

**A N N U A L R E P O R T** 2022

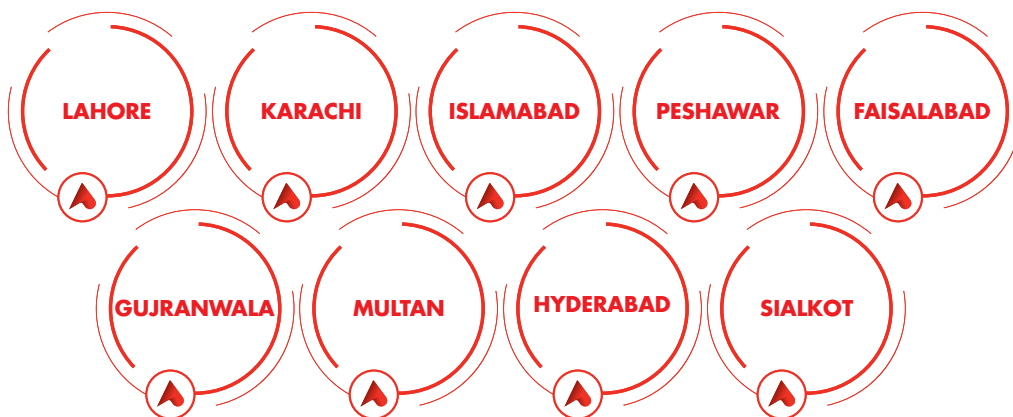
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## ABOUT US

**Alfalah Insurance Co. Ltd.** is one of the latest ventures of The Abu Dhabi Group in Pakistan that began its operations in 2007. It has its offices in:



The paid-up capital to begin operations of the Company was Rs. 230 million, almost three times the minimum paid-up capital requirement of Rs. 80 million. Through its consistent performance and issuance of bonus shares, Alfalah Insurance has increased its paid-up capital to Rs. 500 million.

Our state-of-the-art IT platform and facilities ensure the deliverance of world-class services to the public. We have also secured the support of some of the most renowned reinsurers and provide customized insurance coverages for the most complex industrial, commercial or financial risks.



## THE ABU DHABI GROUP

Abu Dhabi Group is one of the largest foreign investors in Pakistan. Bank Alfalah Limited was the first investment of The Abu Dhabi Group in Pakistan in 1997 and after the spectacular success of Bank Alfalah Limited, the Group has invested in different sectors of the Pakistani economy. Following are the Group's other ventures, presently operating successfully in the country:



# COMPANY INFORMATION

## Chairman

H.H Sheikh Nahayan Mabarak Al Nahayan

## Board of Directors

H.H. Sheikh Nahayan Mabarak Al Nahayan

H.E Sheikh Saif Bin Mohammed Bin Butti

Mr. Khalid Mana Saeed Al Otaiba

Mr. Atif Bajwa

Mr. Tanveer Hussain

Ms. Anjum Hai

Mr. Abdul Haye Mughal

Director

Director

Director

Director

Director

Director

Director

## Chief Executive & Managing Director

Mr. Abdul Haye Mughal

## Chief Financial Officer & Company Secretary

Mr. Adnan Waheed

## BOARD COMMITTEES

### Board Advisory/Strategy Committee

Mr. Atif Bajwa

Mr. Tanveer Hussain

Ms. Anjum Hai

Mr. Abdul Haye

Chairman

Member

Member

Member

### Audit Committee

Mr. Atif Bajwa

Mr. Tanveer Hussain

Ms. Anjum Hai

Mr. Faisal Shahzad

Chairman

Member

Member

Secretary

### Ethics, Human Resource and Remuneration Committee

Mr. Atif Bajwa

Mr. Tanveer Hussain

Ms. Anjum Hai

Mr. Abdul Haye

Mr. Adnan Waheed

Chairman

Member

Member

Member

Secretary

### Investment Committee

Mr. Atif Bajwa

Mr. Tanveer Hussain

Ms. Anjum Hai

Mr. Abdul Haye

Mr. Adnan Waheed

Chairman

Member

Member

Member

Member & Secretary

## MANAGEMENT COMMITTEES

### Underwriting Committee

Mr. Abdul Haye

Mr. Raza Javaid

Mr. Faisal Arshad

Mr. Farhan Anwar

Chairman

Member

Member

Member & Secretary

### **Claims Settlement Committee**

Mr. Abdul Haye  
Mr. Adnan Waheed  
Ch. Manzoor Hussain  
Mr. Muhammad Sarfraz

Member  
Member  
Member  
Member & Secretary

### **Reinsurance, Re-takaful and Coinsurance Committee**

Mr. Abdul Haye  
Mr. Faisal Arshad  
Mr. Shahzad Aamir  
Mr. Shams ul Zuha

Chairman  
Member  
Member  
Member & Secretary

### **Risk Management & Compliance Committee**

Mr. Abdul Haye  
Mr. Adnan Waheed  
Mr. Faisal Shahzad  
Mr. Rashid Awan  
Mr. Naveed Akbar

Chairman  
Member  
Member  
Member  
Member & Secretary

### **Conventional Banks**

Bank Alfalah Limited  
Khushsali Bank Ltd  
The Bank of Punjab  
Meezan Bank Limited  
Zarai Taraqiyati Bank Ltd  
Mobilink Microfinance Bank  
Silk Bank Limited  
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  
Allied Bank Limited

### **Takaful Banks**

Bank Alfalah Limited  
Askari Bank Limited  
Meezan Bank Limited  
Dubai Islamic Bank  
Standard Chartered Bank

### **Auditors**

M/s Ernst & Young Ford Sidat Hyder  
Chartered Accountants

### **Head Office**

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

### **Legal Advisors**

Salahuddin, Saif & Aslam (Attorney at Law)





## VISION & MISSION

### VISION

To be a leading insurer by providing the 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.

## BOARD OF DIRECTORS



H.H. Sheikh Nahayan Mubarak Al Nahayan  
**Chairman**





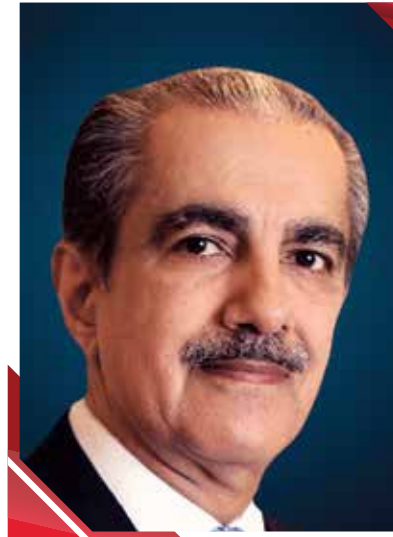
His Excellency Sheikh  
Saif Bin Mohammed Bin Butti  
**Director**



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



Mr. Tanveer Hussain  
**Director**



Mr. Atif Bajwa  
**Director**



Ms. Anjum Hai  
**Director**



Mr. Abdul Haye  
**MD & CEO**



# “A” IS IN OUR DNA

UPGRADED TO “AA+” BY PACRA

Alfalah Insurance takes pride in upholding Abu Dhabi Group's legacy of performance excellence by achieving an upgrade to “AA+” by PACRA.

We generously thank our esteemed customers, shareholders, employees, and the stakeholders for motivating us to achieve this milestone.



MOTOR



INDUSTRIAL



PROPERTY



CARGO



TEXTILE



TRAVEL



ENERGY



HEALTH



AGRICULTURE



## DIRECTORS REPORT TO THE SHARE HOLDERS

The Directors of Alfalah Insurance Company Limited are pleased to submit 17th Annual Report of your company, together with audited financial statements for the year ended December 31, 2022.

### ECONOMIC OVERVIEW

The Year 2022 proved to be an extremely challenging year for Pakistan as various factors hamstrung the economy. The Russia Ukraine war triggered significant supply-chain disruptions globally causing food and fuel price shocks thus flaming high inflation. Amid the tough global conditions, Pakistan's economy was further worsened by heightened political uncertainty, widespread disruptions caused by catastrophic floods and multiple delays in the IMF program. The foreign exchange reserves have depleted to an alarming level exerting significant pressure on the PKR. Government has to meet the tough IMF conditions in order to bring the programme back on track, which will be a demanding task given non-populist nature of the measures required.

The Current Account Deficit (CAD) was \$3.67 billion for

6MFY23 vs. a \$9.1 billion during the same period last year. The CAD has started to come under control as a result of government interventions to curtail the import bill and economic slowdown. However, sustaining the lower CAD number for medium to long term will be challenging as both exports and remittances have been declining. PKR weakened further in Dec'22, closing at 226.4/\$. Over the year, PKR depreciated nearly 28% on depleting forex reserves. PKR is expected to remain under pressure in 2023 on strong \$ backed by Fed's tighter policy, still-expensive commodities, weaker exports plus remittances amid high debt servicing obligations. CPI inflation came in at 24.5% y/y for Dec'22 and inflation for 1HFY23 averaged 25.02% on the back of PKR devaluation, expensive petroleum products, revision in energy tariffs and flood-related disruptions. Going forward, inflation is expected to remain elevated.

The Year 2023 is election year for the country, considering the political chaos witnessed over 2021 and particularly 2022 - it is hoped that a strong government would emerge as a result of the elections and there would be smooth transition of power. It would not only bring the political stability in Pakistan but would also bring the economic stability for the country by

making the investment climate more conducive for local/foreign investors.

## INSURANCE SECTOR

The insurance industry managed to grow by 28% on the basis of nine months ended September 30, 2022 versus same period last year. This growth in top line was not translated into the underwriting profits because of the huge losses caused by fire incidents and floods during the year. The investment income also remained flat because the gains arising from the increase in discount rates were diluted with significant decline of the stock market. The situation was further aggravated by imposition of super tax to the insurance industry.

The year 2023 would be a challenging year for the insurance industry in the current economic situation of the country, however, smooth transition of power through general elections during the year would improve the situation.

## ALFALAH INSURANCE PERFORMANCE

Despite the challenges of huge insurance claims on account of fire incident and unprecedented floods, year 2022 was a remarkable year in terms of premium written and profitability. Increased premium revenue coupled with controlled expenses, increased investment income and better performance of window takaful operations together pushed the Company into greener

zone and despite the huge insurance claims, the Company managed to post Profit before tax of Rs457m, i.e. 25% higher from last year.

On consolidated basis, your company exhibited growth of Rs960m i.e. 24% in terms of Gross Premium Written when compared with last year. Non-group business showed growth of 32% while group business registered growth of 7%. Net premium revenue earned by the Company was increased by Rs284m i.e. 15% over last year and the major contribution came from Motor & Health segment. Overall loss ratio was increased from 51% of last year to 54% due to increase in loss ratio of Fire and Misc. class. Loss ratio of fire class was increased due to fire incident at Bulleh Shah Packaging Lahore and loss Ratio of Misc. class was increased due to heavy floods. Net commission was increased by Rs83m because of one single product which has a high acquisition structure and this increase was in line with increase in premium underwritten of that product. Management & Admin expenses were increased by Rs84m i.e. 19%, other than an additional provision for doubtful debts of Rs35m, all other expenses were increased with 11%. Investment income of the Company was increased by Rs106m from last year i.e. by 50%. The gains arising from the increase in discount rate were partially offset with the decline in stock market. Although the Company faced huge insurance claims but improvement in net premium revenue and investment income helped the Company to achieve profit before tax of Rs457m i.e. 25% higher than last year.

## SEGMENT WISE PROFITABILITY AT GLANCE

|               | Net Premium Revenue | Net Claim        | Net Commission | Segment Profitability 2022 | Segment Profitability 2021 | Variance     | %         |
|---------------|---------------------|------------------|----------------|----------------------------|----------------------------|--------------|-----------|
| <b>Fire</b>   | 41,900              | 97,513           | (32,850)       | (22,763)                   | 41,400                     | (64,163)     | -155%     |
| <b>Marine</b> | 31,584              | 16,842           | (6,232)        | 20,974                     | 19,655                     | 1,319        | 7%        |
| <b>Motor</b>  | 716,589             | 343,079          | 12,653         | 360,857                    | 284,355                    | 76,502       | 27%       |
| <b>Misc.</b>  | 58,210              | 54,443           | (57,172)       | 60,939                     | 73,584                     | (12,645)     | -17%      |
| <b>Health</b> | 1,370,413           | 686,605          | 580,506        | 103,302                    | 104,918                    | (1,616)      | -2%       |
| <b>Total</b>  | <b>2,218,696</b>    | <b>1,198,482</b> | <b>496,905</b> | <b>523,309</b>             | <b>523,912</b>             | <b>(603)</b> | <b>0%</b> |

**Fire Segment** contribution was decreased by Rs64m i.e. by 155%. It was because Loss ratio of fire class was increased from 49% of last year to 233% in year 2022 due to fire incident at Packaging Factory, Lahore.

**Marine Segment** contribution was slightly increased by Rs1m i.e. by 7%. It was because premium revenue was increased by Rs5m i.e. 17% although its impact was partially diluted due to increase in claims expense.

**Motor Segment** contribution was increased by Rs76m i.e. by 27%. It was because net premium revenue was significantly increased by Rs134m i.e. 23% although its impact was partially diluted due to increase in claims.

**Miscellaneous Segment** contribution was decreased by Rs13m i.e. by 17%. It was because Loss ratio of this class was increased from 23% of last year to 94% in year 2022 mainly due to unprecedented floods.

**Health Segment** contribution was slightly decreased by Rs2m i.e. by 2%.

**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: PTF** was able to underwrite contribution of Rs589m i.e. 17% higher than last year. This increase resulted in net contribution revenue growth of Rs52m i.e. 23% which was completely offset with increase in claims expense by Rs81m. The overall loss ratio was increased from 57% of last year to 62% mainly due to motor class. The

expenses were increased by Rs1m i.e. by 10%. The increase in investment income by Rs25m helped the Participant Takaful Fund to achieve surplus of Rs39m, slightly lower than the last year of Rs41m. **SHF** The increase in wakala fee was aligned with the increase in earned contribution revenue. The controlled management/admin expenses of SHF and improvement in investment income helped the SHF to achieve the surplus of Rs142m in comparison to Rs75m of last year i.e. higher by 89%.

## EARNING PER SHARE

During the year after tax earnings per share was Rs.5.54 (2021: Rs.5.32). Detailed working has been reported in Note 34 to the financial statements.

## AUDITORS

M/s A. F. Ferguson & Co., 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, 2023. The Audit Committee and Board of directors in their respective meetings have recommended M/s A. F. Ferguson & Co., Chartered Accountants as external and Shariah Compliance Auditors of the Company for the year ending December 31, 2023.

The present auditors M/s EY Ford Rhodes, Chartered Accountants, were rotated after completion of four years. It was done in order to comply with the requirements of Code of Corporate Governance 2019 for listed companies which requires M/s. Bank Alfalah Limited to ensure that all its inter related companies engaged in the business of providing financial services should appoint the same firm of auditors. M/s A. F. Ferguson & Co., Chartered Accountants were the auditors of the M/s. Bank Alfalah Limited for the year ending December 31, 2023.

## BOARD OF DIRECTORS MEETINGS

During the year 2022, 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                        |
| - Mr. Atif Bajwa                        | 4                        |
| - Mr. Tanveer Hussain Awan              | 4                        |
| - Ms. Anjum Hai                         | 4                        |
| - Mr. Abdul Haye                        | 4                        |

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 17th June 2022, has maintained the IFS rating of your Company at "AA+" (Double A Plus) with stable outlook. This rating denotes Very strong capacity to meet policy holders and contract

obligations. Risk factors are very low, 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. Atif Bajwa           | Chairman |
| - Mr. Tanveer Hussain Awan | Member   |
| - Ms. Anjum Hai            | Member   |

## RELATED PARTY TRANSACTIONS

At each board meeting, the Board of Directors approved company's transactions made with 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, 2022 is as follows:

|                  | <b>Rs in '000'</b> |
|------------------|--------------------|
| • Provident Fund | 88,256             |
| • Gratuity Fund  | 91,608             |

- The statement of pattern of shareholding in the Company as on December 31, 2022 is separately annexed with the report.

### **STATEMENT OF COMPLIANCE UNDER SECTION 46(6) OF 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 improved 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 2023 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



# HISTORICAL FINANCIAL INFORMATION OF LAST TEN (10) YEARS

| Description   | For the Year Ended on December 31 |           |           |           |           |           |           |           |           |           |
|---|-----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|   | 2022                              | 2021      | 2020      | 2019      | 2018      | 2017      | 2016      | 2015      | 2014      | 2013      |
| Gross Premium Written                                 | 4,374,858                         | 3,499,285 | 2,810,203 | 2,666,478 | 2,338,699 | 2,082,006 | 1,924,316 | 1,545,612 | 1,330,854 | 1,230,932 |
| Net Premium Revenue                                   | 2,218,696                         | 1,934,765 | 1,726,381 | 1,583,734 | 1,302,298 | 1,043,222 | 916,586   | 780,180   | 705,323   | 563,744   |
| Premium deficiency                                    | 2,915                             | (9,126)   | -         | -         | -         | -         | -         | -         | -         | -         |
| Net Claim Expense                                     | (1,198,482)                       | (978,950) | (742,441) | (658,573) | (617,966) | (470,630) | (493,076) | (429,297) | (410,817) | (317,378) |
| Management Expenses                                   | (496,827)                         | (416,161) | (408,871) | (405,266) | (397,735) | (383,559) | (370,370) | (267,333) | (239,919) | (214,401) |
| Net Commission  | (496,905)                         | (422,776) | (487,481) | (446,852) | (262,400) | (88,341)  | 33,028    | 96,608    | 95,928    | 94,672    |
| Underwriting Profit                                   | 37,094                            | 117,661   | 94,404    | 81,791    | 24,197    | 100,692   | 86,168    | 180,158   | 150,515   | 126,637   |
| Investment/Other Income                               | 318,771                           | 212,727   | 261,240   | 165,694   | 72,675    | 78,888    | 119,407   | 77,137    | 105,103   | 85,605    |
| Admin Expenses  | (33,597)                          | (30,418)  | (28,390)  | (24,238)  | (16,091)  | (11,095)  | (12,489)  | (103,784) | (105,024) | (89,202)  |
| Profit before tax                                     | 457,099                           | 365,422   | 381,903   | 253,053   | 80,782    | 168,485   | 193,086   | 153,511   | 150,594   | 123,040   |
| Profit from Window Takaful                            | 142,528                           | 75,361    | 61,467    | 38,554    | 14,407    | 8,410     | 1,890     | -         | -         | -         |
| Income tax  | (153,747)                         | (99,582)  | (108,175) | (93,709)  | (29,421)  | (53,855)  | (65,602)  | (38,297)  | (27,557)  | (20,463)  |
| Profit after tax                                      | 303,352                           | 265,840   | 273,730   | 159,344   | 65,768    | 123,040   | 129,374   | 115,214   | 123,037   | 102,577   |
| Paid up Capital                                       | 500,000                           | 500,000   | 500,000   | 500,000   | 500,000   | 500,000   | 500,000   | 500,000   | 300,000   | 300,000   |
| 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   | 150,000   | 150,000   | 150,000   |
| Fair value reserve                                    | (34,945)                          | 9,210     | 72,902    | 33,015    | (50,777)  | 951       | 52,160    | 9,453     | -         | -         |
| Un-appropriated Profit                                | 1,377,462                         | 1,172,911 | 907,299   | 627,989   | 466,262   | 402,085   | 281,644   | 153,935   | 258,930   | 135,475   |
|   | 1,993,898                         | 1,833,502 | 1,631,582 | 1,312,385 | 1,066,866 | 1,054,417 | 985,185   | 814,769   | 710,311   | 586,856   |
| Earnings per Share                                    | 6.07                              | 5.32      | 5.47      | 3.19      | 1.32      | 2.46      | 2.59      | 2.30      | 2.46      | 3.42      |
| Breakup Value per Share-with fair value adjustment    | 39.88                             | 36.67     | 32.54     | 26.25     | 21.34     | 21.09     | 19.70     | 16.30     | 23.68     | 19.56     |
| Breakup Value per Share-without fair value adjustment | 40.58                             | 36.48     | 31.17     | 25.59     | 22.38     | 21.07     | 18.66     | 16.11     | 23.68     | 19.56     |
| Net Loss Ratio  | -54%                              | -51%      | -43%      | -42%      | -47%      | -45%      | -54%      | -55%      | -58%      | -56%      |
| Expense Ratio   | -12%                              | -13%      | -16%      | -16%      | -18%      | -19%      | -20%      | -24%      | -26%      | -25%      |
| Underwriting Profit to Net Premium                    | 2%                                | 6%        | 5%        | 5%        | 2%        | 10%       | 9%        | 23%       | 21%       | 22%       |
| Return on Average Equity                              | 16%                               | 15%       | 19%       | 13%       | 6%        | 12%       | 14%       | 15%       | 19%       | 19%       |
| <b>WINDOWS TAKAFUL OPERATIONS</b>                     |                                   |           |           |           |           |           |           |           |           |           |
| Gross contribution revenue                            | 589,457                           | 504,771   | 373,370   | 338,869   | 263,203   | 175,491   | 98,065    | -         | -         | -         |
| Net contribution revenue net of Wakala                | 277,613                           | 225,562   | 186,648   | 176,244   | 131,516   | 93,134    | 20,997    | -         | -         | -         |
| Retakaful rebate earned                               | 18,696                            | 15,443    | 13,261    | 7,513     | 5,430     | 3,177     | 1,060     | -         | -         | -         |
| Net claims expense                                    | (282,062)                         | (200,802) | (164,628) | (147,832) | (105,898) | (78,271)  | (17,913)  | -         | -         | -         |
| Direct expenses                                       | (5,929)                           | (11,875)  | (18,565)  | (24,656)  | (27,663)  | (21,203)  | (18,595)  | -         | -         | -         |
| Investment / other income                             | 39,278                            | 13,869    | 16,391    | 16,392    | 6,572     | 3,958     | 744       | -         | -         | -         |
| (Provision) / Reversal of doubtful                    | (8,373)                           | (1,185)   | (723)     | -         | -         | -         | -         | -         | -         | -         |
| Surplus / (deficit)-before taxation                   | 39,223                            | 41,012    | 32,384    | 28,088    | 9,957     | 795       | (13,707)  | -         | -         | -         |
| Surplus / (deficit)- PTF                              | 25,754                            | 24,638    | 32,384    | 28,088    | 9,957     | 795       | (13,707)  | -         | -         | -         |

## PATTERN OF SHARE HOLDING AS AT DECEMBER 31, 2022

| No. of Shareholders | Shareholding |            | Total Shares Held |
|---------------------|--------------|------------|-------------------|
|                     | From         | To         |                   |
| -                   | 1            | 100        | -                 |
| 2                   | 101          | 500        | 1,000             |
| -                   | 501          | 1,000      | -                 |
| 4                   | 1001         | 5,000      | 6,030             |
| -                   | 5,001        | 10,000     | -                 |
| 1                   | 10,001       | 2,500,000  | 2,500,000         |
| 3                   | 2,500,001    | 5,000,000  | 14,997,822        |
| 1                   | 5,000,001    | 15,000,000 | 14,997,825        |
| 1                   | 15,000,001   | 20,000,000 | 17,497,323        |
| <b>Total 12</b>     |              |            | <b>50,000,000</b> |

### Classification of Shares Categories As at December 31, 2022

| Categories of Members                                       | Number of Shareholders | Number of Shares Held | Percentage     |
|---|------------------------|-----------------------|----------------|
| <b>Individuals having shareholding five percent or more</b> | <b>3</b>               | <b>12,497,822</b>     | <b>25.00%</b>  |
| 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%         |
| <b>Associated Companies</b>                                 | <b>1</b>               | <b>14,997,825</b>     | <b>30.00%</b>  |
| M/s Bank Alfalah Limited                                    |                        | 14,997,825            | 30%            |
| <b>Directors and CEO</b>                                    | <b>7</b>               | <b>17,504,353</b>     | <b>35.00%</b>  |
| H.H. Sheikh Nahayan Mabararak Al Nahayan                    |                        | 17,497,323            | 34.99%         |
| H.E. Sheikh Saif Bin Mohammed Bin Butti                     |                        | 1,085                 | 0.002%         |
| Mr. Khalid Mana Saeed Al Otaiba                             |                        | 1,085                 | 0.002%         |
| Mr. Atif Aslam Bajwa  |                        | 500                   | 0.001%         |
| Mr. Tanveer Hussain Awan                                    |                        | 500                   | 0.001%         |
| Ms. Anjum Hai   |                        | 1,085                 | 0.002%         |
| Mr. Abdul Haye Mughal                                       |                        | 2,775                 | 0.006%         |
| <b>Companies having shareholding five percent or more</b>   | <b>1</b>               | <b>5,000,000</b>      | <b>10.00%</b>  |
| M/s Electromechanical Co. LLC                               |                        | 5,000,000             | 10.00%         |
| <b>Total</b>  | <b>12</b>              | <b>50,000,000</b>     | <b>100.00%</b> |

| ونڈو کاغذی آپریشنز |   |   |          |          |           |           |           |           |           |   |
|--------------------|---|---|----------|----------|-----------|-----------|-----------|-----------|-----------|---|
| -                  | - | - | 98,065   | 175,491  | 263,203   | 338,869   | 373,370   | 504,771   | 589,457   | مجموعی اعانت کی آمدن                          |
| -                  | - | - | 20,997   | 93,134   | 131,516   | 176,244   | 186,648   | 225,562   | 277,613   | خالص اعانت کی آمدن<br>خالص وکالہ              |
| -                  | - | - | 1,060    | 3,177    | 5,430     | 7,513     | 13,261    | 15,443    | 18,696    | مکرر نکالنے کی چھوٹ پر<br>آمدن                |
| -                  | - | - | (17,913) | (78,271) | (105,898) | (147,832) | (164,628) | (200,802) | (282,062) | خالص دعووں کے<br>اخراجات                      |
| -                  | - | - | (18,595) | (21,203) | (27,663)  | (24,656)  | (18,565)  | (11,875)  | (5,929)   | براہ راست اخراجات                             |
| -                  | - | - | 744      | 3,958    | 6,572     | 16,392    | 16,391    | 13,869    | 39,278    | سرمایہ کاری / دیگر آمدنی                      |
| -                  | - | - | -        | -        | -         | -         | (723)     | (1,185)   | (8,373)   | (الگ کی گئی رقم) / منگواؤک<br>رقم کی واپسی    |
| -                  | - | - | (13,707) | 795      | 9,957     | 28,088    | 32,384    | 41,012    | 39,223    | بیشی / (خسارہ) - ٹیکس سے<br>پہلے              |
| -                  | - | - | (13,707) | 795      | 9,957     | 28,088    | 32,384    | 24,638    | 25,754    | بیشی / (خسارہ) - شراکت<br>داروں کا نکالنے فنڈ |

## پچھلے دس (۱۰) سال کا تاریخی مالیاتی اعداد و شمار

| ۳۱ دسمبر کو ختم ہونے والے سال کے لئے |           |           |           |           |           |           |           |           |             | تفصیلات                           |
|--------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|-----------------------------------|
| ۲۰۱۳ء                                | ۲۰۱۴ء     | ۲۰۱۵ء     | ۲۰۱۶ء     | ۲۰۱۷ء     | ۲۰۱۸ء     | ۲۰۱۹ء     | ۲۰۲۰ء     | ۲۰۲۱ء     | ۲۰۲۲ء       |                                   |
| 1,230,932                            | 1,330,854 | 1,545,612 | 1,924,316 | 2,082,006 | 2,338,699 | 2,666,478 | 2,810,203 | 3,499,285 | 4,374,858   | مجموعی خام بیہ                    |
| 563,744                              | 705,323   | 780,180   | 916,586   | 1,043,222 | 1,302,298 | 1,583,734 | 1,726,381 | 1,934,765 | 2,218,696   | خالص بیہ آمدنی                    |
| -                                    | -         | -         | -         | -         | -         | -         | -         | (9,126)   | 2,915       | بیہ کی کمی                        |
| (317,378)                            | (410,817) | (429,297) | (493,076) | (470,630) | (617,966) | (658,573) | (742,441) | (978,950) | (1,198,482) | خالص دعوؤں کے اخراجات             |
| (214,401)                            | (239,919) | (267,333) | (370,370) | (383,559) | (397,735) | (405,266) | (408,871) | (416,161) | (496,827)   | انتظامی اخراجات                   |
| 94,672                               | 95,928    | 96,608    | 33,028    | (88,341)  | (262,400) | (446,852) | (487,481) | (422,776) | (496,905)   | خالص کمیشن کی رقم                 |
| 126,637                              | 150,515   | 180,158   | 86,168    | 100,692   | 24,197    | 81,791    | 94,404    | 117,661   | 37,094      | ذمہ نویسی کا منافع                |
| 85,605                               | 105,103   | 77,137    | 119,407   | 78,888    | 72,675    | 165,694   | 261,240   | 212,727   | 318,771     | سرمایہ کاری / دیگر آمدنی          |
| (89,202)                             | (105,024) | (103,784) | (12,489)  | (11,095)  | (16,091)  | (24,238)  | (28,390)  | (30,418)  | (33,597)    | نظم و نسق کے اخراجات              |
| 123,040                              | 150,594   | 153,511   | 193,086   | 168,485   | 80,782    | 253,053   | 381,903   | 365,422   | 457,099     | قبل از ٹیکس منافع                 |
| -                                    | -         | -         | 1,890     | 8,410     | 14,407    | 38,554    | 61,467    | 75,361    | 142,528     | دنڈ و ٹیکسوں سے منافع             |
| (20,463)                             | (27,557)  | (38,297)  | (65,602)  | (53,855)  | (29,421)  | (93,709)  | (108,175) | (99,582)  | (153,747)   | آمدنی پر ٹیکس                     |
| 102,577                              | 123,037   | 115,214   | 129,374   | 123,040   | 65,768    | 159,344   | 273,730   | 265,840   | 303,352     | بعد از ٹیکس منافع                 |
| 300,000                              | 300,000   | 500,000   | 500,000   | 500,000   | 500,000   | 500,000   | 500,000   | 500,000   | 500,000     | حصص کی مد میں حاصل کیا گیا سرمایہ |
| 1,381                                | 1,381     | 1,381     | 1,381     | 1,381     | 1,381     | 1,381     | 1,381     | 1,381     | 1,381       | حصص کی مد میں جمع کرائی گئی رقم   |
| 150,000                              | 150,000   | 150,000   | 150,000   | 150,000   | 150,000   | 150,000   | 150,000   | 150,000   | 150,000     | عام محفوظ فنڈ                     |
| -                                    | -         | 9,453     | 52,160    | 951       | (50,777)  | 33,015    | 72,902    | 9,210     | (34,945)    | مناسب قدر و قیمت کا فنڈ           |
| 135,475                              | 258,930   | 153,935   | 281,644   | 402,085   | 466,262   | 627,989   | 907,299   | 1,172,911 | 1,377,462   | غیر مختص منافع                    |
| 586,856                              | 710,311   | 814,769   | 985,185   | 1,054,417 | 1,066,866 | 1,312,385 | 1,631,582 | 1,833,502 | 1,993,898   | فی حصص آمدنی                      |
| 3.42                                 | 2.46      | 2.3       | 2.59      | 2.46      | 1.32      | 3.19      | 5.47      | 5.32      | 6.07        | فی حصص الگ الگ قدر و قیمت -       |
| 19.56                                | 23.68     | 16.30     | 19.70     | 21.09     | 21.34     | 26.25     | 32.54     | 36.67     | 39.88       | قدر و قیمت کے مناسب تطابق کے ساتھ |
| 19.56                                | 23.68     | 16.11     | 18.66     | 21.07     | 22.38     | 25.59     | 31.17     | 36.48     | 40.58       | فی حصص الگ الگ قدر و قیمت -       |
| -56%                                 | -58%      | -55%      | -54%      | -45%      | -47%      | -42%      | -43%      | -51%      | -54%        | قدر و قیمت کے مناسب تطابق کے بغیر |
| -25%                                 | -26%      | -24%      | -20%      | -19%      | -18%      | -16%      | -16%      | -13%      | -12%        | کل خسارے کا تناسب                 |
| 22%                                  | 21%       | 23%       | 9%        | 10%       | 2%        | 5%        | 5%        | 6%        | 2%          | اخراجات کا تناسب                  |
| 19%                                  | 19%       | 15%       | 14%       | 12%       | 6%        | 13%       | 19%       | 15%       | 16%         | کل بیہ کا ذمہ نویسی منافع         |
|                                      |           |           |           |           |           |           |           |           |             | کمپنی کے حصص پر اوسط منافع        |

حصص داری کا طریقہ کار

۳۱ دسمبر ۲۰۲۲ء تک

| مجموعی لئے حصص | حصص داری   |            | حصص داروں کی تعداد |
|----------------|------------|------------|--------------------|
|                | تک         | سے         |                    |
| -              | 100        | 1          | -                  |
| 1,000          | 500        | 101        | 2                  |
| -              | 1,000      | 501        | -                  |
| 6,030          | 5,000      | 1,001      | 4                  |
| -              | 10,000     | 5,001      | -                  |
| 2,500,000      | 2,500,000  | 10,001     | 1                  |
| 14,997,822     | 5,000,000  | 2,500,001  | 3                  |
| 14,997,825     | 15,000,000 | 5,000,001  | 1                  |
| 17,497,323     | 20,000,000 | 15,000,001 | 1                  |
| <b>مُل</b>     |            |            |                    |
| 50,000,000     |            |            | 12                 |

حصص کے زمروں کی درجہ بندی

۳۱ دسمبر ۲۰۲۲ء تک

| فیصد       | لئے حصص کی تعداد | حصص داروں کی تعداد | ارکان کے زمرے                                  |
|------------|------------------|--------------------|--|
| 25.00%     | 12,497,822       | 3                  | افراد جن کے حصص ۵ فیصد یا اس سے زیادہ ہیں      |
| 5.00%      | 2,500,000        |                    | جناب عالی شیخ محمد ان بن مبارک بن محمد ال نہین |
| 10.00%     | 4,998,911        |                    | فضیلت مآب شیخ محمد بن نعلی حامد                |
| 10.00%     | 4,998,911        |                    | فضیلت مآب ڈاکٹر مانع سعید العتیب               |
| 30.00%     | 14,997,825       | 1                  | متعلقہ کمپنیاں                                 |
| 30%        | 14,997,825       |                    | میسرز بینک الفلاح لمیٹڈ                        |
| 35.00%     | 17,504,353       | 7                  | ڈائریکٹرز اور چیف ایگزیکٹو آفیسرز              |
| 34.99%     | 17,497,323       |                    | جناب عالی شیخ نبیان مبارک ال نہین              |
| 0.002%     | 1,085            |                    | فضیلت مآب شیخ سیف بن محمد بن نعلی              |
| 0.002%     | 1,085            |                    | جناب خالد مانع سعید العتیب                     |
| 0.001%     | 500              |                    | جناب عاطف المسلم باجوه                         |
| 0.001%     | 500              |                    | جناب تنویر حسین اعوان                          |
| 0.002%     | 1,085            |                    | محترمہ انجم حنی                                |
| 0.006%     | 2,775            |                    | جناب عبدالمجلی مغل                             |
| 10.00%     | 5,000,000        | 1                  | کمپنیاں جن کے حصص ۵ فیصد یا اس سے زیادہ ہیں    |
| 10.00%     | 5,000,000        |                    | میسرز ایکسٹرو کمینیٹی کمپنی ایل ایل سی         |
| <b>مُل</b> |                  |                    |  |
| 100.00%    | 50,000,000       | 12                 |  |

