پیشرفت

اس عرصے کے دوران الفلاح انشورنس کمپنی (ونڈو تکافل آپریشن) نے قابل ذکر کامیابیاں حاصل کی ہیں، جن کی تفصیل مندرجہ ذیل ہے:

1۔ شریعہ ایڈوائزر کی رہنمائی میں الفلاح انشورنس کمپنی (ونڈو تکافل آپریشن) نے موٹر، میرین، املاک، صحت اور متفرق تکافل کی خدمات اپنے صارفین / حصہ داروں کو پیش کیں۔

2۔ اسلامی بینکوں کے ساتھ تکافل کے معاہدوں میں قابل ذکر کامیابیاں حاصل ہوئی ہیں۔

اس سال ہم نے نے دو نئی تکافل مصنوعات کی منظوری دی ہے۔

1۔ "بینکاری اور کمپیوٹر کے جرائم سے متعلق بینکوں کے تمام آپریشنز کیلئے تکافل تحفظ"۔

2۔ "الفلاح بنک کے گاہکوں کے لئے "کار اے وان" کے نام سے موٹر تکافل تحفظ"۔

3۔ الفلاح انشورنس کمپنی (ونڈو تکافل آپریشن) نے خاص طور پر ایک مستقل تکافل ایڈمنسٹریشن سسٹم کا نفاذ کیا ہے جو ونڈو تکافل آپریشنز کی تمام ذمہ داریوں کو نبھا رہا ہے۔

4۔ تکافل فنڈز سے سرمایہ کاری کیلئے شریعہ ایڈوائزر نے ایک شریعہ کمپلائنٹ سرمایہ کاری پالیسی کی منظوری دی ہے۔ تکافل فنڈز کی سرمایہ کاری کے تمام امور اسی پالیسی کے تحت طے پاتے ہیں۔ مزید بر آں، تکافل کے تمام بنک اکاؤنٹس کو روایتی انشورنس سے علیحدہ رکھنے کا اہتمام کیا گیا ہے۔ اور یہ اکاؤنٹس اسلامی بینکوں کے ذریعے چلائے جاتے ہیں۔

5۔ اَلحمدُللہ، اس سال پی۔ٹی۔ایف نے اپنے سالوینسی لیول کو برقرار رکھتے ہوئے آپریٹر کو قرض حسنہ کی واپسی شروع کر دی ہے۔

شریعت کی سند

الفلاح انشورنس کمپنی (ونڈو تکافل آپریشن) کے شریعہ مشیر کی حیثیت سے میں تصدیق کرتا ہوں کہ

Statement of Compliance with the Shariah Principles

For the year ended December 31, 2019

The financial arrangements, contracts and transactions, entered into by Alfalah Insurance Company Limited - Window Takaful Operations ('the Operator') for the year ended December 31, 2019 are in compliance with the Takaful Rules, 2012.

Further, we confirm that:

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

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

- All the products and policies have been approved by Shariah Advisor and the financial arrangements including investments made, policies, contracts and transactions entered into by Window Takaful Operations are in accordance with the polices approved by Shariah Advisor; and

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

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

Chief Executive Officer

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EY Ford Rhodes
Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT

To the members of Alfalah Insurance Company Limited - Window Takaful Operations

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Alfalah Insurance Company Limited (the Operator), - Window Takaful Operations (the Operations), which comprise the statement of financial position as at 31 December 2019, and the profit and loss account, the statement of comprehensive income, the statement of changes in operator's fund and participant's takaful fund and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in operator's fund and participant's takaful fund and the cash flow statement together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Operator's operations as at 31 December 2019 and of the profit/surplus, total comprehensive income, the changes in operator's fund and participant's takaful fund and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Operator in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Insurance Ordinance, 2000 and, Companies Act, 2017 (XIX of 2017), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Operator's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Operator or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Operator's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and

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INDEPENDENT AUDITOR'S REPORT

perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Operator's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainly exists related to events or conditions that may cast significant doubt on the Operator's ability to continue as a going concern. If we conclude that a material uncertainly exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Operator to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Operator as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in operator's fund and participant's takaful fund and the cash flow statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XIX of 2017), and are in agreement with the books of account;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Operator's business; and

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

Other Matter

The financial statements for the year ended 31 December 2018 were audited by another firm of chartered accountants. The audit report dated 21 February 2019 expressed an unmodified opinion.

The engagement partner on the audit resulting in this independent auditor's report is Abdullah Fahad Masood.

EY Ford Rhodes

EY Ford Rhodes
Chartered Accountants
Lahore: 16 March 2020

Alfalah Insurance Company Limited
Window Takaful Operations
Statement of Financial Position
As at 31 December 2019

	Note	2019 Operator's Fund	2019 Participants' Takaful Fund	2019 Aggregate	2018 Aggregate
ASSETS		------ (Rupees in thousand) ------			
Operating assets	5	104	-	**104**	41
Wakala and mudarib fee receivable		17,984	-	**17,984**	18,527
Loans and other receivables		994	2,839	**3,833**	-
Takaful / retakaful receivables	6	267	39,638	**39,905**	27,454
Retakaful recoveries against outstanding claims		-	10,589	**10,589**	13,108
Salvage recoveries accrued		-	4,458	**4,458**	2,501
Qard-e-Hasna to Participants' Takaful Fund	7	25,000	-	**25,000**	30,000
Deferred commission expense / acquisition cost	20	6,903	-	**6,903**	8,273
Deferred wakala fee	15	-	40,151	**40,151**	32,511
Taxation - payments less provision		-	4,083	**4,083**	1,240
Prepayments	8	-	15,461	**15,461**	12,377
Cash and bank	9	114,424	226,384	**340,808**	222,779
TOTAL ASSETS		165,676	343,603	**509,279**	368,811
RESERVES AND LIABILITIES					
RESERVES ATTRIBUTABLE TO OPERATOR AND PARTICIPANTS					
Operator's Reserves:					
Statutory reserve	10	50,000	-	**50,000**	50,000
Unappropriated profit		45,136	-	**45,136**	17,763
Total operator reserve		95,136	-	**95,136**	67,763
Participants' Takaful Fund (PTF)					
Seed money		-	500	**500**	500
Accumulated surplus / (deficit)		-	25,133	**25,133**	(2,955)
Balance of Participants' Takaful Fund		-	25,633	**25,633**	(2,455)
Qard-e-Hasna from Operators' Fund		-	25,000	**25,000**	30,000
LIABILITIES					
Underwriting provisions:					
Outstanding claims including IBNR	14	-	76,578	**76,578**	52,913
Unearned contribution reserve	13	-	134,888	**134,888**	109,248
Unearned retakaful rebate	17	-	2,385	**2,385**	1,912
Contribution received in advance		-	3,370	**3,370**	2,253
Re takaful / Co-takaful payables		-	43,681	**43,681**	12,184
Wakala and mudarib fee payable		-	17,984	**17,984**	18,527
Unearned wakala fee	15	40,151	-	**40,151**	32,511
Other creditors and accruals	11	30,389	14,084	**44,473**	43,955
TOTAL LIABILITIES		70,540	292,970	**363,510**	273,503
TOTAL FUND AND LIABILITIES		165,676	343,603	**509,279**	368,811
CONTINGENCIES AND COMMITMENTS	12				

