



Alfalah Insurance

ANNUAL
REPORT | **2018**

CONTENTS

Company Information	03
Vision & Mission	05
Board of Directors	06
Directors' Report To The Shareholders	09
Key Financial Data	13
Financial Summary	29
Code of Conduct and Professional Standards	32
Statement Of Compliance With The Code of Corporate Governance	34
Review Report to The Members on Statement of Compliance	39
Independent Auditor's Report	40
Statement of Financial Position	42
Profit and Loss Account	43
Statement of Comprehensive Income	44
Cash Flow Statement	45
Statement of Changes in Equity	47
Notes to the Financial Statements	48
Independent Assurance Report to the Board of Directors	93
Shariah Advisory Report To The Board of Directors	95
Statement of Compliance with the Shariah Principles	98
Independent Auditors' Report	99
Statement of Financial Position	101
Profit and Loss Account	102
Statement Of Comprehensive Income	103
Statement of Cash Flows	104
Statement of Changes in Fund	105
Notes To The Financial Statements	107
Notice of 13th Annual General Meeting	137
Form of Proxy	142

COMPANY INFORMATION

Chairman

H.H. Sheikh Nahayan Mubarak Al Nahayan

Board of Directors

H.H. Sheikh Nahayan Mubarak Al Nahayan	Director
H.E. Sheikh Saif Bin Mohammed Bin Butti	Director
Mr. Khalid Mana Saeed Al Otaiba	Director
Mr. Adeel Bajwa	Director
Mr. Nauman Ansari	Director
Mr. Bilal Asghar	Director
Mr. Nasar us Samad Qureshi	Director

Chief Executive & Managing Director

Mr. Nasar us Samad Qureshi*

Chief Financial Officer & Company Secretary

Mr. Adnan Waheed

Board Committees:

Board Advisory Committee:

Mr. Adeel Bajwa	Chairman
Mr. Nauman Ansari	Member
Mr. Bilal Asghar	Member
Mr. Nasar us Samad Qureshi	Member
Mr. Adnan Waheed	Secretary

Audit Committee

Mr. Adeel Bajwa	Chairman
Mr. Nauman Ansari	Member
Mr. Bilal Asghar	Member
Mr. Faisal Shahzad	Secretary

Ethics, Human Resource and Remuneration Committee:

Mr. Adeel Bajwa	Chairman
Mr. Nauman Ansari	Member
Mr. Bilal Asghar	Member
Mr. Nasar us Samad Qureshi	Member

Investment Committee:

Mr. Adeel Bajwa	Chairman
Mr. Nauman Ansari	Member
Mr. Bilal Asghar	Member
Mr. Nasar us Samad Qureshi	Member
Mr. Adnan Waheed	Member & Secretary

Mr. Nasar us samad Qureshi resigned as CEO w.e.f 31st March 2019 & Mr. Abdul Haya joined the office as CEO w.e.f. 1st April 2019

Management Committees:

Underwriting Committee

Mr. Nasar us Samad Qureshi
 Mr. Abdul Haye
 Capt. Azhar Ehtesham Ahmed
 Mr. Rashid Awan

Chairman
 Member
 Member
 Member & Secretary

Claims Settlement Committee

Mr. Nasar us Samad Qureshi
 Mr. Adnan Waheed
 Ch. Manzoor Hussain

Member
 Member
 Member & Secretary

Reinsurance, Re-takaful and Coinsurance Committee:

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

Chairman
 Member
 Member
 Member
 Member & Secretary

Risk Management & Compliance Committee:

Mr. Nasar us Samad Qureshi
 Mr. Adnan Waheed
 Mr. Faisal Shahzad
 Mr. Naveed Akbar

Chairman
 Member
 Member
 Member & Secretary

Conventional Banks

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

Takaful Banks

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

Auditors

KPMG Taseer Hadi & Co.
 Chartered Accountants

Legal Advisors

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

Head Office

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

VISION

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

MISSION

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



His Highness Sheikh Nahayan Mubarak Al Nahayan
Chairman Abu Dhabi Group



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



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



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



Mr. Adael Bajwa
Director



Mr. Nauman Ansari
Director



Mr. Bilal Asghar
Director



Mr. Abdul Haye
MD & CEO *

*Mr. Abdul Haye replaced Mr. Nasar-us-samad Qureshi as CEO w.e.f 1st April 2019

AGRICULTURE

Pakistan's agriculture sector plays a central role in the economy as it contributes 18.9 percent to GDP and absorbs 42.3 percent of labour force. It is also an important source of foreign exchange earnings and stimulates growth in other sectors. The government is focusing on supporting small and marginalized farmers and promote small scale innovative technologies to promote growth in this sector. According to the 6 th Population and Housing Census of Pakistan 2017, the country's population is growing at the rate of 2.4 percent per annum. This rapid increase in population is raising demand for agricultural products.



DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors of Alfalah Insurance Company Limited are pleased to submit 13th Annual Report of your company, together with audited financial statements for the year ended December 31, 2018.

Insurance Sector Review and Future Outlook

The growth of insurance industry is directly linked with the growth of economy. After the formation of new Government by PTI in 2018, it is expected that finally the political stability will come to Pakistan which will make the investment climate more conducive for local/foreign investors. The new government, judiciary and the military all seem to be on one page, which is encouraging for addressing key issues like eliminating extremism, money laundering and initiating grass root reforms for improving governance. A peaceful stance towards neighbors and convergence of view with US on Afghanistan will put the Pakistan at an important position in the region. Stronger financial ties with Saudi Arabia, China and UAE are expected to help the Government in meeting its twin deficits.

The non-life insurance market of Pakistan grew by 12% on the basis of nine months ended as at 30th September 2018. The recognition of huge potential for personal lines/micro insurance both by the insurance companies and the regulator shall bode well for the insurance industry of Pakistan. The Securities and Exchange Commission of Pakistan (SECP) has further strengthened the regulatory framework by introducing various legislations with the objective of providing enabling environment for market development and adopting international best practices.

ALFALAH INSURANCE PERFORMANCE

Insurance business due to its very nature can be cyclic at times and all insurance companies in their life time go through some bad years and that has been the case with Alfalah insurance. For the first time since its inception, the Company has gone through a tough year in 2018 where both the income streams have been badly hit. Business income has been effected because of some adverse loss experience and investment income has been effected because of the negative trends in stocks market. The negative trends in both these income streams together have an impact of Rs82m Company's Profit before tax which was down by 46% from last year.

On consolidated basis, Company registered growth of 15% in its premium written. Non-group business of the Company increased by 23% registering group vs non-group ratio at 16:84 (LY: 22:78). Net premium revenue of the Company was higher by Rs259m i.e. 25% but its impact was partially diluted by commission expense which was increased by Rs174m i.e. 197% because new business was acquired at high acquisition cost, management/admin expenses increased by Rs19m i.e. 5% only, however, higher loss ratio from 45% of last year to 47% dented the profitability of the Company and reduced the underwriting profits of the Company by Rs76m i.e. 77%.

Investment income of the Company was also down by 8% i.e. Rs6m from last year. The stock market remained depressed throughout the period and moved downward by -8% (LY:-15%), although, its impact was partially compensated due to increase in discount rate by the Government.

SEGMENT WISE PROFITABILITY AT GLANCE

	Net Premium Revenue	Net Claim	Net Commission	Segment Profitability 2018	Segment Profitability 2017	Variance	%
Fire	25,769	33,423	(17,753)	10,099	42,253	(32,154)	-76%
Marine	20,134	5,499	(5,104)	19,739	26,648	(6,909)	-26%
Motor	455,837	253,070	34,724	168,043	175,865	(7,822)	-4%
Misc.	165,796	41,386	(34,998)	159,408	173,840	(14,432)	-8%
Health	634,762	284,588	285,531	64,643	65,645	(1,002)	-2%
Total	1,302,298	617,966	262,400	421,932	484,251	(62,319)	-13%

DIRECTORS' REPORT TO THE SHAREHOLDERS

Fire Segment contribution was decreased by Rs32m due to adverse loss ratio. The loss ratio was increased from 53% to 130% in year 2018 mainly because of one claim of Rs450m registered on account of M/s Lucky Textile Mills Limited.

Marine Segment contribution was decreased by 26% due to topline reduction of 8% coupled with high loss ratio from 15% to 27%.

Motor Segment contribution was decreased by 4% because despite 18% increase in NPR, high loss ratio from 47% to 56% kept the profitability under pressure.

Health Segment contribution was decreased by meagre 2%.

Miscellaneous Segment contribution was decreased by 8% because of increase in loss ratio from 13% to 25%.

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

Window Takaful Operations (WTO) was able to underwrite contribution of Rs. 263m i.e. 50% higher than last year. This increase resulted in NPR growth of 43% which in turn helped the Participant Takaful Fund to achieve surplus of Rs 10m in comparison to Rs1m of last year. Overall loss ratio almost remained same as of last year i.e.55%. Increase of 46% in wakala fee was almost aligned with the increase in net premium revenue. The management and admin expenses of SHF were increased by 27% due to higher allocation of expenses to Window Takaful Operations because its share in the total business was increased from 8% to 10%. Investment income was increased mainly due to increase in discount rate by the Govt coupled with better negotiation of profit rates with bank.

EARNING PER SHARE

During the year after tax earnings per share was Rs.1.32 (2017: Rs.2.46). Detailed working has been reported in Note 31 to the financial statements.

AUDITORS

M/s EY Ford Rhodes, Chartered Accountants, being eligible for appointment, have shown their willingness to act as external auditors of the Company for the year ending December 31,2019. The Audit Committee and Board of directors in their respective meetings have recommended M/s EY Ford Rhodes, Chartered Accountants as external and Shariah Compliance Auditors of the Company for the year ending December 31, 2019.

The present auditors M/s KPMG Taseer Hadi & Company, Chartered Accountants were rotated after completion of two years. It was done in order to comply with the joint notification of State Bank of Pakistan and SECP dated 25th February 2004 which requires M/s Bank Alfalah Limited to ensure that all its associated companies engaged in the business of providing financial services should appoint the same firm of auditors and M/s EY Ford Rhodes, Chartered Accountants were the current auditors of the M/s Bank Alfalah Limited.

BOARD OF DIRECTORS MEETINGS

During the year 2018, 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	3
- HE Sheikh Saif Bin Mohammad Bin Butti	-
- Mr. Khalid Mana Saeed Al Otaiba	2
- Mr. Adeel Bajwa	4
- Mr. Nauman Ansari	4

DIRECTORS' REPORT TO THE SHAREHOLDERS

- Mr. Bilal Asghar	1
- Mr. Nasar us Samad Qureshi	4
- Mr. Suhail Yaqoob Khan*	1

*Mr. Suhail Yaqoob Khan resigned during the year from the office of Director and Mr. Bilal Asghar was appointed as the Director in his place and for the remainder of the term with prior approval of Securities and Exchange Commission of Pakistan.

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

INSURERS FINANCIAL RATING STRENGTH

PACRA, during its recent review conducted on 7th December 2018, has maintained the IFS rating of your Company at "AA-" (Double A minus) with stable outlook. This rating denotes Very strong capacity to meet policyholder and contract obligations. Risk factors are modest, and the impact of any adverse business and economic factors is expected to be very small.

AUDIT COMMITTEE

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

- Mr. Adeel Bajwa – Chairman
- Mr. Noman Ansari – Member
- Mr. Bilal Asghar – Member*

*During the year Mr. Bilal Asghar was admitted as member in place of Mr. Suhail Yaqoob Khan.