## اعتراف

ہم اپنے چیئرمین جناب عالی شیخ نہیان مبارک ال نہیان اور اپنے بورڈ کے ڈائریکٹرز کے ممنون ہیں کہ انہوں نے دوران سال کمپنی کی رہنمائی اور مدد کی۔ ہم اپنے تعاون کرنے والے حصص داروں، اپنے موکلوں اور اپنے مکر رہیمہ کاروں کی طرف سے اس اجتماعی شراکت داری کے لئے شکر گزار ہیں۔ ہم ریکارڈ پر، سیکورٹی اینڈ ایکسچینج کمیشن آف پاکستان کا ان کی پیش 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،



چیف ایگزیکٹو آفیسر



ڈائریکٹر



## انشورنس آرڈیننس ۲۰۰۰ کے سیکشن (۶) 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<sup>26</sup>، 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 بیسے 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<sup>27</sup>، اور مکرر بیسے کے انتظامات کے بارے میں ہیں۔

### مستقبل کے مواقع

حصص کی مد میں حاصل کئے گئے ۵۰۰ ملین روپے کے سرمائے کے ساتھ "ڈبل اے پلس" درجہ پانے کے بعد الفلاح انشورنس، مارکیٹ میں اپنا کاروباری حصہ بڑھانے کے حوالے سے پُر اعتماد ہے اور اس کے ساتھ ساتھ اپنی محتاط ذمہ نویسی کی حکمت عملی برقرار رکھے ہوئے ہے، جس نے کمپنی کو آغاز سے ہی شدید نقصانات کے باوجود مدد پہنچائی۔ ہمیں یقین ہے کہ ۲۰۲۳ء ہمارے لئے ایک اہم سال ہے۔ ہم اپنے روبروچ مشکلات 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۔

<sup>26</sup> Statutory Accounts

<sup>27</sup> Paid up capital, Solvency

■ مالیاتی گوشوارے تیار کرتے وقت حساب داری کے بین الاقوامی معیار، بین الاقوامی مالیاتی خبر گیری کے معیار یا کوئی اور ضابطہ یا قانون جو پاکستان میں بھی قابل عمل ہے، اختیار کیا گیا ہے۔ مزید برآں معیار میں کسی بھی قسم کی ترمیم کو مناسب انداز میں ظاہر کیا گیا ہے۔

■ اندرونی انضباطی نظام، ڈیزائن کے اعتبار سے مستحکم ہے اور مسلسل داخلی پڑتال کنندگان کے زیر نگرانی ہے۔ یہ نگرانی مسلسل جاری رہتی ہے اور کسی بھی کمی کو فوراً دور کیے جانے کے ساتھ ساتھ اس عمل کو یقینی بنایا جاتا ہے۔

■ کاروبار کو جاری رکھنے کے حوالے سے کمپنی کی صلاحیت شکوک و شبہات سے بالاتر ہے۔

■ کارپوریٹ نظم و نسق<sup>23</sup> کے بہترین طرز عمل کے حوالے سے کوئی میٹریل ڈیپارچر<sup>24</sup> نہیں ہوا۔

■ اہم اثاثوں اور مالیات سے متعلق اعداد و شمار، رپورٹ کے ساتھ ضمیمے میں شامل کر دیا گیا ہے۔

■ واجب الادا ٹیکس اور محسولات<sup>25</sup> مالیاتی گوشواروں میں موجود ہیں۔

■ ۳۱ دسمبر ۲۰۲۲ء تک غیر پڑتال شدہ کھاتوں کی بنیاد پر پراویڈنٹ اور گریجویٹ فنڈ سے ہونے والی سرمایہ کاری کی قیمت درج ذیل ہے:

روپے '۰۰۰'

■ پراویڈنٹ فنڈ ۸۸،۲۵۶

■ گریجویٹ فنڈ ۹۱،۶۰۸

■ ۳۱ دسمبر ۲۰۲۲ء تک، کمپنی کے حصص داری کے طریقہ کار کا گوشوارہ رپورٹ کے ساتھ ضمیمے میں الگ سے شامل کر دیا گیا ہے۔

<sup>23</sup> Corporate Governance

<sup>24</sup> Material Departure

<sup>25</sup> Outstanding Taxes and Duties

## متعلقہ گروہ سے لین دین

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

## اخلاقی و کاروباری ضابطہ عمل کا گوشوارہ / ضابطہ اخلاق

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

## کارپوریٹ نظم و نسق کے ضابطہ کی پابندی

- سال کے دوران بیمہ کمپنیوں کے لیے کارپوریٹ نظم و نسق کے ضابطہ کی دفعات پر عمل کیا گیا۔ جس کا جائزہ مندرجہ ذیل ہے:-
- مالیاتی گوشوارے اور ان کے ضمیمے انشورنس آرڈیننس 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۔

|   |                         |
|---|-------------------------|
| ۴ | - جناب تنویر حسین اعوان |
| ۴ | - محترمہ انجم حئی       |
| ۴ | - جناب عبداللحی         |

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<sup>21</sup> نے ۷ جون ۲۰۲۲ء کے حالیہ جائزہ میں آپ کی کمپنی کی مالیاتی طاقت کے اعتبار سے درجہ بندی کو مستحکم تناظر میں دیکھتے ہوئے "ڈبل اے پلس"<sup>22</sup> 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 ناہونے کے برابر ہیں۔

## پڑتال کمیٹی

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

- جناب عاطف باجوہ - (چیئر مین)

- جناب تنویر حسین اعوان - (رکن)

- محترمہ انجم حئی - (رکن)

<sup>21</sup> PACRA

<sup>22</sup> AA+

فنڈ کے انتظامی اور نظم و نسق کے منضبط اخراجات اور سرمایہ کاری کی آمدن میں بہتری نے حصص داروں کے فنڈ میں گزشتہ برس کے ۷۵ ملین روپے کے مقابلے میں ۱۴۲ ملین کی بیشی کے حصول میں مدد دی، جو کہ گزشتہ برس سے ۸۹ فیصد زیادہ ہے۔

## فی حصص آمدنی

دوران سال ٹیکس کی ادائیگی کے بعد فی حصص آمدنی ۵۴-۵ روپے رہی جو ۲۰۲۱ء میں ۳۲-۵ روپے تھی۔ اس کی تفصیلی رپورٹ مالی گوشوارے کے نوٹ نمبر ۳۴ میں موجود ہے۔

## پڑتال کنندگان

میسرز اے۔ ایف۔ فرگوسن اور کمپنی، جو کہ سند یافتہ محاسب اور تقرری کے اہل ہیں، نے ۳۱ دسمبر ۲۰۲۳ء 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 ۲۰۲۳ء کو اختتام پذیر سال کے لیے میسرز اے۔ ایف۔ فرگوسن اور کمپنی، سند یافتہ محاسب کی خارجی اور شریعہ تعمیلی پڑتال کنندگان کے طور پر سفارش کی ہے۔

## ڈائریکٹرز کے بورڈ کے اجلاس

سال ۲۰۲۲ء کے دوران بورڈ کے چار (۴) اجلاس ہوئے، جن میں شرکت کی تفصیل مندرجہ ذیل ہے:-

| اجلاس میں شرکت کی تعداد | ڈائریکٹرز کے نام                     |
|-------------------------|--------------------------------------|
| ۴                       | - جناب عالی شیخ نہیان مبارک ال نہیان |
| -                       | - فضیلت مآب شیخ سیف بن محمد بن لُطی  |
| ۴                       | - جناب خالد مانع سعید العتیمہ        |
| ۴                       | - جناب عاطف باجوہ                    |

**موٹر کے شعبے** کا حصہ ۲۷ فیصد کے حساب سے ۷۶ ملین روپے بڑھا۔ جس کی وجہ خالص بیمے کی آمدن میں ۲۳ فیصد کے حساب سے ۱۳۴ ملین کا خاطر خواہ اضافہ ہے، تاہم اس کا اثر دعووں میں اضافے سے جزوی طور پر کم ہوا۔

**متفرق شعبے** کے حصے میں ۱۷ فیصد کے حساب سے ۱۳ ملین روپے کی کمی ہوئی۔ جس کی بنیادی وجہ غیر معمولی سیلابوں کے باعث، نقصان کی شرح کا گزشتہ برس کے ۲۳ فیصد کے مقابلے میں، ۲۰۲۲ء میں ۹۴ فیصد کا اضافہ ہے۔

**صحت کے شعبے** کے حصے میں ۲ فیصد کے حساب سے ۲ ملین روپے کی معمولی کمی ہوئی۔

**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 پیش نظر تقویت اور وسعت دی ہے۔ آپ کی کمپنی نے نہایت احتیاط سے ڈیزائن کردہ بیمے سے متعلق رسک کے انتظام کے پروگرام کے ذریعے ایک خاص حد تک رسک لینے کی پالیسی اختیار کر رکھی ہے۔ کمپنی نے نہ صرف روایتی مکرر بیمہ کاری کی انتظامی صلاحیتوں میں اضافہ کیا ہے بلکہ اپنے تخصیصی شعبے میں بھی صلاحیت بڑھائی ہے۔

**ونڈو تکافل آپریشنز: شراکت داروں کے تکافل فنڈ**<sup>16</sup> نے ۵۸۹ ملین روپے کی اعانت تحریر کی ہے جو کہ گزشتہ برس کے مقابلے میں ۱۷ فیصد زیادہ ہے۔ اس اضافے کے نتیجے میں خالص اعانت کی آمدن<sup>17</sup> میں ۲۳ فیصد کے حساب سے ۵۲ ملین روپے کی نمو ہوئی، جس کا اثر دعووں کے اخراجات میں ۸۱ ملین روپے کے اضافے نے مکمل طور پر برابر کر دیا۔ مجموعی نقصان کی شرح میں گزشتہ سال کے ۵۷ فیصد کے مقابلے میں اس سال، خاص طور پر موٹر کے شعبے کی وجہ سے، ۶۲ فیصد کا اضافہ ہوا۔ اخراجات میں ۱۰ فیصد کے حساب سے ۱ ملین روپے کا اضافہ ہوا۔ سرمایہ کاری کی آمدن میں ۲۵ ملین روپے کے اضافے نے حصص داروں کے تکافل فنڈ<sup>18</sup> کو ۳۹ ملین روپے کی بیشی میں مدد دی، جو کہ گزشتہ برس کے ۴۱ ملین روپے کے مقابلے میں قدرے کم ہے۔ **حصص داروں کا فنڈ**<sup>19</sup> وکالہ فیس میں اضافہ، اکتسابی اعانت کی آمدن<sup>20</sup> میں اضافے کے مطابق تھا۔ حصص داروں کے تکافل

<sup>16</sup> PTF

<sup>17</sup> Net contribution revenue

<sup>18</sup> Participant Takaful Fund

<sup>19</sup> SHF

<sup>20</sup> Earned contribution revenue



آمدن میں بہتری نے کمپنی کو ٹیکس کے بغیر ۴۵۷ ملین روپے کے منافع کے حصول میں مدد دی، جو کہ گزشتہ سال سے ۲۵ فیصد زیادہ ہے۔

## شعبہ جات کے لحاظ سے منافع پر ایک نظر

| شعبہ جات | خالص بیمہ کی آمدن | کل دعوے   | خالص کمیشن | شعبہ جات کا منافع ۲۰۲۲ء | شعبہ جات کا منافع ۲۰۲۱ء | مقدار تغیر | %     |
|----------|-------------------|-----------|------------|-------------------------|-------------------------|------------|-------|
| آتشزدگی  | 41,900            | 97,513    | (32,850)   | (22,763)                | 41,400                  | (64,163)   | -155% |
| بحری     | 31,584            | 16,842    | (6,232)    | 20,974                  | 19,655                  | 1,319      | 7%    |
| موٹر     | 716,589           | 343,079   | 12,653     | 360,857                 | 284,355                 | 76,502     | 27%   |
| متفرق    | 58,210            | 54,443    | (57,172)   | 60,939                  | 73,584                  | (12,645)   | -17%  |
| صحت      | 1,370,413         | 686,605   | 580,506    | 103,302                 | 104,918                 | (1,616)    | -2%   |
| کل       | 2,218,696         | 1,198,482 | 496,905    | 523,309                 | 523,912                 | (603)      | 0%    |

آتشزدگی کے شعبے کے حصے میں ۱۵۵ فیصد کے حساب سے ۶۴ ملین روپے کی کمی ہوئی۔ جس کی وجہ پیکیجنگ فیکٹری لاہور میں آتشزدگی کے واقعے کے باعث، نقصان کی شرح کا گزشتہ برس کے ۴۹ فیصد کے مقابلے میں، ۲۰۲۲ء میں ۲۳۳ فیصد کا اضافہ ہے۔

بحری شعبے کے حصے میں ۷ فیصد کے حساب سے ۱۱ ملین روپے کا معمولی اضافہ ہوا۔ اس کی وجہ بیمہ کی آمدن میں ۷ فیصد کے حساب سے ۵ ملین کا اضافہ ہے، تاہم اس کا اثر دعووں کے اخراجات میں اضافے سے جزوی طور پر کم ہوا۔

## الفلاح انشورنس کمپنی کی کارکردگی

آگ لگنے کے واقعات اور غیر معمولی سیلابوں پر کیے جانے والے بڑے بیمے کے دعوؤں سے پیدا ہونے والی مشکلات کے باوجود سال ۲۰۲۲ء خام بیمے<sup>11</sup> اور منافع کے اعتبار سے ایک غیر معمولی سال تھا۔ بیمے کی آمدن میں اضافے کا ساتھ ساتھ منضبط اخراجات، سرمایہ کاری کی آمدن میں اضافے اور ونڈو تکافل آپریشنز کی بہتر کارکردگی نے مجموعی طور پر کمپنی کو خطرے سے باہر دھکیل دیا اور بیمے کے بڑے دعوؤں کے باوجود کمپنی، ٹیکس کے بغیر ۴۵۷ ملین روپے کے منافع کے حصول میں کامیاب رہی، جو کہ گزشتہ برس کے مقابلے میں ۲۵ فیصد زیادہ ہے۔

مجموعی طور پر، آپ کی کمپنی میں مجموعی خام بیمے کی مد میں گزشتہ برس کے مقابلے میں ۹۶۰ ملین روپے کے حساب سے ۲۴ فیصد کی نمودیکھی گئی۔ غیر گروہی بیمے کے کاروبار<sup>12</sup> میں ۳۲ فیصد جبکہ گروہی بیمے کے کاروبار میں ۷ فیصد کی نمودیکھی گئی۔ کمپنی کے خالص بیمہ کی مکسوبہ آمدن<sup>13</sup> میں گزشتہ برس کی نسبت ۲۸۴ ملین روپے کے حساب سے ۱۵ فیصد اضافہ ہوا، جس کا بڑا حصہ موٹر اور صحت کے شعبے سے آیا۔ مجموعی اخراجات کی شرح گزشتہ برس کے ۵۱ فیصد کی نسبت ۵۴ فیصد بڑھی، جس کی وجہ آتشزدگی اور متفرقات کے شعبوں میں نقصان کی شرح میں اضافہ ہے۔ آتشزدگی کے شعبے میں نقصان کی شرح میں اضافہ نلھے شاہیکجنگ لاهور میں آتشزدگی کے واقعے سے ہوا اور متفرق شعبے میں شدید ترین سیلابوں کی وجہ سے نقصان کی شرح میں اضافہ ہوا۔ خالص کمیشن میں ۸۳ ملین روپے کی بیشی ہوئی اور یہ بیشی صرف اُس ایک پراڈکٹ کے ذمہ نویسی کے بیمے<sup>14</sup> میں اضافے کے عین مطابق تھی، جس کے حصولی ڈھانچے<sup>15</sup> کی قیمت زیادہ ہے۔ انتظامی و نظم و نسق کے اخراجات میں ۱۹ فیصد کے حساب سے ۸۴ ملین روپے کا اضافہ ہوا، ۳۵۷ ملین روپے کے مشکوک قرضوں کی اضافی الگ کی ہوئی رقم کے علاوہ بقیہ تمام اخراجات ۱۱ فیصد کے حساب سے بڑھے۔ کمپنی کی سرمایہ کاری کی آمدن میں گزشتہ سال کے مقابلے میں ۱۰۶ ملین روپے کے حساب سے ۵۰ فیصد کا اضافہ ہوا۔ سٹاک مارکیٹ میں مندرے کی وجہ سے کٹوتی کی شرح میں اضافے سے ہونے والے منافع میں جزوی طور پر کمی ہوئی۔ اگرچہ کمپنی کو بہت زیادہ بیمہ کے دعوؤں کا سامنا کرنا پڑا لیکن خالص بیمہ کی آمدن اور سرمایہ کاری کی

<sup>11</sup> Premium written

<sup>12</sup> Non-group business

<sup>13</sup> Net premium revenue earned

<sup>14</sup> Premium underwritten

<sup>15</sup> Acquisition structure

کے ساتھ ساتھ ادائیگی قرض کی ذمہ داریوں کی وجہ سے ۲۰۲۳ء میں مستحکم ڈالر کے مقابلے میں پاکستانی روپے پر دباؤ برقرار رہنے کی توقع ہے۔ صارفی قیمت کے اشاریوں 7 میں افراطِ زر کی شرح دسمبر ۲۰۲۲ء تک سال بہ سال ۵۔۲۴ فیصد رہی اور پاکستانی روپے کی قدر میں کمی، مہنگی پٹرولیم مصنوعات، توانائی کے محصولات میں ترمیم اور سیلاب کے باعث پیدا ہونے والے انتشار کی وجہ سے نصف مالی سال ۲۰۲۳ء 8 میں افراطِ زر کی اوسط ۲۔۰۲۵ فیصد رہی۔ آنے والے وقت میں بھی افراطِ زر کی سطح بلند رہنے کی توقع ہے۔

۲۰۲۳ء ملک کے لئے ایکشن کا سال ہے، ۲۰۲۱ء اور خاص طور پر ۲۰۲۲ء میں ہونے والی سیاسی افراتفری کو دیکھتے ہوئے۔ یہ امید کی جا رہی ہے کہ ایکشن کے نتیجے میں ایک مضبوط حکومت سامنے آئے گی اور انتقالِ اقتدار پر سکون طریقے سے ہو جائے گا۔ جس کی وجہ سے پاکستان میں ناصرف سیاسی استحکام آئے گا بلکہ مقامی وغیر ملکی سرمایہ کاروں کے لیے سرمایہ کاری کا سازگار ماحول پیدا کرنے سے ملک میں معاشی استحکام بھی آئے گا۔

### بیمہ کاری کا شعبہ

بیمے کی صنعت نومبر کے اختتام، ۳۰ ستمبر ۲۰۲۲ء تک، گزشتہ برس کے اسی دورانیے کے مقابلے میں ۲۸ فیصد کی نمو پانے میں کامیاب رہی۔ خالص بیمے کی آمدن کی نمو، سال کے دوران آتشزدگی کے واقعات اور سیلابوں کی وجہ سے ہونے والے بھاری نقصان کی وجہ سے، ذمہ نویسی کے منافعوں 9 میں نہیں بدلی جاسکی۔ سرمایہ کاری کی آمدن میں مندارہا کیونکہ کٹوتی کی شرح میں اضافے سے ہونے والے فائدے کا اثر سٹاک مارکیٹ میں مندرے کی وجہ سے جزوی طور پر کم ہوا۔ بیمے کی صنعت پر اضافی ٹیکس 10 کے نفاذ سے صورتحال مزید ابتر ہوگئی۔

سال ۲۰۲۳ء ملک کی موجودہ معاشی صورتحال کی وجہ سے بیمے کی صنعت کے لیے ایک مشکل سال ہوگا، تاہم، عام انتخابات کے ذریعے پر سکون انتقالِ اقتدار، سال کے دوران حالات میں بہتری لائے گا۔

7 CPI

8 1HFY23

9 Underwriting Profits

10 Super tax

## حصص داروں کے نام ڈائریکٹرز کی رپورٹ

الفلاح انشورنس کمپنی لمیٹڈ کے ڈائریکٹرز آپ کی کمپنی کی سترہویں سالانہ رپورٹ بخوشی پیش کر رہے ہیں۔ جس میں ۳۱ دسمبر ۲۰۲۲ء کو اختتام پذیر سال کے پڑتال شدہ مالیاتی گوشوارے بھی شامل کئے گئے ہیں۔

### معاشی جائزہ

سال ۲۰۲۲ء پاکستان کے لئے بہت مشکل سال ثابت ہوا کیونکہ بہت سے عوامل نے معیشت کو چلنے کے قابل ناچھوڑا۔ روس یوکرین جنگ نے بین الاقوامی سلسلہ رسد<sup>1</sup> میں نمایاں رکاوٹیں پیدا کیں، جس کی وجہ سے خوراک اور ایندھن کی قیمتوں کو دھچکا لگا، جو کہ انتہائی بلند افراط زر<sup>2</sup> کا باعث بنا۔ ان مشکل بین الاقوامی حالات میں پاکستان کی بڑھتی ہوئی سیاسی بے یقینی، تباہ کن سیلابوں اور آئی۔ ایم۔ ایف پروگرام میں متعدد بار تاخیر کی وجہ سے معیشت مزید خراب ہو گئی۔ زر مبادلہ کے ذخائر<sup>3</sup> خطرناک حد تک کم ہو چکے ہیں جس کی وجہ سے پاکستانی روپیہ اچھے خاصے دباؤ میں ہے۔ پروگرام کو دوبارہ شروع کرنے کے لئے حکومت کو آئی۔ ایم۔ ایف کی کڑی شرائط پوری کرنا ہوں گی، جو کہ مطلوبہ تدابیر کی غیر عوامی نوعیت کے پیش نظر ایک مشکل کام ہو گا۔

مالی سال ۲۰۲۳ء کے پہلے ۶ ماہ<sup>4</sup> میں چالو کھاتے کا خسارہ<sup>5</sup> ۶۔۳۳ ارب ڈالر رہا جو کہ گزشتہ برس کے اسی دورانیے میں ۱۔۹ بلین ڈالر تھا۔ درآمدی بل اور معاشی سست روی کو کم کرنے کے لیے کی گئی حکومتی مداخلت کے نتیجے میں چالو کھاتے کا خسارہ قابو میں آنا شروع ہو گیا ہے۔ تاہم، چالو کھاتے کے خسارے کو درمیانی یا طویل مدت کے لیے کم سطح پر برقرار رکھنا مشکل کام ہو گا کیونکہ دونوں، برآمدات اور غیر ملکی ترسیلات زر<sup>6</sup> کم ہو رہی ہیں۔ اختتامی قیمت ۴۔۲۶۱ روپے فی ڈالر کے حساب سے دسمبر ۲۰۲۲ء میں پاکستانی روپے کی قدر میں مزید کمی ہوئی۔ سال کے دوران، ختم ہوتے ہوئے زر مبادلہ کے ذخائر کی وجہ سے پاکستانی روپے کی قدر تقریباً ۲۸ فیصد کم ہوئی۔ وفاق کی سخت پالیسی، اجناس کی موجودہ مہنگائی، درآمدات اور غیر ملکی ترسیلات زر میں کمی

1 Supply-chain

2 Inflation

3 Foreign exchange reserves

4 6MFY23

5 Current Account Deficit (CAD)

6 Remittances



## OUR PRODUCTS

Alfalah Insurance offers a comprehensive suite of products to cover various insurance requirements, with each one being tailor-made to cater specific individual needs.

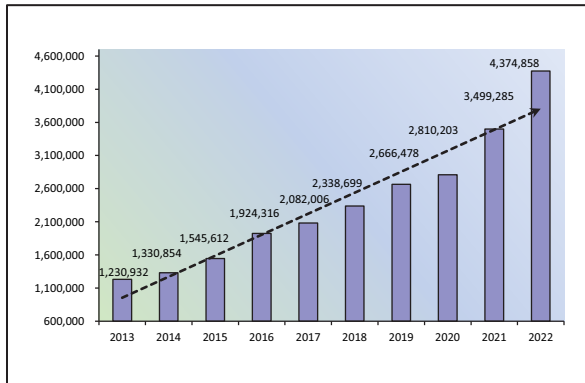
We constantly keep in tune with the changing commercial and social scenarios to understand the increasing diversity of multiple risk exposures. Our extensive knowledge and expertise enables us to structure the right insurance solutions to cover personal and corporate risk exposure in the best way possible.

- PROPERTY INSURANCE
- MOTOR INSURANCE
- MARINE CARGO, HULL & AVIATION INSURANCE
- MISCELLANEOUS INSURANCE
- TAKAFUL ISLAMIC INSURANCE
- GROUP HEALTH INSURANCE
- ENERGY INSURANCE
- ENGINEERING INSURANCE
- TRAVEL INSURANCE / SAFAR BAKHAIR
- AGRICULTURE INSURANCE

# FINANCIAL SUMMARY

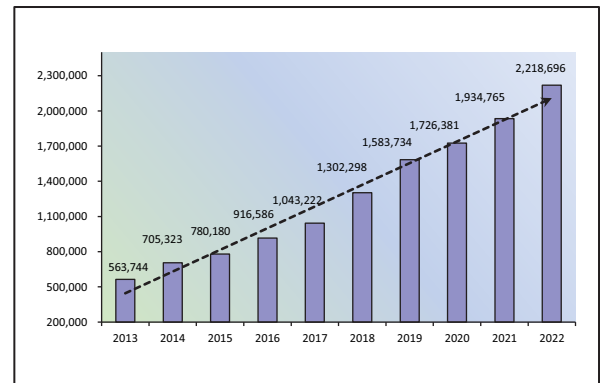
## GROSS PREMIUM WRITTEN

(Rupees in Thousand)

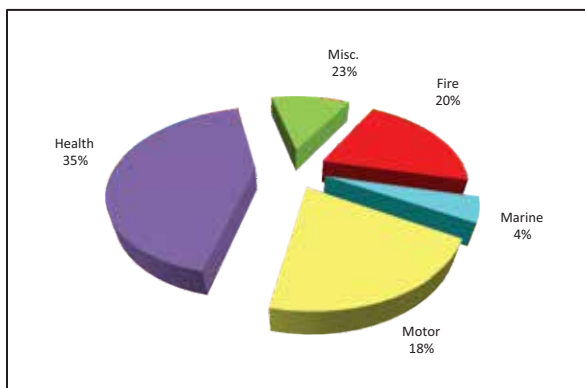


## PREMIUM REVENUE

(Rupees in Thousand)

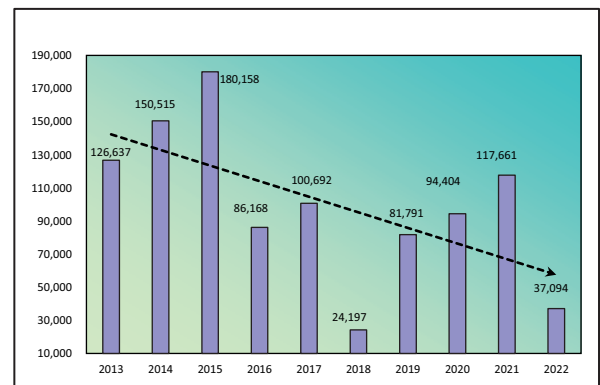


## PRODUCT MIX ANALYSIS

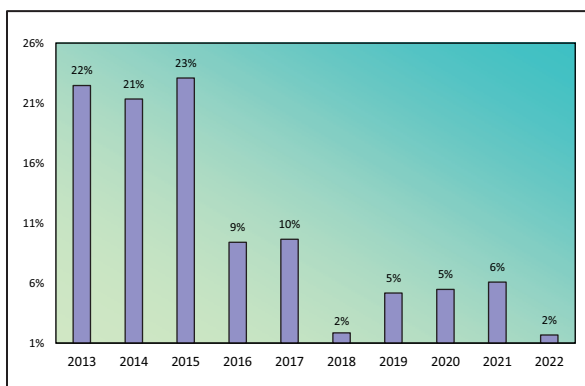


## UNDERWRITING RESULTS

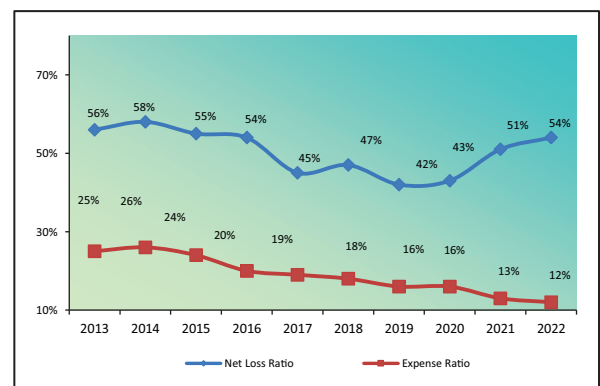
(Rupees in Thousand)



## UNDERWRITING PROFIT MARGIN

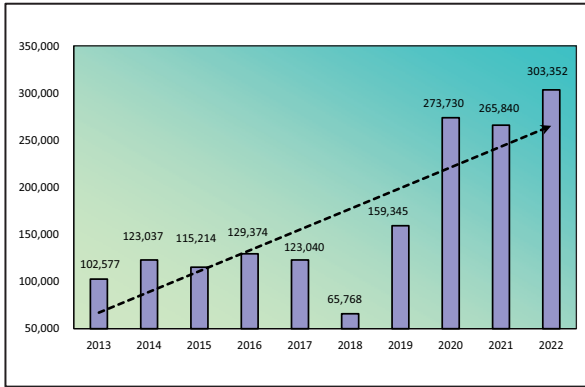


## LOSS RATIO AND EXPENSE RATIO

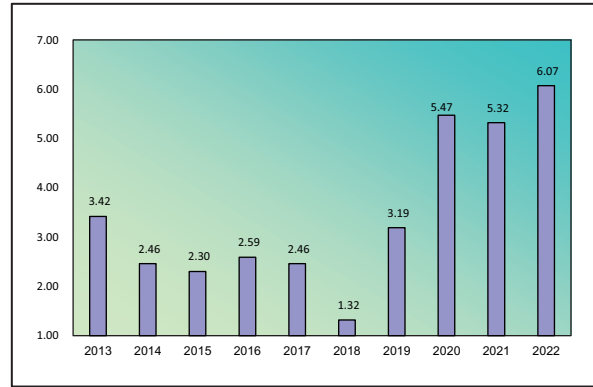


# FINANCIAL SUMMARY

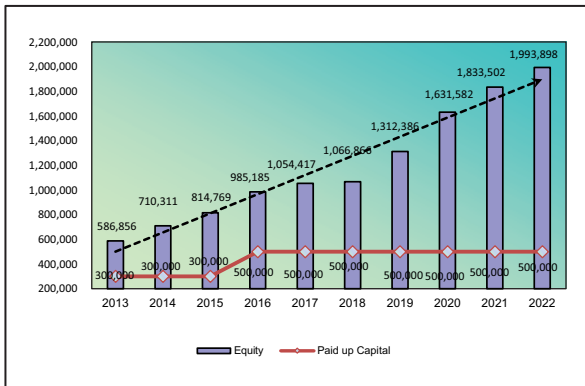
**PROFIT AFTER TAX**  
(Rupees in Thousand)



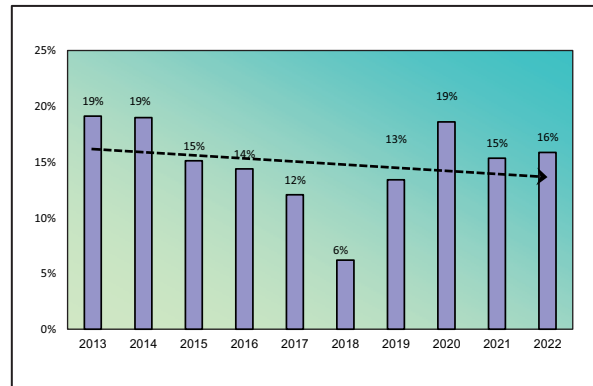
**EARNING PER SHARE**



**SHAREHOLDER EQUITY**  
(Rupees in Thousand)



**RETURN ON EQUITY**







## TRAVEL INSURANCE - SAFAR BAKHAIR

In partnership with one of the largest travel reinsurance providers, we are pleased to announce that we are now in a position to provide complete travel insurance and assistance solutions around the world. Whereas there are many ready packages for individuals/families, we can also tailor-make travel insurance packages for large groups at special rates and terms.