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

Chairman	Director	Director	Chief Executive Officer

Alfalah Insurance Company Limited
Window Takaful Operations
Profit and Loss Account
For the year ended 31 December 2019

	Note	2019	2018
Participants' revenue account		(Rupees in thousand)	
Net contributions revenue	13	263,334	194,363
Net claims	14	(147,832)	(105,898)
Wakala fee	15	(87,090)	(62,847)
Direct expenses	16	(24,229)	(27,663)
Rebate on re-takaful	17	7,513	5,430
Claims and acquisition expenses		(251,638)	(190,978)
Underwriting surplus / (deficit)		11,696	3,385
Investment income - net	18	-	2,227
Mudarib's share of investment income		(5,476)	(557)
Other income	19	21,868	4,902
Surplus for the year		28,088	9,957
Operators' revenue account			
Wakala fee	15	87,090	62,847
Commission expense	20	(18,848)	(16,987)
Management expenses	21	(37,267)	(30,686)
		30,975	15,174
Investment income - net	18	-	1,166
Mudarib's share of PTF investment income		5,476	557
Other income	19	7,037	951
Other expenses	22	(3,862)	(3,441)
Finance cost		(1,072)	-
Profit before taxation		38,554	14,407
Taxation	23	(11,181)	(4,178)
Profit after taxation		27,373	10,229

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

Chairman	Director	Director	Chief Executive Officer

Alfalah Insurance Company Limited
Window Takaful Operations
Statement of Comprehensive Income
For the year ended 31 December 2019

	2019	2018
	(Rupees in thousand)	
Profit after taxation	**27,373**	10,229
Other comprehensive income		
Items that will not be reclassified to profit and loss account:		
Re-measurement loss on defined benefit obligations	**-**	-
Total comprehensive income	**27,373**	10,229

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

Chairman	Director	Director	Chief Executive Officer

Alfalah Insurance Company Limited
Window Takaful Operations
Statement of Cash Flows
For the year ended 31 December 2019

	2019			2018		
	Operator's Fund	Participants' Takaful Fund	Aggregate	Operator's Fund	Participants' Takaful Fund	Aggregate
Operating cash flows	--------------------------	----------------	(Rupees in thousand)	----------------	----------------	--------------------------
(a) Takaful activities						
Contributions received	-	333,001	**333,001**	-	257,817	257,817
Retakaful contribution paid	-	(23,881)	**(23,881)**	-	(39,364)	(39,364)
Retakaful rebate received	-	5,993	**5,993**	-	4,035	4,035
Claims paid	-	(125,318)	**(125,318)**	-	(113,706)	(113,706)
Commissions paid	(19,455)	-	**(19,455)**	(15,201)	-	(15,201)
Retakaful recoveries received	-	3,670	**3,670**		17,126	17,126
Management expenses	(37,714)	(25,317)	**(63,031)**	(25,825)	(27,428)	(53,253)
Net cash inflows from takaful activities	**(57,169)**	**168,148**	**110,979**	(41,026)	98,480	57,454
(b) Other operating activities						
Income tax paid	-	(2,843)	**(2,843)**	-	(752)	(752)
Other operating payments	89,920	(106,080)	**(16,160)**	59,788	(68,990)	(9,202)
Loans disbursed	(351)	-	**(351)**	-	-	-
Loans repaid	292	-	**292**	-	-	-
Net cash outflows from other operating activities	**89,861**	**(108,923)**	**(19,062)**	59,788	(69,742)	(9,954)
Total cash inflows from operating activities	**32,692**	**59,225**	**91,917**	18,762	28,738	47,500
Investment activities						
Profit/ return received	11,576	14,641	**26,217**	2,674	6,572	9,246
Qard-e-Hasna repayment by Participant's Takaful Fund	5,000	-	**5,000**	(5,000)	-	(5,000)
Receipts from investments	-	-	**-**	25,000	25,000	50,000
Fixed capital expenditure	(105)	-	**(105)**	-	-	-
Total cash inflows from investing activities	**16,471**	**14,641**	**31,112**	22,674	31,572	54,246
Financing activities						
Qard-e-Hasna repayment to Operator's Fund	-	(5,000)	**(5,000)**	-	5,000	5,000
Total cash (outflow) / inflows from financing activities	-	(5,000)	**(5,000)**	-	5,000	5,000
Net cash inflow during the year	**49,163**	**68,866**	**118,029**	41,436	65,310	106,746
Cash at the beginning of the year	**65,261**	**157,518**	**222,779**	23,825	92,208	116,033
Cash at the end of the year	**114,424**	**226,384**	**340,808**	65,261	157,518	222,779
Reconciliation to profit and loss account						
Operating cash flows	32,692	59,225	**91,917**	18,762	28,738	47,500
Depreciation	(42)	-	**(42)**	(21)	-	(21)
Increase in assets other than cash	(1,590)	26,277	**24,687**	(6,493)	36,720	30,227
Increase in liabilities	(16,200)	(73,806)	**(90,006)**	(4,693)	(62,073)	(66,766)
Return on bank deposits	12,513	16,392	**28,905**	2,674	6,572	9,246
Net surplus for the year	**27,373**	**28,088**	**55,461**	10,229	9,957	20,186

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

Chairman	Director	Director	Chief Executive Officer

Alfalah Insurance Company Limited
Window Takaful Operations
Statement of Changes in Operator's Fund
For the year ended 31 December 2019

(Rupees in thousand)

	Statutory reserve	Unappropriated Profit	Total
Balance as at 1 January 2018	50,000	7,534	**57,534**
Total comprehensive income for the year			
Profit after taxation	-	10,229	**10,229**
Other comprehensive income for the year	-	-	**-**
Total comprehensive income for the year	-	10,229	**10,229**
Balance as at 31 December 2018	**50,000**	**17,763**	**67,763**
Total comprehensive income for the year:			
Profit after taxation	-	27,373	**27,373**
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	27,373	**27,373**
Balance as at 31 December 2019	**50,000**	**45,136**	**95,136**