RELATED PARTY TRANSACTIONS

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

STATEMENT OF ETHICS AND BUSINESS PRACTICES/CODE OF CONDUCT

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

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

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

- The financial statements, together with the notes thereon have been drawn up in conformity with the Insurance Ordinance 2000 and rules thereunder and Companies Act, 2017.
- These statements present fairly the company's state of affairs, results of its operations, cash flow and changes in equity.
- Proper books of accounts have been maintained by the company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The International Accounting Standards, International Financial Reporting Standards or any other regulation or law as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been continuously monitored by the internal audits. This is a continuous process and any weakness will be removed and its effective implementation shall be ensured.
- There is no significant doubt upon the company's ability to continue as a going concern.

DIRECTORS' REPORT TO THE SHAREHOLDERS

- There has been no material departure from the best practices of corporate governance.
- Key operating and financial data is separately annexed with the report.
- Outstanding taxes and duties are given in the financial statements.
- The value of investments of provident and gratuity fund on the basis of audited accounts as on December 31, 2018 is as follows:

	Rs in '000'
• Provident Fund	72,491
• Gratuity Fund	62,339

- The statement of pattern of shareholding in the Company as on December 31, 2018 is separately annexed with the report.

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

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

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

FUTURE OUTLOOK

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

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

ACKNOWLEDGEMENT

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

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



Director

On behalf of the Board,



Chief Executive Officer

KEY FINANCIAL DATA

Description	For the Year Ended on December 31									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Gross Premium Written	2,338,699	2,082,006	1,924,316	1,545,612	1,330,854	1,230,932	1,060,187	928,020	662,971	651,459
Net Premium Revenue	1,302,298	1,043,222	916,586	780,180	705,323	563,744	454,403	384,483	359,938	331,786
Net Claim Expense	(617,966)	(470,630)	(493,076)	(429,297)	(410,817)	(317,378)	(262,368)	(243,221)	(259,435)	(231,336)
Management Expenses	(397,735)	(383,559)	(370,370)	(267,333)	(239,919)	(214,401)	(195,933)	(134,810)	(109,263)	(94,556)
Net Commission	(262,400)	(88,341)	33,028	96,608	95,928	94,672	96,358	71,167	74,750	68,307
Underwriting Profit	24,197	100,692	86,168	180,158	150,515	126,637	92,460	77,619	65,990	74,201
Investment/Other Income	72,675	78,888	119,407	77,137	105,103	85,605	96,088	72,156	46,177	21,189
Admin Expenses	(16,091)	(11,095)	(12,489)	(103,784)	(105,024)	(89,202)	(80,662)	(74,141)	(62,660)	(47,307)
Profit before tax	80,782	168,485	193,086	153,511	150,594	123,040	107,886	75,634	49,507	48,083
Profit from Window Takaful	14,407	8,410	1,890	-	-	-	-	-	-	-
Income tax	(29,421)	(53,855)	(65,602)	(38,297)	(27,557)	(20,463)	(9,864)	(6,396)	(6,858)	(17,387)
Profit after tax	65,768	123,040	129,374	115,214	123,037	102,577	98,022	69,238	42,649	30,696
Paid up Capital	500,000	500,000	500,000	500,000	300,000	300,000	300,000	300,000	250,000	230,000
Share deposit money	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381
General Reserve	150,000	150,000	150,000	150,000	150,000	150,000	15,000	15,000	25,000	25,000
Fair value reserve	(50,777)	951	52,160	9,453	-	-	-	-	-	-
Un-appropriated Profit	466,262	402,085	281,644	153,935	258,930	135,475	170,309	72,218	42,980	36,431
	1,066,866	1,054,417	985,185	814,769	710,311	586,856	486,690	388,599	319,361	292,812
Earnings per Share	1.32	2.46	2.59	2.30	2.46	3.42	3.27	2.31	1.42	1.23
Breakup Value per Share-with fair value adjustment	21.36	21.09	19.70	16.30	23.68	19.56	16.22	12.95	12.77	12.73
Breakup Value per Share-without fair value adjustment	22.38	21.07	18.66	16.11	23.68	19.56	16.22	12.95	12.77	12.73
Net Loss Ratio	-47%	-45%	-54%	-55%	-58%	-56%	-58%	-63%	-72%	-70%
Expense Ratio	-18%	-19%	-20%	-24%	-26%	-25%	-26%	-23%	-26%	-22%
Underwriting Profit to Net Premium	2%	10%	9%	23%	21%	22%	20%	20%	18%	22%
Return on Average Equity	6%	12%	14%	15%	19%	19%	22%	20%	14%	11%

Pattern of Share Holding As at December 31, 2018

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

Total

13			50,000,000
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Classification of Shares Categories As at December 31, 2018

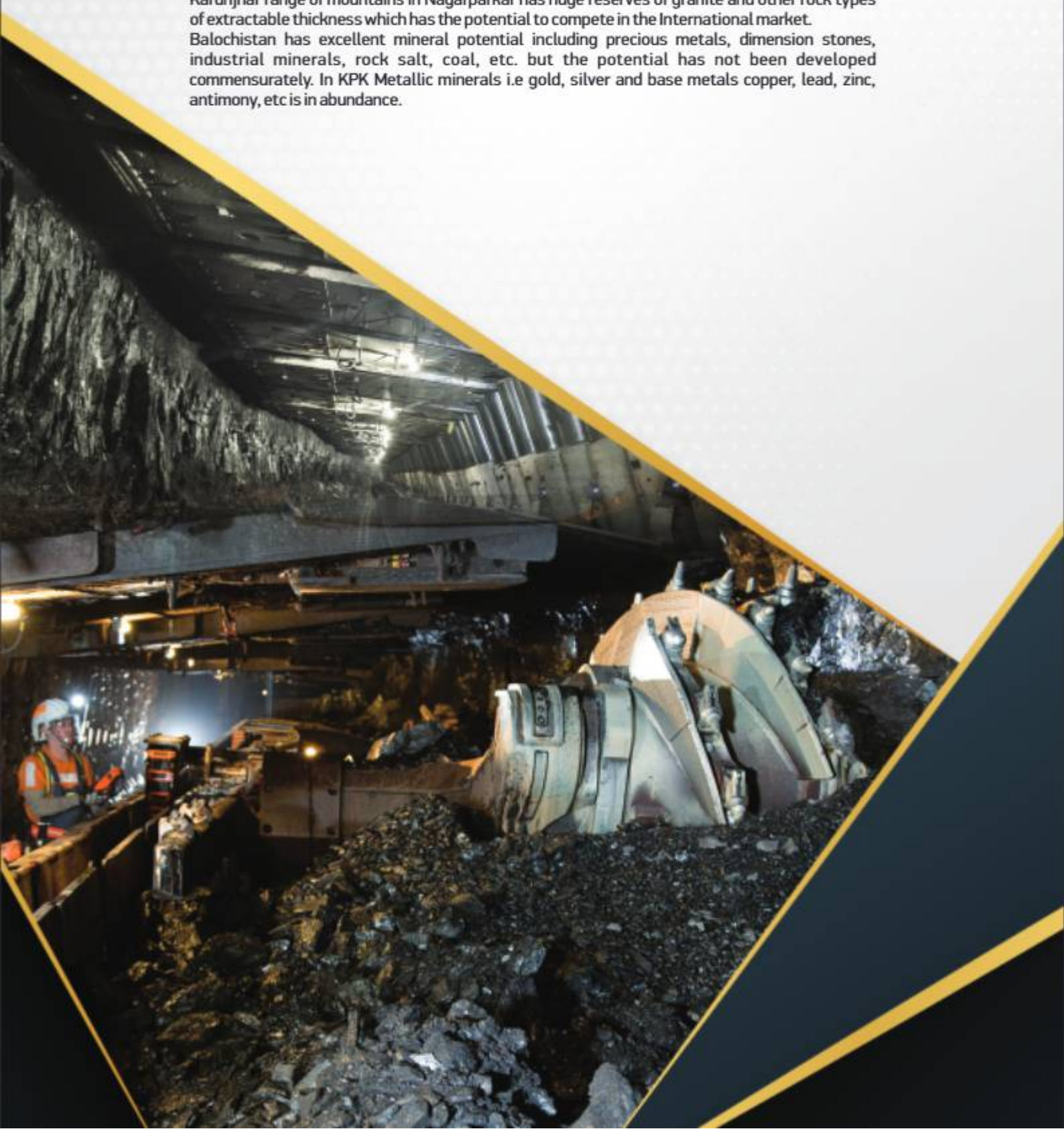
Categories of Members	Number of Shareholders	Number of Shares Held	Percentage
Individuals having shareholding five percent or more	3	12,497,822	25.00%
H.H. Sheikh Hamdan Bin Mubarak Bin Mohammed Al Nahayan		2,500,000	5.00%
H.E. Sheikh Mohammed Bin Butti Hamid Al Hamid		4,998,911	10.00%
H.E. Dr. Mana Saeed Al Otaiba		4,998,911	10.00%
Associated Companies	1	14,997,825	30.00%
M/s Bank Alfalah Limited			
Directors and CEO	7	12,504,353	25.00%
H.H. Sheikh Nahayan Mabarak Al Nahayan		12,497,823	25.00%
H.E. Sheikh Saif Bin Mohammed Bin Butti		1,085	0.002%
Mr. Khalid Mana Saeed Al Otaiba		1,085	0.002%
Mr. Adeel Khalid Bajwa		1,085	0.002%
Mr. Nauman Ansari		1,085	0.002%
Mr. Bilal Asghar		1,085	0.002%
Mr. Nasar us Samad Qureshi		1,105	0.002%
Companies having shareholding five percent or more	2	10,000,000	20.00%
M/s Al Ain Capital LLC (Formerly M/s Al Bateen Investments)		5,000,000	10.00%
M/s Electromechanical Co. LLC		5,000,000	10.00%
Total	13	50,000,000	100.00%

MINES & MINERALS

According to a recent World Bank report; based on the experience of other countries with similar geological endowment, it is estimated that Pakistan can really turn this potential and generate significant growth and local economic development. It continues to say that the mineral sector with sufficient capital and a favorable investment climate has the capacity to contribute annual revenues and foreign exchange in the range of USD 1.5 – 2.0 billion or 2 – 3 % of GDP.

Karunjhar range of mountains in Nagarparkar has huge reserves of granite and other rock types of extractable thickness which has the potential to compete in the International market.

Balochistan has excellent mineral potential including precious metals, dimension stones, industrial minerals, rock salt, coal, etc. but the potential has not been developed commensurately. In KPK Metallic minerals i.e gold, silver and base metals copper, lead, zinc, antimony, etc is in abundance.