Now you can travel peacefully around the world enjoying following facilities of our 'Safar Bakhair' travel insurance plans:

- MEDICAL ADVICE ON TELEPHONE
- MEDICINE DELIVERY
- HOSPITAL ADMISSION ARRANGEMENTS
- ACCOMMODATION ARRANGEMENTS
- REFERRALS FOR MEDICAL SERVICE PROVIDERS WORLDWIDE
- LOST LUGGAGE AND PASSPORT ASSISTANCE EMERGENCY TRAVEL ASSISTANCE
- MEDICAL TRANSLATION SERVICES
- INTERPRETER REFERRAL
- LEGAL REFERRALS
- DOCUMENT DELIVERY
- ARRANGEMENT OF EMERGENCY MEDICAL EVACUATION AND REPATRIATION

# 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 Honesty 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.



## MOTOR 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 the country offering high quality & effective claim services

# Statement of Compliance with the Code of Corporate Governance

## For The Year Ended December 31, 2022

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 ensures representation of independent non-executive directors on its Board of Directors. Followings are the names of the Directors as at 31st December 2022.

| Category                                   | Name   |
|--|--|
| Non-Executive Directors                    | HH Sheikh Nahayan Mabararak Al Nahayan         |
| Non-Executive Directors                    | HE Sheikh Saif Bin Mohammed Bin Butti Al Hamid |
| Non-Executive Directors                    | Mr. Khalid Mana Saeed Al Otaiba                |
| Non-Executive Directors                    | Mr. Atif Aslam Bajwa                           |
| Non-Executive Directors                    | Mr. Tanveer Hussain Awan                       |
| Non-Executive Directors                    | Ms. Anjum Hai                                  |
| 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 NBFIs, being a member of stock exchange, has been declared as a defaulter by a stock exchange.
4. No casual vacancy was occurred on the Board during the year.
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 (7) 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, 2022

10. The Board arranged Orientation course for its directors during the current tenure 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. Farhan Anwar  | 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. Rashid Awan    | Member             |
| Mr. Naveed Akbar   | Member & Secretary |

# Statement of Compliance with the Code of Corporate Governance

## For The Year Ended December 31, 2022

17. The Board has formed the following Board Committees:

### Ethics, Human Resource and Remuneration Committee:

| Name                     | Category  |
|--------------------------|-----------|
| Mr. Atif Aslam Bajwa     | Chairman  |
| Mr. Tanveer Hussain Awan | Member    |
| Ms. Anjum Hai            | 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. Atif Aslam Bajwa     | Chairman           |
| Mr. Tanveer Hussain Awan | Member             |
| Ms. Anjum Hai            | 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. Atif Aslam Bajwa     | Chairman |
| Mr. Tanveer Hussain Awan | Member   |
| Ms. Anjum Hai            | Member   |

19. The terms of references of the Committees have been formed and advised to the Committees for compliance. The frequency of meetings of the Committees were as follows:

| Name of the Committee                             | Frequency of Meeting |
|---|----------------------|
| Ethics, Human Resource & Remuneration Committee   | Half yearly          |
| Investment Committee                              | Quarterly            |
| Audit Committee                                   | Quarterly            |
| Underwriting Committee                            | Quarterly            |
| Claims Settlement Committee                       | Quarterly            |
| Reinsurance, Re-takaful and Coinsurance Committee | Quarterly            |
| Risk Management & Compliance Committee            | Quarterly            |

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.

# Statement of Compliance with the Code of Corporate Governance

## For The Year Ended December 31, 2022

| Name of the Person  | Designation                                 |
|---------------------|---|
| Mr. Abdul Haye      | Chief Executive Officer                     |
| Mr. Adnan Waheed    | Chief Financial Officer & Company Secretary |
| Mr. Faisal Shahzad  | Head of Internal Audit                      |
| Mr. Naveed Akbar    | Compliance Officer                          |
| Mr. Faisal Arshad   | Head of Underwriting                        |
| Mr. Manzoor Hussain | Head of Claims                              |
| Mr. Rashid Awan     | Head of Risk Management                     |
| Mr. Shahzad Aamir   | Head of Reinsurance                         |
| Mr. Shamsul Zuha    | Head of Window Takaful Operation            |

There was no new appointment of Chief Executive Officer, Chief Financial Officer, Company Secretary, Head of Internal Audit, or Compliance Officer during the reporting year.

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 drawn up its 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+(ifs) 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.



Abdul Haye  
Chief Executive Officer





## GROUP HEALTH INSURANCE

Human resource is the most important asset of every company. Whether you wish to attract the cream of the industry or retain your nest talent, Health Insurance plays a paramount role. A company is as good as 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 most benefits. Alfalah Insurance Company Limited offers ideal Employee Medical Insurance solutions providing quality healthcare 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 FOR 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  
96-B-I, 4th Floor, Pace Mall Building  
M. M. Alam Road, Gulberg-II  
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Fax: +92 42 3577 8412-13  
ey.lhr@pk.ey.com  
ey.com/pk

## **INDEPENDENT AUDITOR'S REVIEW REPORT 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 contained in the Code of Corporate Governance for Insurers, 2016 (the Code) prepared by the Board of Directors of the Alfalah Insurance Company Limited (the Company) for the year ended 31 December 2022, 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 the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. 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.

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 requirements contained in the Code as applicable to the Company for the year ended 31 December 2022.

---

EY Ford Rhodes  
Chartered Accountants  
Engagement Partner: Abdullah Fahad Masood  
Lahore: 30 March 2023  
UDIN:CR2O2210177rY2AdNo71

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF ALFALAH INSURANCE COMPANY LIMITED

### Report on the Audit of the Financial Statement for the year ended 31 December 2022

#### 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 2022, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity, 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 2022 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 auditor's 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 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.

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF ALFALAH INSURANCE COMPANY LIMITED**

#### **Report on the Audit of the Financial Statement for the year ended 31 December 2022**

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, the cash flow statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- 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).

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



EY Ford Rhodes  
Chartered Accountants  
Lahore: 30 March 2023  
UDIN:AR2022101775x7FzITe4

# ALFALAH INSURANCE COMPANY LIMITED

## STATEMENT OF FINANCIAL POSITION

### AS AT 31 DECEMBER 2022

|  | Note | 2022                 | 2021             |
|--|------|----------------------|------------------|
|  |      | (Rupees in thousand) |                  |
| <b>ASSETS</b>  |      |                      |                  |
| Property and equipment   | 5    | 181,317              | 168,169          |
| Right-of-use asset   | 6    | 62,084               | 85,462           |
| Intangible assets  | 7    | 8,617                | 7,691            |
| Investment property  | 8    | 1,588                | 1,588            |
| Investments  |      |                      |                  |
| Equity securities  | 9    | 534,806              | 478,389          |
| Debt securities  | 10   | 1,688,118            | 1,657,130        |
| Term deposits  | 11   | -                    | -                |
| Loans and other receivables  | 12   | 202,662              | 106,973          |
| Insurance / reinsurance receivables - unsecured and considered good  | 13   | 625,293              | 755,243          |
| Reinsurance recoveries against outstanding claims                    | 26   | 677,388              | 467,748          |
| Salvage recoveries accrued   |      | 32,241               | 36,776           |
| Deferred commission expense / acquisition cost                       | 27   | 128,117              | 60,976           |
| Deferred taxation  | 14   | 58,856               | 10,608           |
| Taxation - payment less provisions                                   |      | -                    | 31,088           |
| Retirement benefits  | 20   | 298                  | 827              |
| Prepayments  | 15   | 680,053              | 476,682          |
| Cash and bank  | 16   | 538,463              | 344,658          |
|  |      | 5,419,901            | 4,690,008        |
| Total assets of Window Takaful Operations - Operator's Fund          | 17   | 524,500              | 335,539          |
| <b>TOTAL ASSETS</b>  |      | <b>5,944,401</b>     | <b>5,025,547</b> |
| <b>EQUITY AND LIABILITIES</b>  |      |                      |                  |
| <b>Capital and reserves attributable to Company's equity holders</b> |      |                      |                  |
| Authorized capital   |      |                      |                  |
| 50,000,000 (2021: 50,000,000) ordinary shares of Rs.10 each          |      | 500,000              | 500,000          |
| Ordinary share capital   | 18   | 500,000              | 500,000          |
| Reserves   | 19   | 116,436              | 160,591          |
| Unappropriated profits   |      | 1,377,462            | 1,172,911        |
| <b>TOTAL EQUITY</b>  |      | <b>1,993,898</b>     | <b>1,833,502</b> |
| <b>LIABILITIES</b>   |      |                      |                  |
| Underwriting provisions:   |      |                      |                  |
| Outstanding claims including IBNR                                    | 26   | 1,104,316            | 840,710          |
| Unearned premium reserve   | 25   | 1,194,868            | 991,716          |
| Premium deficiency reserves  |      | 6,210                | 9,126            |
| Unearned reinsurance commission                                      | 27   | 139,311              | 82,822           |
| Taxation - payment less provisions                                   |      | 5,809                | -                |
| Premium received in advance  |      | 52,802               | 43,820           |
| Insurance / reinsurance payables                                     | 21   | 545,635              | 488,330          |
| Lease liabilities  | 22   | 79,920               | 105,391          |
| Other creditors and accruals   | 23   | 581,896              | 486,875          |
|  |      | 3,710,767            | 3,048,790        |
| Total liabilities of Window Takaful Operations - Operator's Fund     | 17   | 239,736              | 143,255          |
|  |      | 3,950,503            | 3,192,045        |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                  |      | <b>5,944,401</b>     | <b>5,025,547</b> |
| <b>CONTINGENCIES AND COMMITMENTS</b>                                 | 24   |                      |                  |

The annexed notes 1 to 45 form an integral part of these financial statements.



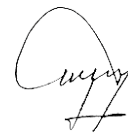
Chairman



Director



Director



Chief Executive Officer

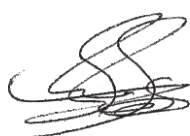
# ALFALAH INSURANCE COMPANY LIMITED

## PROFIT AND LOSS ACCOUNT

### FOR THE YEAR ENDED 31 DECEMBER 2022

|   | Note | 2022<br>(Rupees in thousand) | 2021           |
|---|------|------------------------------|----------------|
| Net insurance premium                                   | 25   | 2,218,696                    | 1,934,765      |
| Net insurance claims                                    | 26   | (1,198,482)                  | (978,950)      |
| Premium deficiency                                      |      | 2,915                        | (9,126)        |
| Net commission and other acquisition cost               | 27   | (496,905)                    | (422,776)      |
| Insurance claims and acquisition expenses               |      | (1,692,472)                  | (1,410,852)    |
| Management expenses                                     | 28   | (489,130)                    | (406,252)      |
| <b>Underwriting results</b>                             |      | <b>37,094</b>                | <b>117,661</b> |
| Investment income                                       | 29   | 232,436                      | 189,081        |
| Other income  | 30   | 86,335                       | 23,646         |
| Other expenses  | 31   | (33,597)                     | (30,418)       |
| <b>Results of operating activities</b>                  |      | <b>322,268</b>               | <b>299,970</b> |
| Finance cost  | 32   | (7,697)                      | (9,909)        |
| Profit from Window Takaful Operations - Operator's fund | 17   | 142,528                      | 75,361         |
| <b>Profit before tax</b>                                |      | <b>457,099</b>               | <b>365,422</b> |
| Income tax expense                                      | 33   | (153,747)                    | (99,582)       |
| <b>Profit after tax</b>                                 |      | <b>303,352</b>               | <b>265,840</b> |
| Earnings after tax per share - basic and diluted        | 34   | 6.07                         | 5.32           |

The annexed notes 1 to 45 form an integral part of these financial statements.



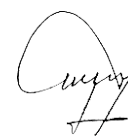
Chairman



Director



Director



Chief Executive Officer

# ALFALAH INSURANCE COMPANY LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 31 DECEMBER 2022

|   | <u>2022</u>           | <u>2021</u>           |
|---|-----------------------|-----------------------|
|   | (Rupees in thousand)  |                       |
| <b>Profit after tax</b>   | <b>303,352</b>        | 265,840               |
| <b>Items that may be reclassified to profit and loss account in subsequent periods (net of tax):</b>      |                       |                       |
| Unrealized loss on available-for-sale investments   | (44,155)              | (63,692)              |
| <b>Items that will not be reclassified to profit and loss account in subsequent periods (net of tax):</b> |                       |                       |
| Remeasurement gain / (loss) on defined benefit obligations  | <u>1,199</u>          | <u>(228)</u>          |
| <b>Other comprehensive loss for the year</b>  | <b>(42,956)</b>       | (63,920)              |
| <b>Total comprehensive income for the year</b>  | <b><u>260,396</u></b> | <b><u>201,920</u></b> |

The annexed notes 1 to 45 form an integral part of these financial statements.




Chairman



Director



Director



Chief Executive Officer



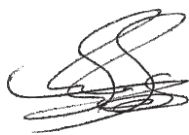
# ALFALAH INSURANCE COMPANY LIMITED

## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 31 DECEMBER 2022

|  | Share capital                  |                     | Capital reserve     |                 | Revenue reserve        |  |                  | Total |
|--|--------------------------------|---------------------|---------------------|-----------------|------------------------|--|------------------|-------|
|  | Issued, subscribed and paid-up | Share deposit money | Fair Value Reserves | General reserve | Unappropriated profits |  |                  |       |
| Balance as at 1 January 2021   | 500,000                        | 1,381               | 72,902              | 150,000         | 907,299                |  | 1,631,582        |       |
| Profit for the year  | -                              | -                   | -                   | -               | 265,840                |  | 265,840          |       |
| Other comprehensive income for the year  | -                              | -                   | (63,692)            | -               | (228)                  |  | (63,920)         |       |
| Total comprehensive income for the year  | -                              | -                   | (63,692)            | -               | 265,612                |  | 201,920          |       |
| <b>Balance as at 31 December 2021</b>  | <b>500,000</b>                 | <b>1,381</b>        | <b>9,210</b>        | <b>150,000</b>  | <b>1,172,911</b>       |  | <b>1,833,502</b> |       |
| Profit for the year  | -                              | -                   | -                   | -               | 303,352                |  | 303,352          |       |
| Other comprehensive income for the year  | -                              | -                   | (44,155)            | -               | 1,199                  |  | (42,956)         |       |
| <b>Total comprehensive income for the year</b>                                 | <b>-</b>                       | <b>-</b>            | <b>(44,155)</b>     | <b>-</b>        | <b>304,551</b>         |  | <b>260,396</b>   |       |
| <b>Transactions with owners of the Company</b>                                 |                                |                     |                     |                 |                        |  |                  |       |
| Final dividend for the year ended 31 December 2021 @ 20% (Rupee 2/- per share) | -                              | -                   | -                   | -               | (100,000)              |  | (100,000)        |       |
| <b>Balance as at 31 December 2022</b>  | <b>500,000</b>                 | <b>1,381</b>        | <b>(34,945)</b>     | <b>150,000</b>  | <b>1,377,462</b>       |  | <b>1,993,898</b> |       |

The annexed notes 1 to 45 form an integral part of these financial statements.



Chairman



Director



Director



Chief Executive Officer

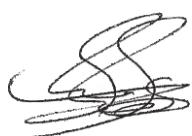
# ALFALAH INSURANCE COMPANY LIMITED

## CASH FLOW STATEMENT

### FOR THE YEAR ENDED 31 DECEMBER 2022

|   | 2022                 | 2021             |
|---|----------------------|------------------|
|   | (Rupees in thousand) |                  |
| <b><u>Operating cash flows</u></b>                                    |                      |                  |
| <b>a) Underwriting activities</b>                                     |                      |                  |
| Insurance premium received  | 4,402,003            | 3,441,820        |
| Reinsurance premium paid  | (1,636,567)          | (998,645)        |
| Claims paid   | (1,787,787)          | (1,290,066)      |
| Reinsurance and other recoveries received                             | 386,444              | 333,052          |
| Commission paid   | (988,936)            | (908,692)        |
| Commission received   | 384,112              | 223,318          |
| Management expenses paid  | (441,154)            | (361,333)        |
| <b>Net cash flow from underwriting activities</b>                     | <b>318,115</b>       | <b>439,454</b>   |
| <b>b) Other operating activities</b>                                  |                      |                  |
| Income tax paid   | (144,124)            | (111,524)        |
| Other (paid) / received   | 44,159               | (39,086)         |
| Loans disbursed   | (13,866)             | (9,860)          |
| Loans repayments received   | 12,377               | 9,581            |
| <b>Net cash flow from other operating activities</b>                  | <b>(101,454)</b>     | <b>(150,889)</b> |
| <b>Total cash generated / (used in) from all operating activities</b> | <b>216,661</b>       | <b>288,565</b>   |
| <b><u>Investment activities</u></b>                                   |                      |                  |
| Profit / return received on bank deposits                             | 229,788              | 97,740           |
| Dividends received  | 49,630               | 35,380           |
| Payments for investments  | (5,850,400)          | (3,522,897)      |
| Proceeds from disposal of investments                                 | 5,709,853            | 3,145,399        |
| Fixed capital expenditure   | (29,352)             | (27,930)         |
| Proceeds from disposal of operating fixed assets                      | 1,831                | 4,052            |
| <b>Total cash (used in) / generated from investing activities</b>     | <b>111,350</b>       | <b>(268,256)</b> |
| <b><u>Financing activities</u></b>                                    |                      |                  |
| Payment of lease liability in respect of right-of-use assets          | (34,206)             | (26,319)         |
| Dividend paid   | (100,000)            | -                |
| <b>Total cash flow from financing activities</b>                      | <b>(134,206)</b>     | <b>(26,319)</b>  |
| <b>Net cash flow from all activities</b>                              | <b>193,805</b>       | <b>(6,010)</b>   |
| Cash and cash equivalents at beginning of the year                    | 344,658              | 350,668          |
| <b>Cash and cash equivalents at end of the year</b>                   | <b>538,463</b>       | <b>344,658</b>   |

The annexed notes 1 to 45 form an integral part of these financial statements.



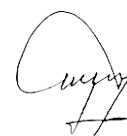
Chairman



Director



Director



Chief Executive Officer

# ALFALAH INSURANCE COMPANY LIMITED

## CASH FLOW STATEMENT

### FOR THE YEAR ENDED 31 DECEMBER 2022

2022                      2021  
(Rupees in thousand)

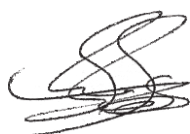
#### Reconciliation to profit and loss account

|  |                |                |
|--|----------------|----------------|
| Operating cash flows                                     | 216,661        | 288,565        |
| Depreciation expense                                     | (34,930)       | (34,164)       |
| Finance cost   | (8,735)        | (11,339)       |
| Amortization of intangibles                              | (2,464)        | (1,662)        |
| Gain on disposal of operating fixed assets               | 569            | 176            |
| Profit on sale of investments                            | 40,301         | 53,071         |
| Impairment in value of available-for-sale investments    | (55,735)       | 3,202          |
| Dividend and other income                                | 292,361        | 159,224        |
| Decrease in assets other than cash                       | 454,621        | 293,361        |
| Increase in liabilities other than borrowings            | (758,470)      | (559,983)      |
| Un-realized gain in value of held for trading investment | 16,644         | 28             |
| Profit from Window Takaful Operations                    | 142,528        | 75,361         |
| <b>Profit after taxation</b>                             | <b>303,352</b> | <b>265,840</b> |

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

|  |                |                |
|--|----------------|----------------|
| Cash and other equivalents             | 3,602          | 2,223          |
| Current and other accounts             | 534,861        | 342,435        |
| <b>Total cash and cash equivalents</b> | <b>538,463</b> | <b>344,658</b> |

The annexed notes 1 to 45 form an integral part of these financial statements.



Chairman



Director



Director



Chief Executive Officer

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 1 LEGAL STATUS AND NATURE OF BUSINESS

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 locations in Pakistan;

| Locations                 | Address   |
|---------------------------|---|
| Head Office - Lahore      | 5-Saint Mary Park, Gulberg-III, Lahore  |
| South Zone Karachi Office | 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         | 2nd Floor, Meezan Executive Tower, 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 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, the Takaful Rules, 2012 and General Takaful Accounting Regulation, 2019.

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, the Takaful Rules, 2012 and General Takaful Accounting Regulations, 2019 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 Window 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 Window Takaful Operations has been annexed to these financial statements as per the requirements of the Takaful Rules, 2012.

##### 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 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 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 rupees, unless otherwise stated.

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES RESULTING FROM AMENDMENTS IN STANDARDS DURING THE YEAR

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except for following amendments to accounting standards which are effective for annual periods beginning on or after 01 January 2022 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective:

IFRS 03 Business Combinations – The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. In accordance with the transitional provisions, the Company applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the separate financial statements of the Company.

IAS 16 Property, plant and equipment – Amendment to clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

In accordance with the transitional provisions, the Company applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments to specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Company applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period. These amendments had no impact on the financial statements of the Company, as prior to the application of the amendments, the Company had not identified any contracts as being onerous and the unavoidable costs under the contracts, which were the costs of fulfilling them, comprised of incremental costs directly related to the contracts and an allocation of costs directly related to contract activities.

The adoption of the above amendments to accounting standards did not have any material effect on the financial statement.

In addition to the above amendments to standards, improvements to various accounting standards (under the annual improvements 2018 - 2020 cycle) have also been issued by the IASB in May 2020. Such improvements were generally effective for accounting periods beginning on or after 01 January 2022.

IFRS 9 Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities - The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39.

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

In accordance with the transitional provisions, the Company applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Company as there were no modifications of the Company's financial instruments during the period.

IFRS 16 Leases: Lease incentives – The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16 and had no impact on the financial statements of the company.

IAS 41 Agriculture: Taxation in fair value measurements – The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the financial statements of the Company as it did not have assets in scope of IAS 41 as at the reporting date.

#### 2.5 AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective

##### Standard or interpretation

IAS 1 Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.
- Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

The amendments are effective for annual reporting periods beginning on or after 01 January 2024 and must be applied retrospectively. The amendments are not expected to have a material impact.

IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 - The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 01 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Company is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

IAS 8 Definition of Accounting Estimates - Amendments to IAS 8 - The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 01 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company's financial statements.

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

|                  |   |
|------------------|---|
| IAS 12           | <p>Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 - In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.</p> <p>The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The amendments are not expected to have a material impact on the Company's financial statements.</p> |
| IFRS 10 & IAS 28 | <p>Consolidated Financial Statements &amp; Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendment). The effective date of Amendments to IFRS 10 and IAS 28 has been deferred indefinitely (until the research project of IASB, on the equity method, has been concluded. Earlier application of the September 2014 amendments continues to be permitted. The Company expects that the adoption of the amendments will have no material effect on the Company's financial statements.</p>  |
| IFRS 16          | <p>Leases - Lease Liability in a Sale and Leaseback - Amendments requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments are effective for annual reporting periods beginning on or after 01 January 2024. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to sale and leaseback transactions entered into after the date of initial application.</p>  |

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

| Standard or interpretation  | IASB<br>Effective date<br>(annual<br>periods<br>beginning on<br>or after) |
|---|---|
| IFRS 1 First-time Adoption of International Financial Reporting Standards | 01 July 2009  |
| IFRS 17 Insurance Contracts   | 01 January 2023   |

The Company expects that the adoption of the above standards will have no material effect on the Company's financial statements, in the period of initial application.

#### 2.6 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) for annual reporting periods beginning on or after 01 January 2023, as allowed by the amendments contained in Annual Improvements to IFRS Standards 2018-2020 Cycle.

The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning on 1 January 2023 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.

### 3 USE OF JUDGEMENT 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.



# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

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:

|  | <u>Note</u> |
|--|-------------|
| - 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         |
| - Useful lives, pattern of economic benefits and impairments - Investment property   | 4.2         |
| - Segment reporting  | 4.23        |

#### 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 Property and equipment

###### Operating fixed assets:

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

Cost comprises of purchase price including import duties and non-refundable purchase taxes after deducting trade discounts, rebates and includes other costs directly attributable to the acquisition or construction including expenditures on the material, labour and overheads directly relating to construction, erection 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 held for capital appreciation purpose is classified as investment property. The investment property of the Company comprises of land and is valued using the cost method less any identified impairment loss.

Fair value is disclosed and is determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee. 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.

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

The useful lives, residual values, depreciation method and impairment losses 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.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit and loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated above property and equipment up to the date of change in use.

#### 4.3 Intangible assets

Intangible asset is stated at cost less accumulated amortization for finite intangible asset and identified impairment loss, if any. Finite intangible assets are amortized using straight line method over its estimated useful life at the rates mentioned in the note 7.

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.

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.

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 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.

#### 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.

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 through profit and loss account, otherwise it is reversed.

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 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.

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;

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

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 policies 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  |

#### 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

Insurance / reinsurance receivable and payable including premium due but unpaid, relating to insurance contracts are recognized when due and carried at cost less provision for impairment (if any). The cost is the fair value of the consideration to be received / paid in the future for services rendered / received. These amounts also include due to and from other insurance companies and brokers.

Premium received in advance is recognized as liability till the time of issuance of insurance contract there against.

An assessment is made at each reporting date to determine whether there is an objective evidence from external as well as internal sources of information that a financial asset or group of assets may be impaired i.e. recoverable amount at the reporting date is less than the earning amount of the asset. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized, in the profit and loss account, for the difference between the recoverable amount and the carrying amount. Provisions for impairment are reviewed at each reporting date and adjusted to reflect the current best estimates. Changes in the provisions are recognized as income or expense, in the profit and loss account.

#### 4.9 Reinsurance contracts held

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Reinsurance contracts includes treaty reinsurance, whereby certain agreed proportion of risks are shared with the participating companies, hence higher underwriting capacity with larger spread becomes available. Depending upon the nature and / or size of the risk at times reinsurance of excess of capacity is also placed on case to case basis under facultative reinsurance arrangement. The Company also accepts facultative reinsurance from other local insurance companies provided the risk meets the underwriting requirements of the Company.

Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured. The risks undertaken by the Company under these contracts for each class of business are stated in the financial statements.

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

Reinsurance assets or liabilities are derecognized when the contractual rights or obligations are extinguished or expired. Furthermore, reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contract are not off set against income or expenses from related insurance assets.

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

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

The portion of reinsurance premium not recognized as an expense is shown as a prepayment. Prepayment (i.e. premium ceded to reinsurers) is recognized as follows:

- for reinsurance contracts operating on a proportional basis, a liability to the reinsurer is recognized on attachment of the underlying policies reinsured, while an asset is recognized for the unexpired period of reinsurance coverage at the reporting date as prepaid reinsurance premium ceded and the same is expensed over the period of underlying policies.

Commission income from reinsurers is recognized at the time of issuance of the underlying insurance policy by the Company. This income is deferred and brought to profit and loss account as commission income in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission and no claim bonus (if any), which the Company may be entitled to under the terms of reinsurance, is recognized on accrual basis.

#### 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.

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-fourth 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 Provision for outstanding claims 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.

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 has been carried out by independent firm of actuaries for determination of IBNR for each class of business. The actuarial valuation is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions (as explained in preceding paragraph) that may include a margin for adverse deviation as required / allowed under the Guidelines. The method used, and the estimates made, are reviewed annually.

#### 4.15 Premium deficiency reserve

The Company maintains a provision in respect of premium deficiency (also called unexpired risk reserve) on aggregation basis (except for health class) 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 and for health class 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, however for health class premium deficiency reserve has been accounted for separately.

#### 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% (2021: 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 2022. 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.



# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

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 20.

#### 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.

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.

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### **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, under the terms of reinsurance agreements is recognized when Company's right to same are established.

The unearned portion of commission income is recognized as a liability. Such liability is calculated by applying the twenty-fourth 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.

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.

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022.

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 5 PROPERTY AND EQUIPMENT

Operating assets Note 2022 2021  
Rupees in thousand  
5.1 181,317 168,169

#### 5.1 Operating assets

| 2022                       | Cost                  |               |                | Depreciation           |                     | Written down value |                        | %              |
|----------------------------|-----------------------|---------------|----------------|------------------------|---------------------|--------------------|------------------------|----------------|
|                            | As at 01 January 2022 | Additions     | Disposals      | As at 31 December 2022 | Charge for the year | On disposals       | As at 31 December 2022 |                |
| (Rupees in thousand)       |                       |               |                |                        |                     |                    |                        |                |
| Land - freehold            | 121,671               | -             | -              | 121,671                | -                   | -                  | 121,671                | -              |
| Building on leasehold land | 50,564                | -             | (1,264)        | 49,300                 | 458                 | (1,264)            | 48,909                 | 10             |
| Furniture and fixtures     | 19,180                | 171           | -              | 19,351                 | 482                 | -                  | 17,469                 | 10             |
| Office equipment           | 21,390                | 930           | (268)          | 22,052                 | 1,520               | (268)              | 19,066                 | 20             |
| Computer equipment         | 43,939                | 11,473        | (2,360)        | 53,052                 | 2,614               | (2,360)            | 39,883                 | 25             |
| Vehicles                   | 63,005                | 13,388        | (4,727)        | 71,666                 | 6,478               | (3,465)            | 30,448                 | 25             |
|                            | <b>319,749</b>        | <b>25,962</b> | <b>(8,619)</b> | <b>337,092</b>         | <b>11,552</b>       | <b>(7,357)</b>     | <b>155,775</b>         | <b>181,317</b> |

| 2021                       | Cost                  |               |                 | Depreciation           |                     | Written down value |                        | %              |
|----------------------------|-----------------------|---------------|-----------------|------------------------|---------------------|--------------------|------------------------|----------------|
|                            | As at 01 January 2021 | Additions     | Disposals       | As at 31 December 2021 | Charge for the year | On disposals       | As at 31 December 2021 |                |
| (Rupees in thousand)       |                       |               |                 |                        |                     |                    |                        |                |
| Land - freehold            | 121,671               | -             | -               | 121,671                | -                   | -                  | 121,671                | -              |
| Building on leasehold land | 50,564                | -             | -               | 50,564                 | 1,076               | -                  | 49,715                 | 10             |
| Furniture and fixtures     | 18,226                | 954           | -               | 19,180                 | 705                 | -                  | 16,987                 | 10             |
| Office equipment           | 21,585                | 230           | (425)           | 21,390                 | 1,512               | (425)              | 17,814                 | 20             |
| Computer equipment         | 42,668                | 1,271         | -               | 43,939                 | 2,389               | -                  | 39,629                 | 25             |
| Vehicles                   | 54,449                | 23,778        | (15,222)        | 63,005                 | 5,104               | (11,345)           | 27,435                 | 25             |
|                            | <b>309,163</b>        | <b>26,233</b> | <b>(15,647)</b> | <b>319,749</b>         | <b>10,786</b>       | <b>(11,770)</b>    | <b>151,580</b>         | <b>168,169</b> |

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. 112.62 million (2021: Rs. 102.35 million) having nil book value as at year end.

5.1.3 Depreciation has been allocated as follows:

|   | Note | 2022          | 2021          |
|---|------|---------------|---------------|
| Rupees in thousand                          |      |               |               |
| Management expenses                         | 28   | 10,182        | 9,426         |
| Window Takaful Operations - Operator's Fund | 17   | 1,370         | 1,360         |
|   |      | <b>11,552</b> | <b>10,786</b> |

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 5.1.4 Disposal of property and equipment

| 2022                              |                           |                               |              |                |               |                           |                               |
|-----------------------------------|---------------------------|-------------------------------|--------------|----------------|---------------|---------------------------|-------------------------------|
| Particulars                       | Particulars of buyer      | Relationship with the Company | Cost         | Net book value | Sale proceeds | Gain / (loss) on disposal | Mode of disposal              |
| ------(Rupees in thousand)-----   |                           |                               |              |                |               |                           |                               |
| <b><u>Vehicles</u></b>            |                           |                               |              |                |               |                           |                               |
| Honda Civic(AJC-202)              | Mr. Abdul Haye Mughal     | Employee / CEO                | 3,065        | 767            | 767           | -                         | Company Policy                |
| Bike 70 cc (KFV-6082)             | Mr. Ilyas                 | Third party                   | 45           | 11             | 11            | -                         | Auction                       |
| Bike 70 cc (KHx-5810)             | Mr. Moinuddin             | Third party                   | 46           | 11             | 15            | 4                         | Auction                       |
| Bike 70 cc (AMR-5584)             | IGI General Insurance Ltd | Third party                   | 112          | 105            | 106           | 1                         | Claim recovered against theft |
| 20 Bikes                          | Mr. Asim Ali              | Third party                   | 1,459        | 368            | 815           | 447                       | Auction                       |
| <b><u>Office equipment</u></b>    |                           |                               |              |                |               |                           |                               |
| Various                           | Muhammad Shahzaib Khan    | Third party                   | 268          | -              | 104           | 104                       | Auction                       |
| <b><u>Computer equipment</u></b>  |                           |                               |              |                |               |                           |                               |
| Various                           | Muhammad Shahzaib Khan    | Third party                   | 207          | -              | 13            | 13                        | Auction                       |
| Various                           | Alfalah Insurance         | Company itself                | 2,153        | -              | -             | -                         | Write off                     |
| <b><u>Land &amp; Building</u></b> |                           |                               |              |                |               |                           |                               |
| Faisalabad Office                 | Alfalah Insurance         | Company itself                | 1,264        | -              | -             | -                         | Write off                     |
| <b>2022</b>                       |                           |                               | <b>8,619</b> | <b>1,262</b>   | <b>1,831</b>  | <b>569</b>                |                               |
| 2021                              |                           |                               | 15,552       | 3,782          | 3,958         | 176                       |                               |

|  | Note  | 2022          | 2021          |
|--|-------|---------------|---------------|
| Rupees in thousand                                     |       |               |               |
| <b>6 RIGHT-OF-USE ASSET</b>                            |       |               |               |
| As at 01 January                                       |       | 85,462        | 59,239        |
| Modification during the year                           |       | -             | 49,601        |
| Less: Depreciation                                     | 6.1   | <u>23,378</u> | <u>23,378</u> |
| As at 31 December                                      |       | <u>62,084</u> | <u>85,462</u> |
| <b>6.1</b> Depreciation has been allocated as follows: |       |               |               |
| Management expenses                                    | 28    | 20,602        | 20,431        |
| Window Takaful Operations - Operator's Fund            | 17    | <u>2,776</u>  | <u>2,947</u>  |
|  |       | <u>23,378</u> | <u>23,378</u> |
| <b>7 INTANGIBLE ASSETS</b>                             |       |               |               |
| Intangible assets                                      | 7.1   | <u>8,617</u>  | <u>7,691</u>  |
| <b>7.1 Intangible assets</b>                           |       |               |               |
| <b><u>Cost</u></b>                                     |       |               |               |
| Cost as at 01 January                                  |       | 27,134        | 21,876        |
| Additions during the year                              | 7.1.1 | <u>3,390</u>  | <u>5,258</u>  |
| Cost as at 31 December                                 |       | <u>30,524</u> | <u>27,134</u> |
| <b><u>Amortization</u></b>                             |       |               |               |
| As at 01 January                                       |       | 19,443        | 17,781        |
| Charged during the year                                | 7.1.2 | <u>2,464</u>  | <u>1,662</u>  |
| As at 31 December                                      |       | <u>21,907</u> | <u>19,443</u> |
| Net book value as at 31 December                       |       | <u>8,617</u>  | <u>7,691</u>  |

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

Rate of amortization 25%      25%

7.1.1 These include intangible assets amounting to Rs. 17.49 million (2021: Rs. 17.49 million) having nil book value as at year end.

|   | Note | 2022         | 2021         |
|---|------|--------------|--------------|
| Rupees in thousand                                |      |              |              |
| 7.1.2 Amortization has been allocated as follows: |      |              |              |
| Management expenses                               | 28   | 2,172        | 1,453        |
| Window Takaful Operations - Operator's Fund       | 17   | 292          | 209          |
|   |      | <b>2,464</b> | <b>1,662</b> |

#### 8 INVESTMENT PROPERTY

This represents land situated at 64 B Block, Eden Valley Faisalabad having a fair value of Rs. 11.64 million (2021: Rs. 10.58 million) measuring 7 Marla 15 square feet kept for long term capital appreciation purpose and measured at cost model.