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

Chairman	Director	Director	Chief Executive Officer

Alfalah Insurance Company Limited
Window Takaful Operations
Statement of Changes in Participant's Takaful Fund
For the year ended 31 December 2019

(Rupees in thousand)

	Seed money	Accumulated Surplus	Total
Balance as at 1 January 2018	500	(12,912)	**(12,412)**
Total comprehensive income for the year:			
Surplus for the year	-	9,957	**9,957**
Other comprehensive income for the year	-	-	**-**
Total comprehensive income for the year	-	9,957	**9,957**
Balance as at 31 December 2018	**500**	**(2,955)**	**(2,455)**
Total comprehensive income for the year:			
Surplus for the year	-	28,088	**28,088**
Other comprehensive income for the year	-	-	**-**
Total comprehensive income for the year	-	28,088	28,088
Balance as at 31 December 2019	**500**	**25,133**	**25,633**

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

Chairman	Director	Director	Chief Executive Officer

Alfalah Insurance Company Limited
Window Takaful Operations
Notes to the Financial Statements
For the year ended 31 December 2019

1 REPORTING ENTITY

1.1 Legal status and nature of business

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

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

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

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 Statement of compliance

2.1.1 These financial statements have been prepared in accordance with accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017 and the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and the Takaful Rules, 2012.

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

2.1.2 These financial statements have been prepared in line with the format issued by SECP through Insurance Rules, 2017, and SECP Circular No. 25 of 2015 dated July 09, 2015.

2.1.3 These financial statements reflect the financial position and results of operations of both the Operator's Fund and Participants' Takaful Fund in a manner that the assets, liabilities, income and expenses of the Operator's Fund and PTF remain separately identifiable.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

Alfalah Insurance Company Limited
Window Takaful Operations
Notes to the Financial Statements
For the year ended 31 December 2019

2.4 Use of judgment and estimates

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

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

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

		Note
-	Residual values and useful lives of property and equipment	4.1
-	Classification of takaful Contracts	4.4
-	Provision for unearned contributions	4.5
-	Rebate from retakaful operators	4.19
-	Outstanding claims (including IBNR) and reinsurance recoveries there against	4.12
-	Contribution deficiency reserve	4.13
-	Defined benefit plans	4.16
-	Segment reporting	4.22

3 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

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

The accounting policies adopted are consistent with those of the previous financial period, except for the following new and amended standards and interpretations effective for annual period beginning on 01 January 2019, as listed below. The Operator has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New Standards, Interpretations and Amendments

IFRS 14	Regulatory Deferral Accounts
IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
IAS 28	Long-term Interests in Associates and Joint Ventures — (Amendments)
IAS 19	Plant Amendment, Curtailment or Settlement — (Amendments)
IFRS 3	Business Combinations - Previously held Interests in a joint operation — (AIP)
IFRS 11	Joint Arrangements - Previously held Interests in a joint operation — (AIP)
IAS 12	Income Taxes - Income tax consequences of payments on financial instruments classified as equity — (AIP)
IAS 23	Borrowing Costs - Borrowing costs eligible for capitalization — (AIP)

The adoption of interpretations and amendments applied for the first time in the year did not have any impact on the financial statements of the Operator.

Alfalah Insurance Company Limited
Window Takaful Operations
Notes to the Financial Statements
For the year ended 31 December 2019

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

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

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 3	Definition of a business — (Amendments)	1 January 2020
IAS 1 and IAS 8	Definition of Material — (Amendments)	1 January 2020
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform — (Amendments)	1 January 2020

The above 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 and conceptual framework have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2020.

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements.

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

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 1	First Time Adoption of IFRS	1 July 2019
IFRS 17	Insurance Contracts	1 January 2021

The management in consultation with Insurance Association of Pakistan, is in the process of determining the effect of application of IFRS 17.

3.3 Amendments to IFRS 4 applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts

The Company meets the eligibility criteria of the temporary exemption from IFRS 9 and intends to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) of annual reporting periods beginning on or after 1 January 2021, as allowed by the amendments contained in Annual Improvements to IFRS Standards 2015-2017 Cycle.

The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 and continue to apply IAS 39 to financial assets and liabilities. An entity may apply the temporary exemption from IFRS 9 if:

(i) it has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as FVPL; and

(ii) its activities are predominantly connected with insurance on its annual reporting date.

Alfalah Insurance Company Limited
Window Takaful Operations
Notes to the Financial Statements
For the year ended 31 December 2019

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements.

4.1 Operating assets

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

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

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

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

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

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

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

4.2 Financial instruments

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

4.2.1 Non-derivative financial assets

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

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

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

Financial assets at fair value through profit and loss account

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

Held to maturity financial assets

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

Loans and receivables

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

Available for sale financial assets

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

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

4.2.2 Non-derivative financial liabilities

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

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

The Operator classifies financial liabilities recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are

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measured at amortized cost using the effective interest method. Financial liabilities mainly includes other creditors and accruals.

4.2.3 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Operator has legal enforceable right to set off the recognized amount and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

4.3 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

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

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

Non-financial assets

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

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

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4.4 Takaful contracts

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

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

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

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

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

These contracts are provided to all types of customers based on assessment of takaful risk by the Operator. Normally personal takaful contracts e.g. vehicle, personal accident, etc. are provided to individual customers, whereas, takaful contracts of fire and property damage, marine, aviation and transport, health and other commercial line products are provided to commercial organizations.
Fire and property damage takaful contracts mainly compensate the Operator's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the takaful properties in their business activities.

Marine takaful covers the loss or damage of vessels, cargo, terminals, and any transport or property by which cargo is transferred, acquired, or held between the points of origin and final destination.
Motor takaful provides protection against losses incurred as a result of theft, traffic accidents and against third party liability that could be incurred in an accident.

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

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

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

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4.5 Provision for unearned contributions

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

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

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

4.6 Receivables and Payables related to takaful contracts

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

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

4.7 Retakaful contracts held

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

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

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

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

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

4.8 Retakaful expense

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

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

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

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4.9 Commission expense/ acquisition cost

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

4.10 Deferred commission expense/ acquisition cost

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

4.11 Claims expense

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

4.12 Outstanding claims including incurred but not reported (IBNR)

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

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

Claims incurred but not reported

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

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

As required under the Guidelines, the Operator uses CLM by involving an actuary for determination of provision against IBNR. Accordingly, the actuarial valuation as at 31 December 2019 has been carried out by independent firm of actuaries for determination of IBNR for each class of business. The actuarial valuation is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions (as explained in preceding paragraph) that may include a margin for adverse deviation as required / allowed under the Guidelines. The method used, and the estimates made, are reviewed annually.