حصص داری کا طریقہ کار
31 دسمبر 2018ء تک

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

حصص کے زمروں کی درجہ بندی
31 دسمبر 2018ء تک

فیصد	لئے گئے حصص کی تعداد	حصص داروں کی تعداد	ارکان کے زمرے
25.00%	12,497,822	3	افراوجن کے حصص 5 فیصد یا اس سے زیادہ ہیں
5.00%	2,500,000		جناب عالی شیخ محمد ان بن مبارک بن محمد ال نہیان
10.00%	4,998,911		فضیلت مآب شیخ محمد بن نعلی حامد الخادم
10.00%	4,998,911		فضیلت مآب ڈاکٹر مانع سعید العتیبہ
30.00%	14,997,825	1	متعلقہ کمپنیاں
			میسرز بینک الفلاح لمیٹڈ
25.00%	12,504,353	7	ڈائریکٹرز اور چیف ایگزیکٹو آفیسرز
25.00%	12,497,823		جناب عالی شیخ نہیان مبارک ال نہیان
0.002%	1,085		فضیلت مآب شیخ سیف بن محمد بن نعلی
0.002%	1,085		جناب خالد مانع سعید العتیبہ
0.002%	1,085		جناب عدیل خالد باجوہ
0.002%	1,085		جناب نعمان انصاری
0.002%	1,085		جناب بلال امین
0.002%	1,105		جناب نصر احمد قریشی
20.00%	10,000,000	2	کمپنیاں جن کے حصص 5 فیصد یا اس سے زیادہ ہیں
10.00%	5,000,000		میسرز لصین کمپنیز ایل ایل سی (پرانی میسز لبتیں انو سٹیشنس)
10.00%	5,000,000		میسرز انیکرو کمپنیز ایل ایل سی
100.00%	50,000,000	13	کل

31 دسمبر کو ختم ہونے والے سال کے لئے										تفصیلات
2009ء	2010ء	2011ء	2012ء	2013ء	2014ء	2015ء	2016ء	2017ء	2018ء	
651,459	662,971	928,020	1,060,187	1,230,932	1,330,854	1,545,612	1,924,316	2,082,006	2,338,699	خام بیمہ
331,786	359,938	384,483	454,403	563,744	705,323	780,180	916,586	1,043,222	1,302,298	خالص بیمہ آمدنی
-231,336	-259,435	-243,221	-262,368	-317,378	-410,817	-429,297	-493,076	-470,630	(617,966)	خالص دعووں کے اخراجات
-94,556	-109,263	-134,810	-195,933	-214,401	-239,919	-267,333	-370,370	-383,559	(397,735)	انتظامی اخراجات
68,307	74,750	71,167	96,358	94,672	95,928	96,608	33,028	-88,341	(262,400)	خالص کمیشن کی رقم
74,201	65,990	77,619	92,460	126,637	150,515	180,158	86,168	100,692	24,197	ذمہ نویسی کا منافع
21,189	46,177	72,156	96,088	85,605	105,103	77,137	119,407	78,888	72,675	سرمایہ کاری / دیگر آمدنی
-47,307	-62,660	-74,141	-80,662	-89,202	-105,024	-103,784	-12,489	-11,095	(16,091)	لگم و لگم کے اخراجات
48,083	49,507	75,634	107,886	123,040	150,594	153,511	193,086	168,485	80,782	قبل از ٹیکس منافع
-	-	-	-	-	-	-	1,890	8,410	14,407	وٹو ٹیکس سے منافع
-17,387	-6,858	-6,396	-9,864	-20,463	-27,557	-38,297	-65,602	-53,855	(29,421)	آمدنی پر ٹیکس
30,696	42,649	69,238	98,022	102,577	123,037	115,214	129,374	123,040	65,768	بعد از ٹیکس منافع
230,000	250,000	300,000	300,000	300,000	300,000	500,000	500,000	500,000	500,000	حصص کی مدد 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 مدد جمع کرائی گئی رقم
25,000	25,000	15,000	15,000	150,000	150,000	150,000	150,000	150,000	150,000	عام محفوظ فنڈ
-	-	-	-	-	-	9,453	52,160	951	(50,777)	مناسب قدر و قیمت کا فنڈ
36,431	42,980	72,218	170,309	135,475	258,930	153,935	281,644	402,085	466,262	غیر مختص منافع
292,812	319,361	388,599	486,690	586,856	710,311	814,769	985,185	1,054,417	1,066,866	
1.23	1.42	2.31	3.27	3.42	2.46	2.3	2.59	2.46	1.32	فی حصص آمدنی
12.73	12.77	12.95	16.22	19.56	23.68	16.30	19.70	21.09	21.36	فی حصص الگ الگ قدر و قیمت - قدر و قیمت کے مناسب تعلق کے ساتھ
12.73	12.77	12.95	16.22	19.56	23.68	16.11	18.66	21.07	22.38	فی حصص الگ الگ قدر و قیمت - قدر و قیمت کے مناسب تعلق کے بغیر
-70%	-72%	-63%	-58%	-56%	-58%	-55%	-54%	-45%	-47%	کل خسارے کا تناسب
-22%	-26%	-23%	-26%	-25%	-26%	-24%	-20%	-19%	-18%	اخراجات کا تناسب
22%	18%	20%	20%	22%	21%	23%	9%	10%	2%	کل بیمے کا ذمہ نویسی منافع
11%	14%	20%	22%	19%	19%	15%	14%	12%	6%	کمپنی کے حصص پر اوسط منافع

اعتراف

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

بورڈ کی جانب سے،

M. S. Ahmad

چیف ایگزیکٹو آفیسر

M. S. Ahmad

ڈائریکٹر

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 صلاحیت¹⁶، اور مکرر بیسے کے انتظامات کے بارے میں ہیں۔

مستقبل کے مواقع

حصص کی مد میں حاصل کئے گئے 500 ملین روپے کے سرمائے کے ساتھ "اے اے مائنس" درجہ پانے کے بعد الفلاح انشورنس مارکیٹ میں اپنا کاروباری حصہ بڑھانے کے حوالے سے پُر اعتماد ہے اور اس کے ساتھ ساتھ اپنی محتاط ذمہ نوبی کی حکمت عملی برقرار رکھے ہوئے ہے، جس نے کمپنی کو آغاز سے ہی شدید نقصانات کے باوجود مدد پہنچائی۔ ہمیں یقین ہے کہ 2019ء ہمارے لئے ایک اہم سال ہے کیونکہ کمپنی کو بیمہ جات کے مجموعے¹⁷ کے کھوئے ہوئے منافع کا دوبارہ حصول ممکن بنانا اور اپنا منافع مستحکم کرنا ہے۔ ہم اپنے روبرو چیلنجز سے باخبر ہیں کیونکہ ہم نے اپنے لیے خود حوصلہ مند انہ منزل منتخب کی ہے اور یقین رکھتے ہیں کہ ابو ظہبی گروپ کی غیر معمولی قوت 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۔

¹⁵Statutory Accounts

¹⁶Solvency, Revenue

¹⁷Insurance portfolio

- مالیاتی گوشوارے تیار کرتے وقت حساب داری کے بین الاقوامی معیار، بین الاقوامی مالیاتی حساب داری کے معیار یا کوئی اور ضابطہ یا قانون جو پاکستان میں بھی قابل عمل ہے، اختیار کیا گیا ہے۔ مزید 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 نسق¹² کے بہترین طرز عمل کے حوالے سے کوئی میٹیریل ڈیپارچر¹³ 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 مالیاتی گوشواروں میں موجود ہیں۔
- 31 دسمبر 2018ء کو پڑتال کئے گئے کھاتوں کی بنیاد پر پراویڈنٹ اور گریجویٹ فنڈ سے ہونے والی سرمایہ کاری کی قیمت درج ذیل ہے:

روپے '000

○ پراویڈنٹ فنڈ 72,491

○ گریجویٹ فنڈ 62,339

- 31 دسمبر 2018ء تک، کمپنی کے حصص داری کے طریقہ کار کا گوشوارہ رپورٹ کے ساتھ ضمیمے میں الگ سے شامل کر دیا گیا ہے۔

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

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

الف) یہاں ظاہر کئے گئے کمپنی کے سالانہ قانونی گوشوارے¹⁵، آرڈیننس کے عین مطابق ہیں اور اسکے مطابق وضع کئے گئے

¹²Corporate Governance

¹³Material Departure

¹⁴Outstanding Taxes and Duties

متعلقہ گروہ سے لین دین

ڈائریکٹرز کے بورڈ نے بورڈ کے ہر اجلاس میں شریک کمپنیوں / متعلقہ گروہوں کے ساتھ لین دین کی منظوری دی۔ متعلقہ گروہوں کے ساتھ تمام تر لین دین کاروباری قواعد 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 انکے ضمیمے انشورنس آرڈیننس 2000ء کے عین مطابق ہیں اور قواعد کمپنیز ایکٹ 2017ء کی شرائط کو ملحوظ رکھ کر بنائے گئے ہیں۔
- ان گوشواروں میں کمپنی کے معاملات کی صورت حال، 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۔

"PACRA

- 4 - جناب نصرالصد قریشی
- 1 - جناب سہیل یعقوب خان *

* جناب سہیل یعقوب خان دوران سال ڈائریکٹر کے عہدے سے سبکدوش ہو گئے اور ان کی جگہ بقیہ مدت کے لئے سکیورٹی اینڈ ایکسچینج کمیشن آف پاکستان کی ماقبل منظوری سے جناب بلال اصغر کو ڈائریکٹر مقرر کیا گیا۔

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۔ اے¹ نے 7 دسمبر 2018ء کے حالیہ جائزہ میں آپ کی کمپنی کی مالیاتی طاقت کے اعتبار سے درجہ بندی کو مستحکم تناظر میں دیکھتے ہوئے "ڈبل اے مائنس" کے درجے پر برقرار رکھا ہے۔ یہ درجہ بندی، بیمہ پالیسی کے حامل افراد اور معاہدوں کی ذمہ داریوں کو پورا کرنے کی بھرپور صلاحیت کو ظاہر کرتی ہے۔ خطرے کی علامات کم ترین ہیں اور ناموافق اقتصادی و کاروباری اثرات سے متعلق خدشات نہ ہونے کے برابر ہیں۔

پڑتال کی کمیٹی

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

- جناب عدیل باجوہ (چیئرمین)
- جناب نعمان انصاری (رکن)
- جناب بلال اصغر (رکن) *

* دوران سال جناب بلال اصغر کو، جناب سہیل یعقوب خان کی جگہ رکن کے طور پر شامل کیا گیا۔

پڑتال کنندگان

میسرز ای۔ وائی فورڈر ہوڈز، جو کہ سند یافتہ محاسب اور تقرری کئے جانے کے اہل ہیں، نے دسمبر 2019ء کو اختتام پذیر سال کے لئے خارجی پڑتال کنندگان کی ذمہ داری لینے کے لئے رضامندی کا اظہار کیا ہے۔ پڑتال کمیٹی اور ڈائریکٹرز کے بورڈ نے اپنے

متعلقہ اجلاسوں میں 31 دسمبر 2019ء کو اختتام پذیر سال کے لیے میسرز ای۔ وائی فورڈر ہوڈز، سند یافتہ محاسب کی خارجی اور شریعہ تعمیلی پڑتال کنندہ گان کے طور پر سفارش کی ہے۔

موجودہ پڑتال کنندگان میسرز کے۔ پی۔ ایم۔ جی تاثیر حادی اینڈ کمپنی، سند یافتہ محاسب، دو سال مکمل ہونے پر تبدیل کر دئے گئے ہیں۔ ایساٹیٹ بینک آف پاکستان اور ایس۔ ای۔ سی۔ پی کے 25 فروری 2004 کو جاری کردہ مشترکہ اعلان نامے کی تعمیل میں کیا گیا، جس کے مطابق میسرز بینک الفلاح لمیٹڈ اس بات کا پابند ہے کہ وہ تمام متعلقہ مالیاتی خدمات کے کاروبار سے وابستہ کمپنیوں میں وہی پڑتال کنندگان مقرر کرے جو اس وقت اس میں کام کر رہے ہیں اور میسرز ای۔ وائی فورڈر ہوڈز، سند یافتہ محاسب میسرز بینک الفلاح لمیٹڈ کے موجودہ پڑتال کنندگان تھے۔