As at 31 December 2022 and 2021, the fair values of the land are based on valuations performed by ARCH-e-decon, an accredited independent valuer on panel of Pakistan Banks' Association. ARCH-e-decon is a specialist in valuing these types of investment properties. A valuation model recommended by the International Valuation Standards Committee has been applied to determine the value of property. Investment properties of the Company are valued every year. There is no income or expense related to these investment properties.

The valuation has been carried out considering the segment and location of the property, size, utilization and current trends in price of real estate in close proximity and current market rents for similar properties including assumptions that ready buyers are available in the current market and analyzed through detailed market surveys and, the properties that have recently been sold or purchased or offered/quoted for sale into the same vicinity to determine the better estimates of the fair value.

The Company has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

#### 9 INVESTMENTS IN EQUITY SECURITIES

|  | Note  | 2022           |                        |                | 2021    |                        |                |
|--|-------|----------------|------------------------|----------------|---------|------------------------|----------------|
|  |       | Cost           | Impairment / Provision | Carrying value | Cost    | Impairment / Provision | Carrying value |
| (Rupees in thousand)                   |       |                |                        |                |         |                        |                |
| <b>9.1 Available for sale - Quoted</b> |       |                |                        |                |         |                        |                |
| <u>Related parties</u>                 |       | -              | -                      | -              | -       | -                      | -              |
| <u>Others</u>                          |       |                |                        |                |         |                        |                |
| Listed shares                          | 9.1.1 | 435,230        | (72,319)               | 362,911        | 497,085 | (16,584)               | 480,501        |
|  |       | 435,230        | (72,319)               | 362,911        | 497,085 | (16,584)               | 480,501        |
| Unrealized loss on revaluation         |       | -              | -                      | (32,569)       | -       | -                      | (2,112)        |
|  |       | 435,230        | (72,319)               | 330,342        | 497,085 | (16,584)               | 478,389        |
| <b>Held for trading - Mutual funds</b> |       |                |                        |                |         |                        |                |
| <u>Related parties</u>                 | 9.2   | 204,347        | -                      | 204,347        | -       | -                      | -              |
| <u>Others</u>                          |       | -              | -                      | -              | -       | -                      | -              |
|  |       | 204,347        | -                      | 204,347        | -       | -                      | -              |
| Unrealized gain on revaluation         |       | -              | -                      | 117            | -       | -                      | -              |
|  |       | 204,347        | -                      | 204,464        | -       | -                      | -              |
|  |       | <b>639,577</b> | <b>(72,319)</b>        | <b>534,806</b> | 497,085 | <b>(16,584)</b>        | <b>478,389</b> |

|                      | Note | 2022 | 2021 |
|----------------------|------|------|------|
| (Rupees in thousand) |      |      |      |

9.2 Mutual Fund

|                       |  |                |   |
|-----------------------|--|----------------|---|
| Alfalah Ghp Cash Fund |  | <b>204,347</b> | - |
|-----------------------|--|----------------|---|

9.3 Movement of provision:

|  |    |                 |          |
|--|----|-----------------|----------|
| As at 01 January   |    | <b>16,584</b>   | 19,786   |
| Charged during the year                                      |    | <b>68,084</b>   | 31,011   |
| Transferred to profit and loss account on sale of investment | 29 | <b>(12,349)</b> | (34,213) |
| As at 31 December  |    | <b>72,319</b>   | 16,584   |

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 9.1.1 Others - listed shares

| Shares                                   |           | Company                                 | Face value per share | Cost                             |        | Market Value |        |
|--|-----------|---|----------------------|----------------------------------|--------|--------------|--------|
| 2022                                     | 2021      |   |                      | 2022                             | 2021   | 2022         | 2021   |
| -----Number-----                         |           |   |                      | ----- (Rupees in thousand) ----- |        |              |        |
| <b>Commercial Banks</b>                  |           |   |                      |                                  |        |              |        |
| 1,094,750                                | 1,062,000 | The Bank of Punjab                      | 10                   | 8,832                            | 9,638  | 5,003        | 8,995  |
| -  | 340,000   | Faysal Bank Limited                     | 10                   | -                                | 6,339  | -            | 7,820  |
| 294,500                                  | 312,000   | Habib Bank Limited                      | 10                   | 32,315                           | 39,953 | 18,768       | 36,385 |
| 267,000                                  | 277,000   | Bank AL Habib Limited                   | 10                   | 20,557                           | 21,327 | 14,760       | 19,116 |
| 220,000                                  | 270,000   | United Bank Limited                     | 10                   | 27,774                           | 34,087 | 22,165       | 36,877 |
| 136,000                                  | 136,000   | MCB Bank Limited*                       | 10                   | 24,417                           | 24,773 | 15,798       | 20,856 |
| 101,358                                  | 53,631    | Meezan Bank Limited                     | 10                   | 11,306                           | 5,712  | 10,089       | 7,192  |
| -  | 15,000    | Habib Metropolitan Bank Limited         | 10                   | -                                | 600    | -            | 642    |
| <b>Engineering</b>                       |           |   |                      |                                  |        |              |        |
| -  | 300,000   | Aisha Steel Mills Limited               | 10                   | -                                | 6,540  | -            | 4,518  |
| 227,000                                  | 227,000   | Agha Steel Industries Limited           | 10                   | 7,982                            | 7,982  | 3,155        | 5,941  |
| -  | 50,725    | Mughal Iron and Steels Industries       | 10                   | -                                | 4,371  | -            | 5,281  |
| 40,000                                   | -         | Amreli Steels Limited                   | 10                   | 960                              | -      | 718          | -      |
| 55,000                                   | -         | International Steels Limited            | 10                   | 3,343                            | -      | 2,494        | -      |
| <b>Cement</b>                            |           |   |                      |                                  |        |              |        |
| -  | 288,000   | Fauji Cement Company Limited            | 10                   | -                                | 6,150  | -            | 5,291  |
| 182,000                                  | 192,000   | Maple Leaf Cement Factory Limited       | 10                   | 6,197                            | 7,928  | 4,108        | 6,902  |
| 200,000                                  | 100,000   | Flying Cement Company Limited           | 10                   | 1,825                            | 1,190  | 1,172        | 1,253  |
| 13,600                                   | 73,000    | D.G Khan Cement Limited                 | 10                   | 1,016                            | 7,771  | 702          | 6,055  |
| -  | 61,500    | Pioneer Cement Limited                  | 10                   | -                                | 5,904  | -            | 5,458  |
| 66,500                                   | 47,000    | Kohat Cement Company Limited            | 10                   | 11,473                           | 9,120  | 9,822        | 8,864  |
| 46,000                                   | 40,000    | Lucky Cement Limited                    | 10                   | 26,155                           | 25,624 | 20,543       | 27,171 |
| -  | 32,000    | Cherat Cement Limited                   | 10                   | -                                | 4,545  | -            | 4,746  |
| 100,000                                  | -         | Descon Oxychem Limited                  | 10                   | 2,548                            | -      | 2,206        | -      |
| <b>Fertilizers</b>                       |           |   |                      |                                  |        |              |        |
| -  | 201,000   | Fauji Fertilizer Bin Qasim Limited      | 10                   | -                                | 5,487  | -            | 4,981  |
| -  | 91,500    | Engro Corporation Limited               | 10                   | -                                | 28,430 | -            | 24,926 |
| 97,232                                   | 85,000    | Fauji Fertilizer Company                | 10                   | 10,522                           | 8,615  | 9,598        | 8,522  |
| 190,000                                  | -         | Engro Fertilizer Limited                | 10                   | 16,461                           | -      | 14,609       | -      |
| <b>Pharmaceuticals</b>                   |           |   |                      |                                  |        |              |        |
| -  | 60,500    | AGP Limited                             | 10                   | -                                | 5,391  | -            | 5,868  |
| 366,500                                  | 45,000    | Citi Pharma Limited                     | 10                   | 12,630                           | 1,342  | 8,851        | 1,609  |
| 52,000                                   | 36,600    | The Searle Company Limited              | 10                   | 8,166                            | 7,466  | 3,061        | 5,260  |
| -  | 50        | Highnoon Laboratories Limited           | 10                   | -                                | 25     | -            | 31     |
| <b>Automobile Assembler</b>              |           |   |                      |                                  |        |              |        |
| -  | 25,000    | Honda Atlas Cars (Pakistan) Limited     | 10                   | -                                | 5,111  | -            | 5,920  |
| 6,500                                    | 8,500     | Atlas Honda Limited                     | 10                   | 3,067                            | 4,108  | 1,950        | 3,451  |
| 7,225                                    | 6         | Millat Tractors Limited                 | 10                   | 5,013                            | 4      | 3,505        | 5      |
| -  | -         | Indus Motor Company Limited             | 10                   | -                                | -      | -            | -      |
| <b>Power Generation and Distribution</b> |           |   |                      |                                  |        |              |        |
| 54,445                                   | 405,000   | Hub Power Company Limited**             | 10                   | 3,498                            | 32,759 | 3,434        | 28,893 |
| <b>Oil and Gas Exploration Companies</b> |           |   |                      |                                  |        |              |        |
| 210,000                                  | 230,000   | Oil And Gas Development Company Limited | 10                   | 23,193                           | 25,401 | 16,729       | 19,826 |
| 47,091                                   | 65,000    | Pakistan Oil Fields Limited             | 10                   | 19,712                           | 24,159 | 18,500       | 23,245 |
| 24,798                                   | 11,000    | Mari Petroleum Company Limited          | 10                   | 42,384                           | 14,533 | 38,362       | 18,197 |
| <b>Textile Composite</b>                 |           |   |                      |                                  |        |              |        |
| 108,200                                  | 207,200   | Gul Ahmad Textile Mills Limited         | 10                   | 4,473                            | 8,566  | 2,666        | 9,751  |
| -  | 55,000    | Nishat Chunian Limited                  | 10                   | -                                | 2,419  | -            | 2,505  |
| 79,876                                   | 178,000   | Nishat Mills Limited                    | 10                   | 7,385                            | 17,490 | 4,392        | 14,165 |
| -  | 134,480   | Interloop Private Limited               | 10                   | -                                | 8,822  | -            | 9,775  |
| -  | 56,500    | Kohinoor Textile Mills Limited          | 10                   | -                                | 2,810  | -            | 3,922  |



# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

| Shares                                  |         | Company                                      | Face value per share | Cost           |                | Market Value   |                |
|---|---------|--|----------------------|----------------|----------------|----------------|----------------|
| 2022                                    | 2021    |  |                      | 2022           | 2021           | 2022           | 2021           |
| -----Number-----                        |         | ----- (Rupees in thousand) -----             |                      |                |                |                |                |
| <b>Automobile Parts and Accessories</b> |         |  |                      |                |                |                |                |
| 31,059                                  | 2,559   | Panther Tyres Limited                        | 10                   | 1,145          | 122            | 644            | 107            |
| 15,000                                  | -       | Atlas Battery Limited                        | 10                   | 2,749          | -              | 2,446          | -              |
| <b>Insurance</b>                        |         |  |                      |                |                |                |                |
| 127,500                                 | 127,500 | Adamjee Insurance Company Limited            | 10                   | 5,134          | 5,134          | 3,592          | 5,100          |
| <b>Glass and Ceramics</b>               |         |  |                      |                |                |                |                |
| 56,250                                  | 56,700  | Tariq Glass Industries Limited               | 10                   | 5,710          | 5,648          | 3,663          | 6,153          |
| 91,000                                  | -       | Shabbir Tiles & Ceramics Limited             | 10                   | 1,542          | -              | 783            | -              |
| <b>Refinery</b>                         |         |  |                      |                |                |                |                |
| 898,000                                 | 598,000 | Cnergy PK Limited                            | 10                   | 7,374          | 5,777          | 3,315          | 4,072          |
| <b>Technology</b>                       |         |  |                      |                |                |                |                |
| 44,536                                  | 20,045  | System Limited                               | 10                   | 21,667         | 9,866          | 21,553         | 15,231         |
| 65,000                                  | -       | Avanceon Limited                             | 10                   | 5,207          | -              | 4,292          | -              |
| <b>Technology &amp; Communication</b>   |         |  |                      |                |                |                |                |
| 20,000                                  | -       | TRG Pakistan Limited                         | 10                   | 2,369          | -              | 2,168          | -              |
| <b>Foods and Personal Care Products</b> |         |  |                      |                |                |                |                |
| -                                       | 3,893   | Unity Foods Limited                          | 10                   | -              | 127            | -              | 103            |
| 222,165                                 | 76,650  | The Organic Meat Company Limited             | 10                   | 5,483          | 2,672          | 4,590          | 2,432          |
| <b>Oil and Gas Marketing Companies</b>  |         |  |                      |                |                |                |                |
| 78,878                                  | 97,785  | Pakistan State Oil Company Limited           | 10                   | 13,622         | 17,804         | 11,358         | 17,786         |
| 16,250                                  | -       | Attock Petroleum Limited                     | 10                   | 5,098          | -              | 4,708          | -              |
| -                                       | 24,800  | Hi-Tech Lubricants Limited                   | 10                   | -              | 1,451          | -              | 1,079          |
| <b>Transport</b>                        |         |  |                      |                |                |                |                |
| 244,000                                 | 244,000 | Pakistan International Bulk Terminal Limited | 10                   | 1,780          | 1,900          | 1,157          | 1,796          |
| <b>Chemical</b>                         |         |  |                      |                |                |                |                |
| -                                       | 148,000 | Engro Polymer and Chemicals Limited          | 10                   | -              | 7,264          | -              | 8,023          |
| <b>Synthetic &amp; Rayon</b>            |         |  |                      |                |                |                |                |
| 167,500                                 | -       | Image Pakistan Limited                       | 10                   | 2,137          | -              | 1,573          | -              |
| <b>Miscellaneous</b>                    |         |  |                      |                |                |                |                |
| 151,500                                 | 217,000 | Siddiqsons Tin Plate Limited                 | 10                   | 1,870          | 2,997          | 962            | 2,641          |
| 100,500                                 | -       | Pakistan Aluminium Beverage Can Limited      | 10                   | 4,619          | -              | 3,902          | -              |
| 250,190                                 | 202,190 | Synthetic Products Enterprises Limited       | 10                   | 4,518          | 3,829          | 2,477          | 3,650          |
| Value as at 31 December                 |         |  |                      | 435,230        | 497,085        | 330,342        | 478,389        |
| <b>Grand Total</b>                      |         |  |                      | <b>435,230</b> | <b>497,085</b> | <b>330,342</b> | <b>478,389</b> |

\* 2022: 136,000 (2021: Nil) shares are pledged with National Clearing Company of Pakistan Limited (NCCPL) as exposure margin.

\*\* 2022: Nil (2021: 221,396) shares were pledged with National Clearing Company of Pakistan Limited (NCCPL) as exposure margin.

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

| 10 INVESTMENTS IN DEBT SECURITIES    | Note | 2022             | 2021             |
|--------------------------------------|------|------------------|------------------|
| (Rupees in thousand)                 |      |                  |                  |
| <b>Available for sale - Unquoted</b> |      |                  |                  |
| Sukuk certificates                   | 10.1 | -                | 5,887            |
| Term finance certificates            | 10.2 | 129,665          | 54,679           |
| Pakistan Investment Bonds            | 10.3 | 1,263,679        | 1,468,159        |
|                                      |      | <u>1,393,344</u> | <u>1,528,725</u> |
| Unrealized gain on debt securities   |      | (19,593)         | 15,078           |
|                                      |      | <u>1,373,751</u> | <u>1,543,803</u> |
| <b>Held for trading</b>              |      |                  |                  |
| Treasury Bills                       | 10.4 | 297,838          | 113,299          |
| Unrealized gain on debt securities   |      | 16,529           | 28               |
|                                      |      | <u>1,688,118</u> | <u>1,657,130</u> |

| Description   | Maturity  | Profit Payment | Yield            | 2022             | 2021             |
|---|-----------|----------------|------------------|------------------|------------------|
| (Rupees in thousand)  |           |                |                  |                  |                  |
| <b>10.1 Sukuk certificates</b>  |           |                |                  |                  |                  |
| Sukuk-International Brands Limited "ISBLSC"   | 15-Nov-22 | Quarterly      | 3M KIBOR + 0.50% | -                | 5,887            |
| <b>10.2 Term finance certificates</b>   |           |                |                  |                  |                  |
| Habib Bank Limited  | 15-Nov-24 | Quarterly      | 3M KIBOR + 1.60% | 20,000           | 20,000           |
| The Bank of Punjab  | 23-Dec-26 | Semi Annually  | 6M KIBOR + 1.00% | 34,665           | 34,679           |
| Habib Bank Limited  | Perpetual | Quarterly      | 3M KIBOR + 2%    | 75,000           | -                |
|   |           |                |                  | <u>129,665</u>   | <u>54,679</u>    |
| <b>10.3 Pakistan Investment Bonds</b>   |           |                |                  |                  |                  |
| Pakistan Investment Bond-Floater  | 09-Aug-28 | Semi Annually  | 16.38%           | 110,000          | 110,000          |
| Pakistan Investment Bond-Floater  | 19-Sep-22 | Semi Annually  | 12.87%           | -                | 146,099          |
| Pakistan Investment Bond-Floater  | 12-Jul-23 | Semi Annually  | 13.77%           | -                | 69,188           |
| Pakistan Investment Bond-Floater  | 12-Jul-23 | Semi Annually  | 13.59%           | -                | 184,969          |
| Pakistan Investment Bond-Floater  | 12-Jul-23 | Semi Annually  | 13.78%           | -                | 69,183           |
| Pakistan Investment Bond-Floater  | 19-Sep-24 | Semi Annually  | 12.38%           | -                | 93,500           |
| Pakistan Investment Bond-Floater  | 22-Oct-23 | Quarterly      | 7.57%            | 199,480          | 198,887          |
| Pakistan Investment Bond-Floater  | 22-Oct-23 | Quarterly      | 7.61%            | 124,630          | 124,208          |
| Pakistan Investment Bond-Floater  | 22-Oct-23 | Quarterly      | 7.62%            | 49,850           | 49,680           |
| Pakistan Investment Bond-Floater  | 26-Aug-23 | Quarterly      | 8.77%            | 299,247          | 298,199          |
| Pakistan Investment Bond-Floater  | 26-Aug-23 | Quarterly      | 8.77%            | 124,685          | 124,246          |
| Pakistan Investment Bond-Floater  | 30-Dec-23 | Quarterly      | 15.70%           | 124,277          | -                |
| Pakistan Investment Bond  | 04-Aug-25 | Semi Annually  | 14.00%           | 45,705           | -                |
| Pakistan Investment Bond  | 05-Aug-24 | Semi Annually  | 11.72%           | 139,805          | -                |
| Pakistan Investment Bond  | 05-Aug-24 | Semi Annually  | 12.60%           | 46,000           | -                |
|   |           |                |                  | <u>11.81%</u>    | <u>1,263,679</u> |
|   |           |                |                  | <u>1,263,679</u> | <u>1,468,159</u> |
| <b>10.3.1</b> Pakistan Investment Bonds having face value of Rs. 60 million (2021: Rs. 60 million) and market value of Rs. 59 million (2021: Rs. 60 million) respectively are held with State Bank of Pakistan as security deposit. |           |                |                  |                  |                  |
| <b>10.4 Treasury Bills - Held for Trading</b>   |           |                |                  |                  |                  |
| Treasury Bills  | 24-Mar-22 | On Maturity    | 10.45%           | -                | 14,649           |
| Treasury Bills  | 24-Mar-22 | On Maturity    | 10.35%           | -                | 98,650           |
| Treasury Bills  | 20-Apr-23 | On Maturity    | 13.25%           | 22,082           | -                |
| Treasury Bills  | 24-Mar-23 | On Maturity    | 12.20%           | 89,127           | -                |
| Treasury Bills  | 20-Apr-23 | On Maturity    | 13.28%           | 44,153           | -                |
| Treasury Bills  | 20-Apr-23 | On Maturity    | 13.44%           | 22,045           | -                |
| Treasury Bills  | 02-Nov-23 | On Maturity    | 15.73%           | 43,221           | -                |
| Treasury Bills  | 26-Jan-23 | On Maturity    | 15.70%           | 77,210           | -                |
|   |           |                |                  | <u>13.05%</u>    | <u>297,838</u>   |
|   |           |                |                  | <u>297,838</u>   | <u>113,299</u>   |

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

|           |   | <u>Note</u>   | <u>2022</u>   | <u>2021</u>    |
|-----------|---|---|---|----------------|
| <b>11</b> | <b>INVESTMENTS IN TERM DEPOSITS</b>   |   | <b>(Rupees in thousand)</b>   |                |
|           | Term Deposit Receipt - maturing within 12 months                              | 11.1  | 2,000   | 2,000          |
|           | Impairment  |   | <u>(2,000)</u>  | <u>(2,000)</u> |
|           |   |   | <u>-</u>  | <u>-</u>       |
|           | <b>11.1</b>   | These includes term deposit receipts (TDRs) purchased from Trust Investment Bank of Rs. 2 million (2021: Rs. 2 million) matured in 2013. Impairment has been charged due to uncertainty surrounding the recoverability of the amount.   |   |                |
| <b>12</b> | <b>LOANS AND OTHER RECEIVABLES</b>  |   | <b>(Rupees in thousand)</b>   |                |
|           | <b>Considered good</b>  |   |   |                |
|           | Accrued investment income   |   | 34,885  | 32,718         |
|           | Security deposits   |   | 6,123   | 6,123          |
|           | Loan to employees   |   | 6,190   | 4,701          |
|           | Insurance claim receivable  |   | 152   | 2,853          |
|           | Receivable from Shareholders' fund  | 12.1  | 142,649   | 58,258         |
|           | Other advances  |   | 12,663  | 2,320          |
|           |   |   | <u>202,662</u>  | <u>106,973</u> |
|           | Provision against other advances  | 12.3  | -   | -              |
|           |   |   | <u>202,662</u>  | <u>106,973</u> |
|           | <b>12.1</b>   | This represents receivable in respect of common expenses incurred by Alfalah Insurance Company Limited on behalf of the Window Takaful Operations.  |   |                |
|           | <b>12.2</b>   | This includes advance amounting to Rs. 11.3 million (2021: Nil) paid to Axa Life and Health Reinsurance Solutions (Private) Limited on account of advance reinsurance float.  |   |                |
|           | <b>12.3</b>   |   | <b>(Rupees in thousand)</b>   |                |
|           | Balance as at 01 January  |   | -   | 3,800          |
|           | Write-off during the year   |   | -   | (3,800)        |
|           | Balance as at 01 December   |   | <u>-</u>  | <u>-</u>       |
| <b>13</b> | <b>INSURANCE / REINSURANCE RECEIVABLES</b>                                    |   |   |                |
|           | <b>Unsecured and considered good</b>  |   |   |                |
|           | Due from insurance contract holders   |   | 555,577   | 367,327        |
|           | Less: provision for impairment of receivables from insurance contract holders | 13.1  | (16,417)  | (32,659)       |
|           |   |   | <u>539,160</u>  | <u>334,668</u> |
|           | Due from other insurers / reinsurers  | 13.3  | 136,618   | 424,818        |
|           | Less: provision for impairment of due from other insurers / reinsurers        | 13.2  | (50,485)  | (4,243)        |
|           |   |   | <u>86,133</u>   | <u>420,575</u> |
|           |   |   | <u>625,293</u>  | <u>755,243</u> |
|           | <b>13.1</b>   |   | <b>Provision for impairment for receivables from insurance contract holders</b> |                |
|           | Balance as at 01 January  |   | 32,659  | 30,272         |
|           | (Reversal) / Addition made during the year                                    | 28  | (16,242)  | 2,387          |
|           | Balance as at 31 December   |   | <u>16,417</u>   | <u>32,659</u>  |
|           | <b>13.2</b>   |   | <b>Provision for impairment of due from other insurers / reinsurers</b>         |                |
|           | Balance as at 01 January  |   | 4,243   | 4,046          |
|           | Addition made during the year   | 28  | 46,242  | 197            |
|           | Balance as at 31 December   |   | <u>50,485</u>   | <u>4,243</u>   |
|           | <b>13.3</b>   | The Company has co-insurance and reinsurance arrangements with various insurance and domestic reinsurance companies. Under the above arrangements, the receivable and payable balances originate mainly due to premiums underwritten or claims settled by the lead insurer on behalf of other co-insurers, and in case of reinsurance, the premium ceded to and claims recoverable from the reinsurer under the respective contracts. As per the prevailing industry practices, settlements of balances under co-insurance and reinsurance arrangements are done between respective insurance companies in normal course of business. |   |                |
|           |   | The current balances of co-insurance and reinsurance reflected in the records of the Company are based on underlying contracts and transactions supported by appropriate evidence.  |   |                |
|           |   | In this regard, the Company exchanged balance information with various co-insurers and reinsurers based on significance of the balances. This information corroborates the balance position of the Company in all material respects.  |   |                |

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

|  | Note | 2022                 | 2021     |
|--|------|----------------------|----------|
|  |      | (Rupees in thousand) |          |
| <b>14 DEFERRED TAXATION</b>  |      |                      |          |
| Credit / (debit) balances arising in respect of timing differences relating to:  |      |                      |          |
| <b>Deferred credits arising in respect of</b>  |      |                      |          |
| Accelerated tax depreciation allowance   |      | 1,796                | 3,787    |
| Leases - net   |      | 5,885                | 5,780    |
| Investments - Available for sale   |      | 41,078               | 4,809    |
| Worker's welfare fund  |      | 15,588               | -        |
| <b>Deferred debits arising due to</b>  |      |                      |          |
| Investments - Available for sale   |      | -                    | (3,760)  |
| Investments - Held for trading   |      | (5,491)              | (8)      |
|  |      | 58,856               | 10,608   |
| <b>14.1 Reconciliation of deferred tax liabilities - net</b>   |      |                      |          |
| As at 01 January   |      | 10,608               | (21,022) |
| Tax income recognized in profit and loss account   |      | 27,274               | 5,615    |
| Tax income recognized in OCI   | 14.2 | 20,974               | 26,015   |
| As at 31 December  |      | 58,856               | 10,608   |
| <b>14.2</b>  |      |                      |          |
| This represents deferred tax income recognized on unrealized loss on available-for-sale investments in other comprehensive income                    |      |                      |          |
|  | Note | 2022                 | 2021     |
|  |      | (Rupees in thousand) |          |
| <b>15 PREPAYMENTS</b>  |      |                      |          |
| Prepaid reinsurance premium ceded  | 25   | 674,957              | 474,619  |
| Prepaid miscellaneous expenses   |      | 5,096                | 2,063    |
|  |      | 680,053              | 476,682  |
| <b>16 CASH AND BANK</b>  |      |                      |          |
| <u>Cash and cash equivalents</u>   |      |                      |          |
| Cash in hand   |      | 2,127                | 689      |
| Revenue stamps   |      | 1,475                | 1,534    |
|  |      | 3,602                | 2,223    |
| <u>Cash at bank</u>  |      |                      |          |
| Current accounts   |      |                      |          |
| - Local currency   |      | 59,312               | 67,236   |
| - Foreign currency (USD 3,294.98) (2021: USD 3,294.98)   |      | 776                  | 588      |
|  |      | 60,088               | 67,824   |
| Savings accounts   | 16.1 | 474,773              | 274,611  |
|  |      | 534,861              | 342,435  |
|  |      | 538,463              | 344,658  |
| <b>16.1</b>  |      |                      |          |
| The balance in saving accounts carry mark-up at the rate of 8.50% to 14.60% per annum (2021: 5.53% to 8.50% per annum).                              |      |                      |          |
| <b>16.2</b>  |      |                      |          |
| Cash at bank deposits includes an amount of Rs. 486.92 million (2021: Rs. 315.23 million) held with Bank Alfalah Limited, an associated undertaking. |      |                      |          |
| <b>17 WINDOW TAKAFUL OPERATIONS</b>  |      | 2022                 | 2021     |
|  |      | (Rupees in thousand) |          |
| <b>Operator's Fund</b>   |      |                      |          |
| <b>Assets:</b>   |      |                      |          |
| Cash and bank deposits   |      | 271,780              | 49,217   |
| Assets - Others  |      | 252,720              | 286,322  |
| <b>Total assets</b>  |      | 524,500              | 335,539  |
| <b>Total Liabilities</b>   |      | 239,736              | 143,255  |

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

|  | 2022                 | 2021          |
|--|----------------------|---------------|
|  | (Rupees in thousand) |               |
| <b>17.1 Window Takaful Operations</b>                  |                      |               |
| <b>Profit and loss account</b>                         |                      |               |
| Wakala fee   | 174,835              | 127,856       |
| Commission expense                                     | (28,534)             | (20,037)      |
| Management expense                                     | (52,775)             | (46,215)      |
| Investment income - net                                | 26,887               | 549           |
| Mudarib's share of PTF investment income               | 13,093               | 4,623         |
| Other income   | 13,541               | 13,485        |
| Finance cost   | (1,037)              | (1,429)       |
| Direct expenses  | (3,482)              | (3,471)       |
| Profit before tax from Window Takaful Operations       | 142,528              | 75,361        |
| Taxation   | (50,048)             | (21,855)      |
| <b>Profit after tax from Window Takaful Operations</b> | <b>92,480</b>        | <b>53,506</b> |

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

|  | 2022               | 2021       |                               | 2022                 | 2021    |
|--|--------------------|------------|-------------------------------|----------------------|---------|
|  | (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

|  | 2022               | 2021              |   | 2022           | 2021           |
|--|--------------------|-------------------|---|----------------|----------------|
|  | (Number of shares) |                   |   | 2022           | 2021           |
|  | 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        |
|  | <u>50,000,000</u>  | <u>50,000,000</u> |   | <u>500,000</u> | <u>500,000</u> |

18.3 As at 31 December 2022, Bank Alfalah Limited and Sheikh Nahayan Mubarak Al Nahayan held 14,997,825 (2021: 14,997,825) and 17,497,323 (2021: 17,497,323) ordinary shares of Rs. 10 each fully paid, respectively.

#### 19 RESERVES

|                     | 2022                 | 2021           |
|---------------------|----------------------|----------------|
|                     | (Rupees in thousand) |                |
| Capital reserves    |                      |                |
| Share deposit money | 1,381                | 1,381          |
| Revenue reserves    |                      |                |
| Fair value reserves | (34,945)             | 9,210          |
| General reserves    | 150,000              | 150,000        |
|                     | <u>116,436</u>       | <u>160,591</u> |

#### 20 RETIREMENT BENEFITS ASSET / OBLIGATION

|                      |     |     |
|----------------------|-----|-----|
| Staff gratuity asset | 298 | 827 |
|----------------------|-----|-----|

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.