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4.13 Contribution deficiency reserve

The Operator maintains a provision in respect of contribution deficiency (also called unexpired risk reserve) on aggregation basis where the unearned contribution liability is not adequate to meet the expected future liability, after retakaful, from claims and other claim handling expenses expected to be incurred after the statement of financial position date in respect of the unexpired policies as at the statement of financial position date. The movement in the contribution deficiency reserve is recorded as an expense/ income in the profit and loss account for the year.

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

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

4.14 Wakala fee and Mudarib Share

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

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

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

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

4.15 Cash and Cash equivalents

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

4.16 Employees benefit

Salaries, wages and benefits are accrued in the period in which the associated services are rendered by employees of the Operator and measured on an undiscounted basis.

Alfalah Insurance Company Limited has undertaken for employee benefit cost of the Operator.

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4.17 Creditors and accruals

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

4.18 Provisions and contingencies

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

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

4.19 Revenue recognition

4.19.1 Participant's' Takaful Fund

Contribution

Contribution income under a policy is recognized in line with note 4.4 of these financial statements.

Rebate from retakaful operators

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

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

Participants' Takaful Fund / Operator's Fund

Investment Income

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

Miscellaneous Income

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

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4.20 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 contribution written. Expenses not allocable to the underwriting business are charged as other expenses.

4.21 Taxation

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

4.22 Segment reporting

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

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

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

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

4.23 Salvage recoveries

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

4.24 Takaful Surplus

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

4.25 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.

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	Note	2019 OPF	2019 PTF	2019 Aggregate	2018 Aggregate
		---------(Rupees in thousand)----------			
5 OPERATING ASSETS					
Opening balance - net book value		41	-	**41**	62
Additions during the year	**5.1**	105	-	**105**	-
Less: Book value of disposals during the year		-	-	**-**	-
Depreciation charged during the year		(42)	-	**(42)**	(21)
		(42)	-	**(42)**	(21)
		104	-	**104**	41
5.1 Additions during the year					
Computer equipment		105	-	**105**	-

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

	2019 OPF	2019 PTF	2019 Aggregate	2018 Aggregate
6 TAKAFUL / RE-TAKAFUL RECEIVABLES - UNSECURED AND CONSIDERED GOOD				
Contribution due from contract holders	-	28,858	**28,858**	22,415
Less : provision for impairment of receivables from takaful contract holders	-	(894)	**(894)**	(1,436)
	-	27,964	**27,964**	20,979
Amount due from other takaful / retakaful operator	267	11,790	**12,057**	6,475
Less : provision for impairment of due from other takaful / re-takaful operator	-	(116)	**(116)**	-
	267	11,674	**11,941**	6,475
	267	39,638	**39,905**	27,454
6.1 Provision for impairment for receivables from takaful contract holders				
Balance as at 01 January	-	1,436	**1,436**	-
Addition made during the year	-	(542)	**(542)**	1,436
Balance as at 31 December	-	894	**894**	1,436
6.2 Provision for impairment of due from other takaful / retakaful operator				
Balance as at 01 January	-	-	**-**	-
Addition made during the year	-	116	**116**	-
Balance as at 31 December	-	116	**116**	-

7 QARD - E - HASNA

In accordance with the Takaful Rules, 2012, if at any point in time, assets in participant takaful fund are not sufficient to cover its liabilities, the deficit shall be funded by way of an interest free loan (Qard-e-Hasna) from Operator Fund. In the event of future surplus in the Participant Takaful Fund to which a Qard-e-Hasna has been made, the Qard-e-Hasna shall be repaid prior to distribution of surplus to participants.

	Note	2019 OPF	2019 PTF	2019 Aggregate	2018 Aggregate
8 PREPAYMENTS		---------(Rupees in thousand)----------			
Prepaid retakaful contribution ceded		-	15,461	**15,461**	12,377
9 CASH AND BANK					
Cash at bank					
Cash in hand		9	-	**9**	24
Savings accounts	**9.1**	114,415	226,384	**340,799**	222,755
		114,424	226,384	**340,808**	222,779

9.1 The rate of profit on profit and loss sharing accounts from bank range from 4.04% to 12.75% (2018: 4.04% to 9.65%) per annum depending upon the size of average deposits.

9.2 Cash and bank deposits include Rs. 31.58 million (2018: Rs. 97.36 million) held with Bank Alfalah Limited (a related party).

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10 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.

11 OTHER CREDITORS AND ACCRUALS

	Note	2019			2018
		OPF	PTF	Aggregate	Aggregate
		---------(Rupees in thousand)----------			
Federal excise duty		-	2,660	**2,660**	2,461
Federal insurance fee		-	173	**173**	536
Payable to Alfalah Insurance Company Limited	11.1	18,972	-	**18,972**	17,136
Taxes payable		37	3,360	**3,397**	3,839
Agency commission payable		9,020	-	**9,020**	9,733
Accrued expenses	11.2	1,346	6,175	**7,521**	8,642
Payable to Participant's Fund		1,014	-	**1,014**	-
Others	11.3	-	1,716	**1,716**	1,608
		30,389	14,084	**44,473**	43,955

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

11.2 Accrued expenses

	2019			2018
	OPF	PTF	Aggregate	Aggregate
	---------(Rupees in thousand)----------			
Tracker expense payable	-	6,175	**6,175**	7,876
Bonus payable	790	-	**790**	491
Audit fee payable	310	-	**310**	261
Sundry expenses payable	18	-	**18**	14
Leave encashment payable	228	-	**228**	-
	1,346	6,175	**7,521**	8,642

11.3 Unclaimed insurance benefits

Others include unclaimed insurance benefits of Rs. 0.56 million (2018: Rs. 0.412 million), aging of which is given below:

	2019			2018
	OPF	PTF	Aggregate	Aggregate
	---------(Rupees in thousand)----------			
Claims not enchased				
1 to 6 months	-	-	**-**	17
7 to 12 months	-	243	**243**	255
13 to 24 months	-	177	**177**	128
25 to 36 months	-	128	**128**	12
beyond 36 months	-	12	**12**	-
	-	560	**560**	412

12 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at 31 December 2019 (2018: Nil).