ڈائریکٹرز کے بورڈ کے اجلاس

سال 2018ء کے دوران بورڈ کے (4) اجلاس ہوئے، جن میں شرکت کی تفصیل مندرجہ ذیل ہے:-

اجلاس میں شرکت کی تعداد	ڈائریکٹرز کے نام
3	- جناب عالی شیخ نہیان مبارک ال نہیان
-	- فضیلت مآب شیخ سیف بن محمد بن نطی
2	- جناب خالد مانع سعید العتیبہ
4	- جناب عدیل باجوہ
4	- جناب نعمان انصاری
1	- جناب بلال اصغر

متفرق شعبے کا حصہ 8 فیصد کم ہوا جس کی وجہ نقصان کی شرح 13 فیصد سے بڑھ کر 25 فیصد ہو جاتا ہے۔

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

ونڈو تکافل آپریشنز (ڈبلیو۔ ٹی۔ او) نے 263 ملین روپے کی اعانت تحریر کی ہے جو کہ گزشتہ برس کے مقابلے میں 50 فیصد زیادہ ہے۔ اس اضافے کے نتیجے میں این۔ پی۔ آر 43 فیصد بڑھا جو بعد ازاں حصص داروں کے تکافل فنڈ میں گزشتہ سال کے 1 ملین کے مقابلے میں 10 ملین کی بیشی پر منج ہوا۔ مجموعی نقصان کی شرح تقریباً گزشتہ سال کے برابر رہی جو کہ 55 فیصد ہے۔ وکالہ فیس میں 46 فیصد کا اضافہ تقریباً خالص بیمہ کی آمدن میں اضافے کے مطابق تھا۔ ونڈو تکافل آپریشنز کو مختص کئے گئے اخراجات میں اضافے کی وجہ سے حصص داروں کے فنڈ کے انتظامی اور نظم و نسق کے اخراجات 27 فیصد بڑھے، اس اضافے کی بنیادی وجہ کل کاروبار میں اس کا حصہ 8 فیصد سے بڑھ کر 10 فیصد ہو جانا ہے۔

حکومت کی جانب سے کٹوتی کی شرح میں اضافے اور بینک کے ساتھ منافعے کی شرح کے حوالے سے بہتر مصالحت کی بنا پر سرمایہ کاری کی آمدنی میں اضافہ ہوا۔

فی حصص آمدنی

دوران سال ٹیکس کی ادائیگی کے بعد فی حصص آمدنی 32-1 روپے رہی جو گزشتہ سال 46-2 روپے تھی۔ جس کی تفصیلی رپورٹ مالی گوشوارے کے نوٹ نمبر 31 میں موجود ہے۔

شعبوں کے لحاظ سے منافع پر ایک نظر

%	تقدیر تغیر	شعبہ جات کا منافع ،2017	شعبہ جات کا منافع ،2018	خالص کمیشن	کل دعوے	خالص بیمہ کی آمدن	شعبہ جات
-76%	(32,154)	42,253	10,099	(17,753)	33,423	25,769	آتشزدگی
-26%	(6,909)	26,648	19,739	(5,104)	5,499	20,134	بحری
-4%	(7,822)	175,865	168,043	34,724	253,070	455,837	موٹر
-8%	(14,432)	173,840	159,408	(34,998)	41,386	165,796	متفرق
-2%	(1,002)	65,645	64,643	285,531	284,588	634,762	صحت
-13%	(62,319)	484,251	421,932	262,400	617,966	1,302,298	کل

آتشزدگی کے شعبے میں ناموافق نقصان کی شرح کے باعث 32 ملین کی کمی ہوئی۔ سال 2018ء میں نقصان کی شرح 53 فیصد سے بڑھ کر 130 فیصد ہو گئی جس کی بڑی وجہ 450 ملین کا وہ واحد دعویٰ تھا جو میسرز کی ٹیکسٹائل ملز لمیٹڈ کے کھاتے میں رجسٹر ہوا۔

بحری شعبے کا حصہ 26 فیصد کم رہا، جس کی وجہ خالص منافع میں 8 فیصد کمی کے ساتھ ساتھ نقصان کی شرح میں اضافہ تھا جو کہ 15 فیصد سے بڑھ کر 27 فیصد ہو گئی۔

موٹر کے شعبے کا حصہ خالص بیمہ کی آمدن¹⁰ میں 18 فیصد اضافے کے باوجود 4 فیصد کم رہا، نقصان کی شرح 47 فیصد سے بڑھ کر 56 فیصد ہو گئی جس کی وجہ سے منافع کی شرح دباؤ میں رہی۔

صحت کے شعبے میں صرف 2 فیصد کمی واقع ہوئی۔

¹⁰Net premium revenue

الفلاح انشورنس کمپنی کی کارکردگی

بیمے کا کاروبار کبھی کبھار اپنی خاص حیثیت کی بنا پر اتار چڑھاؤ کی زد میں آسکتا ہے۔ ہر بیمہ کمپنی کو اپنی معیاد کے دوران کچھ ناگوار سالوں سے گزرنا پڑتا ہے اور الفلاح انشورنس کمپنی کو بھی انہی حالات کا سامنا کرنا پڑا۔ کمپنی کے معرض وجود میں آنے سے اب تک پہلی بار کمپنی کو ایک کڑا وقت دیکھنا پڑا جب سال 2018ء میں کمپنی کی آمدنی کے دونوں ذرائع بری طرح متاثر ہوئے۔ کچھ ناموافق تجربات سے ہونے والے خسارے کے نتیجے میں کاروباری آمدن متاثر ہوئی اور سٹاک مارکیٹ کے منفی رجحانات کے باعث سرمایہ کاری کے منافع میں کمی ہوئی۔ کاروباری آمدنی کے دونوں ذرائع میں ایک ساتھ منفی رجحانات نے کمپنی کے منافع پر ٹیکس کے بغیر 82 ملین کا منفی اثر ڈالا جو کہ گزشتہ برس کی نسبت 46 فیصد کم ہے۔

مجموعی طور پر کمپنی کے خام بیمے⁴ میں 15 فیصد نمور جسٹر ہوئی۔ کمپنی کے غیر گروہی بیمے کے کاروبار⁵ میں 23 فیصد اضافے کے ساتھ اندراج شدہ گروہی اور غیر گروہی⁶ بیمے کے درمیان 16:84 کی نسبت رہی جو گزشتہ سال 22:78 تھی۔ کمپنی کے خالص بیمہ کی آمدن⁷ میں 25 فیصد کے حساب سے 259 ملین روپے کا اضافہ ہوا لیکن ایک حد تک اس کا اثر کمیشن اخراجات نے کم کر دیا جن میں 197 فیصد کے حساب سے 174 ملین کا اضافہ ہوا۔ کمیشن اخراجات بڑھنے کی وجہ سے گراں قیمت کاروباروں کا حصول اور انتظامی و نظم و نسق کے اخراجات میں 5 فیصد کے حساب سے 19 ملین کا اضافہ تھا، تاہم گزشتہ برس کے 45 فیصد کی نسبت اس سال خسارے کی شرح میں 47 فیصد اضافے نے کمپنی کی آمدن کو نقصان پہنچایا اور ذمہ نویسی کے منافع⁸ میں 77 فیصد کے حساب سے 76 ملین کی کمی ہوئی۔

سرمایہ کاری کی آمدنی بھی گزشتہ برس کے 6 ملین کی نسبت اس برس 8 فیصد کم رہی۔ سٹاک مارکیٹ میں بھی اس دوران کساد بازاری کا رجحان رہا جس کی وجہ سے گزشتہ برس کے 15- فیصد کی نسبت اس برس 8 فیصد کمی واقع ہوئی، تاہم حکومت کی جانب سے کٹوتی کی شرح⁹ میں اضافے نے کسی حد تک اس کا اثر کم کر دیا۔

⁴Premium written

⁵Non-group business

⁶Registering Group vs Non-group ratio

⁷Net premium revenue

⁸Underwriting Profit

⁹Discount rate

حصص داروں کے نام ڈائریکٹرز کی رپورٹ

الفلاح انشورنس کمپنی لمیٹڈ کے ڈائریکٹرز آپ کی کمپنی کی تیرہویں سالانہ رپورٹ بخوشی پیش کر رہے ہیں۔ جس میں 31 دسمبر 2018ء کو اختتام پذیر سال کے پڑتال شدہ مالیاتی گوشوارے بھی شامل کئے گئے ہیں۔

بیمہ کاری کے شعبے کا حالیہ جائزہ اور مستقبل کے مواقع

بیمہ انڈسٹری کی ترقی معاشی ترقی سے براہ راست منسلک ہے۔ 2018ء میں پی۔ ٹی۔ آئی کی نئی حکومت بننے کے بعد توقع ہے کہ آخر کار پاکستان میں سیاسی استحکام آئے گا جو کہ ملکی وغیر ملکی سرمایہ کاروں کے لئے ایسا ماحول پیدا کرے گا جو سرمایہ کاری کے لئے ممد و معاون ہو گا۔ نئی حکومت، عدلیہ اور فوج میں یکجہتی دکھائی دے رہی ہے جو کہ شدت پسندی وغیرہ قانونی طور پر رقم کی منتقلی کے خاتمے اور حکومتی نظم و نسق میں بنیادی سطح کی اصلاحات جیسے بنیادی مسائل کے حل کے لئے حوصلہ افزا ہے۔ ہمسایہ ممالک کے ساتھ امن پسند رویہ اور افغانستان کے بارے میں امریکی نقطہ نظر سے ہم آہنگی، پاکستان کو خطے میں ایک اہم مقام پر کھڑا کر دے گی۔ اس بات کا امکان ہے کہ سعودی عرب، چین اور متحدہ عرب امارات کے ساتھ مضبوط معاشی تعلقات، حکومت کو دوہرے خسارے سے نمٹنے میں مدد دیں گے۔

پاکستان کی غیر زندگی بیمے کی مارکیٹ کے حجم میں 9 ماہ کے دوران، 30 ستمبر 2018ء تک 12 فیصد اضافہ ہوا۔ بیمہ کمپنیوں اور ضابطہ ادارے²، دونوں کی طرف سے انفرادی بیمہ / خرید بیمہ³ کے زبردست مواقع کی توثیق، پاکستان کی بیمہ انڈسٹری کے لئے اچھا شگون ہو گا۔ سیورٹی اینڈ ایکسیج کمیشن آف پاکستان (ایس۔ ای۔ سی۔ پی) نے مختلف قوانین متعارف کروانے کے انضباطی ڈھانچے کو مزید مضبوط کیا ہے، جن کا مقصد مارکیٹ کی بہتری کے لیے مخصوص ماحول فراہم کرنا اور موزوں ترین بین الاقوامی طور طریقے اپنانا ہے۔

¹Non-life (General Insurance)

²Regulator

³Personal Line Insurance/ Micro Insurance

TOURISM

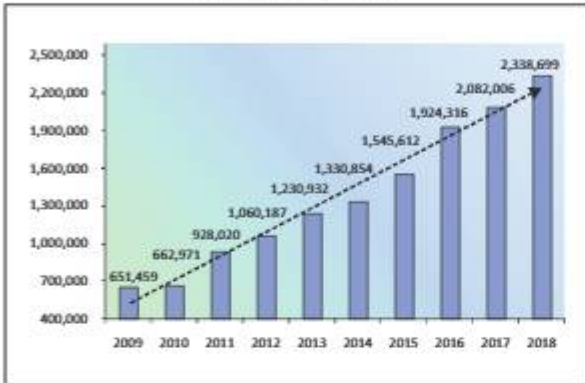
Tourism activities are considered to be one of the major sources of economic growth. It can be regarded as a mechanism of generating the employment as well as income in both formal and informal sectors. Tourism supplements the foreign exchange earnings derived from trade in commodities and sometimes finance the import of capital goods necessary for the growth of manufacturing sectors in the economy.