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

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.

|   | 2022                 | 2021                |
|---|----------------------|---------------------|
|   | (Rupees in thousand) |                     |
| <b>20.1 Statement of financial position reconciliation</b>                    |                      |                     |
| The amounts recognized in the statement of financial position are as follows: |                      |                     |
| Present value of defined benefit obligations                                  | (91,310)             | (76,493)            |
| Fair value of plan assets   | 91,608               | 77,320              |
| Funded status Unrecognized net actuarial loss /(gain)                         | -                    | -                   |
| Recognized asset  | <u>298</u>           | <u>827</u>          |
| <b>20.1.1 Movement in the defined benefit obligations</b>                     |                      |                     |
| Obligation as at 01 January   | 76,493               | 64,650              |
| Current service cost  | 8,890                | 7,099               |
| Interest cost   | 8,830                | 6,247               |
| Actuarial gain  | (234)                | (345)               |
| Benefits paid   | (2,669)              | (1,158)             |
| Obligation as at 31 December  | <u>91,310</u>        | <u>76,493</u>       |
| <b>20.1.2 Movement in the fair value of plan assets</b>                       |                      |                     |
| Fair value as at 01 January   | 77,320               | 70,551              |
| Expected return on plan assets  | 9,320                | 6,900               |
| Actuarial (losses) / gain   | 964                  | (573)               |
| Employer contributions  | 6,672                | 1,600               |
| Benefits paid   | (2,668)              | (1,158)             |
| Fair value as at 31 December  | <u>91,608</u>        | <u>77,320</u>       |
| <b>20.1.3 Cost</b>  |                      |                     |
| Current service cost  | 8,890                | 7,099               |
| Interest cost   | 8,830                | 6,247               |
| Expected return on plan assets  | (9,320)              | (6,900)             |
| Recognition of actuarial loss   | -                    | -                   |
| Expense   | <u>8,400</u>         | <u>6,446</u>        |
| Actual return on plan assets  | <u>10,285</u>        | <u>6,327</u>        |
| <b>20.1.4 Principal actuarial assumptions used are as follows:</b>            |                      |                     |
| Discount rate per annum - %   | 14.50%               | 11.75%              |
| Expected return on plan assets per annum - %                                  | 14.50%               | 10.75%              |
| Future salary increases - %   | 12.50%               | 10.75%              |
| Net retirement age  | 60                   | 60                  |
| Mortality rates   | SLIC 2001-05         | SLIC 2001-05        |
| Withdrawal rate   | SLIC 2001-05         | Moderate            |
| Effective salary increase timing  | 1st January<br>2023  | 1st January<br>2022 |

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

| 20.1.5 Comparison for five years            | 2022                            | 2021     | 2020     | 2019     | 2018     |
|---|---------------------------------|----------|----------|----------|----------|
|   | ------(Rupees in thousand)----- |          |          |          |          |
| As at 31 December                           |                                 |          |          |          |          |
| Present value of defined benefit obligation | 91,310                          | 76,493   | 64,650   | 54,897   | 62,709   |
| Fair value of plan assets                   | (91,608)                        | (77,320) | (70,551) | (57,776) | (62,071) |
| Deficit                                     | (298)                           | (827)    | (5,901)  | (2,879)  | 638      |

#### 20.1.6 Experience adjustments

|                                |        |        |        |        |       |
|--------------------------------|--------|--------|--------|--------|-------|
| Gain / (loss) on plan assets % | -0.26% | -0.45% | -3.23% | -5.06% | 2.57% |
| Gain / (loss) on plan assets % | -1.05% | 0.74%  | -4.95% | 0.69%  | 2.65% |

#### 20.1.7 Plan assets comprise of the following:

|   | 2022                  |             | 2021                  |             |
|---|-----------------------|-------------|-----------------------|-------------|
|   | Rupees in<br>Thousand | %           | Rupees in<br>Thousand | %           |
| Mutual funds                              | 18,125                | 20%         | 933                   | 1%          |
| Pakistan Investment Bond                  | -                     | 0%          | 54,632                | 71%         |
| Treasury bills                            | 56,745                | 62%         | -                     | 0%          |
| Others including (cash and bank balances) | 16,738                | 18%         | 21,755                | 28%         |
|   | <b>91,608</b>         | <b>100%</b> | <b>77,320</b>         | <b>100%</b> |

#### 21 INSURANCE / REINSURANCE PAYABLE

|                                    | 2022                 | 2021    |
|------------------------------------|----------------------|---------|
|                                    | (Rupees in thousand) |         |
| Due to other insurers / reinsurers | 545,635              | 488,330 |

#### 22 LEASE LIABILITY

The effective interest rate used as the discounting factor (i.e. implicit in the lease) ranges from 7.95% to 12.68%. The amount of future payments and the period during which they will become due are:

|                              | Note | 2022                 | 2021     |
|------------------------------|------|----------------------|----------|
|                              |      | (Rupees in thousand) |          |
| Year ending 31 December      |      |                      |          |
| 2022                         |      | -                    | 31,658   |
| 2023                         |      | 32,542               | 32,542   |
| 2024                         |      | 18,888               | 19,075   |
| 2025                         |      | 19,765               | 19,764   |
| 2026                         |      | 15,425               | 23,458   |
| 2027 onwards                 |      | 6,171                |          |
|                              | 22.1 | 92,790               | 126,496  |
| Less: Future finance charges |      | (12,870)             | (21,104) |
|                              | 22.2 | 79,920               | 105,391  |

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

|  | 2022          |               | 2021           |                |
|--|---------------|---------------|----------------|----------------|
|  | MLP           | PV of MLP     | MLP            | PV of MLP      |
| Due not later than 1 year                        | 32,542        | 26,439        | 31,658         | 28,764         |
| Due later than 1 year but not later than 5 years | 56,030        | 49,735        | 88,667         | 71,169         |
| Due later than 5 years                           | 4,219         | 3,745         | 6,171          | 5,458          |
|  | <b>92,790</b> | <b>79,920</b> | <b>126,496</b> | <b>105,391</b> |

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

|                              | 2022                 | 2021           |
|------------------------------|----------------------|----------------|
|                              | (Rupees in thousand) |                |
| As at 01 January             | 105,391              | 70,771         |
| Additions during the year    | -                    | -              |
| Modification during the year | -                    | 49,601         |
| Markup on lease liabilities  | 8,735                | 11,338         |
|                              | <b>114,126</b>       | <b>131,710</b> |
| Lease rentals paid           | (34,206)             | (26,319)       |
| As at 31 December            | <b>79,920</b>        | <b>105,391</b> |



# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

|  | Note | 2022           | 2021           |
|--|------|----------------|----------------|
| (Rupees in thousand)                   |      |                |                |
| <b>23 OTHER CREDITORS AND ACCRUALS</b> |      |                |                |
| Agent commission payable               |      | 142,224        | 118,630        |
| Cash margin against performance bonds  |      | 94,356         | 63,291         |
| Federal excise duty and sales tax      |      | 77,667         | 71,420         |
| Federal Insurance Fee                  |      | 3,547          | 3,306          |
| Workers' welfare fund                  | 23.1 | 47,239         | 37,868         |
| Accrued expenses                       |      | 167,532        | 165,047        |
| Tax deducted at source                 |      | 17,631         | 9,576          |
| Payable to Participants' Fund          |      | -              | 6,000          |
| Others                                 | 23.2 | 31,700         | 11,739         |
|  |      | <b>581,896</b> | <b>486,875</b> |

**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.

The 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. Set out below is the movement of provision for WWF:

| Workers' welfare fund  | Note | 2022          | 2021          |
|------------------------|------|---------------|---------------|
| (Rupees in thousand)   |      |               |               |
| As at 01 January       |      | 37,868        | 30,166        |
| Provision for the year | 31   | 9,371         | 7,702         |
| As at 31 December      |      | <b>47,239</b> | <b>37,868</b> |

#### **23.2 Unclaimed insurance benefits**

Others include unclaimed insurance benefits of Rs. 7.77 million (2021: Rs. 6.22 million), aging of which is given below:

|                            | Age-wise breakup of unclaimed insurance benefits |                |                 |                 |                  | Total |
|----------------------------|--|----------------|-----------------|-----------------|------------------|-------|
|                            | 1 to 6 months                                    | 7 to 12 months | 13 to 24 months | 25 to 36 months | beyond 36 months |       |
| (Rupees in thousand)       |  |                |                 |                 |                  |       |
| Claims not encashed - 2022 | 2  | 1,307          | 1,896           | 1,357           | 3,235            | 7,797 |
| Claims not encashed - 2021 | 24   | 1,527          | 1,427           | 561             | 2,678            | 6,217 |

#### **24 CONTINGENCIES AND COMMITMENTS**

##### **24.1 Tax Contingencies**

###### **a) Income tax - Tax Year 2011**

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 (the '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) Income tax - Tax Year 2019**

The deemed assessment for the tax year 2019 was amended through order dated 07 July 2021 issued under section 122 (5A) of the Ordinance, whereby deduction amounting to Rs. 16.22 million, claimed on account of 'provision for bad and doubtful debts', was disallowed by the assessing officer. As per Company's Tax advisor, the Company has strong case and appeal against such amendment order is pending before the first appellate authority, accordingly, the appeal is likely to be decided in favor of the Company. Therefore, no provision has been made in these financial statements.

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### c) Income tax - Tax Year 2021

The Company's appeal against order passed, raising a tax demand of Rs. 239.65 million under section 122(5A) of the Ordinance, was disposed of by Commissioner Inland Revenue (Appeals - I) [CIR(A)] through order dated 17 June 2022 for tax year 2021. While, a substantial amount of relief was allowed on issues decided in Company's favor by CIR(A) reducing the demand to Rs. 43.19 million, the Company, has preferred an appeal against CIR(A) order before the Appellate Tribunal Inland Revenue (the 'Tribunal'). As per Company's Tax advisor, the Company has strong case and expects a favorable outcome in this regard, therefore, no provision has been made in these financial statements.

There are no commitments as at 31 December 2022 (31 December 2021: Nil).

|   | Note | 2022                        | 2021             |
|---|------|-----------------------------|------------------|
| <b>25 NET INSURANCE PREMIUM</b>   |      | <b>(Rupees in thousand)</b> |                  |
| Written gross premium   |      | 4,374,858                   | 3,499,285        |
| Unearned premium reserve as at 01 January   |      | 991,716                     | 697,841          |
| Unearned premium reserve as at 31 December  |      | (1,194,868)                 | (991,716)        |
| Premium earned  |      | 4,171,706                   | 3,205,410        |
| Reinsurance premium ceded   |      | (2,153,348)                 | (1,417,305)      |
| Prepaid reinsurance premium ceded as at 01 January  |      | (474,619)                   | (327,959)        |
| Prepaid reinsurance premium ceded as at 31 December   | 15   | 674,957                     | 474,619          |
| Reinsurance expense   |      | (1,953,010)                 | (1,270,645)      |
|   |      | <b>2,218,696</b>            | <b>1,934,765</b> |
| <b>26 NET INSURANCE CLAIMS</b>  |      |                             |                  |
| Claims paid   |      | 1,823,908                   | 1,313,298        |
| Outstanding claims including IBNR as at 31 December   |      | 1,104,316                   | 840,710          |
| Outstanding claims including IBNR as at 01 January  |      | (840,710)                   | (677,446)        |
| Claims expense  |      | 2,087,514                   | 1,476,562        |
| Reinsurance and other recoveries received   |      | (679,392)                   | (411,462)        |
| Reinsurance and other recoveries in respect of outstanding claims net of impairment as at 31 December |      | (677,388)                   | (467,748)        |
| Reinsurance and other recoveries in respect of outstanding claims net of impairment as at 01 January  |      | 467,748                     | 381,598          |
| Reinsurance and other recoveries revenue  |      | (889,032)                   | (497,612)        |
|   |      | <b>1,198,482</b>            | <b>978,950</b>   |

#### 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 2022.

|                                       | Accident year    |               |              |                |                |                |
|---------------------------------------|------------------|---------------|--------------|----------------|----------------|----------------|
|                                       | 2018 and earlier | 2019          | 2020         | 2021           | 2022           | Total          |
| Estimate of ultimate claims cost      |                  |               |              |                |                |                |
| At the end of accident year           |                  |               |              |                |                |                |
| with IBNR                             | 638,739          | 444,627       | 595,999      | 502,418        | 1,028,515      | 3,210,298      |
| One year later                        | 591,802          | 396,321       | 561,335      | 456,131        | -              | 2,005,589      |
| Two years later                       | 569,530          | 383,285       | 561,539      | -              | -              | 1,514,354      |
| Three years later                     | 566,386          | 381,134       | -            | -              | -              | 947,520        |
| Four years later                      | 562,224          | -             | -            | -              | -              | 562,224        |
| Five years and beyond                 | 2,977,324        | -             | -            | -              | -              | 2,977,324      |
| Current estimate of cumulative claims | 3,539,548        | 381,134       | 561,539      | 456,131        | 1,028,515      | 5,966,867      |
| Cumulative payments to date           | (3,505,036)      | (348,292)     | (559,403)    | (332,284)      | (438,758)      | (5,183,773)    |
| <b>Liability recognized</b>           | <b>34,512</b>    | <b>32,842</b> | <b>2,136</b> | <b>123,847</b> | <b>589,757</b> | <b>783,094</b> |

|   | 2022                        | 2021           |
|---|-----------------------------|----------------|
| <b>27 NET COMMISSION / ACQUISITION EXPENSE / (INCOME)</b> | <b>(Rupees in thousand)</b> |                |
| Commission paid or payable                                | 1,002,423                   | 724,173        |
| Deferred commission expense as at 01 January              | 60,976                      | 47,780         |
| Deferred commission expense as at 31 December             | (128,117)                   | (60,976)       |
| Net commission  | 935,282                     | 710,977        |
| Commission received or recoverable                        | (494,866)                   | (309,342)      |
| Unearned reinsurance commission as at 01 January          | (82,822)                    | (61,681)       |
| Unearned reinsurance commission as at 31 December         | 139,311                     | 82,822         |
| Commission from reinsurance                               | (438,377)                   | (288,201)      |
|   | <b>496,905</b>              | <b>422,776</b> |

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

| 28 MANAGEMENT EXPENSES   | Note  | 2022           | 2021           |
|--|---|----------------|----------------|
| (Rupees in thousand)   |   |                |                |
| Employee benefit cost  | 28.1  | 282,449        | 245,265        |
| Travelling expenses  |   | 11,939         | 7,990          |
| Advertisement and sales promotion  |   | 3,463          | 3,865          |
| Printing and stationery  |   | 12,641         | 10,806         |
| Depreciation of operating assets   | 5.1.3   | 10,182         | 9,426          |
| Depreciation of right-of-use asset   | 6.1   | 20,602         | 20,431         |
| Amortization of intangibles  | 7.1.2   | 2,172          | 1,453          |
| Rent, rates and taxes  |   | 2,975          | 5,389          |
| Electricity, gas and water   |   | 14,733         | 8,044          |
| Vehicle running expenses   |   | 25,524         | 17,439         |
| Office repairs and maintenance   |   | 14,168         | 14,251         |
| Bank charges   |   | 2,070          | 2,006          |
| Postages, telegrams and telephone  |   | 10,316         | 10,403         |
| Annual supervision fee SECP  |   | 7,000          | 5,583          |
| Fee and subscription   |   | 4,688          | 5,619          |
| Tracker expense  |   | 6,703          | 14,369         |
| Training and development   |   | 125            | 2,980          |
| Inspection fee   |   | 2,118          | 1,032          |
| Bad and doubtful debts   | 13  | 30,000         | 2,584          |
| Miscellaneous expenses   |   | 25,262         | 17,317         |
|  |   | <b>489,130</b> | <b>406,252</b> |
| <b>28.1 Employee benefit cost</b>  |   |                |                |
| Salaries, allowances and other benefits  |   | 264,922        | 227,154        |
| Charges for post employment benefits   |   | 17,527         | 18,111         |
|  |   | <b>282,449</b> | <b>245,265</b> |
| <b>28.2</b>  | Management expenses amounting to Rs. 36.46 million (2021: Rs. 33.86 million) have been allocated to Window Takaful Operations Operators fund. |                |                |
| 29 INVESTMENT INCOME   | Note  | 2022           | 2021           |
| (Rupees in thousand)   |   |                |                |
| Dividend income  | 29.1  | 49,630         | 35,380         |
| Income from debt securities  | 29.2  | 187,034        | 100,705        |
| Net realized gains on investments  | 29.3  | 40,301         | 53,071         |
| Net unrealized gains on investments  | 29.4  | 16,644         | 28             |
| Impairment on available-for-sale securities  |   | (68,084)       | (31,011)       |
| Transferred to profit or loss on sale of investment                                | 9.3   | 12,349         | 34,213         |
| Investment related expenses  |   | (5,438)        | (3,305)        |
|  |   | <b>232,436</b> | <b>189,081</b> |
| <b>29.1 Dividend income</b>  |   |                |                |
| - Available for sale   |   |                |                |
| Dividend income  |   | 33,827         | 35,380         |
| - Held for trading   |   |                |                |
| Dividend income  |   | 15,803         | -              |
|  |   | <b>49,630</b>  | <b>35,380</b>  |
| <b>29.2 Income from debt securities</b>  |   |                |                |
| - Available for sale   |   |                |                |
| Return on Pakistan Investment Bonds  |   | 178,567        | 94,944         |
| Return on Sukuk Certificate  |   | 86             | 1,089          |
| Return on Term Finance Certificate   |   | 8,381          | 4,815          |
| - Held for trading   |   |                |                |
| Loss on Pakistan Investment Bonds  |   | -              | (143)          |
|  |   | <b>187,034</b> | <b>100,705</b> |
| <b>29.3 Net realized gains on investments</b>                                      |   |                |                |
| - Available for sale   |   |                |                |
| Realized (Loss) / gain on equity securities  |   | (8,882)        | 11,513         |
| Realized gain on debt securities   |   | 8,181          | -              |
| - Held for trading   |   |                |                |
| Realized gain on equity securities   |   | 13,242         | -              |
| Realized gain on debt securities   |   | 27,760         | 41,558         |
|  |   | <b>40,301</b>  | <b>53,071</b>  |
| <b>29.4 Net unrealized gains on investments</b>                                    |   |                |                |
| - Held for trading   |   |                |                |
| Net un-realized gains on investments at fair value through profit and loss account |   | 16,644         | 28             |
|  |   | <b>293,609</b> | <b>189,184</b> |

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

|  | Note   | 2022                 | 2021           |
|--|--|----------------------|----------------|
|  |  | (Rupees in thousand) |                |
| - Impairment of available for sale securities  |  |                      |                |
| Equity securities  |  | (68,084)             | (31,011)       |
| - Gain on sale of investment   |  | 12,349               | 34,213         |
| - Investment related expenses  |  | (5,438)              | (3,305)        |
| <b>Total investment income</b>   |  | <b>232,436</b>       | <b>189,081</b> |
| <b>30 OTHER INCOME</b>   |  |                      |                |
| Return on bank balances  |  | 55,697               | 23,139         |
| Gain on disposal of property and equipment   |  | 569                  | 175            |
| Exchange gain  |  | -                    | 246            |
| Liabilities written back   |  | 30,000               | -              |
| Other  |  | 69                   | 86             |
|  |  | <b>86,335</b>        | <b>23,646</b>  |
| <b>31 OTHER EXPENSES</b>   |  |                      |                |
| Insurance expenses   |  | 5,917                | 5,312          |
| Legal and professional fee   |  | 13,903               | 12,593         |
| Auditor's remuneration   | 31.2   | 2,041                | 1,870          |
| Miscellaneous expenses   |  | 2,241                | 2,942          |
| Workers' welfare fund  | 23.1   | 9,371                | 7,702          |
| Exchange loss  |  | 124                  | -              |
|  |  | <b>33,597</b>        | <b>30,418</b>  |
| <b>31.1</b>  | Other expenses amounting to Rs. 2.91 million (2021: Rs. 3.00 million) have been allocated to Window Takaful Operations Operators fund. |                      |                |
| <b>31.2 Auditor's remuneration</b>   |  | 2022                 | 2021           |
|  |  | (Rupees in thousand) |                |
| Statutory audit fee  |  | 840                  | 764            |
| Half yearly review   |  | 373                  | 340            |
| Statutory returns  |  | 479                  | 435            |
| Certification and sundry services  |  | 141                  | 128            |
| Out of pocket expenses   |  | 116                  | 120            |
| Sales tax  |  | 92                   | 83             |
|  |  | <b>2,041</b>         | <b>1,870</b>   |
| <b>32 FINANCE COST</b>   |  |                      |                |
| Mark-up on lease liabilities   |  | 7,697                | 9,909          |
| <b>32.1</b>  | Finance cost amounting to Rs. 1.04 million (2021: Rs. 1.43) has been allocated to Window Takaful Operations Operators fund.            |                      |                |
| <b>33 TAXATION</b>   |  | 2022                 | 2021           |
|  |  | (Rupees in thousand) |                |
| <b>Current Tax:</b>  |  |                      |                |
| Current year   |  | 165,617              | 111,679        |
| Prior years  |  | 15,404               | (6,482)        |
|  |  | <b>181,021</b>       | <b>105,197</b> |
| <b>Deferred Tax:</b>   |  |                      |                |
| Current year   |  |                      |                |
| - Temporary differences  |  | (13,315)             | (5,615)        |
| - Change in tax rate   |  | (1,463)              | -              |
| Prior years  |  |                      |                |
| - Temporary differences  |  | (12,496)             | -              |
|  |  | <b>(27,274)</b>      | <b>(5,615)</b> |
|  |  | <b>153,747</b>       | <b>99,582</b>  |
| <b>33.1 Relationship between tax expense and accounting profit</b>   |  |                      |                |
| A numerical reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate. |  |                      |                |
|  |  | 2022                 | 2021           |
|  |  | (Rupees in thousand) |                |
| Accounting profit  |  | 457,099              | 365,422        |
| Tax at the applicable rate of 33% (2021: 29%)  |  | 150,843              | 105,972        |
| Tax effect of amounts that are:  |  |                      |                |
| - Related to temporary differences   |  |                      |                |
| - Current year   |  | 1,459                | 92             |
| - Prior years  |  | (12,496)             | -              |
| - Change in tax rate   |  | (1,463)              | -              |
| - Prior year adjustment - Current tax  |  | 15,404               | (6,482)        |
|  |  | <b>2,904</b>         | <b>(6,390)</b> |
| Tax expense  |  | <b>153,747</b>       | <b>99,582</b>  |

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 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:

|  | 2022                 | 2021       |
|--|----------------------|------------|
|  | (Rupees in thousand) |            |
| Net profit after tax for the year                | 303,352              | 265,840    |
|  | Number of shares     |            |
| Weighted average number of shares of Rs. 10 each | 50,000,000           | 50,000,000 |
|  | ----- (Rupees) ----- |            |
| Basic earnings per share                         | 6.07                 | 5.32       |

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.

#### 35 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE OFFICER 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 Officer and Key Management Personnel of the Company is as follows:

|   | Chief Executive Officer          |        | Directors |      | Executives |         |
|---|----------------------------------|--------|-----------|------|------------|---------|
|   | 2022                             | 2021   | 2022      | 2021 | 2022       | 2021    |
|   | ----- (Rupees in thousand) ----- |        |           |      |            |         |
| Managerial remuneration                   | 18,270                           | 14,388 | -         | -    | 101,028    | 84,062  |
| Leave fare assistance                     | 450                              | 360    | -         | -    | 2,497      | 2,148   |
| Bonus                                     | 8,000                            | 6,250  | -         | -    | 16,520     | 12,490  |
| Charge for defined benefit plan           | 894                              | 605    | -         | -    | 4,263      | 3,363   |
| Contribution to defined contribution plan | 900                              | 719    | -         | -    | 4,918      | 4,203   |
| Rent and house maintenance                | 3,407                            | 3,407  | -         | -    | -          | -       |
| Vehicle allowance                         | -                                | -      | -         | -    | 20,681     | 13,766  |
| Other perquisites and allowances          | 163                              | 160    | -         | -    | 240        | 480     |
|   | 32,084                           | 25,889 | -         | -    | 150,148    | 120,513 |
| Number                                    | 1                                | 1      | 7         | 7    | 60         | 55      |

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

#### 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 2022:

|  | (Un-audited)         |        |
|--|----------------------|--------|
|  | 2022                 | 2021   |
|  | (Rupees in thousand) |        |
| Size of the fund                                     | 87,531               | 81,983 |
| Cost of investments made                             | 84,485               | 81,160 |
| Percentage of investments made (based on fair value) | 96.52%               | 99.96% |
| Fair value of investments                            | 88,256               | 81,949 |

##### 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 |      | Fair Value   |        |
|------------------------------|---------------------------|------|--------------|--------|
|                              | (Un-audited)              | 2021 | (Un-audited) | 2021   |
|                              | 2022                      | 2021 | 2022         | 2021   |
|                              | (Rupees in thousand)      |      |              |        |
| Mutual funds                 | 10%                       | 3%   | 9,039        | 2,619  |
| Government Securities        | 64%                       | 79%  | 56,746       | 64,565 |
| Profit bearing bank accounts | 25%                       | 18%  | 22,471       | 14,765 |
|                              |                           |      | 88,256       | 81,949 |

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 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 35. 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 20 and 36 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:

|  | 2022                 | 2021    |
|--|----------------------|---------|
|  | (Rupees in thousand) |         |
| <b>i) <u>Associated undertakings and other related parties</u></b> |                      |         |
| Premium written  | 695,596              | 662,728 |
| Premium received   | 751,377              | 671,438 |
| Claims paid  | 503,287              | 469,289 |
| Interest income  | 52,961               | 23,656  |
| Dividend Paid  | 65,004               | -       |
| Dividend received  | 6,156                | -       |
| License fees and connection charges                                | 2,631                | 3,438   |
| Rent paid  | 5,589                | 1,820   |
| Commission paid  | 141                  | 90      |
| Expense charged in respect of retirement benefit plans             | 15,847               | 15,885  |
| Investment advisory Fee  | 2,622                | 2,325   |
| Investments purchased  | 836,152              | -       |
| Investments sold   | 641,372              | -       |
| <br><b><u>Key management personnel</u></b>                         |                      |         |
| Premium written  | 460                  | 261     |
| Claims paid  | 413                  | 303     |
| Vehicle sold   | 766                  | 3,782   |
| Vehicle Purchased  | 7,500                | -       |
| Loan paid  | 4,464                | 3,071   |
| Loan recovered   | 4,089                | 4,132   |
| <br><b>ii) <u>Period end balances</u></b>                          |                      |         |
| <b><u>Associated undertakings and other related parties</u></b>    |                      |         |
| Premium receivable from related parties                            | 75,728               | 66,057  |
| Provision for outstanding claims                                   | 289,608              | 110,368 |
| Internet charges payable   | 4,727                | 2,114   |
| <br><b><u>Key Management Personnel</u></b>                         |                      |         |
| Premium receivable   | 281                  | 199     |
| Provision for outstanding claims                                   | 122                  | 219     |
| Loan outstanding   | 1,792                | 1,406   |

37.1 Following are the particulars of the related parties of the Company at the reporting date:

| Name of related party                     | Basis of relationship | Aggregate %<br>of<br>shareholding |
|---|-----------------------|-----------------------------------|
| Bank Alfalah Limited                      | Common Directorship   | 30%                               |
| Taavun (Private) Limited                  | Common Directorship   | Nil                               |
| Alfalah GHP Investment Management Limited | Common Directorship   | Nil                               |
| Alfalah Securities(Private) Limited       | Group Company         | Nil                               |
| Wateen Telecom Limited                    | Common Directorship   | Nil                               |
| Sapphire Wind Power Company Limited       | Group Company         | Nil                               |

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 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 2022                 |   |                  |                      |                  |                    |
|---|----------------------------------|---|------------------|----------------------|------------------|--------------------|
|   | Fire and<br>Property<br>Damage   | Marine,<br>Aviation<br>and<br>Transport | Motor            | Accident &<br>Health | Miscellaneous    | Total              |
|   | ----- (Rupees in thousand) ----- |   |                  |                      |                  |                    |
| Premium receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge) | 985,359                          | 199,999                                 | 924,307          | 1,629,146            | 1,159,869        | 4,898,680          |
| Federal Excise Duty   | (124,953)                        | (22,361)                                | (124,928)        | (70,325)             | (137,494)        | (480,061)          |
| Federal Insurance Fee   | (8,523)                          | (1,749)                                 | (7,900)          | (15,433)             | (10,156)         | (43,761)           |
| Gross Written Premium (inclusive of Administrative Surcharge)   | <b>851,883</b>                   | <b>175,889</b>                          | <b>791,479</b>   | <b>1,543,388</b>     | <b>1,012,219</b> | <b>4,374,858</b>   |
| Gross direct premium  | 848,733                          | 170,019                                 | 756,610          | 1,543,165            | 1,009,055        | 4,327,583          |
| Facultative inward premium  | 1,214                            | 880                                     | 1,681            | -                    | 1,728            | 5,503              |
| Administrative surcharge  | 1,936                            | 4,989                                   | 33,188           | 223                  | 1,436            | 41,771             |
|   | <b>851,883</b>                   | <b>175,889</b>                          | <b>791,479</b>   | <b>1,543,388</b>     | <b>1,012,219</b> | <b>4,374,858</b>   |
| Insurance premium earned  | 813,538                          | 175,890                                 | 760,603          | 1,577,225            | 844,450          | 4,171,706          |
| Insurance premium ceded to reinsurers   | (771,638)                        | (144,306)                               | (44,014)         | (206,812)            | (786,240)        | (1,953,010)        |
| Net insurance premium   | <b>41,900</b>                    | <b>31,584</b>                           | <b>716,589</b>   | <b>1,370,413</b>     | <b>58,210</b>    | <b>2,218,696</b>   |
| Commission income   | 131,999                          | 35,099                                  | 822              | 62,044               | 208,413          | 438,377            |
| <b>Net underwriting income</b>  | <b>173,899</b>                   | <b>66,683</b>                           | <b>717,411</b>   | <b>1,432,457</b>     | <b>266,623</b>   | <b>2,657,073</b>   |
| Insurance claims  | (699,357)                        | (117,830)                               | (345,987)        | (764,002)            | (160,338)        | (2,087,514)        |
| Insurance claims recovered from reinsurers  | 601,844                          | 100,988                                 | 2,908            | 77,397               | 105,895          | 889,032            |
| Net claims  | (97,513)                         | (16,842)                                | (343,079)        | (686,605)            | (54,443)         | (1,198,482)        |
| Commission expense  | (99,149)                         | (28,867)                                | (13,475)         | (642,550)            | (151,241)        | (935,282)          |
| Management expense  | (93,939)                         | (19,396)                                | (93,982)         | (170,193)            | (111,620)        | (489,130)          |
| Premium deficiency reserve  | -                                | -                                       | -                | 2,915                | -                | 2,915              |
| <b>Net insurance claims and expenses</b>  | <b>(290,601)</b>                 | <b>(65,105)</b>                         | <b>(450,536)</b> | <b>(1,496,433)</b>   | <b>(317,304)</b> | <b>(2,619,979)</b> |
| <b>Underwriting results</b>   | <b>(116,702)</b>                 | <b>1,578</b>                            | <b>266,875</b>   | <b>(63,976)</b>      | <b>(50,681)</b>  | <b>37,094</b>      |
| Net investment income   |                                  |   |                  |                      |                  | 232,436            |
| Other income  |                                  |   |                  |                      |                  | 86,335             |
| Other expenses  |                                  |   |                  |                      |                  | (33,597)           |
| Profit from window takaful operations   |                                  |   |                  |                      |                  | 142,528            |
| Finance Cost  |                                  |   |                  |                      |                  | (7,697)            |
| <b>Profit before tax</b>  |                                  |   |                  |                      |                  | <b>457,099</b>     |
| Segment assets  | 1,116,580                        | 89,796                                  | 85,380           | 199,088              | 617,399          | 2,108,244          |
| Unallocated assets  |                                  |   |                  |                      |                  | 3,836,158          |
|   |                                  |   |                  |                      |                  | <b>5,944,401</b>   |
| Segment liabilities   | 1,103,742                        | 144,790                                 | 600,121          | 270,406              | 833,695          | 2,952,753          |
| Unallocated liabilities   |                                  |   |                  |                      |                  | 997,750            |
|   |                                  |   |                  |                      |                  | <b>3,950,503</b>   |



# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

| 31 December 2021  |                                |                 |                   |                    |                  |                    |
|---|--------------------------------|-----------------|-------------------|--------------------|------------------|--------------------|
| 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) | 826,864                        | 180,570         | 813,166           | 1,596,200          | 481,041          | 3,897,841          |
| Federal Excise Duty   | (100,488)                      | (20,999)        | (109,450)         | (73,823)           | (58,980)         | (363,739)          |
| Federal Insurance Fee   | (6,978)                        | (1,579)         | (6,963)           | (15,073)           | (4,225)          | (34,817)           |
| Gross Written Premium (inclusive of Administrative Surcharge)   | <u>719,399</u>                 | <u>157,992</u>  | <u>696,754</u>    | <u>1,507,304</u>   | <u>417,836</u>   | <u>3,499,285</u>   |
| Gross direct premium  | 693,739                        | 153,088         | 667,383           | 1,507,080          | 413,643          | 3,434,933          |
| Facultative inward premium  | 23,686                         | 242             | 1,009             | -                  | 2,648            | 27,585             |
| Administrative surcharge  | 1,974                          | 4,661           | 28,363            | 224                | 1,545            | 36,767             |
|   | <u>719,399</u>                 | <u>157,992</u>  | <u>696,754</u>    | <u>1,507,304</u>   | <u>417,836</u>   | <u>3,499,285</u>   |
| Insurance premium earned  | 586,352                        | 157,993         | 620,561           | 1,439,330          | 401,174          | 3,205,410          |
| Insurance premium ceded to reinsurers   | (557,233)                      | (130,968)       | (37,713)          | (181,230)          | (363,501)        | (1,270,645)        |
| Net insurance premium   | 29,119                         | 27,025          | 582,848           | 1,258,100          | 37,673           | 1,934,765          |
| Commission income   | 96,197                         | 32,443          | 714               | 54,369             | 104,478          | 288,201            |
| Net underwriting income   | 125,316                        | 59,468          | 583,562           | 1,312,469          | 142,151          | 2,222,966          |
| Insurance claims  | (196,753)                      | (97,726)        | (289,279)         | (739,398)          | (153,406)        | (1,476,562)        |
| Insurance claims recovered from reinsurers  | 182,361                        | 82,607          | 1,499             | 86,290             | 144,855          | 497,612            |
| Net claims  | (14,392)                       | (15,119)        | (287,780)         | (653,108)          | (8,551)          | (978,950)          |
| Commission expense  | (69,524)                       | (24,694)        | (11,428)          | (545,316)          | (60,015)         | (710,977)          |
| Management expense  | (80,565)                       | (17,693)        | (92,398)          | (168,803)          | (46,793)         | (406,252)          |
| Premium deficiency reserve  | -                              | -               | -                 | (9,126)            | -                | (9,126)            |
| Net insurance claims and expenses   | <u>(164,481)</u>               | <u>(57,506)</u> | <u>(391,606)</u>  | <u>(1,376,353)</u> | <u>(115,359)</u> | <u>(2,105,305)</u> |
| Underwriting results  | (39,165)                       | 1,962           | 191,956           | (63,884)           | 26,792           | 117,661            |
| Net investment income   |                                |                 |                   |                    |                  | 189,081            |
| Other income  |                                |                 |                   |                    |                  | 23,646             |
| Other expenses  |                                |                 |                   |                    |                  | (30,418)           |
| Finance costs   |                                |                 |                   |                    |                  | (9,909)            |
| Profit from window takaful operations   |                                |                 |                   |                    |                  | 75,361             |
| Profit before tax   |                                |                 |                   |                    |                  | <u>365,422</u>     |
| Segment assets  | 882,598                        | 113,476         | 76,767            | 219,769            | 425,305          | 1,717,915          |
| Unallocated assets  |                                |                 |                   |                    |                  | 3,307,632          |
|   |                                |                 |                   |                    |                  | <u>5,025,547</u>   |
| Segment liabilities   | 888,530                        | 139,628         | 524,636           | 325,761            | 486,561          | 2,365,116          |
| Unallocated liabilities   |                                |                 |                   |                    |                  | 826,929            |
|   |                                |                 |                   |                    |                  | <u>3,192,045</u>   |

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 39 MOVEMENT IN INVESTMENTS

|   | Held to<br>maturity | Available<br>for sale | Fair value through<br>profit and loss<br>account | Total            |
|---|---------------------|-----------------------|--|------------------|
| ------(Rupees in thousand)-----                     |                     |                       |  |                  |
| <b>As at beginning of previous year</b>             | -                   | 1,322,788             | 446,724  | 1,769,512        |
| Additions   | -                   | 1,233,472             | 2,289,438  | 3,522,910        |
| Disposals (sales and redemptions)                   | -                   | (469,479)             | (2,622,863)                                      | (3,092,342)      |
| Fair value net gains (excluding net realized gains) | -                   | (89,706)              | 28   | (89,678)         |
| (Discount) on investment bonds                      | -                   | 21,915                | -  | 21,915           |
| Impairment losses                                   | -                   | 3,202                 | -  | 3,202            |
| <b>At the beginning of the year</b>                 | -                   | <b>2,022,192</b>      | <b>113,327</b>                                   | <b>2,135,519</b> |
| Additions   | -                   | 1,417,973             | 4,432,427  | 5,850,400        |
| Disposals (sales and redemptions)                   | -                   | (1,624,058)           | (4,043,568)                                      | (5,667,626)      |
| Fair value net gains (excluding net realized gains) | -                   | (65,128)              | 16,645   | (48,483)         |
| (Discount) on investment bonds                      | -                   | 8,847                 | -  | 8,847            |
| Impairment losses                                   | -                   | (55,733)              | -  | (55,733)         |
| <b>At the end of current year</b>                   | -                   | <b>1,704,093</b>      | <b>518,831</b>                                   | <b>2,222,924</b> |

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 40 RISK MANAGEMENT

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders 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                                  |                 | 2022                 | 2021             |
|---|-----------------|----------------------|------------------|
|   |                 | (Rupees in thousand) |                  |
| Bank balances                                     | - note 40.1.1.1 | 534,861              | 342,435          |
| Investments                                       |                 | 2,222,924            | 2,135,519        |
| Due from insurance contract holders               | - note 40.1.1.2 | 539,160              | 334,668          |
| Amount due from other insurers / reinsurers       | - note 40.1.1.3 | 86,133               | 420,575          |
| Accrued investment income                         |                 | 34,885               | 32,718           |
| Reinsurance recoveries against outstanding claims | - note 40.1.1.3 | 677,388              | 467,748          |
| Loans and other receivables                       |                 | 161,587              | 69,553           |
|   |                 | <b>4,256,938</b>     | <b>3,803,216</b> |