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	2019	2018
13 NET CONTRIBUTIONS REVENUE	**(Rupees in thousand)**	
Written gross contribution	**338,869**	263,203
Unearned contribution reserve as at 01 January	**109,248**	73,721
Unearned contribution reserve as at 31 December	**(134,888)**	(109,248)
Contribution earned	**313,229**	227,676
Re-takaful ceded	**(52,979)**	(39,041)
Prepaid re-takaful contribution ceded 01 January	**(12,377)**	(6,649)
Prepaid re-takaful contribution 31 December	**15,461**	12,377
Re-takaful expense	**(49,895)**	(33,313)
	263,334	194,363

	2019	2018
14 NET CLAIMS		
Claims paid	**125,318**	113,706
Outstanding claims including IBNR as at 31 December	**76,578**	52,913
Outstanding claims including IBNR as at 01 January	**(52,913)**	(31,074)
Claims expense	**148,983**	135,545
Re-takaful and other recoveries received	**(3,669)**	(17,126)
Re-takaful and other recoveries in respect of outstanding claims (if any) as at 31 December	**(10,589)**	(13,108)
Re-takaful and other recoveries in respect of outstanding claims (if any) as at 01 January	**13,107**	587
Re-takaful and other recoveries revenue	**(1,151)**	(29,647)
	147,832	105,898

14.1 Claim development

The following table shows the development of fire, marine and others including miscellaneous claims over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For other classes of business the uncertainty about the amount and timings of claims payment is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at 31 December 2019.

	Accident year				
	2016	**2017**	**2018**	**2019**	**Total**
	(Rupees in thousand)				
Estimate of ultimate claims cost					
At the end of accident year with IBNR	119	615	34,218	1,998	**36,950**
One year later	104	546	34,210	-	**34,860**
Two years later	104	546	-	-	**650**
Three years later	104	-	-	-	
Current estimate of cumulative claims	104	546	34,210	1,998	**36,858**
Cumulative payments to date	(104)	(47)	(19,567)	(4,497)	**(24,215)**
Liability recognized	**-**	**499**	**14,643**	**(2,499)**	**12,643**

	2019	2018
	(Rupees in thousand)	
15 WAKALA FEE		
Gross wakala fee	**94,730**	73,492
Deferred wakala fee as at 01 January	**32,511**	21,866
Deferred wakala fee as at 31 December	**(40,151)**	(32,511)
Wakala expense	**87,090**	62,847
16 DIRECT EXPENSES - PTF		
Bank charges	**107**	89
Tracker expenses	**24,549**	26,792
(Reversal) / provision for doubtful debts	**(427)**	782
	24,229	27,663

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		2019	2018
		(Rupees in thousand)	
17	**REBATE ON RE-TAKAFUL**		
	Rebate on re-takaful received	**7,986**	6,382
	Rebate on re-takaful as at 01 January	**1,912**	960
	Rebate on re-takaful as at 31 December	**(2,385)**	(1,912)
		7,513	5,430
18	**INVESTMENT INCOME - NET**		
	Participant's Takaful Fund		
	Profit on Term deposit receipts	**-**	2,227
	Operator's Fund		
	Profit on Term deposit receipts	**-**	1,166

19 OTHER INCOME

This represents profit on savings account amounting to Rs. 21.87 million and Rs. 7.04 million (2018: Rs. 4.90 million and Rs. 0.95 million) pertaining to Participants' Takaful fund and Operator's fund respectively.

		Note	2019	2018
20	**COMMISSION EXPENSE**		(Rupees in thousand)	
	Commission paid or payable		**17,478**	19,550
	Deferred commission as at 01 January		**8,273**	5,710
	Deferred commission as at 31 December		**(6,903)**	(8,273)
			18,848	16,987
21	**MANAGEMENT EXPENSES**			
	Employee benefit cost	21.1	**19,305**	16,296
	Travelling expenses		**1,392**	752
	Advertisement and sales promotion		**283**	117
	Printing and stationery		**1,379**	1,230
	Annual supervision fee		**356**	196
	Depreciation		**3,987**	1,695
	Amortization		**132**	126
	Rent, rates and taxes		**638**	2,519
	Electricity, gas and water		**926**	694
	Vehicle running expenses		**2,188**	1,782
	Office repairs and maintenance		**3,605**	2,997
	Postages, telegrams and telephone		**1,349**	1,048
	Training and development		**601**	449
	Miscellaneous		**1,126**	785
			37,267	30,686
21.1	**Employee benefit cost**			
	Salaries allowances and other benefits		**18,021**	15,174
	Charges for post employment benefits		**1,284**	1,122
			19,305	16,296

21.2 Management expenses include reverse charge from conventional business to the Operator of Rs. 28.08 million (2018: Rs. 23.05 million) under various heads.

		Note	2019	2018
22	**OTHER EXPENSES**		(Rupees in thousand)	
	Insurance expenses		**526**	544
	Legal and professional fee		**1,136**	818
	Auditor's remuneration	22.1	**380**	361
	Shariah advisory fee		**1,560**	1,452
	Miscellaneous		**260**	266
			3,862	3,441

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	Note	2019	2018
		(Rupees in thousand)	
22.1 Auditor's remuneration			
Annual Audit Fee		**138**	138
Half year review		**83**	83
Shariah's Compliance report		**83**	83
Sales tax		**49**	30
Out of pocket		**27**	27
		380	361

22.2 Other expenses include reverse charge from conventional business of the Operator of Rs. 1.92 million (2018: Rs 1.60 million) under various heads.

	2019	2018
	(Rupees in thousand)	
23 TAXATION		
Current tax	**11,181**	4,178

24 REMUNERATION OF HEAD OF WINDOW TAKAFUL OPERATIONS

	2019	2018
Managerial remuneration	**2,280**	2,106
Leave fare assistance	**57**	53
Bonus paid	**600**	600
Charge for defined benefit plan	**94**	94
Contribution to defined contribution plan	**105**	105
Vehicle allowance	**480**	480
	3,616	3,438
	--------- (Number) ---------	
	1	1

25 TRANSACTIONS WITH RELATED PARTIES

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

Other transactions with related parties are summarized as follows:

	2019	2018
	(Rupees in thousand)	
i) Associated undertakings and other related parties		
Contribution written	**52,007**	36,819
Contribution received	**45,598**	40,013
Claims paid	**40,562**	32,385
Profit on bank deposits	**4,353**	4,082
ii) Year end balances		
Associated undertakings and other related parties		
Contribution receivable from related parties	**15,000**	1,617
Provision for outstanding claims	**5,011**	3,827

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

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26 SEGMENT REPORTING - OPF

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

	31 December 2019					
	Fire and Property Damage	**Marine, Aviation and Transport**	**Motor**	**Accident & Health**	**Miscellaneous**	**Total**
	(Rupees in thousand)					
Wakala fee	6,653	3,336	68,799	6,882	1,420	87,090
Commission expense	(3,233)	(2,056)	(13,425)	(13)	(121)	(18,848)
Management expenses	(2,473)	(1,222)	(27,649)	(5,082)	(842)	(37,267)
	947	**58**	**27,725**	**1,787**	**457**	**30,975**
Investment income - net						-
Mudarib's share of PTF investment income						**5,476**
Other income						**7,037**
Other expenses						**(3,862)**
Finance Cost						**(1,072)**
Profit before tax						**38,554**
Segment assets	4,869	504	12,979	2,504	3,565	**24,421**
Unallocated assets						**141,255**
						165,676
Segment liabilities	2,490	83	35,605	314	918	**39,410**
Unallocated liabilities						**31,130**
						70,540