According to a report by World Economic Forum, the direct contribution of tourism industry in Pakistan in year 2015 was Rs. 328 million constituting to 2.8 percent of the total GDP. The government is making continuous efforts to promote tourism in Pakistan and they predict that by the year 2025 tourism will contribute Rs1 trillion to Pakistan's economy.

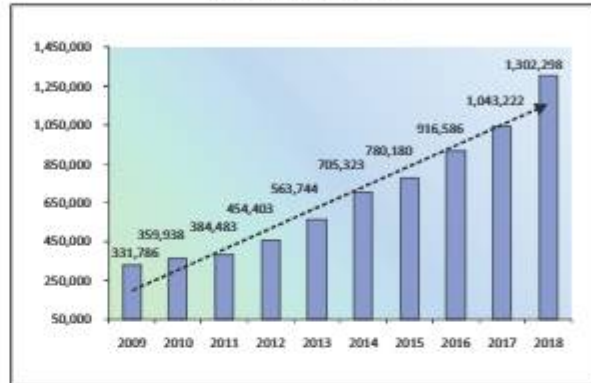


FINANCIAL SUMMARY

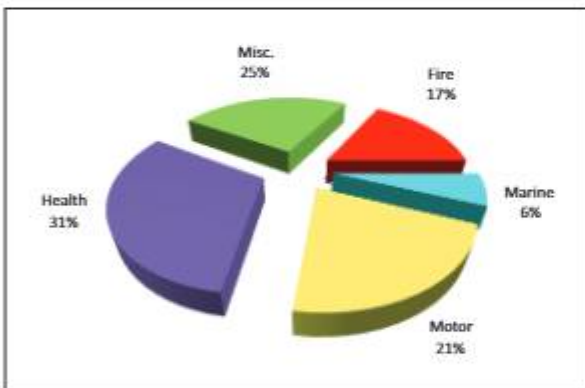
GROSS PREMIUM WRITTEN
(Rupees in Thousand)



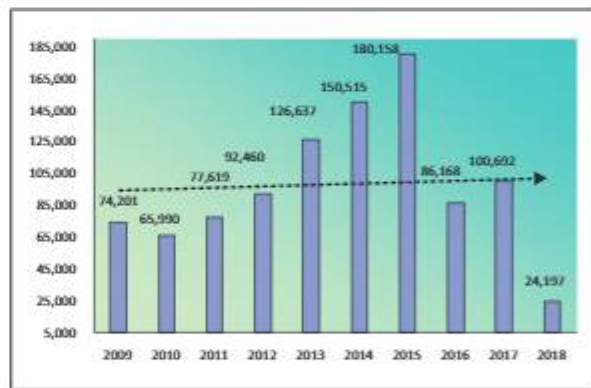
PREMIUM REVENUE
(Rupees in Thousand)



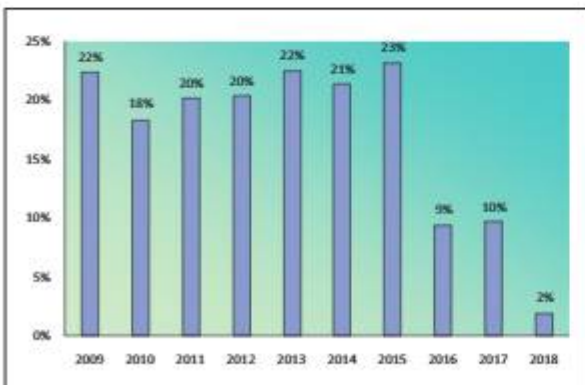
PRODUCT MIX ANALYSIS



UNDERWRITING RESULTS
(Rupees in Thousand)



UNDERWRITING PROFIT MARGIN

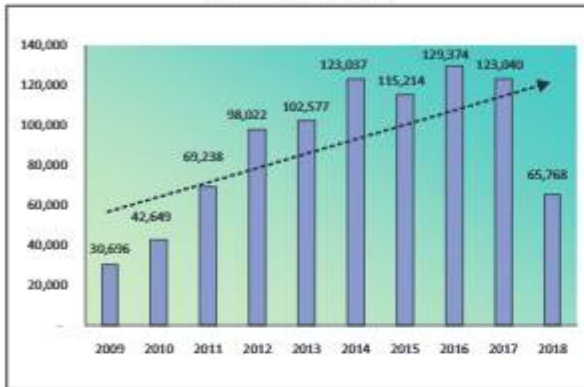


LOSS RATIO AND EXPENSE RATIO

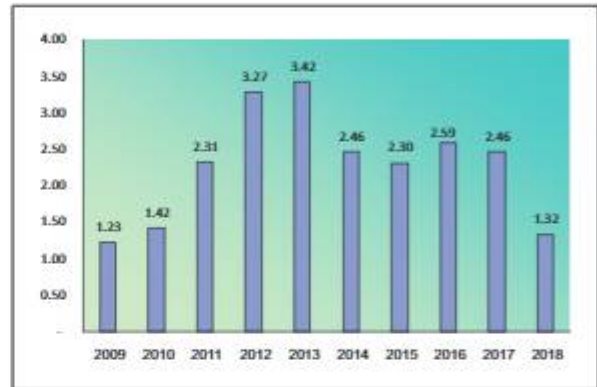


FINANCIAL SUMMARY

PROFIT AFTER TAX
(Rupees in Thousand)



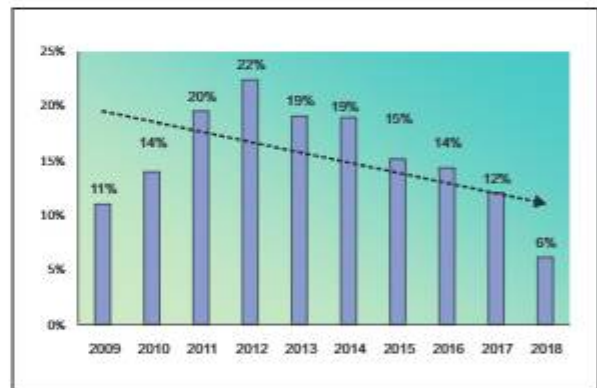
EARNING PER SHARE



SHAREHOLDER EQUITY
(Rupees in Thousand)



RETURN ON EQUITY



POWER & ENERGY

Current energy mix for power generation in Pakistan is heavily dependent on thermal power generation (approximately 70% of generation mix) and the focus is to encourage investments in indigenous resources to generate cheap electricity such as coal, nuclear, hydropower, solar and wind energy generation. In KPK sites bearing potential for 26,000 MW has been identified whereas Punjab has huge potential of producing electricity through biodegradable waste.



Code of Conduct and Professional Standards

1. The interest of the policyholders is absolute. We shall provide the best possible services equivalent to international standard to our clients and shall make arrangements to serve them without any cause of complaint relating to claim settlement and otherwise. Our endeavor is to introduce new and innovative schemes of arrangements for the benefit of clients so that they will be able to get better services at very economical premium.
2. As the reinsurers provide security to the Company and enable us in meeting with the requirements of solvency margin, therefore, it shall be our utmost task to ensure that the reinsurers make profit on our business ceded to them to strengthen our business relation. We shall also endeavor to meet with the projected premium and arrange future reinsurance arrangements on more favorable terms, limits and commission.
3. It is the basic principle of Alfalah Insurance Company Limited to obey the law of the land and comply with its legal system. Accordingly, every employee of the company shall obey the law. Any employee guilty of violation will be liable to disciplinary consequences because of the violation of his/her duties.
4. Board members and staff of Alfalah Insurance Company Limited shall act with honesty and openness as representatives of the organization and in their interactions with one another. Alfalah Insurance Company Limited promotes a working environment that values respect, candor, and fairness.
5. Employees must avoid conflicts of interest between their private financial activities and conduct of company business.
6. All business transactions on behalf of Alfalah Insurance Company Limited must be reflected accordingly in the financial statements of the company.
7. The image and reputation of Alfalah Insurance Company Limited is determined by the way each and every one of us acts and conducts himself/herself at all times.
8. We are an equal opportunity employer. Our employees are entitled to a safe and healthy workplace.
9. Every manager and supervisor shall be responsible to see that there is no violation of laws within his/her area of responsibility which proper supervision could have prevented. The manager and supervisor shall still be responsible if he/she delegated particular tasks.

IT & TELECOM

Pakistan's telecommunications industry holds tremendous potential for growth, investment and development. Currently, Pakistan is one of the fastest growing telecommunications market and since 2005; an FDI of approximately \$ 5.7 billion (net) has been received in Pakistan's telecom sector. The sector contributes 3% contribution to GDP and is equipped with strong human resource base, which is well-trained and educated.

The sector has more than 121.13 million cell phone subscribers, 2.2 million Broadband subscribers, and 30 million internet users overall.



Statement of Compliance with the Code of Corporate Governance

For The Year Ended December 31, 2018

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

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

1. The company encourages representation of independent non-executive directors on its Board of Directors. Followings are the names of the Directors as at 31st December 2018.

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

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

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this insurer.
3. All the resident directors of the Company have declared that they are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company. A DFI or an NBFII or, being a member of stock exchange, has been declared as a defaulter by a stock exchange.
4. A casual vacancy occurring on the Board on 16th July 2018 due to the resignation of Mr. Suhail Yaqoob Khan was filled up by Mr. Bilal Asghar within 90 days thereof.
5. The Company has prepared a 'Statement of Ethics and Business Practices/Code of Conduct, which has been disseminated among all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors and the key officers, if any, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the company. The Company has adopted and complied with all the necessary aspects of internal control given in the code.

Statement of Compliance with the Code of Corporate Governance

For The Year Ended December 31, 2018

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

Claims Settlement Committee:

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

Reinsurance, Re-Takaful and Coinsurance Committee:

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

Risk Management & Compliance Committee:

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

Statement of Compliance with the Code of Corporate Governance

For The Year Ended December 31, 2018

17. The Board has formed the following Board Committees:

Ethics, Human Resource and Remuneration Committee:

Name	Category
Mr. Adeel Bajwa	Chairman
Mr. Nauman Ansari	Member
Mr. Bilal Asghar	Member
Mr. Nasar us Samad Qureshi	Member

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

Investment Committee:

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

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

Name	Category
Mr. Adeel Khalid Bajwa	Member-Chairman
Mr. Nauman Ansari	Member
Mr. Bilal Asghar	Member

19. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as per the requirement of the Code of Corporate Governance for Insurers, 2016. The meetings of Board and Management Committees were also held once in every quarter except Ethics, Human Resource and Remuneration Committee which met thrice in the year. The terms of references of the Committees have been formed and advised to the Committees for compliance.
20. The Board has set-up an effective Internal Audit function which comprises of suitably qualified and experienced staff for the purpose and is conversant with the policies and procedures of the Company and are involved in the internal audit function on a regular basis.
21. The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the Code of Corporate Governance for Insurers, 2016. Moreover, the persons heading the underwriting, claim, reinsurance, risk management departments possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000.