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

|  | Rating     |           | Rating Agency | 2022                 | 2021           |
|--|------------|-----------|---------------|----------------------|----------------|
|  | Short-term | Long-term |               |                      |                |
|  |            |           |               | (Rupees in thousand) |                |
| Bank Alfalah Limited                           | A1+        | AA+       | PACRA         | 486,916              | 315,226        |
| Habib Bank Limited                             | A-1+       | AAA       | JCR-VIS       | 1                    | 1              |
| The Bank of Punjab                             | A1+        | AA+       | PACRA         | 109                  | 109            |
| Silk Bank Limited                              | A-2        | A-        | JCR-VIS       | 6                    | 5              |
| Summit Bank Limited                            | Suspended  | Suspended | JCR-VIS       | 1,366                | 1,240          |
| Mobilink Microfinance Bank Limited             | A1         | A         | PACRA         | 16,018               | 1,291          |
| Zarai Tarakiati Bank Limited                   | A-1+       | AAA       | JCR-VIS       | 611                  | 610            |
| NRSP Microfinance Bank Limited                 | A2         | A-        | PACRA         | 90                   | 84             |
| Khushhali Microfinance Bank Limited            | A-2        | A         | JCR-VIS       | 10,155               | 10,849         |
| Finca Microfinance Bank Limited                | A1         | A         | PACRA         | 11,787               | 10,707         |
| Faysal Bank Limited                            | A1+        | AA        | PACRA         | 361                  | 336            |
| Soneri Bank Limited                            | A1+        | AA-       | PACRA         | 7,339                | 1,868          |
| The Punjab Provincial Cooperative Bank Limited | N/A        | N/A       | N/A           | 102                  | 102            |
| Allied Bank Limited                            | A1+        | AAA       | PACRA         | -                    | 5              |
|  |            |           |               | <b>534,861</b>       | <b>342,435</b> |

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

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. 16.42 million (2021: Rs. 32.65 million) 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: | 2022                 | 2021           |
|---|----------------------|----------------|
|   | (Rupees in thousand) |                |
| Financial institutions  | 86,420               | 85,202         |
| Telecom sector  | 20,434               | 7,435          |
| Construction  | 15,224               | 14,790         |
| Manufacturing   | 205,191              | 9,385          |
| Personal goods  | 5,317                | 13,065         |
| Health & pharmaceutical   | 7,278                | 9,952          |
| Textile & composite   | 45,136               | 6,874          |
| Miscellaneous & others  | 170,577              | 220,624        |
|   | <b>555,577</b>       | <b>367,327</b> |
| Provision for impairment of receivables from insurance contract holders               | (16,417)             | (32,659)       |
|   | <b>539,160</b>       | <b>334,668</b> |

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

|              | 2022                 |                |                | 2021            |                |                |
|--------------|----------------------|----------------|----------------|-----------------|----------------|----------------|
|              | Related parties      | Others         | Total          | Related parties | Others         | Total          |
|              | (Rupees in thousand) |                |                |                 |                |                |
| Up to 1 year | 75,678               | 469,557        | 545,235        | 66,015          | 273,756        | 339,771        |
| 1-2 years    | 21                   | 6,349          | 6,370          | 21              | 5,252          | 5,273          |
| 2-3 years    | 29                   | 1,723          | 1,752          | 20              | 6,112          | 6,132          |
| Over 3 years | -                    | 2,220          | 2,220          | -               | 16,151         | 16,151         |
|              | <b>75,728</b>        | <b>479,849</b> | <b>555,577</b> | <b>66,056</b>   | <b>301,271</b> | <b>367,327</b> |

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)                        |   |         |
| <b>As at 31 December 2022</b> |   |   |         |
| BB+ or above (including PRCL) | 136,618                                     | 677,388   | 814,006 |
| <b>As at 31 December 2021</b> |   |   |         |
| BB+ or above (including PRCL) | 424,818                                     | 467,748   | 892,566 |

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:

|              | 2022  |                                  | 2021  |                                  |
|--------------|---|----------------------------------|---|----------------------------------|
|              | 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 | 470,179   | 854,740                          | 325,873   | 649,688                          |
| 1-2 years    | 134,242   | 159,108                          | 72,899  | 102,260                          |
| 2-3 years    | 28,940  | 36,266                           | 20,833  | 27,744                           |
| Over 3 years | 44,027  | 54,203                           | 48,143  | 61,018                           |
|              | <b>677,388</b>                                    | <b>1,104,316</b>                 | <b>467,748</b>                                    | <b>840,710</b>                   |

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 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. 538.46 million (2021: Rs. 344.66 million) and Rs. 2,222.92 million (2021: Rs. 2,135.52 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.

|  | 2022                             |                  |                         |                         |
|--|----------------------------------|------------------|-------------------------|-------------------------|
|  | Total                            | On demand        | Maturity up to one year | Maturity after one year |
|  | ----- (Rupees in thousand) ----- |                  |                         |                         |
| Provision for outstanding claims           | 1,104,316                        | 1,104,316        | -                       | -                       |
| Amounts due to other insurers / reinsurers | 545,635                          | 545,635          | -                       | -                       |
| Other creditors and accruals               | 581,896                          | 581,896          | -                       | -                       |
|  | <b>2,231,847</b>                 | <b>2,231,847</b> | -                       | -                       |

|  | 2021                             |                  |                         |                         |
|--|----------------------------------|------------------|-------------------------|-------------------------|
|  | Total                            | On demand        | Maturity up to one year | Maturity after one year |
|  | ----- (Rupees in thousand) ----- |                  |                         |                         |
| Provision for outstanding claims           | 840,710                          | 840,710          | -                       | -                       |
| Amounts due to other insurers / reinsurers | 488,330                          | 488,330          | -                       | -                       |
| Other creditors and accruals               | 486,875                          | 486,875          | -                       | -                       |
|  | <b>1,815,915</b>                 | <b>1,815,915</b> | -                       | -                       |

#### 40.1.2.1 Changes in liabilities arising from financing activities

|                   |      | 01 January                       | Cashflows | Other  | 31 December |
|-------------------|------|----------------------------------|-----------|--------|-------------|
|                   |      | ----- (Rupees in thousand) ----- |           |        |             |
| Lease liabilities | 2022 | 105,391                          | (34,206)  | 8,735  | 79,920      |
| Lease liabilities | 2021 | 70,771                           | (26,319)  | 60,939 | 105,391     |

#### 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:

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

|                                  | 2022<br>Effective<br>Interest rate | Carrying amounts<br>Maturity up to one year |                | Carrying amounts<br>Maturity after one year |                  |
|----------------------------------|------------------------------------|---|----------------|---|------------------|
|                                  |                                    | 2022  | 2021           | 2022  | 2021             |
| ----- (Rupees in thousand) ----- |                                    |   |                |   |                  |
| <b>Financial assets</b>          |                                    |   |                |   |                  |
| Bank balances                    | 8.50% to 14.60%                    | 474,773                                     | 274,611        | -   | -                |
| <b>Investments</b>               |                                    |   |                |   |                  |
| TFCs and Sukuk                   | 11.22% to 19.01%                   | -   | 5,887          | 129,665                                     | 54,679           |
| PIB's                            | 7.57% to 16.38%                    | 922,169                                     | 146,099        | 341,510                                     | 1,322,060        |
| Treasury Bills                   | 9.95% to 15.70%                    | 297,838                                     | 113,299        | -   | -                |
|                                  |                                    | <b>1,220,007</b>                            | <b>265,285</b> | <b>471,175</b>                              | <b>1,376,739</b> |

#### 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<br>by 100 bps | Decrease<br>by 100 bps |
|--|------------------------|------------------------|
|  | (Rupees in thousand)   |                        |
| <b>As at 31 December 2022</b>                        |                        |                        |
| Cash flow sensitivity-variable rate financial assets | 35,037                 | (35,037)               |
| <b>As at 31 December 2021</b>                        |                        |                        |
| Cash flow sensitivity-variable rate financial assets | 13,460                 | (13,460)               |

#### 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. 2,222.92 million (2021: Rs 2,135.52 million) 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 2022 and 31 December 2021 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<br>price<br>change | Estimated fair<br>value after<br>hypothetical<br>changes in price | Hypothetical increase/<br>(decrease) in |                  |
|----------------------------------|-----------------------|---------------------------------|---|---|------------------|
|                                  |                       |                                 |   | Asset                                   | Profit after tax |
| ----- (Rupees in thousand) ----- |                       |                                 |   |   |                  |
| 31 December<br>2022              | Available<br>for sale | 10% increase                    | 363,376   | 33,034                                  | 23,454           |
|                                  |                       | 10% decrease                    | 297,308   | (33,034)                                | (23,454)         |
|                                  | Held for<br>trading   | 10% increase                    | 224,910   | 20,446                                  | 14,517           |
|                                  |                       | 10% decrease                    | 184,018   | (20,446)                                | (14,517)         |
| 31 December<br>2021              | Available<br>for sale | 10% increase                    | 526,228   | 47,839                                  | 33,966           |
|                                  |                       | 10% decrease                    | 430,550   | (47,839)                                | (33,966)         |
|                                  | Held for<br>trading   | 10% increase                    | -   | -                                       | -                |
|                                  |                       | 10% decrease                    | -   | -                                       | -                |

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 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 2022 (2021: 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 41 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 |             |
|--------------------------------|-------------------|-------------|-----------------|-------------|
|                                | 2022              | 2021        | 2022            | 2021        |
| Fire                           | 55%               | 60%         | 18%             | 23%         |
| Marine                         | 26%               | 26%         | 38%             | 32%         |
| Motor                          | 3%                | 3%          | 24%             | 22%         |
| Accident and Health            | 2%                | 3%          | 16%             | 20%         |
| Others including miscellaneous | 14%               | 8%          | 4%              | 3%          |
|                                | <b>100%</b>       | <b>100%</b> | <b>100%</b>     | <b>100%</b> |

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

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

|                                | Gross premium written |             | Net premium written |             |
|--------------------------------|-----------------------|-------------|---------------------|-------------|
|                                | 2022                  | 2021        | 2022                | 2021        |
| Fire                           | 19%                   | 21%         | 2%                  | 2%          |
| Marine                         | 4%                    | 5%          | 1%                  | 1%          |
| Motor                          | 18%                   | 20%         | 34%                 | 32%         |
| Accident and Health            | 35%                   | 42%         | 60%                 | 63%         |
| Others including miscellaneous | 23%                   | 12%         | 3%                  | 2%          |
|                                | <b>100%</b>           | <b>100%</b> | <b>100%</b>         | <b>100%</b> |

#### 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 equity (net of reinsurance) due to 10% change in claim expense.

|                                | Underwriting result              |               | Shareholders' Equity |               |
|--------------------------------|----------------------------------|---------------|----------------------|---------------|
|                                | 2022                             | 2021          | 2022                 | 2021          |
|                                | ----- (Rupees in thousand) ----- |               |                      |               |
| Fire                           | 9,751                            | 1,439         | 6,923                | 1,022         |
| Marine                         | 1,684                            | 1,512         | 1,196                | 1,073         |
| Motor                          | 34,308                           | 28,778        | 24,359               | 20,432        |
| Accident and Health            | 68,661                           | 65,311        | 48,749               | 46,371        |
| Others including Miscellaneous | 5,444                            | 855           | 3,865                | 607           |
|                                | <b>119,848</b>                   | <b>97,895</b> | <b>85,092</b>        | <b>69,505</b> |

#### 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 2022

#### 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.

| Note  | Fair value through profit and loss account | Carrying amount    |                  |  |                           | Fair value                  |           |         |         |           |
|---|--|--------------------|------------------|--|---------------------------|-----------------------------|-----------|---------|---------|-----------|
|   |  | Available for sale | Held to maturity | Receivables and other financial assets | Cash and cash equivalents | Other financial liabilities | Level 1   | Level 2 | Level 3 | Total     |
| <b>31 December 2022</b>                                   |  |                    |                  |  |                           |                             |           |         |         |           |
| <b>Financial assets - measured at fair value</b>          |  |                    |                  |  |                           |                             |           |         |         |           |
| 9   | 330,342                                    | 204,464            | -                | -                                      | -                         | 534,806                     | 534,806   | -       | -       | 534,806   |
| 10  | 1,373,751                                  | -                  | -                | -                                      | -                         | 1,373,751                   | 1,373,751 | -       | -       | 1,373,751 |
|   | 1,704,093                                  | 204,464            | -                | -                                      | -                         | 1,908,557                   | 1,908,557 | -       | -       | 1,908,557 |
| <b>Financial assets - not measured at fair value</b>      |  |                    |                  |  |                           |                             |           |         |         |           |
| 10  | -  | 297,838            | -                | -                                      | -                         | -                           | 297,838   | -       | -       | 297,838   |
| 12  | -  | -                  | -                | 202,662                                | -                         | -                           | 202,662   | -       | -       | -         |
| 13  | -  | -                  | -                | 625,293                                | -                         | -                           | 625,293   | -       | -       | -         |
| 26  | -  | -                  | -                | 677,388                                | -                         | -                           | 677,388   | -       | -       | -         |
| 16  | -  | -                  | -                | -                                      | 538,463                   | -                           | 538,463   | -       | -       | -         |
| 17  | -  | -                  | -                | -                                      | 524,500                   | -                           | 524,500   | -       | -       | -         |
|   | -  | 297,838            | -                | 1,505,343                              | 1,062,963                 | -                           | 2,866,144 | 297,838 | -       | 297,838   |
| <b>Financial liabilities - measured at fair value</b>     |  |                    |                  |  |                           |                             |           |         |         |           |
| <b>Financial liabilities - not measured at fair value</b> |  |                    |                  |  |                           |                             |           |         |         |           |
| 26  | -  | -                  | -                | -                                      | -                         | -                           | 1,104,316 | -       | -       | -         |
| 21  | -  | -                  | -                | -                                      | -                         | -                           | 545,635   | -       | -       | -         |
| 23  | -  | -                  | -                | -                                      | -                         | -                           | 581,896   | -       | -       | -         |
| 17  | -  | -                  | -                | -                                      | -                         | -                           | 239,736   | -       | -       | -         |
|   | -  | -                  | -                | -                                      | -                         | -                           | 2,471,583 | -       | -       | -         |

\* 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 2022

| 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     |
| <b>31 December 2021</b>                                   |                    |  |                  |  |                           |                             |           |           |         |         |           |
| <b>Financial assets - measured at fair value</b>          |                    |  |                  |  |                           |                             |           |           |         |         |           |
| 9   | 478,389            | -  | -                | -                                      | -                         | -                           | 478,389   | 478,389   | -       | -       | 478,389   |
| 10  | 1,543,803          | -  | -                | -                                      | -                         | -                           | 1,543,803 | 1,543,803 | -       | -       | 1,543,803 |
|   | 2,022,192          | -  | -                | -                                      | -                         | -                           | 2,022,192 | 2,022,192 | -       | -       | 2,022,192 |
| <b>Financial assets - not measured at fair value</b>      |                    |  |                  |  |                           |                             |           |           |         |         |           |
| 10  | -                  | 113,299                                    | -                | -                                      | -                         | -                           | 113,299   | 113,299   | -       | -       | 113,299   |
| 12  | -                  | -  | -                | 106,973                                | -                         | -                           | 106,973   | -         | -       | -       | -         |
| 13  | -                  | -  | -                | 755,243                                | -                         | -                           | 755,243   | -         | -       | -       | -         |
| 26  | -                  | -  | -                | 467,748                                | -                         | -                           | 467,748   | -         | -       | -       | -         |
| 16  | -                  | -  | -                | -                                      | 344,658                   | -                           | 344,658   | -         | -       | -       | -         |
| 17  | -                  | -  | -                | -                                      | 335,539                   | -                           | 335,539   | -         | -       | -       | -         |
|   | -                  | 113,299                                    | -                | 1,329,964                              | 680,197                   | -                           | 2,123,460 | 113,299   | -       | -       | 113,299   |
| <b>Financial liabilities - measured at fair value</b>     |                    |  |                  |  |                           |                             |           |           |         |         |           |
| <b>Financial liabilities - not measured at fair value</b> |                    |  |                  |  |                           |                             |           |           |         |         |           |
| 26  | -                  | -  | -                | -                                      | -                         | 840,710                     | 840,710   | -         | -       | -       | -         |
| 21  | -                  | -  | -                | -                                      | -                         | 488,330                     | 488,330   | -         | -       | -       | -         |
| 23  | -                  | -  | -                | -                                      | -                         | 486,875                     | 486,875   | -         | -       | -       | -         |
| 17  | -                  | -  | -                | -                                      | -                         | 143,255                     | 143,255   | -         | -       | -       | -         |
|   | -                  | -  | -                | -                                      | -                         | 1,959,170                   | 1,959,170 | -         | -       | -       | -         |

\* 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 2022

#### 42 NUMBER OF EMPLOYEES

The number of employees of the Company are as follows:

|   | 2022 | 2021 |
|---|------|------|
| Average number of employees during the year | 216  | 215  |
| As at 31 December                           | 215  | 216  |

#### 43 SUBSEQUENT EVENTS

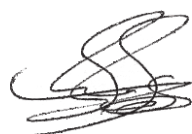
The Board of Directors at its meeting held on 2 February 2023 has proposed a final dividend @ Rs. 2 per share for the year ended 31 December 2022 (2021: Rs 2 / share) amounting to Rs. 100 million (2021 : 100.00m) for approval of the members at the Annual General Meeting to be held on 20 April 2023. These financial statements do not reflect this dividend.

#### 44 GENERAL

The corresponding figures have been re-arranged / reclassified wherever necessary for the purpose of better presentation. However, no significant rearrangements / reclassifications has been made during the year.

#### 45 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors on 2 February 2023.



Chairman



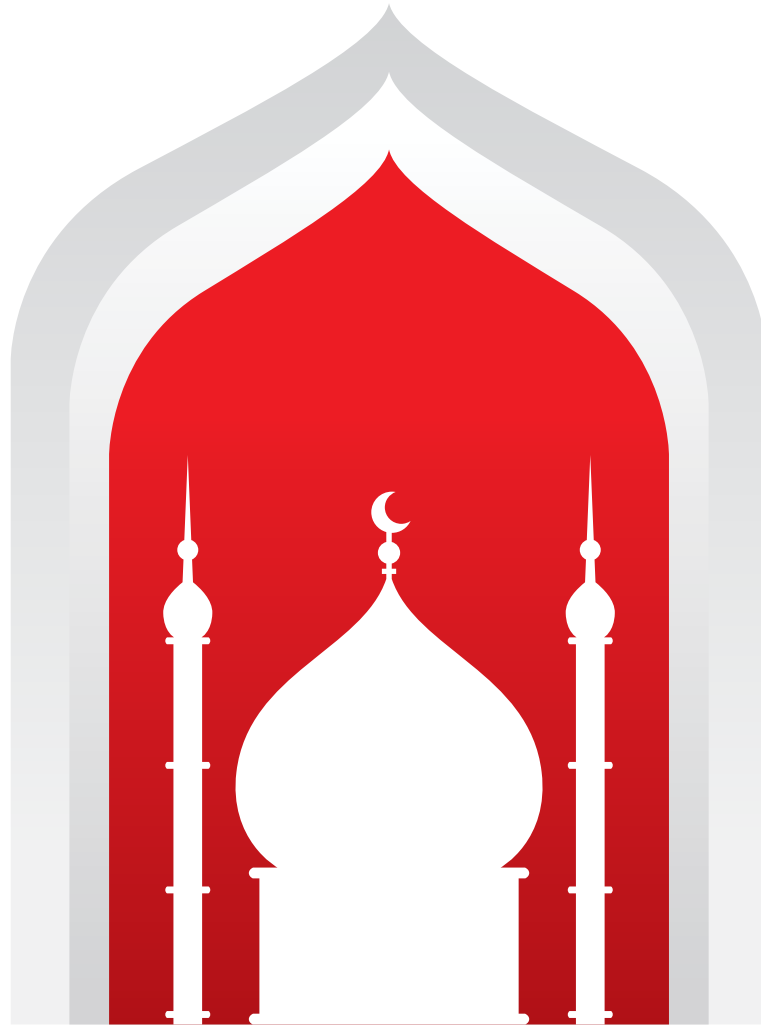
Director



Director



Chief Executive Officer



**ALFALAH INSURANCE  
COMPANY LIMITED  
WINDOW TAKAFUL OPERATIONS**

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

### Scope

We have been engaged by Alfalah Insurance Company Limited ('the Operator') to perform a 'reasonable assurance engagement,' as defined by International Standards on Assurance Engagements, here after referred to as the engagement, 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 2022 ('the Report').

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express an opinion on this information.

### Criteria Applied by the Management

In preparing the Subject Matter, the management applied the criteria in accordance with the Takaful Rules, 2012 (Criteria).

### The Management's Responsibilities

The management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

### EY's Responsibilities

Our responsibility is to express an opinion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000') (revised), and the terms of reference for this engagement as agreed with the Operator on 11 January 2023. Those standards require that we plan and perform our engagement to obtain reasonable assurance about whether, in all material respects, the Subject Matter is presented in accordance with the criteria, and to issue a report. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

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

### Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, 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.

### Description of procedures performed

- We checked that all the products and policies have been approved by Shariah Advisor and observed that the Operator has developed and implemented all the policies and procedures in accordance with the Takaful Rules, 2012 and Shariah Rules and Principles as determined by Shariah Advisor.

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

- We checked that 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.
- We reviewed training certificates and attendance sheets to evaluate that the Operator has imparted necessary trainings and orientations to maintain the adequate level of awareness, capacity, and sensitization of the staff and management.
- We have designed and performed following verification procedures (including but not limited to) on various financial arrangements, based on judgmental and systematic samples with regard to the compliance with Takaful Rules, 2012 and Shariah Rules and Principles:
  - we obtained details of investments made and checked that all investments made in Shariah Compliant stocks as determined by Shariah Advisor;
  - we reviewed re-takaful and co-takaful parties along with arrangements / contracts entered into by Window Takaful Operations to assess compliance with Shariah Advisor guidelines and Takaful Rules, 2012; and
  - we re-calculated Operator's profit share and Wakala fee income to confirm that approved percentage are applied on income from investments and contribution respectively.

The procedures selected by us for the engagement depended on our judgment, 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 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.

In performing our audit procedures necessary guidance on Shariah matters was provided by the internal Shariah experts.

### Opinion

In our opinion, the Statement of compliance of the Takaful Operations of the Operator as of 31 December 2021 is presented, in all material respects, in accordance with Takaful Rules, 2012.

### Restriction on use and distribution

This report is intended solely for the information and use of Alfalah Insurance Company Limited for onward submission to Securities and Exchange Commission of Pakistan and is not intended to be and should not be used by anyone other than those specified parties.



Chartered Accountants  
Engagement Partner: Abdullah Fahad Masood  
Lahore: 30 March 2023

A member firm of Ernst & Young Global Limited

# Shariah Advisory Report to the Board of Directors

## For the Year Ended December 31, 2022

Alhamdulillah, the year 2022 was the seventh year of Alfalah Insurance Company Ltd. (Window Takaful Operations). The launch of Window Takaful Operations (WTO) by Alfalah Insurance Company Ltd. (AICL) has been a positive contribution towards the development of a complete Islamic financial system in Pakistan. This initiative has successfully provided Takaful facilities to numerous individuals and companies seeking Shariah compliant alternatives to insurance.

During this period AICL (WTO) has accomplished significant achievements, details of which are mentioned below:

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 Takaful agreements with Islamic Banks.
3. AICL (WTO) has implemented a dedicated Takaful administration system which manages all operational aspects of Window Takaful Operations.
4. For the investment of Takaful Funds, a Shariah compliant investment policy has been approved by the 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 they are maintained in Islamic Banks.
5. Alhamdulillah - after repaying its "Qard-e-Hasna" last year, PTF has continued its journey towards improving its financial position by maintaining its contingency reserves and solvency level.

As the 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 to be 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 with the guidelines provided by the Shariah Advisor.
- Segregation of Window Takaful Operations from the conventional insurance business is an 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 the requirements 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 imperative for understanding the principles of Takaful and its practical implementation. For this purpose, AICL (WTO) has fulfilled its responsibility and arranged Takaful training for head office and branch staff. I hope that 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 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 grant financial success to Alfalah Insurance Company Ltd. (Window Takaful Operations).

Wassalam



Dr. Mufti Khalil Ahmed Aazami  
Shariah Advisor  
Alfalah Insurance Company Ltd.  
(Window Takaful Operation)

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

• ونڈو ٹیکافل آپریشنز کی مالی ضروریات کو پورا کرنے کیلئے شریعت کے تقاضوں کے مطابق فنڈز فراہم کئے گئے ہیں۔ اور ٹیکافل کے تمام اخراجات بشمول وقف کی گئی اصل رقم، اسی فنڈ سے پورے کئے گئے ہیں۔

• ٹیکافل 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 ٹیکافل آپریشن) نے اس معاملے میں بھی اپنی ذمہ داری کو پورا کیا ہے اور ہیڈ آفس اور برانچز کے عملے کے لئے ٹیکافل کے تربیتی پروگرام کا انتظام کیا ہے، مجھے یقین ہے کہ الفلاح انشورنس کمپنی (ونڈو ٹیکافل آپریشن) کا روایتی 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 تعالیٰ سے دعا گو ہوں، کہ اللہ تعالیٰ ہماری کوششوں کو قبول کرے اور ہمیں اس قابل بنائے کہ ہم اپنی ذمہ داریاں بہترین طریقے سے پوری کر سکیں۔ اللہ تعالیٰ 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 ٹیکافل آپریشن) کو مالی کامیابی سے ہمکنار کرے۔

والسلام



ڈاکٹر خلیل احمد اعظمی

شریعیہ مشیر

الفلاح انشورنس کمپنی لمیٹڈ

(ونڈو ٹیکافل آپریشن)



## شریعی ایڈوائزر کی رپورٹ

الحمد للہ، ۲۰۲۲ء کا سال الفلاح انشورنس کمپنی (ونڈو تکافل آپریشن) کا ساتواں سال تھا۔ ونڈو تکافل آپریشن کا افتتاح کرتے ہوئے الفلاح انشورنس کمپنی لمیٹڈ نے پاکستان میں ایک مکمل اسلامی معاشی نظام کی ترقی میں اپنا مثبت کردار ادا کیا ہے۔ یہ قدم پاکستان کے ان لوگوں اور کمپنیوں کو شریعی کمپلائنس تکافل کی سہولیات پہنچانے کے لئے اٹھایا گیا ہے جو انشورنس کے شرعی متبادل شرعی نظام کی متلاشی ہیں۔

### سال کی پیشرفت:

اس عرصے کے دوران الفلاح انشورنس کمپنی (ونڈو تکافل آپریشن) نے قابل ذکر کامیابیاں حاصل کی ہیں، جن کی تفصیلات درج ذیل ہیں۔

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

2- اسلامی بینکوں کے ساتھ تکافل کے معاہدے کرتے ہوئے الفلاح انشورنس کمپنی (ونڈو تکافل آپریشن) نے قابل ذکر کامیابی حاصل کی۔

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

4- تکافل فنڈز سے سرمایہ کاری کے لئے شریعی ایڈوائزر نے شریعی کمپلائنس سرمایہ کاری پالیسی کی منظوری دی ہے۔ تکافل فنڈز کی سرمایہ کاری کے تمام امور اس پالیسی کے تحت طے پاتے ہیں۔ مزید برآں تکافل کے تمام بینک اکاؤنٹس کو روایتی انشورنس سے علیحدہ رکھنے کا اہتمام کیا گیا ہے اور یہ اکاؤنٹس اسلامی بینکوں کے ذریعے چلائے جاتے ہیں۔

5- الحمد للہ، پچھلے سال اپنا قرض حسنہ ادا کرنے کے بعد اس سال پی۔ٹی۔ ایف نے کوئٹہ جنسی ریزرو ز اور سولویٹنسی لیول کو برقرار رکھتے ہوئے معاشی استحکام کی جانب اپنا سفر جاری رکھا ہے۔

### شریعی سرٹیفیکیشن:

الفلاح انشورنس کمپنی (ونڈو تکافل آپریشن) کے شریعی ایڈوائزر ہونے کی حیثیت سے میں تصدیق کرتا ہوں کہ

• 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 ہے اور الحمد للہ میں نے ان کو شریعی اصولوں سے ہم آہنگ پایا ہے۔ مزید یہ کہ میں تصدیق کرتا ہوں کہ دوران سال جاری کی جانے والی تکافل پالیسیاں شریعی ہدایات کے مطابق جاری کی گئی ہیں۔

• الفلاح انشورنس کمپنی (ونڈو تکافل آپریشن) کی انتظامیہ، تمام تر تکافل کی خدمات کے آغاز سے پہلے، مسلسل شرعی مشیر سے شرعی تناظر میں مشورہ اور رہنمائی لیتی رہتی ہے۔ مزید یہ کہ تمام تکافل پروڈکٹس شریعی کمپلائنس آفیسر کے مشورے اور شریعی ایڈوائزر کے ذریعہ فراہم کردہ ہدایات کے مطابق تیار کی گئیں ہیں۔

# Statement of Compliance with the Shariah Principles

## For the Year Ended December 31, 2022

The financial arrangements, contracts and transactions, entered into by Alfalah Insurance Company Limited - Window Takaful Operations ('the Operator') for the year ended December 31, 2022 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.



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Chief Executive Officer

## INDEPENDENT AUDITOR'S REPORT

### To the Members of Alfalah Insurance Company Limited - Window Takaful Operations - Report on the Audit of the Financial Statements for the year ended 31 December 2022

#### 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 2022, and profit and loss account, the statement of comprehensive income, the statement of changes in operator's fund, the statement of changes in participants' 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, profit and loss account, the statement of comprehensive income, the statement of changes in operator's fund, the statement of changes in participants' 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 2022 and of the profit/surplus, total comprehensive income, the changes in operator's fund, the changes in 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.

## INDEPENDENT AUDITOR'S REPORT

### To the Members of Alfalah Insurance Company Limited - Window Takaful Operations - Report on the Audit of the Financial Statements for the year ended 31 December 2022

#### 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 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 uncertainty 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 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 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.

## INDEPENDENT AUDITOR'S REPORT

### To the Members of Alfalah Insurance Company Limited - Window Takaful Operations - Report on the Audit of the Financial Statements for the year ended 31 December 2022

#### 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, profit and loss account, the statement of comprehensive income, the statement of changes in operator's fund, the statement of changes in 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).

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



EY Ford Rhodes  
Chartered Accountants  
Lahore: 30 March 2023  
UDIN:AR202210177FYiKTh6O1

# ALFALAH INSURANCE COMPANY LIMITED

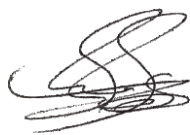
## WINDOW TAKAFUL OPERATIONS

### STATEMENT OF FINANCIAL POSITION

#### AS AT 31 DECEMBER 2022

| Note  | OPF  |                | PTF            |                |                |
|---|------|----------------|----------------|----------------|----------------|
|   | 2022 | 2021           | 2022           | 2021           |                |
| ----- (Rupees in thousand) -----                          |      |                |                |                |                |
| <b>ASSETS</b>   |      |                |                |                |                |
| Property and equipment                                    | 5    | 4              | 31             | -              | -              |
| Investments   | 6    |                |                |                |                |
| Equity securities   |      | 146,606        | 30,549         | 113,324        | 20,366         |
| Term deposits   |      | -              | 170,000        | -              | 115,000        |
| Loans and other receivables                               |      | -              | -              | 7,444          | 6,000          |
| Takaful / retakaful receivables                           | 7    | -              | -              | 107,942        | 126,934        |
| Salvage recoveries accrued                                |      | -              | -              | 6,636          | 12,160         |
| Deferred wakala fee                                       | 19   | -              | -              | 71,325         | 64,649         |
| Receivable from PTF                                       | 8    | 92,570         | 72,192         | -              | -              |
| Accrued investment income                                 |      | 3,062          | 1,605          | 3,815          | 1,123          |
| Retakaful recoveries against outstanding claims           |      | -              | -              | 64,424         | 15,704         |
| Deferred commission expense / acquisition cost            | 20   | 10,478         | 11,945         | -              | -              |
| Prepayments   | 13   | -              | -              | 24,168         | 29,442         |
| Cash and bank   | 9    | 271,780        | 49,217         | 302,639        | 175,685        |
| <b>TOTAL ASSETS</b>                                       |      | <b>524,500</b> | <b>335,539</b> | <b>701,717</b> | <b>567,063</b> |
| <b>RESERVES AND LIABILITIES</b>                           |      |                |                |                |                |
| <b>RESERVES ATTRIBUTABLE TO OPERATOR AND PARTICIPANTS</b> |      |                |                |                |                |
| Operator's Reserves:                                      |      |                |                |                |                |
| Statutory reserves  | 10   | 50,000         | 50,000         | -              | -              |
| Unappropriated profits                                    |      | 234,764        | 142,284        | -              | -              |
| <b>Total operator reserve</b>                             |      | <b>284,764</b> | <b>192,284</b> | <b>-</b>       | <b>-</b>       |
| <b>Participants' Takaful Fund (PTF)</b>                   |      |                |                |                |                |
| Seed money  |      | -              | -              | 500            | 500            |
| Accumulated surplus / (deficit)                           |      | -              | -              | 107,909        | 82,155         |
| <b>Balance of Participants' Takaful Fund</b>              |      | <b>-</b>       | <b>-</b>       | <b>108,409</b> | <b>82,655</b>  |
| <b>LIABILITIES</b>  |      |                |                |                |                |
| <b>PTF Underwriting Provisions:</b>                       |      |                |                |                |                |
| Outstanding claims including IBNR                         | 15   | -              | -              | 196,776        | 129,185        |
| Unearned contribution reserve                             | 13   | -              | -              | 208,773        | 191,472        |
| Unearned retakaful rebate                                 | 14   | -              | -              | 2,849          | 4,130          |
|   |      | -              | -              | <b>408,398</b> | <b>324,787</b> |
| Unearned wakala fee                                       | 19   | 71,325         | 64,649         | -              | -              |
| Contribution received in advance                          |      | -              | -              | 9,542          | 4,916          |
| Re takaful / co-takaful payables                          |      | 2,235          | 2,540          | 56,654         | 62,357         |
| Other creditors and accruals                              | 11   | 166,176        | 76,066         | 13,275         | 13,727         |
| Taxation - provision less payments                        |      | -              | -              | 12,869         | 6,429          |
| Payable to OPF  |      | -              | -              | 92,570         | 72,192         |
| <b>TOTAL LIABILITIES</b>                                  |      | <b>239,736</b> | <b>143,255</b> | <b>593,308</b> | <b>484,408</b> |
| <b>TOTAL FUND AND LIABILITIES</b>                         |      | <b>524,500</b> | <b>335,539</b> | <b>701,717</b> | <b>567,063</b> |
| <b>CONTINGENCIES AND COMMITMENTS</b>                      | 12   |                |                |                |                |

The annexed notes from 1 to 31 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 2022

|   | Note | 2022                 | 2021                 |
|---|------|----------------------|----------------------|
| (Rupees in thousand)  |      |                      |                      |
| <b>Participants' takaful fund</b>                                     |      |                      |                      |
| Contributions earned  |      | 397,321              | 323,116              |
| Less: Contributions ceded to retakaful                                |      | 119,708              | 97,554               |
| Net contributions revenue   | 13   | 277,613              | 225,562              |
| Retakaful rebate earned   | 14   | 18,696               | 15,443               |
| Net underwriting income   |      | 296,309              | 241,005              |
| Net claims - reported / settled                                       |      | (279,197)            | (202,419)            |
| - IBNR  |      | (2,865)              | 1,364                |
| Reversal / (charge) of contribution deficiency reserve                | 15   | -                    | 253                  |
|   |      | (282,062)            | (200,802)            |
| Other direct expenses   | 16   | (5,929)              | (11,875)             |
| Surplus before investment income                                      |      | 8,318                | 28,328               |
| Investment income   | 17   | 35,305               | 4,031                |
| Other income  | 18   | 17,066               | 14,461               |
| Less: Modarib's share of investment income                            | 4.14 | (13,093)             | (4,623)              |
| (Provision) / Reversal for doubtful contributions (net of wakala fee) |      | (8,373)              | (1,185)              |
| <b>Suplus before taxation</b>   |      | <b>39,223</b>        | <b>41,012</b>        |
| Taxation  | 25   | (13,469)             | (16,374)             |
| Surplus transferred to accumulated surplus                            |      | <u>25,754</u>        | <u>24,638</u>        |
| <b>Operator's fund</b>  |      |                      |                      |
| Wakala fee  | 19   | 174,835              | 127,856              |
| Commission expense  | 20   | (28,534)             | (20,037)             |
| General administrative and management expenses                        | 21   | (52,775)             | (46,215)             |
|   |      | 93,526               | 61,604               |
| Investment income   | 17   | 26,887               | 549                  |
| Mudarib's share of PTF investment income                              | 4.14 | 13,093               | 4,623                |
| Other income  | 18   | 13,541               | 13,485               |
| Direct expenses   | 22   | (3,482)              | (3,471)              |
| Finance cost  |      | (1,037)              | (1,429)              |
| <b>Profit before taxation</b>   |      | <b>142,528</b>       | <b>75,361</b>        |
| Taxation  | 25   | (50,048)             | (21,855)             |
| <b>Profit after taxation</b>  |      | <u><b>92,480</b></u> | <u><b>53,506</b></u> |

The annexed notes from 1 to 31 form an integral part of these financial statements.