	31 December 2018					
	Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident & Health	Others including Miscellaneous	Total
	(Rupees in thousand)					
Wakala fee	4,519	3,272	49,156	5,453	447	62,847
Commission expense	(2,337)	(1,905)	(12,662)	(13)	(70)	(16,987)
Management expenses	(2,271)	(1,272)	(22,689)	(4,251)	(203)	(30,686)
	(89)	95	13,805	1,189	174	15,174
Investment income - net						1,166
Mudarib's share of PTF investment income						557
Other income						951
Other expenses						(3,441)
Profit before tax						14,407
Segment assets	5,205	909	14,277	6,097	313	26,801
Unallocated assets						95,301
						122,102
Segment liabilities	3,055	133	29,474	264	212	33,138
Unallocated liabilities						21,201
						54,339

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27 SEGMENT REPORTING - PTF

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

	31 December 2019					
	Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident and Health	Miscellaneous	Total
	(Rupees in thousand)					
Contribution receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	26,002	12,743	292,157	52,172	8,930	392,004
Federal Excise Duty	(3,297)	(1,519)	(38,240)	(5,499)	(1,202)	(49,757)
Federal Insurance Fee	(221)	(110)	(2,509)	(462)	(76)	(3,378)
Gross Written Contribution (inclusive of Administrative Surcharge)	**22,484**	**11,114**	**251,408**	**46,211**	**7,652**	**338,869**
Gross Direct Contribution	21,800	10,958	250,884	46,211	7,631	**337,484**
Facultative inward contribution	684	156	524	-	21	**1,385**
	22,484	**11,114**	**251,408**	**46,211**	**7,652**	**338,869**
Contribution earned	22,176	11,120	229,326	45,880	4,727	**313,229**
Retakaful expense	(19,402)	(10,347)	(16,003)	-	(4,143)	**(49,895)**
Net contribution revenue	**2,774**	**773**	**213,323**	**45,880**	**584**	**263,334**
Net rebate on re-takaful	4,167	2,368	138	-	840	**7,513**
Net underwriting income	**6,941**	**3,141**	**213,461**	**45,880**	**1,424**	**270,847**
Takaful claims	(2,850)	6,545	(106,323)	(40,670)	(5,685)	**(148,983)**
Re-takaful and other recoveries	2,442	(5,852)	18	-	4,543	**1,151**
Net claims	(408)	693	(106,305)	(40,670)	(1,142)	**(147,832)**
Wakala expense	(6,653)	(3,336)	(68,799)	(6,882)	(1,420)	**(87,090)**
Direct expense	-	-	(24,229)	-	-	**(24,229)**
Net insurance claims and expenses	**(7,061)**	**(2,643)**	**(199,333)**	**(47,552)**	**(2,562)**	**(259,151)**
Underwriting results	**(120)**	**498**	**14,128**	**(1,672)**	**(1,138)**	**11,696**
Net investment income						**(5,476)**
Other Income						**21,868**
Profit before tax						**28,088**
Segment assets	26,794	16,471	48,135	14,348	8,814	**114,562**
Unallocated assets						**229,041**
						343,603
Segment liabilities	32,326	29,033	202,353	11,819	13,909	**289,440**
Unallocated liabilities						**3,530**
						292,970

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	31 December 2018					
	Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident & Health	Miscellaneous	Total
	---------- (Rupees in thousand) ----------					
Contribution receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	22,390	12,547	226,197	37,049	2,007	**300,190**
Federal Excise Duty	(2,718)	(1,527)	(29,647)	(225)	(247)	**(34,364)**
Federal Insurance Fee	(191)	(108)	(1,943)	(364)	(17)	**(2,623)**
Gross Written Contribution (inclusive of Administrative Surcharge)	**19,481**	**10,912**	**194,607**	**36,460**	**1,743**	**263,203**
Gross Direct Contribution	18,756	10,803	194,228	36,460	1,687	**261,934**
Facultative inward contribution	725	109	379	-	56	**1,269**
	19,481	**10,912**	**194,607**	**36,460**	**1,743**	**263,203**
Contribution earned	15,067	10,905	163,855	36,355	1,494	**227,676**
Retakaful expense	(13,093)	(9,524)	(9,407)	-	(1,289)	**(33,313)**
Net contribution revenue	**1,974**	**1,381**	**154,448**	**36,355**	**205**	**194,363**
Net rebate on re-takaful	2,790	2,179	193	-	268	**5,430**
Net underwriting income	**4,764**	**3,560**	**154,641**	**36,355**	**473**	**199,793**
Takaful claims	(196)	(28,208)	(68,558)	(5,745)	(32,838)	**(135,545)**
Re-takaful and other recoveries	147	25,346	13	-	4,141	**29,647**
Net claims	(49)	(2,862)	(68,545)	(5,745)	(28,697)	**(105,898)**
Wakala expense	4,519	3,272	49,156	5,453	447	**(62,847)**
Direct expense	-	-	(27,663)	-	-	**(27,663)**
Net insurance claims and expenses	**4,470**	**410**	**(47,052)**	**(292)**	**(28,250)**	**(196,408)**
Underwriting results	**9,234**	**3,970**	**107,589**	**36,063**	**(27,777)**	**3,385**
Net investment income						**1,670**
Other Income						**4,902**
Profit before tax						**9,957**
Segment assets	17,678	1,400	54,430	1,057	2,375	**76,940**
Unallocated assets						**169,769**
						246,709
Segment liabilities	19,526	3,384	139,368	14,980	2,241	**179,499**
Unallocated liabilities						**39,665**
						219,164

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28 RISK MANAGEMENT

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

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

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

a) Financial risk, categorized into;

- Credit risk	- note 28.1.1
- Liquidity risk	- note 28.1.2
- Market risk	- note 28.1.3
b) Capital adequacy risk	- note 28.2
c) Takaful risk	- note 28.3

28.1 Financial risk

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

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

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

28.1.1 Credit risk

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

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

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

Financial assets		**2019**	2018
		(Rupees in thousand)	
Bank balances	- note 28.1.1.1	**340,799**	222,755
Takaful / re-takaful receivables	- note 28.1.1.2	**39,905**	27,454
Retakaful recoveries against outstanding claims	- note 28.1.1.3	**10,589**	13,108
		391,293	263,317