Name of the Person	Designation
Mr. Nasar-us Samad Qureshi	Chief Executive Officer
Mr. Adnan Waheed	Chief Financial Officer & Company Secretary
Mr. Faisal Shahzad	Head of Internal Audit

Statement of Compliance with the Code of Corporate Governance

For The Year Ended December 31, 2018

Mr. Naveed Akbar	Compliance Officer & Head of Risk Management
Mr. Rashid Awan	Head of Underwriting
Mr. Manzoor Hussain	Head of Claims
Mr. Shamsul Zuha	Acting Head of Reinsurance

Mr. Naveed Akbar, Compliance Officer was given additional charges as Head of Risk Management during the 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 been drawn up investment policy in accordance with the provisions of the Code of Corporate Governance for Insurers, 2016.
25. The Board ensures that the risk management system of the Company is in place as per requirement of the Code of Corporate Governance for Insurers, 2016.
26. The Company has set up a risk management function, which carries out its tasks as covered under the Code of Corporate Governance for Insurers, 2016.
27. The Company has been rated by PACRA and the rating assigned by rating agency is AA- with stable outlook.
28. The Company has set up a grievance function, which fully complies with the requirements of the Code of Corporate Governance for Insurers, 2016.
29. The Company has not obtained any exemption from the Securities and Exchange of Commission of Pakistan in respect of the requirement of the Code of Corporate Governance for Insurers, 2016.
30. We confirm that all other material principles contained in the Code of Corporate Governance for 2016 as applicable up to the reporting date have been complied by the Company.

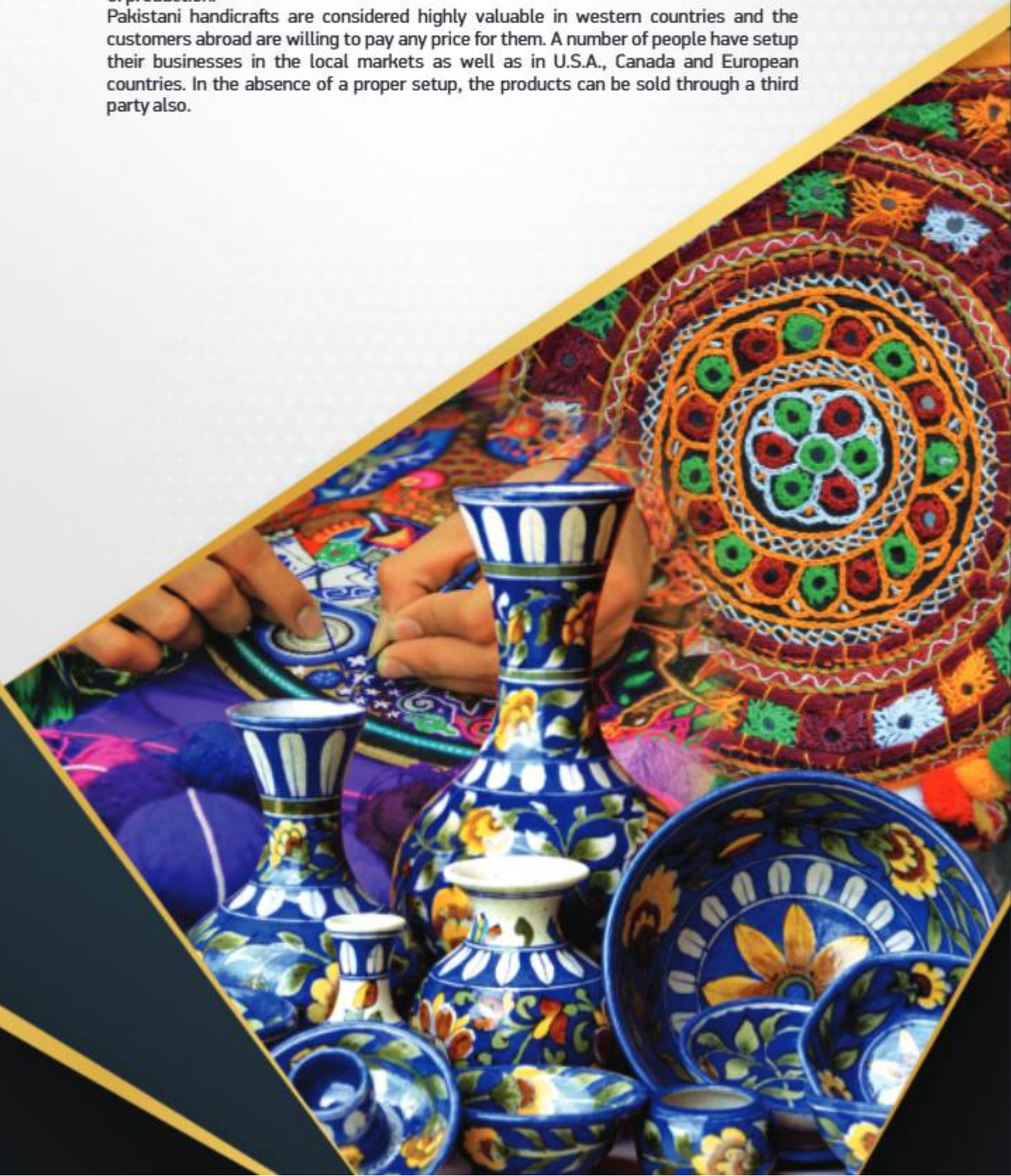


NASAR US SAMAD QURESHI
Chief Executive Officer

HANDICRAFTS

The main hub of handicrafts in Pakistan is Sindh. Around 80% of handicrafts are being made in Sindh. People in Sindh are adept at making handicrafts. Nowadays large numbers of products are being made in Punjab also. Previously, only the government institutions accounted for the manufacturing of handicrafts but quite recently the private sector has followed the suit and in doing so has outdone the government in terms of production.

Pakistani handicrafts are considered highly valuable in western countries and the customers abroad are willing to pay any price for them. A number of people have setup their businesses in the local markets as well as in U.S.A., Canada and European countries. In the absence of a proper setup, the products can be sold through a third party also.





KPMG Taseer Hadi & Co.
Chartered Accountants
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Lahore 54000 Pakistan
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Review Report to the Members on Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance for Insurers, 2016 (the Code) as prepared by the Board of Directors of **Alfalah Insurance Company Limited** ("the Company") for the year ended 31 December 2018 to comply with the Code issued by the Securities and exchange commission of Pakistan applicable to non-listed insurance companies.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2018.

Lahore:

Date: 21 February 2019

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



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INDEPENDENT AUDITOR'S REPORT

To the members of Alfalah Insurance Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Alfalah Insurance Company Limited** ("the Company"), which comprise the statement of financial position as at 31 December 2018, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows 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 statement of cash flows 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 2018 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.

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.

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:



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INDEPENDENT AUDITOR'S REPORT

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

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Bilal Ali.

Lahore:

Date: 21 February 2019

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

Alfalsh Insurance Company Limited

Statement of Financial Position

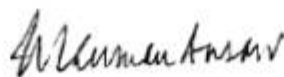
As at 31 December 2018

ASSETS	Note	2018 — (Rupees in thousand) —	2017
Property and equipment	5	179,910	189,126
Intangible assets	6	2,273	3,436
Investment property	7	1,588	-
<i>Investments</i>			
Equity securities	8	293,222	120,853
Debt securities	9	721,286	453,589
Term deposits	10	-	-
Loans and other receivables	11	36,990	33,519
Insurance / reinsurance receivables	12	541,304	648,964
Reinsurance recoveries against outstanding claims	24	293,866	388,434
Salvage recoveries accrued		17,582	10,495
Deferred commission expense / acquisition cost	25	83,486	86,770
Deferred taxation	13	1,862	1,039
Taxation - payment less provisions		21,376	7,606
Prepayments	14	277,126	334,213
Cash and bank	15	592,898	765,259
		3,064,769	3,043,303
Total assets of Window Takaful Operations - Operator's Fund	16	122,102	107,180
TOTAL ASSETS		3,186,871	3,150,483
EQUITY AND LIABILITIES			
<i>Capital and reserves attributable to Company's equity holders</i>			
Authorized capital 50,000,000 (2017:50,000,000) ordinary shares of Rs. 10 each		500,000	500,000
Ordinary share capital	17	500,000	500,000
Reserves	18	100,604	152,332
Unappropriated profit		466,262	402,085
Total Equity		1,066,866	1,054,417
<i>Liabilities</i>			
<i>Underwriting provisions:</i>			
Outstanding claims including IBNR	24	532,442	568,892
Unearned premium reserve	23	650,096	673,331
Unearned reinsurance commission	25	67,929	82,088
Retirement benefits obligations	19	638	4,220
Premium received in advance		19,564	12,541
Insurance / reinsurance payables	20	406,939	397,347
Other creditors and accruals	21	388,058	308,001
		2,065,666	2,046,420
Total liabilities of Window Takaful Operations - Operator's Fund	16	54,339	49,646
		2,120,005	2,096,066
Contingencies and commitments	22		
TOTAL EQUITY AND LIABILITIES		3,186,871	3,150,483

The annexed notes 1 to 41 form an integral part of these financial statements.



Chairman



Director



Director



Chief Executive Officer

Alfalah Insurance Company Limited

Profit and Loss Account

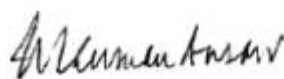
For the year ended 31 December 2018

	<i>Note</i>	2018 — (Rupees in thousand) —	2017
<u>Revenue account</u>			
Net insurance premium	23	1,302,298	1,043,222
Net insurance claims	24	(617,966)	(470,630)
Net commission / acquisition (expense) / income	25	(262,400)	(88,341)
Insurance claims and acquisition expenses		(880,366)	(558,971)
Management expenses	26	(397,735)	(383,559)
Underwriting result		24,197	100,692
Investment income	27	36,932	48,856
Other income	28	35,743	30,032
Other expenses	29	(16,091)	(11,095)
Results of operating activities		80,781	168,485
Profit from window takaful operations	16	14,407	8,410
Profit before tax		95,188	176,895
Taxation	30	(29,421)	(53,855)
Profit after tax		65,767	123,040
————— (Rupees) —————			
Earnings per share - basic and diluted	31	1.32	2.46

The annexed notes 1 to 41 form an integral part of these financial statements.



Chairman



Director



Director



Chief Executive Officer

Alfalah Insurance Company Limited

Statement of Comprehensive Income

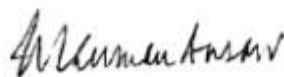
For the year ended 31 December 2018

	2018	2017
	--- (Rupees in thousand) ---	
Profit after tax	65,767	123,040
<i>Other comprehensive income</i>		
Unrealised losses on available-for-sale investments	(51,728)	(51,209)
Remeasurement loss on defined benefit obligations	(1,590)	(2,599)
Other comprehensive (loss) / income for the year	(53,318)	(53,808)
Total comprehensive income for the year	12,449	69,232


The annexed notes 1 to 41 form an integral part of these financial statements.