Chairman



Director



Director



Chief Executive Officer

# ALFALAH INSURANCE COMPANY LIMITED

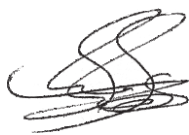
## WINDOW TAKAFUL OPERATIONS

### STATEMENT OF COMPREHENSIVE INCOME

#### FOR THE YEAR ENDED 31 DECEMBER 2022

|  | 2022                 | 2021          |
|--|----------------------|---------------|
|  | (Rupees in thousand) |               |
| <b>Participants' takaful fund</b>              |                      |               |
| Surplus for the year                           | 25,754               | 24,638        |
| Other comprehensive income for the year        | -                    | -             |
| <b>Total comprehensive income for the year</b> | <b>25,754</b>        | <b>24,638</b> |
| <b>Operator's fund</b>                         |                      |               |
| Profit after taxation                          | 92,480               | 53,506        |
| Other comprehensive income for the year        | -                    | -             |
| <b>Total comprehensive income for the year</b> | <b>92,480</b>        | <b>53,506</b> |

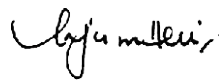
The annexed notes from 1 to 31 form an integral part of these financial statements.



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 2022

|  | Statutory<br>reserves            | Unappropriated<br>profits | Total          |
|--|----------------------------------|---------------------------|----------------|
|  | ----- (Rupees in thousand) ----- |                           |                |
| Balance as at 1 January 2021                   | 50,000                           | 88,778                    | 138,778        |
| Profit after taxation                          | -                                | 53,506                    | 53,506         |
| Other comprehensive income for the year        | -                                | -                         | -              |
| <b>Total comprehensive income for the year</b> | -                                | 53,506                    | 53,506         |
| <b>Balance as at 31 December 2021</b>          | <b>50,000</b>                    | <b>142,284</b>            | <b>192,284</b> |
| Profit after taxation                          | -                                | 92,480                    | 92,480         |
| Other comprehensive income for the year        | -                                | -                         | -              |
| <b>Total comprehensive income for the year</b> | -                                | <b>92,480</b>             | <b>92,480</b>  |
| <b>Balance as at 31 December 2022</b>          | <b>50,000</b>                    | <b>234,764</b>            | <b>284,764</b> |

The annexed notes from 1 to 31 form an integral part of these financial statements.



Chairman



Director



Director



Chief Executive Officer

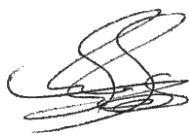
# ALFALAH INSURANCE COMPANY LIMITED

## WINDOW TAKAFUL OPERATIONS

### STATEMENT OF CHANGES IN PARTICIPANT'S TAKAFUL FUND FOR THE YEAR ENDED 31 DECEMBER 2022

|  | Seed<br>money        | Accumulated<br>surplus | Total   |
|--|----------------------|------------------------|---------|
|  | (Rupees in thousand) |                        |         |
| Balance as at 1 January 2021                   | 500                  | 57,517                 | 58,017  |
| Surplus for the year                           | -                    | 24,638                 | 24,638  |
| Other comprehensive income for the year        | -                    | -                      | -       |
| <b>Total comprehensive income for the year</b> | -                    | 24,638                 | 24,638  |
| <b>Balance as at 31 December 2021</b>          | 500                  | 82,155                 | 82,655  |
| Surplus for the year                           | -                    | 25,754                 | 25,754  |
| Other comprehensive income for the year        | -                    | -                      | -       |
| <b>Total comprehensive income for the year</b> | -                    | 25,754                 | 25,754  |
| <b>Balance as at 31 December 2022</b>          | 500                  | 107,909                | 108,409 |

The annexed notes from 1 to 31 form an integral part of these financial statements.



Chairman



Director



Director



Chief Executive Officer

# ALFALAH INSURANCE COMPANY LIMITED

## WINDOW TAKAFUL OPERATIONS

### CASH FLOW STATEMENT

#### FOR THE YEAR ENDED 31 DECEMBER 2022

|  | 2022                             | 2021             | 2022           | 2021            |
|--|----------------------------------|------------------|----------------|-----------------|
|  | OPF                              |                  | PTF            |                 |
| <u>Operating cash flows</u>                                      | ----- (Rupees in thousand) ----- |                  |                |                 |
| <b>(a) Takaful activities</b>                                    |                                  |                  |                |                 |
| Contributions received   | -                                | -                | 584,747        | 455,310         |
| Retakaful contribution paid                                      | -                                | -                | (101,563)      | (139,574)       |
| Retakaful rebate received  | -                                | -                | 13,814         | 9,790           |
| Claims paid  | -                                | -                | (295,302)      | (188,168)       |
| Commissions paid   | (26,388)                         | (16,156)         | -              | -               |
| Retakaful recoveries received                                    | -                                | -                | 32,111         | 21,074          |
| Wakala Fees received   | 161,241                          | 112,926          | -              | -               |
| Wakala Fees paid   | -                                | -                | (161,241)      | (112,926)       |
| Modarib share received   | 12,525                           | 4,351            | -              | -               |
| Modarib share paid   | -                                | -                | (12,525)       | (4,351)         |
| Net cash inflows from takaful activities                         | 147,378                          | 101,121          | 60,041         | 41,155          |
| <b>(b) Other operating activities</b>                            |                                  |                  |                |                 |
| Income tax paid  | -                                | -                | (7,029)        | (2,460)         |
| General and other expenses paid                                  | (8,634)                          | (23,835)         | (2,851)        | (12,708)        |
| Other operating receipts / (payments)                            | (9,095)                          | (39,357)         | 5,072          | (7,189)         |
| Loans disbursed  | -                                | -                | -              | -               |
| Loans repaid   | -                                | 339              | -              | -               |
| Net cash outflows from other operating activities                | (17,729)                         | (62,853)         | (4,808)        | (22,357)        |
| <b>Total cash inflows from operating activities</b>              | <b>129,649</b>                   | <b>38,268</b>    | <b>55,233</b>  | <b>18,798</b>   |
| <b>Investment activities</b>                                     |                                  |                  |                |                 |
| Profit / return received   | 25,914                           | 13,337           | 39,721         | 17,704          |
| Qard-e-Hasna repayment by Participant's Takaful Fund             | -                                | 10,000           | -              | (10,000)        |
| Payments for investments   | (648,000)                        | (200,549)        | (1,638,000)    | (501,366)       |
| Proceeds from disposal of investments                            | 715,000                          | -                | 1,670,000      | 416,000         |
| <b>Total cash (outflows) / inflows from investing activities</b> | <b>92,914</b>                    | <b>(177,212)</b> | <b>71,721</b>  | <b>(77,662)</b> |
| <b>Financing activities</b>                                      |                                  |                  |                |                 |
| <b>Total cash (outflow) / inflows from financing activities</b>  | <b>-</b>                         | <b>-</b>         | <b>-</b>       | <b>-</b>        |
| <b>Net cash (outflow) / inflow during the year</b>               | <b>222,563</b>                   | <b>(138,944)</b> | <b>126,954</b> | <b>(58,864)</b> |
| <b>Cash at the beginning of the year</b>                         | <b>49,217</b>                    | <b>188,161</b>   | <b>175,685</b> | <b>234,549</b>  |
| <b>Cash at the end of the year</b>                               | <b>271,780</b>                   | <b>49,217</b>    | <b>302,639</b> | <b>175,685</b>  |

The annexed notes from 1 to 31 form an integral part of these financial statements.



Chairman



Director



Director



Chief Executive Officer

# ALFALAH INSURANCE COMPANY LIMITED


## WINDOW TAKAFUL OPERATIONS

### CASH FLOW STATEMENT

#### FOR THE YEAR ENDED 31 DECEMBER 2022

|   | 2022                             | 2021          | 2022          | 2021          |
|---|----------------------------------|---------------|---------------|---------------|
|   | OPF                              |               | PTF           |               |
|   | ----- (Rupees in thousand) ----- |               |               |               |
| <b>Reconciliation to profit and loss account</b>            |                                  |               |               |               |
| Operating cash flows  | 129,649                          | 38,268        | 55,233        | 18,798        |
| Depreciation  | (27)                             | (26)          | -             | -             |
| Reversal / (Charge) of contribution<br>- deficiency reserve | -                                | -             | -             | 253           |
| Increase in assets other than cash                          | 18,911                           | 44,502        | 27,050        | 101,608       |
| Increase in liabilities                                     | (96,481)                         | (43,272)      | (108,900)     | (114,513)     |
| Return on bank deposits                                     | 40,428                           | 14,034        | 52,371        | 18,492        |
| <b>Net profit / surplus for the year</b>                    | <b>92,480</b>                    | <b>53,506</b> | <b>25,754</b> | <b>24,638</b> |
| Operator's Takaful Fund                                     | 92,480                           | 53,506        | -             | -             |
| Participants' Takaful Fund                                  | -                                | -             | 25,754        | 24,638        |
|   | <b>92,480</b>                    | <b>53,506</b> | <b>25,754</b> | <b>24,638</b> |

The annexed notes from 1 to 31 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 2022

#### 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 (PTF) 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, the Takaful Rules, 2012 and General Takaful Accounting Regulation, 2019.

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, the Takaful Rules, 2012 and General Takaful Accounting Regulations, 2019 shall prevail.

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

##### 2.2 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.

##### 2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES RESULTING FROM AMENDMENTS IN STANDARDS DURING THE YEAR

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except for following amendments to accounting standards which are effective for annual periods beginning on or after 01 January 2022 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective:

IFRS 03 Business Combinations – The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. In accordance with the transitional provisions, the Company applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the separate financial statements of the Company.

# ALFALAH INSURANCE COMPANY LIMITED

## WINDOW TAKAFUL OPERATIONS

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2022

IAS 16 Property, plant and equipment – Amendment to clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

In accordance with the transitional provisions, the Company applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments to specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Company applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period. These amendments had no impact on the financial statements of the Company, as prior to the application of the amendments, the Company had not identified any contracts as being onerous and the unavoidable costs under the contracts, which were the costs of fulfilling them, comprised of incremental costs directly related to the contracts and an allocation of costs directly related to contract activities.

The adoption of the above amendments to accounting standards did not have any material effect on the financial.

In addition to the above amendments to standards, improvements to various accounting standards (under the annual improvements 2018 - 2020 cycle) have also been issued by the IASB in May 2020. Such improvements were generally effective for accounting periods beginning on or after 01 January 2022:

IFRS 9 Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities - The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39.

In accordance with the transitional provisions, the Company applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Company as there were no modifications of the Company's financial instruments during the period.

IFRS 16 Leases: Lease incentives – The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16 and had no impact on the financial statements of the Company.

IAS 41 Agriculture: Taxation in fair value measurements – The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the financial statements of the Company as it did not have assets in scope of IAS 41 as at the reporting date.

#### 2.5 AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IAS 1 Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.
- Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

# ALFALAH INSURANCE COMPANY LIMITED

## WINDOW TAKAFUL OPERATIONS

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2022

The amendments are effective for annual reporting periods beginning on or after 01 January 2024 and must be applied retrospectively. The amendments are not expected to have a material impact on the Company's financial statements.

|                         |   |
|-------------------------|---|
| IAS 1 and IFRS Practice | Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 - The amendments aim to help entities provide accounting policy disclosures that are more useful by:  |
| Statement 2             | - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and<br>- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.  |
|                         | The amendments to IAS 1 are applicable for annual periods beginning on or after 01 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Company is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.  |
| IAS 8                   | Definition of Accounting Estimates - Amendments to IAS 8 - The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.   |
|                         | The amendments are effective for annual reporting periods beginning on or after 01 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company's financial statements.   |
| IAS 12                  | Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 - In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.  |
|                         | The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The amendments are not expected to have a material impact on the Company's financial statements.  |
| IFRS 10 & IAS 28        | Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - (Amendment). The effective date of Amendments to IFRS 10 and IAS 28 has been deferred indefinitely (until the research project of IASB, on the equity method, has been concluded. Earlier application of the September 2014 amendments continues to be permitted. The Company expects that the adoption of the amendments will have no material effect on the Company's financial statements.   |
| IFRS 16                 | Leases - Lease Liability in a Sale and Leaseback - Amendments requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments are effective for annual reporting periods beginning on or after 01 January 2024. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to sale and leaseback transactions entered into after the date of initial application. |

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

| <u>Standard or interpretation</u> | <b>IASB<br/>Effective date<br/>(annual<br/>periods<br/>beginning on<br/>or after)</b> |
|-----------------------------------|---|
| IFRS 1                            | First-time Adoption of International Financial Reporting Standards 01 July 2009       |
| IFRS 17                           | Insurance Contracts 01 January 2023   |

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

# ALFALAH INSURANCE COMPANY LIMITED

## WINDOW TAKAFUL OPERATIONS

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 2.6 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 2023, as allowed by the amendments contained in Annual Improvements to IFRS Standards 2018-2020 Cycle.

The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2023 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 2021. During 2022, there had been no significant change in the activities of the Company that requires reassessment.

#### 3 USE OF JUDGEMENT 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 |

#### 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, erection 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.



# ALFALAH INSURANCE COMPANY LIMITED

## WINDOW TAKAFUL OPERATIONS

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2022

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 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 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.

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

# ALFALAH INSURANCE COMPANY LIMITED

## WINDOW TAKAFUL OPERATIONS

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 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 through 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.

#### 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.

# ALFALAH INSURANCE COMPANY LIMITED

## WINDOW TAKAFUL OPERATIONS

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2022

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.

#### 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 basis:

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

# ALFALAH INSURANCE COMPANY LIMITED

## WINDOW TAKAFUL OPERATIONS

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2022

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-fourth method, whereby the liability shall equal 1/24 of the contribution ceded relating to retakaful contract commencing in the first month of the operator's financial year, 3/24 of the contributions ceded relating to policies commencing in the second month of the operator's financial years, and so on.

#### 4.9 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 2022 has been carried out by independent firm of actuaries for determination of IBNR for each class of business. The actuarial valuation is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions (as explained in preceding paragraph) that may include a margin for adverse deviation as required / allowed under the Guidelines. The method used, and the estimates made, are reviewed annually.

#### 4.13 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.

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### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 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                          | 35% |
| - Accident and health            | 15% |
| - Others including miscellaneous | 30% |

Rate for Motor class has been changed to 35% from 30% effective from 1st April 2021.

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.

#### 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 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

1

##### 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-fourth 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.

# ALFALAH INSURANCE COMPANY LIMITED

## WINDOW TAKAFUL OPERATIONS

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#### FOR THE YEAR ENDED 31 DECEMBER 2022

#### Miscellaneous Income

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

#### 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 frame work provided to Board of Directors who are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

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

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

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

#### 4.23 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.

# ALFALAH INSURANCE COMPANY LIMITED

## WINDOW TAKAFUL OPERATIONS

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2022

|                                 | OPF                              |      | PTF  |      |
|---------------------------------|----------------------------------|------|------|------|
|                                 | 2022                             | 2021 | 2022 | 2021 |
| <b>5 PROPERTY AND EQUIPMENT</b> | ----- (Rupees in thousand) ----- |      |      |      |
| <b>Cost</b>                     |                                  |      |      |      |
| As at 01 January                | 188                              | 188  | -    | -    |
| Additions during the year       | -                                | -    | -    | -    |
| As at 31 December               | 188                              | 188  | -    | -    |
| <b>Depreciation</b>             |                                  |      |      |      |
| As at 01 January                | 157                              | 131  | -    | -    |
| Charged during the year         | 27                               | 26   | -    | -    |
| As at 31 December               | 184                              | 157  | -    | -    |
| <b>Net book value</b>           | 4                                | 31   | -    | -    |
| <b>Rate of depreciation</b>     | 25%                              | 25%  |      |      |

|  | 2022                             |                      |                | 2021                             |                      |                |
|--|----------------------------------|----------------------|----------------|----------------------------------|----------------------|----------------|
|  | Cost                             | Impairment provision | Carrying value | Cost                             | Impairment provision | Carrying value |
|  | ----- (Rupees in thousand) ----- |                      |                |                                  |                      |                |
| <b>Investment in equity securities</b> |                                  |                      |                |                                  |                      |                |
| Mutual fund - PTF                      | 113,324                          | -                    | 113,324        | 20,366                           | -                    | 20,366         |
| Mutual fund - OPF                      | 146,606                          | -                    | 146,606        | 30,549                           | -                    | 30,549         |
| <b>Investment in term deposits</b>     |                                  |                      |                |                                  |                      |                |
| Musharika certificates - PTF           | -                                | -                    | -              | 115,000                          | -                    | 115,000        |
| Musharika certificates - OPF           | -                                | -                    | -              | 170,000                          | -                    | 170,000        |
|  |                                  |                      |                |                                  |                      |                |
|  | <b>Note</b>                      |                      |                |                                  |                      |                |
|  |                                  |                      |                | <b>OPF</b>                       | <b>PTF</b>           |                |
|  |                                  |                      |                | 2022                             | 2021                 | 2022           |
|  |                                  |                      |                | ----- (Rupees in thousand) ----- |                      |                |

|  |     | OPF  |      | PTF      |         |
|--|-----|------|------|----------|---------|
|  |     | 2022 | 2021 | 2022     | 2021    |
| <b>7 TAKAFUL / RE-TAKAFUL RECEIVABLES</b>                                      |     |      |      |          |         |
| <b>- UNSECURED AND CONSIDERED GOOD</b>   |     |      |      |          |         |
| Contribution due from contract holders   |     | -    | -    | 78,629   | 64,152  |
| Less: provision for impairment of receivables from takaful contract holders    | 7.1 | -    | -    | (4,081)  | (1,943) |
|  |     | -    | -    | 74,548   | 62,209  |
| Amount due from other takaful / retakaful operator                             | 7.3 | -    | -    | 45,919   | 66,033  |
| Less: provision for impairment of due from other takaful / re-takaful operator | 7.2 | -    | -    | (12,525) | (1,308) |
|  |     | -    | -    | 33,394   | 64,725  |
|  |     | -    | -    | 107,942  | 126,934 |

#### 7.1 Provision for impairment for receivables from takaful contract holders

|                               |   |   |       |       |
|-------------------------------|---|---|-------|-------|
| Balance as at 01 January      | - | - | 1,943 | 1,393 |
| Addition made during the year | - | - | 2,138 | 550   |
| Balance as at 31 December     | - | - | 4,081 | 1,943 |

#### 7.2 Provision for impairment of due from other takaful / retakaful operator

|                               |   |   |        |       |
|-------------------------------|---|---|--------|-------|
| Balance as at 01 January      | - | - | 1,308  | 673   |
| Addition made during the year | - | - | 11,217 | 635   |
| Balance as at 31 December     | - | - | 12,525 | 1,308 |

7.3 The Company has co-takaful and retakaful arrangements with various insurance and domestic retakaful operators. Under the above arrangements, the receivable and payable balances originate mainly due to contributions underwritten or claims settled by the lead insurer on behalf of other co-takaful, and in case of retakaful, the contribution ceded to and claims recoverable from the retakaful operator under the respective contracts. As per the prevailing industry practices, settlements of balances under co-takaful and retakaful arrangements are done between respective insurance companies in normal course of business.

The Company believes that the current balances of co-takaful and retakaful reflected in the records of the Company are based on underlying contracts and transactions supported by appropriate evidence.

In this regard, the Company exchanged balance information with various co-takaful based on significance of the balances and the reinsurers. This information corroborates the balance position of the Company in all material respects.

# ALFALAH INSURANCE COMPANY LIMITED

## WINDOW TAKAFUL OPERATIONS

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2022

|                              | Note | OPF                             |               | PTF            |                |
|------------------------------|------|---------------------------------|---------------|----------------|----------------|
|                              |      | 2022                            | 2021          | 2022           | 2021           |
| <b>8 RECEIVABLE FROM PTF</b> |      | ------(Rupees in thousand)----- |               |                |                |
| Wakala fee                   |      | 89,584                          | 69,774        | -              | -              |
| Modaraba fee                 |      | 2,986                           | 2,418         | -              | -              |
|                              |      | <b>92,570</b>                   | <b>72,192</b> | <b>-</b>       | <b>-</b>       |
| <b>9 CASH AND BANK</b>       |      |                                 |               |                |                |
| Cash in hand                 |      | 173                             | 79            | -              | -              |
| Savings accounts             | 9.1  | 271,607                         | 49,138        | 302,639        | 175,685        |
|                              |      | <b>271,780</b>                  | <b>49,217</b> | <b>302,639</b> | <b>175,685</b> |

9.1 The rate of profit on profit and loss sharing accounts from bank range from 2.60% to 15.25% (2021: 2.29% to 9.35%) per annum depending upon the size of average deposits.

9.2 Cash and bank deposits include Rs. 3.82 million (2021: Rs. 29.11 million) held with Bank Alfalah Limited (a related party).

#### 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.

|  | Note | OPF                             |               | PTF           |               |
|--|------|---------------------------------|---------------|---------------|---------------|
|  |      | 2022                            | 2021          | 2022          | 2021          |
| <b>11 OTHER CREDITORS AND ACCRUALS</b>       |      | ------(Rupees in thousand)----- |               |               |               |
| Federal excise duty                          |      | -                               | -             | 1,037         | 4,006         |
| Federal insurance fee                        |      | -                               | -             | 382           | 418           |
| Payable to Alfalah Insurance Company Limited | 11.1 | 142,649                         | 58,683        | -             | 66            |
| Payable to PTF Fund                          |      | 4,981                           | -             | -             | -             |
| Taxes payable                                |      | 248                             | 267           | 6,864         | 3,131         |
| Agency commission payable                    |      | 15,355                          | 13,946        | -             | -             |
| Accrued expenses                             | 11.2 | 2,699                           | 2,965         | 1,240         | 3,225         |
| Others                                       | 11.3 | 244                             | 205           | 3,752         | 2,881         |
|  |      | <b>166,176</b>                  | <b>76,066</b> | <b>13,275</b> | <b>13,727</b> |

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

|                              | OPF                             |              | PTF          |              |
|------------------------------|---------------------------------|--------------|--------------|--------------|
|                              | 2022                            | 2021         | 2022         | 2021         |
| <b>11.2 Accrued expenses</b> | ------(Rupees in thousand)----- |              |              |              |
| Tracker expense payable      | -                               | -            | 1,240        | 3,225        |
| Bonus payable                | 928                             | 808          | -            | -            |
| Audit fee payable            | 531                             | 603          | -            | -            |
| Sundry expenses payable      | 864                             | 1,179        | -            | -            |
| Leave encashment payable     | 376                             | 375          | -            | -            |
|                              | <b>2,699</b>                    | <b>2,965</b> | <b>1,240</b> | <b>3,225</b> |

#### 11.3 Unclaimed insurance benefits

Others include unclaimed insurance benefits of Rs. 1.96 million (2021: Rs. 1.44 million), aging of which is given below:

|                     | OPF                             |          | PTF          |              |
|---------------------|---------------------------------|----------|--------------|--------------|
|                     | 2022                            | 2021     | 2022         | 2021         |
| Claims not encashed | ------(Rupees in thousand)----- |          |              |              |
| 1 to 6 months       | -                               | -        | 5            | 9            |
| 7 to 12 months      | -                               | -        | 366          | 124          |
| 13 to 24 months     | -                               | -        | 383          | 435          |
| 25 to 36 months     | -                               | -        | 335          | 592          |
| beyond 36 months    | -                               | -        | 873          | 281          |
|                     | <b>-</b>                        | <b>-</b> | <b>1,962</b> | <b>1,441</b> |

#### 12 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at 31 December 2022 (2021: Nil).



# ALFALAH INSURANCE COMPANY LIMITED

## WINDOW TAKAFUL OPERATIONS

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2022

|  | 2022                        | 2021    |
|--|-----------------------------|---------|
| <b>13 NET CONTRIBUTIONS REVENUE</b>          | <b>(Rupees in thousand)</b> |         |
| <b>Written Gross Contribution</b>            | <b>589,457</b>              | 504,771 |
| Less: Wakala Fee                             | <b>174,835</b>              | 127,856 |
| <b>Contribution Net of Wakala Fee</b>        | <b>414,622</b>              | 376,915 |
| Add: Unearned contribution reserve opening   | <b>191,472</b>              | 137,673 |
| Less: Unearned contribution reserve closing  | <b>208,773</b>              | 191,472 |
| <b>Contribution earned</b>                   | <b>397,321</b>              | 323,116 |
| Less: Re-takaful ceded                       | <b>114,434</b>              | 108,618 |
| Add: Prepaid retakaful contribution opening  | <b>29,442</b>               | 18,378  |
| Less: Prepaid retakaful contribution closing | <b>24,168</b>               | 29,442  |
| <b>Retakaful expense</b>                     | <b>119,708</b>              | 97,554  |
| <b>Net Contribution</b>                      | <b>277,613</b>              | 225,562 |

|                                     |               |        |
|-------------------------------------|---------------|--------|
| <b>14 RETAKAFUL REBATE EARNED</b>   |               |        |
| <b>Rebate on retakaful received</b> | <b>17,415</b> | 17,195 |
| Add: Rebate on retakaful opening    | <b>4,130</b>  | 2,378  |
| Less: Rebate on retakaful closing   | <b>2,849</b>  | 4,130  |
|                                     | <b>18,696</b> | 15,443 |

|   |                |         |
|---|----------------|---------|
| <b>15 NET CLAIMS - REPORTED / SETTLED</b>                                     |                |         |
| <b>Benefits / Claims paid</b>   | <b>295,302</b> | 188,168 |
| Add: Outstanding benefits / claims including IBNR closing                     | <b>196,776</b> | 129,185 |
| Less: Outstanding benefits / claims including IBNR opening                    | <b>129,185</b> | 121,413 |
| <b>Claims expense</b>   | <b>362,893</b> | 195,940 |
| <b>Retakaful and other recoveries received</b>                                | <b>32,111</b>  | 21,074  |
| Add: Retakaful and other recoveries in respect of outstanding claims closing  | <b>64,424</b>  | 15,704  |
| Less: Retakaful and other recoveries in respect of outstanding claims opening | <b>15,704</b>  | 41,893  |
| <b>Re-takaful and other recoveries revenue</b>                                | <b>80,831</b>  | (5,115) |
| <b>Net Claims Expense</b>   | <b>282,062</b> | 201,055 |

#### 15.1 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 2022.

|                                       | Accident year                   |                 |              |                |               |                  |
|---------------------------------------|---------------------------------|-----------------|--------------|----------------|---------------|------------------|
|                                       | 2018                            | 2019            | 2020         | 2021           | 2022          | Total            |
|                                       | ------(Rupees in thousand)----- |                 |              |                |               |                  |
| Estimate of ultimate claims cost      |                                 |                 |              |                |               |                  |
| At the end of accident year           |                                 |                 |              |                |               |                  |
| with IBNR                             | 34,218                          | 1,998           | 80,333       | 16,096         | 90,425        | <b>223,070</b>   |
| One year later                        | 34,210                          | (672)           | 54,215       | 11,844         | -             | <b>99,597</b>    |
| Two years later                       | 34,210                          | (956)           | 52,335       | -              | -             | <b>85,589</b>    |
| Three years later                     | 34,202                          | (1,876)         | -            | -              | -             | <b>32,326</b>    |
| Four years later                      | 34,201                          | -               | -            | -              | -             | <b>34,201</b>    |
| Five years and beyond                 | 150                             | -               | -            | -              | -             | <b>150</b>       |
| Current estimate of cumulative claims | 34,351                          | (1,876)         | 52,335       | 11,844         | 90,425        | <b>187,079</b>   |
| Cumulative payments to date           | (19,719)                        | (8,361)         | (51,076)     | (12,890)       | (24,424)      | <b>(116,470)</b> |
| <b>Liability recognized</b>           | <b>14,632</b>                   | <b>(10,237)</b> | <b>1,259</b> | <b>(1,046)</b> | <b>66,001</b> | <b>70,609</b>    |

|                                 | 2022                        | 2021   |
|---------------------------------|-----------------------------|--------|
| <b>16 OTHER DIRECT EXPENSES</b> | <b>(Rupees in thousand)</b> |        |
| Bank charges                    | <b>9</b>                    | 489    |
| Tracker expenses                | <b>5,920</b>                | 11,386 |
|                                 | <b>5,929</b>                | 11,875 |

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### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2022

|                                   | OPF                              |            | PTF           |              |
|-----------------------------------|----------------------------------|------------|---------------|--------------|
|                                   | 2022                             | 2021       | 2022          | 2021         |
| <b>17 INVESTMENT INCOME - NET</b> | ----- (Rupees in thousand) ----- |            |               |              |
| Profit on term deposit receipts   | 11,570                           | -          | 22,118        | 3,665        |
| Dividend income                   | 15,317                           | 549        | 13,187        | 366          |
|                                   | <u>26,887</u>                    | <u>549</u> | <u>35,305</u> | <u>4,031</u> |
| <b>18 OTHER INCOME</b>            |                                  |            |               |              |
| Return on bank balances           | <u>13,541</u>                    | 13,485     | <u>17,066</u> | 14,461       |

#### 19 WAKALA FEE

The shareholders of the Company manage the general takaful operations for the participants and charge 35% for motor, 30% for fire, 30% for marine, 30% for miscellaneous, 30% for engineering, 15% for health and 30% for any other class of the gross contribution written net off administrative surcharge on co-takaful inward as wakala fee against the services.

|                                    | Note | 2022                 | 2021           |
|------------------------------------|------|----------------------|----------------|
|                                    |      | (Rupees in thousand) |                |
| <b>Gross wakala fee</b>            |      | 181,511              | 151,509        |
| Add : Deferred wakala fee opening  |      | 64,649               | 40,996         |
| Less : Deferred wakala fee closing |      | <u>71,325</u>        | 64,649         |
| Wakala expense                     |      | <u>174,835</u>       | <u>127,856</u> |

#### 20 COMMISSION EXPENSE

|                                    |               |               |
|------------------------------------|---------------|---------------|
| <b>Commission paid or payable</b>  | 27,067        | 26,023        |
| Add : Deferred commission opening  | 11,945        | 5,959         |
| Less : Deferred commission closing | <u>10,478</u> | 11,945        |
|                                    | <u>28,534</u> | <u>20,037</u> |

#### 21 GENERAL ADMINISTRATIVE AND MANAGEMENT EXPENSES

|  |      |               |               |
|--|------|---------------|---------------|
| Employee benefit cost                                    | 21.1 | 21,541        | 21,728        |
| Travelling expenses                                      |      | 1,856         | 1,493         |
| Advertisement and sales promotion                        |      | 467           | 557           |
| Printing and stationery                                  |      | 2,146         | 2,040         |
| Depreciation of operating assets                         |      | 1,398         | 1,386         |
| Depreciation of right-of-use asset                       |      | 2,776         | 2,947         |
| Amortization of intangibles                              |      | 293           | 210           |
| Rent, rates and taxes                                    |      | 401           | 777           |
| Electricity, gas and water                               |      | 1,985         | 1,160         |
| Vehicle running expenses                                 |      | 3,710         | 2,842         |
| Office repairs and maintenance                           |      | 4,481         | 4,380         |
| Provision for doubtful contributions (net of wakala fee) |      | 4,981         | -             |
| Postages, telegrams and telephone                        |      | 1,414         | 1,561         |
| Annual supervision fee                                   |      | 943           | 808           |
| Training and development                                 |      | 229           | 475           |
| Shariah advisory fee                                     |      | 2,118         | 1,888         |
| Miscellaneous  |      | <u>2,036</u>  | 1,963         |
|  |      | <u>52,775</u> | <u>46,215</u> |

##### 21.1 Employee benefit cost

|  |               |               |
|--|---------------|---------------|
| Salaries allowances and other benefits | 20,350        | 20,345        |
| Charges for post employment benefits   | 1,191         | 1,383         |
|  | <u>21,541</u> | <u>21,728</u> |