28.1.1.1 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	**2019**	2018
				(Rupees in thousand)	
Bank Alfalah Limited	A1+	AA+	PACRA	**31,058**	97,362
Meezan Bank Limited	A-1+	AA+	JCR-VIS	**1,140**	1,059
Askari Bank Limited	A1+	AA+	PACRA	**7,308**	24,334
Dubai Islamic Bank	A-1+	AA-	JCR-VIS	**301,293**	100,000
				340,799	222,755

28.1.1.2 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 contributions due from policy holders is as follows :	**2019**	2018
	(Rupees in thousand)	
Financial institutions	**19,133**	16,549
Manufacturing	**424**	846
Construction	**-**	539
Personal Goods	**186**	581
Health & Pharmaceutical	**275**	1,044
Textile & Composite	**1,023**	319
Others including miscellaneous	**7,817**	2,537
	28,858	22,415

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

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

	2019			2018		
	Related parties	**Others**	**Total**	Related parties	Others	Total
	(Rupees in thousand)					
Up to 1 year	14,178	12,711	**26,889**	1,614	19,040	20,654
1-2 years	818	924	**1,742**	3	1,104	1,107
2-3 years	3	164	**167**	-	654	654
Over 3 years	-	60	**60**	-	-	-
	14,999	13,859	**28,858**	1,617	20,798	22,415

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

	Amount due from Takaful / Other retakaful Operators	**Retakaful recoveries against outstanding claims**	**Total**
	(Rupees in thousand)		
As at 31 December 2019			
BB+ or above	**11,674**	**10,589**	**22,263**
BBB and BBB+	**-**	**-**	**-**
	11,674	**10,589**	**22,263**
As at 31 December 2018			
BB+ or above	6,475	13,108	19,583
BBB and BBB+	-	-	-
	6,475	13,108	19,583

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

	2019		2018	
	Retakaful recoveries against outstanding claims	**Outstanding Claims including (IBNR)**	Retakaful recoveries against outstanding claims	Outstanding Claims including (IBNR)
	(Rupees in thousand)			
Up to 1 year	**10,130**	**71,680**	12,658	43,431
1-2 years	**9**	**2,506**	450	7,504
2 to 3years	**450**	**890**	-	1,978
Over 3 years	**-**	**1,502**	-	-
	10,589	**76,578**	13,108	52,913

28.1.2 **Liquidity risk**

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

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

	2019 OPF			
	Carrying amount	**Contractual cash flows**	**Maturity up to one year**	**Maturity after one year**
	(Rupees in thousand)			
Other creditors and accruals	**30,389**	**30,389**	**30,389**	-
	30,389	**30,389**	**30,389**	**-**

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	2019 PTF			
	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year
	(Rupees in thousand)			
Outstanding claims including IBNR	**76,578**	**76,578**	**76,578**	-
Re takaful / Co-takaful payables	**43,681**	**43,681**	**43,681**	-
Other creditors and accruals	**14,084**	**14,084**	**14,084**	-
	134,343	**134,343**	**134,343**	-

	2018 OPF			
	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year
	(Rupees in thousand)			
Re takaful / Co-takaful payables	807	807	807	-
Other creditors and accruals	21,021	21,021	21,021	-
	21,828	21,828	21,828	-

	2018 PTF			
	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year
	(Rupees in thousand)			
Outstanding claims including IBNR	52,913	52,913	52,913	-
Re takaful / Co-takaful payables	11,377	11,377	11,377	-
Other creditors and accruals	22,934	22,934	22,934	-
	87,224	87,224	87,224	-

28.1.3 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 balance deposits.

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

28.1.3.1 Interest rate risk

Interest rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. Floating rate instruments expose the Operator to cash flow interest risk, whereas fixed interest rate instrument exposes the Operator to fair value interest risk.

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

At the date of statement of financial position, the interest rate profile of the Operator's significant interest bearing financial instruments was as follows:

	2019 Effective Interest rate	Carrying amounts Maturity up to one year		Carrying amounts Maturity after one year	
		OPF	PTF	OPF	PTF
	%	(Rupees in thousand)			
Financial assets					
Bank balances	**4.04% to 12.75%**	**114,415**	**226,384**	-	-

	2018 Effective Interest rate	Carrying amounts Maturity up to one year		Carrying amounts Maturity after one year	
		OPF	PTF	OPF	PTF
	%	(Rupees in thousand)			
Financial assets					
Bank balances	4.04% to 9.65%	65,237	157,518	-	-
Term deposit receipt		-	-	-	-
		65,237	157,518	-	-

As on 31 December 2019, Operator had no financial instrument valued at fair value through profit and loss account.

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28.1.3.2 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.

28.1.3.3 Foreign Currency risk

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

28.2 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.

28.3 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 28.3.1
- Claim Risk - note 28.3.2
- Retakaful Risk - note 28.3.3

28.3.1 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 inspection surveys are also conducted before acceptance of larger risks. Underwriting limits and guidelines are in place to enforce appropriate risk selection criteria. For example, the Operator does not offer health takaful to walk-in individual customers. Health takaful is generally offered to corporate customers with a large population to be covered under the policy.

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

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

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

	PTF			
	Gross sum insured		Net sum insured	
	2019	2018	**2019**	2018
Fire	**45%**	44%	**17%**	19%
Marine	**36%**	36%	**12%**	13%
Motor	**15%**	16%	**59%**	57%
Accident and Health	**3%**	3%	**11%**	11%
Others including miscellaneous	**1%**	1%	**1%**	0%
	100%	100%	**100%**	100%

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

	Gross contribution written		Net contribution written	
	2019	2018	**2019**	2018
Fire	**7%**	7%	**1%**	1%
Marine	**3%**	4%	**0%**	0%
Motor	**74%**	74%	**81%**	83%
Accident and Health	**14%**	14%	**17%**	16%
Others including miscellaneous	**2%**	1%	**1%**	0%
	100%	100%	**100%**	100%

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28.3.2 Claim risk

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

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

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

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

Operator has reasonably accounted for claims that have occurred by the end of the reporting period but remain unsettled and for those that may have occurred but have not yet been notified to the operator and those that are not yet apparent to the insured. The Operator's policy for accounting of its claims has been disclosed in note. 4.11 of these financial statements.

Sensitivity analysis

The risks associated with the takaful contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Operator makes various assumptions and techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The Operator considers that the liability for takaful claims recognized in the balance sheet is adequate. However, actual experience will differ from the expected outcome.
As the Operator enters into short term takaful contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit before tax net of retakaful.