Chairman



Director



Director



Chief Executive Officer

Alfalsh Insurance Company Limited

Cash Flow Statement

For the Year ended 31 December 2018

	2018	2017
	—(Rupees in thousand)—	
<u>Operating cash flows</u>		
a) <u>Underwriting activities</u>		
Insurance Premium received	2,453,545	2,127,181
Reinsurance premium paid	(1,090,598)	(929,553)
Claims paid	(1,170,043)	(711,734)
Reinsurance and other recoveries received	608,607	243,167
Commission paid	(459,070)	(358,028)
Commission received	359,546	244,561
Management expenses paid	(357,072)	(370,797)
Net cash flow from underwriting activities	344,915	244,797
b) <u>Other operating activities</u>		
Income tax paid	(43,689)	(72,865)
Other expenses	(42,069)	(9,778)
Loans disbursed	(9,279)	(6,833)
Loans repayments received	7,702	7,528
Other receipts	205	261
Net cash used in other operating activities	(87,130)	(81,687)
Total cash flow from all operating activities	257,785	163,110
<u>Investment activities</u>		
Profit / return received on bank deposits	31,209	27,606
Return on Pakistan investments bonds	7,562	3,702
Dividends received	12,874	15,208
Payments for investments	(2,609,630)	(1,600,184)
Proceeds from disposal of investments	2,134,718	1,807,175
Fixed capital expenditure	(10,222)	(31,071)
Proceeds from disposal of operating fixed assets	3,343	4,947
Total cash flow (used in) / from investing activities	(430,146)	227,383
<u>Financing activities</u>		
Total cash flow from financing activities	-	-
Net cash flow (used in) / generated from all activities	(172,361)	390,493
Cash and cash equivalents at beginning of the year	765,259	374,766
Cash and cash equivalents at end of the year	592,898	765,259


Chairman

Director

Director

Chief Executive Officer

Alfalah Insurance Company Limited

Cash Flow Statement

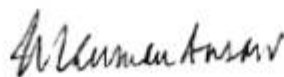
For the Year ended 31 December 2018

	2018	2017
	—(Rupees in thousand)—	
<u>Reconciliation to profit and loss account</u>		
Operating cash flows	257,785	163,110
Depreciation expense	(16,549)	(18,304)
Amortization of intangibles	(1,246)	(952)
Gain on disposal of operating fixed assets	537	2,164
Profit on sale of investments	12,149	29,492
Impairment in value of available-for-sale investments	-	-
Dividend and other income	58,317	45,517
(Decrease) / increase in assets other than cash	(242,531)	88,130
Increase in liabilities other than borrowings	(21,834)	(199,569)
Un-realized gain in value of held for trading investment	4,732	5,042
Profit from Window Takaful Operations	14,407	8,410
Profit after taxation	65,767	123,040
<i>Cash for the purposes of the statement of cash flows consists of:</i>		
Cash and other equivalents	1,038	772
Current and other accounts	591,860	764,487
Total cash and cash equivalents	592,898	765,259


The annexed notes 1 to 41 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 2018

	Share capital		Capital reserve		Revenue reserve		Total
	Issued, subscribed and paid up	Share deposit money	Fair Value Reserves	General reserve	Unappropriated Profit		
Balance as at 31 December 2016	500,000	1,381	52,160	150,000	281,644		985,185
----- (Rupees in thousand) -----							
<i>Total Comprehensive income for the year ended 31 December 2017</i>							
Profit for the year	-	-	-	-	123,040		123,040
Other comprehensive loss	-	-	(51,209)	-	(2,599)		(53,808)
Total comprehensive income for the year	-	-	(51,209)	-	120,441		69,232
Balance as at 31 December 2017	500,000	1,381	951	150,000	402,085		1,054,417
<i>Total Comprehensive income for the year ended 31 December 2018</i>							
Profit for the year	-	-	-	-	65,767		65,767
Other comprehensive loss	-	-	(51,728)	-	(1,590)		(53,318)
Total comprehensive income for the year	-	-	(51,728)	-	64,177		12,449
Balance as at 31 December 2018	500,000	1,381	(50,777)	150,000	466,262		1,066,866

The annexed notes 1 to 41 form an integral part of these financial statements.



Chairman



Director



Chief Executive Officer

Alfalsh Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

1 Reporting entity

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

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

1.2 Summary of significant changes and transactions during the current reporting period

Due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure in presentation requirements of the fifth schedule of the Companies Act, 2017, some of the amounts reported for the previous period have been reclassified.

2 Basis of accounting

2.1 Statement of compliance

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

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

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

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

2.2 Basis of measurement

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

Alfalah Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

2.3 Functional and presentation currency

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

2.4 Use of judgment and estimates

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

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

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

	<i>Note</i>
- 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

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

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

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

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

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

3.2.2 The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.

Alfalah Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The application of this standard is not likely to have material impact on Company's financial statements.
- IFRS 9 'Financial Instruments' and amendment - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.
- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

Alfalsh Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.

Annual Improvements to IFRS Standards 2015-2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- Amendment to IFRS 4 'Insurance Contracts'- Applying IFRS 9 'Financial Instruments' with IFRS 4 (effective for annual periods beginning on or after 1 July 2018). The amendment address issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from 1 July 2018 onwards to remove from profit and loss account the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. The amendments are not likely to have an impact on Company's financial statements.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Company's financial statements.

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 any impairment loss. 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.

Alfalsh Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

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

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

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

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

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

Capital work in progress

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

4.2 Investment Property

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

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

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

4.3 Intangible assets

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

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

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

Alfalah Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account currently. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.4 Financial instruments

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

4.4.1 Non-derivative financial assets

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

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

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

Financial assets at fair value through profit and loss account

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

Held to maturity financial assets

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

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable

Alfalah Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

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

Alfalah Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

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 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.

Alfalsh Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

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

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

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

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

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

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

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

Premiums and administrative surcharge

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

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

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

Administrative surcharge represents documentation and other charges recovered by the Company from policy holders in respect of 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

Alfalah Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

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

4.8 Receivables and Payables related to insurance contracts

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

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

4.9 Reinsurance contracts held

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

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

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

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

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

4.10 Reinsurance expense

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

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

Alfalah Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

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 Outstanding claims including incurred but not reported (IBNR)

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

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

Claims incurred but not reported

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

These Guidelines require the Company to develop an estimation of provision against claims incurred but not reported for each class of business, by either using "Chain Ladder Method" ("CLM") or other alternate method as allowed under the provisions of the Guidelines. The Chain Ladder Method involves determination of development factors or link ratios for each period. These are then

Alfalah Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

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 2018 has been carried out by independent firm of actuaries for determination of IBNR for each class of business. The actuarial valuation is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions (as explained in preceding paragraph) that may include a margin for adverse deviation as required / allowed under the Guidelines. The method used, and the estimates made, are reviewed annually.

4.15 Premium deficiency reserve

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

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

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

4.16 Cash and cash equivalents

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

4.17 Employees benefit

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

Post employment benefits - Defined contribution plan

The Company operates an approved contributory provident fund for all permanent employees by establishing a separate Trust. Equal monthly contributions are made by the Company and employees to the fund at the rate 8.33% (2017: 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.

Alfalah Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

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 2018. When calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

4.18 Creditors and accruals

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

4.19 Provisions and contingencies

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

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

4.20 Revenue recognition

Premium income and administrative surcharge

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

Commission income

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

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

Alfalah Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

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.

Alfalsh Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to other comprehensive income in which case it is included in other comprehensive income.

4.23 Segment reporting

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

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

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

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

4.24 Dividend distribution

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

4.25 Salvage recoveries

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

4.26 Window Takaful Operations

The accounting policies followed by Window Takaful Operations are stated in the annexed financial statements of Window Takaful Operations for the year ended 31 December 2018.

	Note	2018 Rupees in thousand	2017
5 Property and equipment			
Operating assets	5.1	178,672	187,902
Capital work in progress	5.2	1,238	1,224
		<u>179,910</u>	<u>189,126</u>

Alfalah Insurance Company Limited Notes to the Financial Statements For the year ended 31 December 2018

6 Intangible assets

Cost

Cost as at 01 January
Additions during the year
Cost as at 31 December

	2018	2017
	Rupees in thousand	
	17,498	14,645
	83	2,853
	17,581	17,498

Accumulated amortization

Accumulated amortization as at 01 January
Amortization charged during the year
Accumulated amortization as at 31 December

	14,062	13,110
	1,246	952
	15,308	14,062

Net book value as at 31 December

	2,273	3,436
	2,273	3,436

Rate of amortization

	25%	25%
	25%	25%

6.1 These include intangible assets amounting to Rs. 12.58 million (2017: Rs. 12.58 million) having nil book value as at year end.

6.2 Amortization has been allocated as follows:

Management expenses
Window Takaful Operations - Operator's Fund

	2018	2017
	Rupees in thousand	
	1,119	878
	127	74
	1,246	952

Alfalsh Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

8.1.1 Related parties

Shares / Units		Company / Fund name	Face value per share / unit	Cost		Market Value	
2018	2017			2018	2017	2018	2017
Number		(Rupees in thousand)					
277,000	315,000	Bank Alfalah Limited*	10	5,469	6,841	11,243	13,388
540,410	-	Alfalsh GIP Stock Fund	100	70,000	-	56,289	-
				75,469	6,841	67,532	13,388

8.1.2 Others

2018	2017	Company / Fund name	Face value per share / unit	2018	2017	2018	2017
Number		(Rupees in thousand)					
Commercial Banks							
30,400	19,400	Bank Al Habib Limited	10	2,205	742	2,091	1,132
162,583	69,083	United Bank Limited	10	26,122	12,995	19,939	12,985
177,800	45,000	Habib Bank Limited	10	27,823	9,506	21,416	7,519
88,600	48,500	MCB Bank Limited	10	18,562	10,406	17,150	10,298
463,000	-	Bank of Punjab	10	5,935	-	5,542	-
22,000	-	Faysal Bank Limited	10	569	-	530	-
360	63,600	Meezan Bank Limited	10	20	3,739	33	4,267
Engineering							
-	22	Amreli Steels Limited	10	-	1	-	2
10,000	60,000	International Steels Limited	10	767	7,509	658	6,383
42,000	-	Mughal Iron and Steels Industries	10	2,046	-	1,699	-
Cement							
19,225	11,500	Lucky Cement Limited	10	8,788	7,259	8,357	5,950
-	42,400	Cherat Cement Company Limited	10	-	6,224	-	4,703
-	30,500	Pioneer Cement Limited	10	-	2,608	-	1,926
88,800	-	D.G Khan Cement Limited	10	8,606	-	7,117	-
114,375	4,375	Maple Leaf Cement Factory Limited	10	5,587	286	4,649	299
Fertilizers							
13,800	21,600	Engro Corporation Limited	10	4,181	6,365	4,017	5,934
192,000	-	Engro Polymer and Chemicals Limited	10	7,106	-	7,131	-
26,000	-	Fauji Fertilizer Bin Qasim Limited	10	1,039	-	969	-
174,000	-	Fauji Fertilizer Company	10	16,768	-	16,156	-
179,000	12,500	Engro Fertilizer Limited	10	13,467	726	12,360	846
Pharmaceuticals							
2,409	9,524	Hightnoon Laboratories Limited	10	1,017	4,858	837	4,065
Automobile Assembler							
2,980	3,160	Indus Motor Company Limited	10	4,401	5,600	3,635	5,309
Power generation and distribution							
170,000	74,000	Kot Addu Power Company Limited	10	9,360	3,639	8,424	3,989
-	2,500	Nishat Power Limited	10	-	89	-	85
-	120,000	Ihub Power Company Limited	10	-	10,101	-	10,920
46,000	-	Nishat Chunian Limited	10	2,442	-	2,235	-
Oil & Gas Exploration Companies							
150,400	3,600	Oil And Gas Development Company Ltd.	10	24,693	536	19,251	586
27,100	500	Pakistan Oil Fields Limited	10	14,724	262	11,513	298
122,875	5,000	Pakistan Petroleum Limited	10	22,244	928	18,389	1,029
8,712	5,500	Mari Petroleum Company Limited	10	12,235	5,970	10,766	7,978
Textile composit							
65,500	-	Gul Ahmad Textile Mills Limited	10	3,220	-	3,024	-
103,000	-	Nishat Mills Limited	10	15,269	-	13,033	-
Foods and personal care products							
126,500	-	Fauji Foods Company	10	4,777	-	3,830	-
Oil & Gas Marketing Companies							
12,000	70,000	Sui Northern Gas Pipelines	10	1,103	8,096	925	6,623
60	14,800	Pakistan State Oil	10	12	4,616	14	4,339
Value as at 31 December				265,088	113,061	225,690	107,465
Grand Total				340,557	119,902	293,222	120,853

* 200,000 (2017: 200,000) shares are pledged with National Clearing Company of Pakistan Limited (NCCPL) as exposure margin.