21.2 Management expenses include reverse charge from conventional business to the Operator of Rs. 36.46 million (2021: Rs. 33.86 million) under various heads.

|                            | Note | 2022                 | 2021         |
|----------------------------|------|----------------------|--------------|
| <b>22 Direct Expense</b>   |      | (Rupees in thousand) |              |
| Insurance expenses         |      | 797                  | 766          |
| Legal and professional fee |      | 1,873                | 1,817        |
| Auditor's remuneration     | 22.1 | 510                  | 464          |
| Miscellaneous              |      | <u>302</u>           | 424          |
|                            |      | <u>3,482</u>         | <u>3,471</u> |

# ALFALAH INSURANCE COMPANY LIMITED

## WINDOW TAKAFUL OPERATIONS

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2022

|                                    | 2022                 | 2021 |
|------------------------------------|----------------------|------|
|                                    | (Rupees in thousand) |      |
| <b>22.1 Auditor's remuneration</b> |                      |      |
| Annual Audit Fee                   | 178                  | 162  |
| Half year review                   | 107                  | 97   |
| Shariah's Compliance report        | 107                  | 97   |
| Statutory returns                  | 58                   | 53   |
| Sales tax                          | 22                   | 20   |
| Out of pocket                      | 38                   | 35   |
|                                    | 510                  | 464  |

**22.2** Other expenses include reverse charge from conventional business of the Operator of Rs. 2.97 million (2021: Rs 3.00 million) under various heads.

|   | 2022                 | 2021  |
|---|----------------------|-------|
|   | (Rupees in thousand) |       |
| <b>23 REMUNERATION OF HEAD OF WINDOW TAKAFUL OPERATIONS</b> |                      |       |
| Managerial remuneration                                     | 1,155                | 2,610 |
| Leave fare assistance                                       | 28                   | 69    |
| Bonus paid  | 235                  | 508   |
| Charge for defined benefit plan                             | 55                   | 42    |
| Contribution to defined contribution plan                   | 55                   | 131   |
| Vehicle allowance   | 624                  | 575   |
|   | 2,152                | 3,935 |
|   | ----- (Number) ----- |       |
|   | 1                    | 1     |

#### 24 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of directors, key management personnel, associated companies, entities with common directors and employee retirement benefit funds. The Operator, in normal course of business, carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration of head of Window Takaful Operations is disclosed in note 7. 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.

| OPF                              |      | PTF  |      |
|----------------------------------|------|------|------|
| 2022                             | 2021 | 2022 | 2021 |
| ----- (Rupees in thousand) ----- |      |      |      |

Other transactions with related parties are summarized as follows:

|   |        |     |         |         |
|---|--------|-----|---------|---------|
| <b>i) Associated undertakings and other related parties</b> |        |     |         |         |
| Contribution written  | -      | -   | 140,824 | 118,835 |
| Contribution received                                       | -      | -   | 141,812 | 126,224 |
| Dividend received   | 4,134  | -   | 3,322   | -       |
| Claims paid   | -      | -   | 92,844  | 67,403  |
| Profit on bank deposits                                     | 859    | 173 | 1,847   | 1,695   |
| Investment Purchased  | 35,000 | -   | 25,000  | -       |
| <b>ii) Year end balances</b>                                |        |     |         |         |
| <b>Associated undertakings and other related parties</b>    |        |     |         |         |
| Contribution receivable from related parties                | -      | -   | 26,698  | 9,344   |
| Provision for outstanding claims                            | -      | -   | 22,580  | 15,508  |
| Expense charged in respect of retirement benefit plans      | 55     | 131 | -       | -       |

#### 25 TAXATION

Current Tax:

|              |        |        |        |        |
|--------------|--------|--------|--------|--------|
| Current year | 47,034 | 21,855 | 12,962 | 3,678  |
| Prior years  | 3,014  | -      | 507    | 12,696 |
|              | 50,049 | 21,855 | 13,469 | 16,374 |

# ALFALAH INSURANCE COMPANY LIMITED

## WINDOW TAKAFUL OPERATIONS

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 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, Takaful Rules, 2012 and General Takaful Accounting Regulations 2019:

| 31 December 2022                         |   |              |                      |               |               |                |
|--|---|--------------|----------------------|---------------|---------------|----------------|
| Fire and<br>Property<br>Damage           | Marine,<br>Aviation<br>and<br>Transport | Motor        | Accident &<br>Health | Miscellaneous | Total         |                |
| ------(Rupees in thousand)-----          |   |              |                      |               |               |                |
| Wakala fee                               | 12,147                                  | 6,473        | 127,600              | 14,619        | 13,996        | 174,835        |
| Commission expense                       | (4,729)                                 | (3,805)      | (20,560)             | (33)          | 593           | (28,534)       |
| Management expenses                      | (3,099)                                 | (1,932)      | (34,856)             | (8,829)       | (4,058)       | (52,775)       |
|  | <b>4,319</b>                            | <b>736</b>   | <b>72,184</b>        | <b>5,757</b>  | <b>10,531</b> | <b>93,526</b>  |
| Investment income - net                  |   |              |                      |               |               | <b>26,887</b>  |
| Mudarib's share of PTF investment income |   |              |                      |               |               | <b>13,093</b>  |
| Other income                             |   |              |                      |               |               | <b>13,541</b>  |
| Direct expenses                          |   |              |                      |               |               | <b>(3,482)</b> |
| Finance Cost                             |   |              |                      |               |               | <b>(1,037)</b> |
| <b>Profit before tax</b>                 |   |              |                      |               |               | <b>142,528</b> |
| Segment assets                           | <b>12,160</b>                           | <b>3,588</b> | <b>76,638</b>        | <b>7,851</b>  | <b>1,165</b>  | <b>101,402</b> |
| Unallocated assets                       |   |              |                      |               |               | <b>423,098</b> |
|  |   |              |                      |               |               | <b>524,500</b> |
| Segment liabilities                      | <b>3,981</b>                            | <b>128</b>   | <b>66,315</b>        | <b>672</b>    | <b>1,054</b>  | <b>72,150</b>  |
| Unallocated liabilities                  |   |              |                      |               |               | <b>167,586</b> |
|  |   |              |                      |               |               | <b>239,736</b> |

| 31 December 2021                         |                                      |              |                      |               |              |                |
|--|--------------------------------------|--------------|----------------------|---------------|--------------|----------------|
| Fire and<br>Property<br>Damage           | Marine,<br>Aviation and<br>Transport | Motor        | Accident &<br>Health | Miscellaneous | Total        |                |
| ------(Rupees in thousand)-----          |                                      |              |                      |               |              |                |
| Wakala fee                               | 9,820                                | 4,999        | 89,859               | 11,574        | 11,604       | 127,856        |
| Commission expense                       | (4,190)                              | (2,935)      | (13,393)             | (11)          | 492          | (20,037)       |
| Management expenses                      | (3,712)                              | (1,525)      | (30,008)             | (7,182)       | (3,788)      | (46,215)       |
|  | <b>1,918</b>                         | <b>539</b>   | <b>46,458</b>        | <b>4,381</b>  | <b>8,308</b> | <b>61,604</b>  |
| Investment income - net                  |                                      |              |                      |               |              | <b>549</b>     |
| Mudarib's share of PTF investment income |                                      |              |                      |               |              | <b>4,623</b>   |
| Other income                             |                                      |              |                      |               |              | <b>13,485</b>  |
| Direct expenses                          |                                      |              |                      |               |              | <b>(3,471)</b> |
| Finance Cost                             |                                      |              |                      |               |              | <b>(1,429)</b> |
| <b>Profit before tax</b>                 |                                      |              |                      |               |              | <b>75,361</b>  |
| Segment assets                           | <b>10,925</b>                        | <b>2,278</b> | <b>63,151</b>        | <b>5,577</b>  | <b>679</b>   | <b>82,610</b>  |
| Unallocated assets                       |                                      |              |                      |               |              | <b>252,929</b> |
|  |                                      |              |                      |               |              | <b>335,539</b> |
| Segment liabilities                      | <b>5,884</b>                         | <b>-</b>     | <b>56,851</b>        | <b>-</b>      | <b>210</b>   | <b>62,945</b>  |
| Unallocated liabilities                  |                                      |              |                      |               |              | <b>80,310</b>  |
|  |                                      |              |                      |               |              | <b>143,255</b> |

# ALFALAH INSURANCE COMPANY LIMITED

## WINDOW TAKAFUL OPERATIONS

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 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, Takaful Rules, 2012 and General Takaful Accounting Regulations, 2019:

|  | 31 December 2022                |   |                |                           |                |                |
|--|---------------------------------|---|----------------|---------------------------|----------------|----------------|
|  | Fire and<br>Property<br>Damage  | Marine,<br>Aviation<br>and<br>Transport | Motor          | Accident<br>and<br>Health | Miscellaneous  | Total          |
|  | ------(Rupees in thousand)----- |   |                |                           |                |                |
| Contribution receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)   | 40,285                          | 24,317                                  | 452,745        | 99,602                    | 52,724         | 669,673        |
| Federal Excise Duty  | (5,321)                         | (2,525)                                 | (59,539)       | -                         | (6,942)        | (74,327)       |
| Federal Insurance Fee  | (345)                           | (215)                                   | (3,889)        | (986)                     | (454)          | (5,889)        |
| Gross Written Contribution (inclusive of Administrative Surcharge)   | <b>34,619</b>                   | <b>21,577</b>                           | <b>389,317</b> | <b>98,616</b>             | <b>45,328</b>  | <b>589,457</b> |
| Gross Direct Contribution  | 34,284                          | 21,509                                  | 388,761        | 98,616                    | 45,328         | 588,498        |
| Facultative inward contribution  | 335                             | 68                                      | 556            | -                         | -              | 959            |
|  | <b>34,619</b>                   | <b>21,577</b>                           | <b>389,317</b> | <b>98,616</b>             | <b>45,328</b>  | <b>589,457</b> |
| Wakala fees  | (12,147)                        | (6,473)                                 | (127,600)      | (14,619)                  | (13,996)       | (174,835)      |
| Contribution earned  | 40,489                          | 21,577                                  | 365,976        | 97,461                    | 46,653         | 572,156        |
| Contribution ceded to retakaful  | (36,381)                        | (18,383)                                | (23,517)       | -                         | (41,427)       | (119,708)      |
| Net takaful contribution   | <b>(8,039)</b>                  | <b>(3,279)</b>                          | <b>214,859</b> | <b>82,842</b>             | <b>(8,770)</b> | <b>277,613</b> |
| Net rebate on re-takaful   | 6,806                           | 4,085                                   | 286            | -                         | 7,519          | 18,696         |
| <b>Net underwriting income</b>   | <b>(1,233)</b>                  | <b>806</b>                              | <b>215,145</b> | <b>82,842</b>             | <b>(1,251)</b> | <b>296,309</b> |
| Takaful claims   | (48,917)                        | (20,644)                                | (188,626)      | (90,884)                  | (13,822)       | (362,893)      |
| Takaful claims recovered from retakaful  | 47,677                          | 18,564                                  | 3,625          | -                         | 10,965         | 80,831         |
| Net claims   | (1,240)                         | (2,080)                                 | (185,001)      | (90,884)                  | (2,857)        | (282,062)      |
| Contribution deficiency reversal   | -                               | -                                       | -              | -                         | -              | -              |
| Other direct expenses  | (1)                             | (0)                                     | (5,926)        | (1)                       | (2)            | (5,929)        |
| <b>(Deficit)/Surplus before investment income</b>  | <b>(2,474)</b>                  | <b>(1,274)</b>                          | <b>24,218</b>  | <b>(8,043)</b>            | <b>(4,110)</b> | <b>8,318</b>   |
| Investment income  |                                 |   |                |                           |                | 35,305         |
| Other income   |                                 |   |                |                           |                | 17,066         |
| Less: Modarib's share of investment income (Provision) / Reversal for doubtful contributions (net of wakala fee) |                                 |   |                |                           |                | (13,093)       |
|  |                                 |   |                |                           |                | (8,373)        |
| <b>Profit before tax</b>   |                                 |   |                |                           |                | <b>39,223</b>  |
| Segment assets   | 77,085                          | 14,105                                  | 148,064        | 21,347                    | 20,615         | 281,216        |
| Unallocated assets   |                                 |   |                |                           |                | 420,501        |
|  |                                 |   |                |                           |                | <b>701,717</b> |
| Segment liabilities  | 95,615                          | 11,912                                  | 388,827        | 27,657                    | 33,553         | 557,564        |
| Unallocated liabilities  |                                 |   |                |                           |                | 35,744         |
|  |                                 |   |                |                           |                | <b>593,308</b> |

# ALFALAH INSURANCE COMPANY LIMITED

## WINDOW TAKAFUL OPERATIONS

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2022

|  | 31 December 2021               |   |                |                      |               |                |
|--|--------------------------------|---|----------------|----------------------|---------------|----------------|
|  | Fire and<br>Property<br>Damage | Marine,<br>Aviation<br>and<br>Transport | Motor          | Accident<br>& Health | Miscellaneous | Total          |
|  | -----                          |   |                |                      |               | -----          |
|  | (Rupees in thousand)           |   |                |                      |               |                |
| Contribution receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge) | 46,763                         | 18,904                                  | 381,476        | 79,231               | 47,942        | 574,316        |
| Federal Excise Duty  | (5,825)                        | (2,077)                                 | (50,450)       | -                    | (6,152)       | (64,504)       |
| Federal Insurance Fee  | (400)                          | (166)                                   | (3,275)        | (784)                | (414)         | (5,039)        |
| Gross Written Contribution (inclusive of Administrative Surcharge)   | <u>40,538</u>                  | <u>16,661</u>                           | <u>327,751</u> | <u>78,447</u>        | <u>41,376</u> | <u>504,773</u> |
| Gross Direct Contribution  | 40,012                         | 16,615                                  | 327,531        | 78,447               | 41,376        | 503,981        |
| Facultative inward contribution  | 526                            | 46                                      | 220            | -                    | -             | 792            |
|  | <u>40,538</u>                  | <u>16,661</u>                           | <u>327,751</u> | <u>78,447</u>        | <u>41,376</u> | <u>504,773</u> |
| Wakala fees  | (9,820)                        | (4,999)                                 | (89,859)       | (11,574)             | (11,604)      | (127,856)      |
| Contribution earned  | 32,732                         | 16,662                                  | 285,740        | 77,160               | 38,678        | 450,972        |
| Contribution ceded to retakaful  | (29,492)                       | (15,125)                                | (18,500)       | -                    | (34,437)      | (97,554)       |
| Net takaful contribution   | (6,580)                        | (3,462)                                 | 177,381        | 65,586               | (7,363)       | 225,562        |
| Net rebate on re-takaful   | 5,664                          | 3,352                                   | 254            | -                    | 6,173         | 15,443         |
| Net underwriting income  | (916)                          | (110)                                   | 177,635        | 65,586               | (1,190)       | 241,005        |
| Takaful claims   | 14,272                         | (555)                                   | (140,140)      | (66,615)             | (2,902)       | (195,940)      |
| Takaful claims recovered from retakaful  | (13,163)                       | 501                                     | 5,346          | -                    | 2,201         | (5,115)        |
| Net claims   | 1,109                          | (54)                                    | (134,794)      | (66,615)             | (701)         | (201,055)      |
| Charge of contribution deficiency reserve  | -                              | -                                       | -              | 253                  | -             | 253            |
| Other direct expenses  | (39)                           | (16)                                    | (11,704)       | (40)                 | (76)          | (11,875)       |
| (Deficit)/Surplus before investment income   | 154                            | (180)                                   | 31,137         | (816)                | (1,967)       | 28,328         |
| Investment income  |                                |   |                |                      |               | 4,031          |
| Other income   |                                |   |                |                      |               | 14,461         |
| Less: Modarib's share of investment income   |                                |   |                |                      |               | (4,623)        |
| (Provision) / Reversal for doubtful contributions (net of wakala fee)  |                                |   |                |                      |               | (1,185)        |
| Profit before tax  |                                |   |                |                      |               | <u>41,012</u>  |
| Segment assets   | 55,064                         | 6,341                                   | 147,019        | 8,816                | 16,804        | 234,044        |
| Unallocated assets   |                                |   |                |                      |               | <u>333,019</u> |
|  |                                |   |                |                      |               | <u>567,063</u> |
| Segment liabilities  | 58,975                         | 6,124                                   | 336,796        | 19,938               | 37,713        | 459,546        |
| Unallocated liabilities  |                                |   |                |                      |               | <u>24,862</u>  |
|  |                                |   |                |                      |               | <u>484,408</u> |

# ALFALAH INSURANCE COMPANY LIMITED

## WINDOW TAKAFUL OPERATIONS

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 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:

|   |                 | 2022                 | 2021           |
|---|-----------------|----------------------|----------------|
|   |                 | (Rupees in thousand) |                |
| <b>Financial assets</b>                         |                 |                      |                |
| Bank balances                                   | - note 28.1.1.1 | 574,246              | 224,823        |
| Takaful / retakaful receivables                 | - note 28.1.1.2 | 107,942              | 126,934        |
| Retakaful recoveries against outstanding claims | - note 28.1.1.3 | 64,424               | 15,704         |
|   |                 | <b>746,612</b>       | <b>367,461</b> |

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

|                         | Rating     |           | Rating Agency | 2022           | 2021           |
|-------------------------|------------|-----------|---------------|----------------|----------------|
|                         | Short-term | Long-term |               |                |                |
| (Rupees in thousand)    |            |           |               |                |                |
| Bank Alfalah Limited    | A1+        | AA+       | PACRA         | 3,816          | 29,107         |
| Askari Bank Limited     | A1+        | AA+       | PACRA         | 5,204          | 8,192          |
| Standard Chartered Bank | A1+        | AAA       | PACRA         | 263            | 7,717          |
| Meezan Bank Limited     | A-1+       | AAA       | JCR-VIS       | 3,461          | 1,193          |
| Dubai Islamic Bank      | A-1+       | AA        | JCR-VIS       | 561,502        | 178,614        |
|                         |            |           |               | <b>574,246</b> | <b>224,823</b> |

# ALFALAH INSURANCE COMPANY LIMITED

## WINDOW TAKAFUL OPERATIONS

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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: | 2022                 | 2021          |
|--|----------------------|---------------|
|  | (Rupees in thousand) |               |
| Financial institutions   | 59,701               | 53,919        |
| Manufacturing  | 1,400                | 783           |
| Personal Goods   | 379                  | 373           |
| Health & Pharmaceutical  | 159                  | 988           |
| Textile & Composite  | 5,004                | 310           |
| Others including miscellaneous   | 11,986               | 7,779         |
| Provision for impairment of receivables from takaful contract holders        | (4,081)              | (1,943)       |
|  | <b>74,548</b>        | <b>62,209</b> |

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:

|              | 2022                 |               |               | 2021            |        |        |
|--------------|----------------------|---------------|---------------|-----------------|--------|--------|
|              | Related parties      | Others        | Total         | Related parties | Others | Total  |
|              | (Rupees in thousand) |               |               |                 |        |        |
| Up to 1 year | 26,698               | 50,527        | 77,225        | 9,344           | 53,520 | 62,864 |
| 1-2 years    | -                    | 902           | 902           | -               | 376    | 376    |
| 2-3 years    | -                    | 271           | 271           | -               | 324    | 324    |
| Over 3 years | -                    | 231           | 231           | -               | 588    | 588    |
|              | <b>26,698</b>        | <b>51,931</b> | <b>78,629</b> | 9,344           | 54,808 | 64,152 |

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)                                |   |                |
| <b>As at 31 December 2022</b> |   |   |                |
| BB+ or above                  | 107,942   | 64,424  | 172,366        |
| BBB and BBB+                  | -   | -   | -              |
|                               | <b>107,942</b>                                      | <b>64,424</b>                                   | <b>172,366</b> |
| <b>As at 31 December 2021</b> |   |   |                |
| BB+ or above                  | 126,934   | 15,704  | 142,638        |
| BBB and BBB+                  | -   | -   | -              |
|                               | 126,934   | 15,704  | 142,638        |

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:

|              | 2022  |                                     | 2021  |                                     |
|--------------|---|-------------------------------------|---|-------------------------------------|
|              | 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 | 62,593  | 187,657                             | 12,020  | 116,073                             |
| 1-2 years    | 1,299   | 6,637                               | 1,994   | 10,441                              |
| 2 to 3 years | 279   | 2,100                               | 1,690   | 2,671                               |
| Over 3 years | 253   | 382                                 | -   | -                                   |
|              | <b>64,424</b>                                   | <b>196,776</b>                      | 15,704  | 129,185                             |



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#### 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:

| 2022 OPF                         |                 |                        |                         |                         |
|----------------------------------|-----------------|------------------------|-------------------------|-------------------------|
|                                  | Carrying amount | Contractual cash flows | Maturity up to one year | Maturity after one year |
| ------(Rupees in thousand)-----  |                 |                        |                         |                         |
| Re takaful / Co-takaful payables | 2,235           | 2,235                  | 2,235                   | -                       |
| Other creditors and accruals     | 166,176         | 166,176                | 166,176                 | -                       |
|                                  | <b>168,411</b>  | <b>168,411</b>         | <b>168,411</b>          | <b>-</b>                |

| 2022 PTF                          |                 |                        |                         |                         |
|-----------------------------------|-----------------|------------------------|-------------------------|-------------------------|
|                                   | Carrying amount | Contractual cash flows | Maturity up to one year | Maturity after one year |
| ------(Rupees in thousand)-----   |                 |                        |                         |                         |
| Outstanding claims including IBNR | 196,776         | 196,776                | 196,776                 | -                       |
| Re takaful / Co-takaful payables  | 56,654          | 56,654                 | 56,654                  | -                       |
| Other creditors and accruals      | 13,275          | 13,275                 | 13,275                  | -                       |
|                                   | <b>266,705</b>  | <b>266,705</b>         | <b>266,705</b>          | <b>-</b>                |

| 2021 OPF                         |                 |                        |                         |                         |
|----------------------------------|-----------------|------------------------|-------------------------|-------------------------|
|                                  | Carrying amount | Contractual cash flows | Maturity up to one year | Maturity after one year |
| ------(Rupees in thousand)-----  |                 |                        |                         |                         |
| Re takaful / Co-takaful payables | 2,540           | 2,540                  | 2,540                   | -                       |
| Other creditors and accruals     | 76,066          | 76,066                 | 76,066                  | -                       |
|                                  | <b>78,606</b>   | <b>78,606</b>          | <b>78,606</b>           | <b>-</b>                |

| 2021 PTF                          |                 |                        |                         |                         |
|-----------------------------------|-----------------|------------------------|-------------------------|-------------------------|
|                                   | Carrying amount | Contractual cash flows | Maturity up to one year | Maturity after one year |
| ------(Rupees in thousand)-----   |                 |                        |                         |                         |
| Outstanding claims including IBNR | 129,185         | 129,185                | 129,185                 | -                       |
| Re takaful / Co-takaful payables  | 62,357          | 62,357                 | 62,357                  | -                       |
| Other creditors and accruals      | 13,727          | 13,727                 | 13,727                  | -                       |
|                                   | <b>205,269</b>  | <b>205,269</b>         | <b>205,269</b>          | <b>-</b>                |

#### 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.

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#### 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:

| Effective Interest rate | 2022                            |                         |                         |                         |          |
|-------------------------|---------------------------------|-------------------------|-------------------------|-------------------------|----------|
|                         | Carrying amounts                |                         | Carrying amounts        |                         |          |
|                         | Maturity up to one year         | Maturity after one year | Maturity up to one year | Maturity after one year |          |
|                         | OPF                             | PTF                     | OPF                     | PTF                     |          |
| %                       | ------(Rupees in thousand)----- |                         |                         |                         |          |
| <b>Financial assets</b> |                                 |                         |                         |                         |          |
| Bank balances           | 2.60% to 15.25%                 | 271,607                 | 302,639                 | -                       | -        |
|                         |                                 | <u>49,138</u>           | <u>175,685</u>          | <u>-</u>                | <u>-</u> |
|                         |                                 | <u>49,138</u>           | <u>175,685</u>          | <u>-</u>                | <u>-</u> |
| Effective Interest rate | 2021                            |                         |                         |                         |          |
|                         | Carrying amounts                |                         | Carrying amounts        |                         |          |
|                         | Maturity up to one year         | Maturity after one year | Maturity up to one year | Maturity after one year |          |
|                         | OPF                             | PTF                     | OPF                     | PTF                     |          |
| %                       | ------(Rupees in thousand)----- |                         |                         |                         |          |
| <b>Financial assets</b> |                                 |                         |                         |                         |          |
| Bank balances           | 2.29% to 9.35%                  | 49,138                  | 175,685                 | -                       | -        |
|                         |                                 | <u>49,138</u>           | <u>175,685</u>          | <u>-</u>                | <u>-</u> |
|                         |                                 | <u>49,138</u>           | <u>175,685</u>          | <u>-</u>                | <u>-</u> |

As on 31 December 2022, Operator had no financial instrument valued at fair value through profit and loss account.

#### 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

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#### 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 |             |
|                                | 2022              | 2021        | 2022            | 2021        |
| Fire                           | 33%               | 40%         | 11%             | 11%         |
| Marine                         | 32%               | 39%         | 16%             | 37%         |
| Motor                          | 17%               | 13%         | 56%             | 42%         |
| Accident and Health            | 3%                | 3%          | 11%             | 8%          |
| Others including miscellaneous | 14%               | 5%          | 5%              | 2%          |
|                                | <b>100%</b>       | <b>100%</b> | <b>100%</b>     | <b>100%</b> |

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

|                                | Gross contribution written |             | Net contribution written |             |
|--------------------------------|----------------------------|-------------|--------------------------|-------------|
|                                | 2022                       | 2021        | 2022                     | 2021        |
| Fire                           | 6%                         | 8%          | 1%                       | 1%          |
| Marine                         | 4%                         | 3%          | 1%                       | 1%          |
| Motor                          | 65%                        | 65%         | 76%                      | 77%         |
| Accident and Health            | 17%                        | 16%         | 21%                      | 20%         |
| Others including miscellaneous | 8%                         | 8%          | 1%                       | 1%          |
|                                | <b>100%</b>                | <b>100%</b> | <b>100%</b>              | <b>100%</b> |

#### 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.

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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             |         | Participants' surplus |       |
|                                | 2022                            | 2021    | 2022                  | 2021  |
|                                | ------(Rupees in thousand)----- |         |                       |       |
| Fire                           | 1,240                           | (1,109) | 12                    | (11)  |
| Marine                         | 2,080                           | 54      | 21                    | 1     |
| Motor                          | 185,001                         | 134,794 | 1,850                 | 1,348 |
| Accident and Health            | 90,884                          | 66,615  | 909                   | 666   |
| Others including Miscellaneous | 2,857                           | 701     | 29                    | 7     |
|                                | <b>282,062</b>                  | 201,055 | <b>2,821</b>          | 2,011 |

#### 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.

|  | Note | Carrying amount                        |                           |                             |         | Fair value |         |         |
|--|------|--|---------------------------|-----------------------------|---------|------------|---------|---------|
|  |      | Receivables and other financial assets | Cash and cash equivalents | Other financial liabilities | Total   | Level 1    | Level 2 | Level 3 |
| <b>31 December 2022</b>                                    |      |  |                           |                             |         |            |         |         |
| <b>Financial assets - measured at fair value</b>           |      |  |                           |                             |         |            |         |         |
| <b>Financial assets - not measured at fair value</b>       |      |  |                           |                             |         |            |         |         |
| Takaful / re-takaful receivables*                          | 7    | 107,942                                | -                         | -                           | 107,942 | -          | -       | -       |
| Retakaful recoveries against outstanding claims*           |      | 64,424                                 | -                         | -                           | 64,424  | -          | -       | -       |
| Cash and bank*   | 9    | -                                      | 574,419                   | -                           | 574,419 | -          | -       | -       |
|  |      | 172,366                                | 574,419                   | -                           | 746,785 | -          | -       | -       |
| <b>Financial liabilities - measured at fair value</b>      |      |  |                           |                             |         |            |         |         |
| <b>Financial liabilities - not measured at fair value</b>  |      |  |                           |                             |         |            |         |         |
| Underwriting provisions outstanding claims including IBNR* | 15   | -                                      | -                         | 196,776                     | 196,776 | -          | -       | -       |
| Re takaful / Co-takaful payables*                          |      | -                                      | -                         | 58,889                      | 58,889  | -          | -       | -       |
| Other creditors and accruals*                              | 11   | -                                      | -                         | 179,451                     | 179,451 | -          | -       | -       |
|  |      | -                                      | -                         | 435,116                     | 435,116 | -          | -       | -       |

\* 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 |
| Rupees                  |  |                           |                             |            |         |         |         |       |
| <b>31 December 2021</b> |  |                           |                             |            |         |         |         |       |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
|                         |  | -                         | -                           | -          | -       | -       | -       | -     |
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# ALFALAH INSURANCE COMPANY LIMITED WINDOW TAKAFUL OPERATIONS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

## 30 NUMBER OF FULL TIME EMPLOYEES

The number of employees of the Operations are as follows:

|   | <u>2022</u> | <u>2021</u> |
|---|-------------|-------------|
| Average number of employees during the year | 2           | 3           |
| As at 31 December                           | 2           | 2           |

## 31 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Operator on 2 February 2023.



Chairman



Director



Director



Chief Executive Officer

# NOTICE OF 17<sup>TH</sup> ANNUAL GENERAL MEETING

Notice is hereby given that 17<sup>th</sup> Annual General Meeting of the Shareholders of Alfalah Insurance Company Limited (the "Company") will be held on Thursday, April 20, 2023 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 8<sup>th</sup> Extra Ordinary General Meeting held on August 15, 2022.
2. To receive, consider and adopt the financial statements of Conventional business and Window Takaful Operations for the year ended December 31, 2022 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 declare and approve, as recommended by the Directors, the payment of the final cash dividend of Rs.2 per share i.e., @ 20% for the year ended December 31, 2022.
4. To appoint Statutory and Shariah Compliance Auditors of the Company for the year ending December 31, 2023 and to fix their remuneration.

M/s A. F. Ferguson & Company, Chartered Accountants, (a member firm of PwC), being eligible for appointment, have shown their willingness to act as statutory auditors of the Company for the year ending December 31, 2023. The Audit Committee and Board of directors in their respective meetings have suggested and recommended their appointment as external and Shariah Compliance Auditors of the Company for the year ending December 31, 2023.

The present auditors, M/s EY Ford Rhodes, Chartered Accountants were rotated after completion of four years. It was done in order to comply with the statutory requirement from the banking side which requires the Bank Alfalah to align the statutory auditors of Bank's inter-related companies with the Bank. M/s A. F. Ferguson & Company, Chartered Accountants, (a member firm of PwC), were recently appointed as statutory auditors for the Bank Alfalah.

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

Date: March 30, 2023  
Lahore



By order of the Board  
Adnan Waheed  
Company Secretary



# NOTES

- 1) The Share Transfer Books of the Company will be closed from April 14, 2023 to April 20, 2023 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.





## 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 \_\_\_\_\_, 2023 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 \_\_\_\_\_ 2023

Signature: .....

Name:.....

Holder of ..... Ordinary Shares

### WITNESSES:

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

## پراکسی فارم

کمپنی سیکرٹری  
الفلاح انشورنس کمپنی لمیٹڈ  
۵۔ سینٹ میری پارک، گلبرگ ۱۱۱ لاہور۔

”میں / ہم“ ساکن \_\_\_\_\_ بحیثیت رکن الفلاح انشورنس کمپنی لمیٹڈ  
بزرگیہ ہذا مسمیٰ ساکن \_\_\_\_\_ کو یا ان کی عدم دستیابی  
کی صورت میں مسمیٰ ساکن \_\_\_\_\_ کو میری / ہماری جانب سے پراکسی  
مقرر کر رہا ہوں تاکہ وہ الفلاح انشورنس کمپنی لمیٹڈ کے \_\_\_\_\_، ۲۰۲۳ء بوقت ۱۱:۰۰ بجے صبح کمپنی کے رجسٹرڈ آفس ۵۔ سینٹ میری پارک،  
گلبرگ ۱۱۱ لاہور میں منعقد ہونے والے سالانہ اجلاس عام یا اس کے التوائی اجلاس میں میری / ہماری طرف سے شرکت کر سکے یا ووٹ دے سکے۔“

دستخط: \_\_\_\_\_

دستخط بروز \_\_\_\_\_ بتاریخ \_\_\_\_\_ ۲۰۲۳ء

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

## Head Office:

5-Saint Mary Park, Gulberg III, Lahore.  
UAN: 111-786-234  
Fax: +92-42-35774329-30  
E-mail: [afi@alfalahinsurance.com](mailto:afi@alfalahinsurance.com)  
Web: [www.alfalahinsurance.com](http://www.alfalahinsurance.com)

## Lahore Main Branch:

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E-mail: [afi.lu1@alfalahinsurance.com](mailto:afi.lu1@alfalahinsurance.com)  
Web: [www.alfalahinsurance.com](http://www.alfalahinsurance.com)

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Fax: +92-42-35774329-30  
E-mail: [afi.lu1@alfalahinsurance.com](mailto:afi.lu1@alfalahinsurance.com)  
Web: [www.alfalahinsurance.com](http://www.alfalahinsurance.com)

## Faisalabad Office:

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Fax: +92-41-2646969  
E-mail: [afi.fbd@alfalahinsurance.com](mailto:afi.fbd@alfalahinsurance.com)

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Fax: +92-51-4862596  
E-mail: [afi.imb@alfalahinsurance.com](mailto:afi.imb@alfalahinsurance.com)

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Fax: +92-91-5253964  
E-mail: [afi.pwr@alfalahinsurance.com](mailto:afi.pwr@alfalahinsurance.com)

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Multan.  
Phone # 061-6211446-8  
Fax # 061-6211449  
E-mail: [afi.mul@alfalahinsurance.com](mailto:afi.mul@alfalahinsurance.com)

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Iqbal High School, G.T. Road, Gujranwala.  
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Fax: +92-55-3820867  
E-mail: [afi.guj@alfalahinsurance.com](mailto:afi.guj@alfalahinsurance.com)

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Fax: +92-52-3240908  
E-mail: [afi.skt@alfalahinsurance.com](mailto:afi.skt@alfalahinsurance.com)

## South Zone

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E-mail: [afi.khi@alfalahinsurance.com](mailto:afi.khi@alfalahinsurance.com)

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Fax: +92-22-2780656  
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MOTOR



ENGINEERING



FIRE



CARGO



TRAVEL



ENERGY



HEALTH



AGRICULTURE



#### **HEAD OFFICE**

📍 5-Saint Mary Park, Gulberg III, Lahore, Pakistan.

☎ Phone: 042-111-234-222

📠 Fax: 042-35774329-30

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