	PTF			
	Underwriting result		Shareholders' Equity	
	2019	2018	**2019**	2018
	(Rupees in thousand)			
Fire	**41**	5	**29**	4
Marine	**(69)**	2,535	**(49)**	1,800
Motor	**10,631**	6,855	**7,548**	4,867
Accident and Health	**114**	3,284	**81**	2,332
Others including Miscellaneous	**4,067**	160	**2,888**	114
	14,784	12,839	**10,497**	9,117

28.3.3 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.

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29 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

		Carrying amount				Fair value			
	Note	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2019		Rupees							
Financial assets - measured at fair value		-	-	-	-	-	-	-	-
Financial assets - not measured at fair value									
Takaful / re-takaful receivables*	6	39,905	-	-	39,905	-	-	-	-
Retakaful recoveries against outstanding claims*		10,589	-	-	10,589	-	-	-	-
Cash and bank*	9	-	340,808	-	340,808	-	-	-	-
		50,494	340,808	-	391,302	-	-	-	-
Financial liabilities - measured at fair value		-	-	-	-	-	-	-	-
Financial liabilities - not measured at fair value									
Underwriting provisions									
outstanding claims including IBNR*	14	-	-	76,578	76,578	-	-	-	-
Re takaful / Co-takaful payables*		-	-	43,681	43,681	-	-	-	-
Other creditors and accruals*	11	-	-	44,473	44,473	-	-	-	-
		-	-	164,732	164,732	-	-	-	-

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

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	Note	Carrying amount				Fair value			
		Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2018		-------------------------	-------------------------	-------------------------	--Rupees--	-------------------------	-------------------------	-------------------------	-------------------------
Financial assets - measured at fair value		-	-	-	-	-	-	-	-
Financial assets - not measured at fair value									
Takaful / re-takaful receivables*	6	27,454	-	-	27,454	-	-	-	-
Retakaful recoveries against outstanding claims*		13,108	-	-	13,108	-	-	-	-
Cash and bank*	9	-	222,779	-	222,779	-	-	-	-
		40,562	222,779	-	263,341	-	-	-	-
Financial liabilities - measured at fair value		-	-	-	-	-	-	-	-
Financial liabilities - not measured at fair value									
Underwriting provisions									
Outstanding claims including IBNR*	14	-	-	52,913	52,913	-	-	-	-
Re takaful / Co-takaful payables*		-	-	12,184	12,184	-	-	-	-
Other creditors and accruals*	11	-	-	43,955	43,955	-	-	-	-
		-	-	109,052	109,052	-	-	-	-

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

30 Subsequent events - non adjusting event

There are no significant subsequent events requiring disclosure for the year ended 31 December 2019.

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31 NUMBER OF FULL TIME EMPLOYEES

The number of employees of the Company are as follows:	**2019**	2018
Average number of employees during the year	**3**	3
As at 31 December	**3**	3

32 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Operator on 13 FEB. 2020

33 GENERAL

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

Chairman	Director	Director	Chief Executive Officer

Notice of 14th Annual General Meeting

Notice is hereby given that 14th Annual General Meeting of the Shareholders of Alfalah Insurance Company Limited (the "Company") will be held on ________, April ____, 2020 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 6th Extra Ordinary General Meeting held on August 15, 2019.

2. To receive, consider and adopt the financial statements of Conventional business and Window takaful operations for the year ended December 31, 2019 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, 2020 and to fix their remuneration.

   M/s EY Ford Rhodes, Chartered Accountants, our retiring auditors, being eligible for re-appointment, have shown their willingness to act as external auditors of the Company for the year ending December 31, 2020. The Audit Committee and Board of directors in their respective meetings have suggested and recommended M/s EY Ford Rhodes, Chartered Accountants as external and Shariah Compliance Auditors of the Company for the year ending December 31, 2020.

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

Date: ---------, 2020
Lahore

By order of the Board
Adnan Waheed
Company Secretary

Notes

1) The Share Transfer Books of the Company will be closed from ______ ___, 2020 to ______ ___, 2020 both days inclusive.

2) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another person as a proxy to attend and vote instead of him/her.

3) Every proxy shall be appointed in writing under the hand of the appointer or by an agent duly authorized under a Power of Attorney or if such appointer is a company or corporation under the Common Seal of the company or corporation or the hand of its Attorney who may be the appointer.

4) The instrument of proxy in order to be effective must reach the Company's registered address at 5-Saint Mary Park, Gulberg III, Lahore not less than 48 hours before the time for holding of the Meeting.

5) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

6) The signature on the instrument of proxy must conform to the specimen signature recorded with the Company.

7) The proxy shall produce his/her original CNIC or original passport at the time of the Meeting.

8) Shareholders are requested to notify change in their address, if any, to the Company Secretary.

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

Notes

Notes

FORM OF PROXY

The Company Secretary
Alfalah Insurance Company Limited
5-Saint Mary Park, Gulberg III, Lahore

"I/We________________________________being a member of ALFALAH INSURANCE COMPANY LIMITED hereby appoint Mr./Mrs.____of__________________or failing him Mr./Mrs.________________________________of____as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of ALFALAH INSURANCE COMPANY LIMITED to be held on April _____, 2020 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 ___________________2020

Signature: ....

Name:..

Holder of .... Ordinary Shares

WITNESSES:

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

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

پراکسی فارم

کمپنی سیکرٹری
الفلاح انشورنس کمپنی لمیٹڈ
۵۔سینٹ میری پارک، گلبرگ ااا لاہور۔

"میں / ہم________________ساکن________________بحثیت رکن الفلاح انشورنس کمپنی لمیٹڈ بزریعہ ہٰذا مسمی________________ساکن________________کو یا ان کی عدم دستیابی کی صورت میں مسمی________________ساکن________________کو میری / ہماری جانب سے پراکسی مقرر کررہاہوں تاکہ وہ الفلاح انشورنس کمپنی لمیٹڈ کے اپریل________،۲۰۲۰ء بوقت ۰۰:۱۱بجے صبح کمپنی کے رجسٹرڈ آفس ۵۔سینٹ میری پارک، گلبرگ ااا لاہور میں منعقد ہونے والے سالانہ اجلاسِ عام یا اِس کے التوائی اجلاسِ میں میری / ہماری طرف سے شرکت کرسکے یا ووٹ دے سکے۔"

دستخط بروز________بتاریخ________۲۰۲۰ء

دستخط:________________

نام:________________

حامل________________عام حصص

گواہان:

۱. دستخط:________________

نام:________________

پتہ:________________

سی این آئی سی / پاسپورٹ نمبر:________________

۲. دستخط:________________

نام:________________

پتہ:________________

سی این آئی سی / پاسپورٹ نمبر:________________

Alfalah Insurance Network

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MOTOR | ENGINEERING | FIRE | CARGO | TRAVEL | ENERGY | HEALTH | AGRICULTURE

Alfalah Insurance

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