Alfalsh Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

9 Investments in debt securities	Note	2018 (Rupees in thousand)	2017
9.1 Available-for-sale - Unquoted			
Sukuk certificates		35,000	-
Term finance certificates		34,720	-
Pakistan Investment Bonds	9.1.3	210,000	-
		<u>279,720</u>	<u>-</u>
Unrealized loss on debt securities		(3,442)	-
		<u>276,278</u>	<u>-</u>
Treasury Bills - held for trading	9.1.1	445,008	428,581
Pakistan Investment Bonds - held to maturity	9.1	-	25,008
Total Investment in debt securities		<u>721,286</u>	<u>453,589</u>

9.1.1 These represent Rs. 450 million (2017: Rs. 430 million) Treasury Bills having face value of Rs. 100 each, maturing within 12 months as at year end.

9.1.2 Treasury Bills having face value of Rs. Nil (2017: Rs. 5 million) and market value of Rs. Nil (2017: 4.90 million), and Pakistan Investment Bonds having face value of Rs. 60 million (2017: Rs. 25 million) and market value of Rs. 58.93 million (2017: Rs.25.15 million) respectively are held with State Bank of Pakistan as security deposit.

9.1.3 Details of Pakistan Investment Bonds are as follow:

Maturity	Effective Yield %	2018 (Rupees in thousand)	2017
19 August, 2028	8.91%	210,000	-
26 March, 2018	7.77%	-	20,000
26 March, 2018	7.77%	-	5,000
		<u>210,000</u>	<u>25,000</u>

10 Investments in term deposits	Note	2018 (Rupees in thousand)	2017
Term Deposit Receipt - maturing within 12 months	10.1	2,000	2,000
Impairment		<u>(2,000)</u>	<u>(2,000)</u>
		<u>-</u>	<u>-</u>

10.1 These includes term deposit receipts (TDRs) purchased from Trust Investment Bank of Rs. 2 million (2017: Rs. 2 million) matured in 2013. Impairment has been charged due to uncertainty surrounding the recoverability of the amount.

11 Loans and other receivables	2018 (Rupees in thousand)	2017
<u>Considered good</u>		
Accrued investment income	7,718	1,047
Security deposits	4,698	4,698
Loan to employees	4,996	3,419
Insurance claim receivable	542	189
Receivable from Shareholders' fund	10,494	20,338
Receivable from Participants' takaful fund	6,642	-
Other advances	3,800	3,828
	<u>38,890</u>	<u>33,519</u>
Provision against other advances	<u>(1,900)</u>	<u>-</u>
	<u>36,990</u>	<u>33,519</u>

Alfalsh Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

	<i>Note</i>	2018 (Rupees in thousand)	2017
12 Insurance / reinsurance receivables			
<u><i>Unsecured and considered good</i></u>			
Due from insurance contract holders		445,085	554,808
Provision for impairment of receivables from insurance contract holders	12.1	<u>(30,133)</u>	<u>(18,594)</u>
		414,952	536,214
Due from other insurers / reinsurers		129,128	112,750
Provision for impairment of receivables from insurance contract holders		<u>(2,776)</u>	-
		126,352	112,750
		<u>541,304</u>	<u>648,964</u>
12.1 Provision for impairment for receivables from insurance contract holders			
Balance as at 01 January		18,594	14,352
Addition made during the year		11,539	4,242
Balance as at 31 December		<u>30,133</u>	<u>18,594</u>
12.2 Provision for impairment for receivables from insurance contract holders			
Balance as at 01 January		-	-
Addition made during the year		2,776	-
Balance as at 31 December		<u>2,776</u>	-
13 Deferred taxation			
This represent deferred tax asset on deductible temporary differences in respect of fixed assets.			
	<i>Note</i>	2018 (Rupees in thousand)	2017
14 Prepayments			
Prepaid reinsurance premium ceded	23	270,454	326,253
Prepaid rent		4,607	6,456
Prepaid miscellaneous expenses		2,065	1,504
		<u>277,126</u>	<u>334,213</u>
15 Cash and bank			
<u><i>Cash and cash equivalent</i></u>			
Cash in hand		429	239
Revenue stamps		609	533
		1,038	772
<u><i>Cash at bank</i></u>			
<i>Current accounts</i>			
- Local currency		292,596	76,293
- Foreign currency (USD 3,294.98) (2017: USD 3,297.90)		456	363
		293,052	76,656
Savings accounts	15.1	298,808	687,831
		591,860	764,487
		<u>592,898</u>	<u>765,259</u>
15.1	The balance in saving accounts carry mark-up at the rate of 1.69% to 9% per annum (2017: 3.82% to 8.25% per annum).		
15.2	Cash at bank deposits includes an amount of Rs. 534.46 million (2017: Rs. 695.37 million) held with Bank Alfalah Limited, an associated undertaking.		

Alfalah Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

	2018	2017																														
	— (Rupees in thousand) —																															
16 Window Takaful Operations																																
<u>Operator's Fund</u>																																
<i>Assets:</i>																																
Cash and bank deposits	65,261	48,825																														
Qard e Hasna to Participant Takaful Fund	30,000	25,000																														
Assets - Others	26,841	33,355																														
Total assets	122,102	107,180																														
Total Liabilities - Current	54,339	49,646																														
16.1 Window Takaful Operations																																
<u>Profit and loss account</u>																																
Wakala fee	62,847	43,135																														
Commission expense	(16,987)	(9,146)																														
Management expense	(30,686)	(24,505)																														
Net investment income	2,674	1,362																														
Other expenses	(3,441)	(2,436)																														
Profit before tax from Window Takaful Operations	14,407	8,410																														
Taxation	(4,178)	(2,702)																														
Profit after tax from Window Takaful Operations	10,229	5,708																														
Details of assets, liabilities and segment disclosures of Window Takaful Operations are stated in the annexed financial statements of Window Takaful Operations.																																
17 Share Capital																																
17.1 Authorized Capital																																
<table border="0" style="width: 100%;"> <thead> <tr> <th style="width: 20%;"></th> <th style="width: 20%; text-align: center;">2018</th> <th style="width: 20%; text-align: center;">2017</th> <th style="width: 20%;"></th> <th style="width: 20%; text-align: center;">2018</th> <th style="width: 20%; text-align: center;">2017</th> </tr> <tr> <td></td> <td colspan="2" style="text-align: center;">(Number of shares)</td> <td></td> <td colspan="2" style="text-align: center;">(Rupees in thousand)</td> </tr> </thead> <tbody> <tr> <td>50,000,000</td> <td style="text-align: center;">50,000,000</td> <td></td> <td>Ordinary share of Rs. 10 each</td> <td style="text-align: center;">500,000</td> <td style="text-align: center;">500,000</td> </tr> </tbody> </table>		2018	2017		2018	2017		(Number of shares)			(Rupees in thousand)		50,000,000	50,000,000		Ordinary share of Rs. 10 each	500,000	500,000														
	2018	2017		2018	2017																											
	(Number of shares)			(Rupees in thousand)																												
50,000,000	50,000,000		Ordinary share of Rs. 10 each	500,000	500,000																											
17.2 Issued, subscribed and paid-up share capital																																
<table border="0" style="width: 100%;"> <thead> <tr> <th style="width: 20%;"></th> <th style="width: 20%; text-align: center;">2018</th> <th style="width: 20%; text-align: center;">2017</th> <th style="width: 20%;"></th> <th style="width: 20%; text-align: center;">2018</th> <th style="width: 20%; text-align: center;">2017</th> </tr> <tr> <td></td> <td colspan="2" style="text-align: center;">(Number of shares)</td> <td></td> <td colspan="2" style="text-align: center;">(Rupees in thousand)</td> </tr> </thead> <tbody> <tr> <td>30,000,000</td> <td style="text-align: center;">30,000,000</td> <td></td> <td>Ordinary shares of Rs. 10 each, fully paid in cash</td> <td style="text-align: center;">300,000</td> <td style="text-align: center;">300,000</td> </tr> <tr> <td>20,000,000</td> <td style="text-align: center;">20,000,000</td> <td></td> <td>Ordinary shares of Rs. 10 each, issued as fully paid bonus shares</td> <td style="text-align: center;">200,000</td> <td style="text-align: center;">200,000</td> </tr> <tr> <td>50,000,000</td> <td style="text-align: center;">50,000,000</td> <td></td> <td></td> <td style="text-align: center;">500,000</td> <td style="text-align: center;">500,000</td> </tr> </tbody> </table>		2018	2017		2018	2017		(Number of shares)			(Rupees in thousand)		30,000,000	30,000,000		Ordinary shares of Rs. 10 each, fully paid in cash	300,000	300,000	20,000,000	20,000,000		Ordinary shares of Rs. 10 each, issued as fully paid bonus shares	200,000	200,000	50,000,000	50,000,000			500,000	500,000		
	2018	2017		2018	2017																											
	(Number of shares)			(Rupees in thousand)																												
30,000,000	30,000,000		Ordinary shares of Rs. 10 each, fully paid in cash	300,000	300,000																											
20,000,000	20,000,000		Ordinary shares of Rs. 10 each, issued as fully paid bonus shares	200,000	200,000																											
50,000,000	50,000,000			500,000	500,000																											
17.3	As at 31 December 2018, Bank Alfalah Limited and Sheikh Nahayan Mubarak Al Nahayan held 14,997,825 (2017: 14,997,825) and 12,497,823 (2017: 12,497,823) ordinary shares of Rs. 10 each fully paid, of the Company, respectively.																															
18 Reserves																																
<i>Capital reserves</i>																																
Share deposit money	1,381	1,381																														
Fair value reserves	(50,777)	951																														
<i>Revenue reserves</i>																																
General reserves	150,000	150,000																														
	100,604	152,332																														

Alfalah Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

	2018	2017
	(Rupees in thousand)	
19 Retirement benefits obligations		
Staff gratuity	<u>638</u>	<u>4,220</u>

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

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

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

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

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

	2018	2017
	(Rupees in thousand)	
19.1 Statement of financial position reconciliation		
The amounts recognized in the balance sheet are as follows:		
Present value of defined benefit obligations	62,709	53,202
Fair value of plan assets	<u>(62,071)</u>	<u>(48,982)</u>
Recognized liability	<u>638</u>	<u>4,220</u>

19.1.1 Movement in the defined benefit obligations

Obligation as at 01 January	53,202	43,820
Current service cost	7,204	6,442
Interest cost	4,303	3,432
Actuarial losses	97	1,366
Benefits paid	<u>(2,097)</u>	<u>(1,858)</u>
Obligation as at 31 December	<u>62,709</u>	<u>53,202</u>

19.1.2 Movement in the fair value of plan assets

Fair value as at 01 January	48,982	41,858
Expected return on plan assets	4,459	3,544
Actuarial losses	(1,493)	(1,297)
Employer contributions	12,220	6,735
Benefits paid	<u>(2,097)</u>	<u>(1,858)</u>
Fair value as at 31 December	<u>62,071</u>	<u>48,982</u>

Alfalsh Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

19.1.3 Cost	2018 (Rupees in thousand)	2017
Current service cost	7,204	6,442
Interest cost	4,303	3,432
Expected return on plan assets	(4,459)	(3,544)
Expense	<u>7,048</u>	<u>6,330</u>
Actual return on plan assets	<u>2,966</u>	<u>2,247</u>

19.1.4 Principal actuarial assumptions used are as follows:

Discount rate and expected return on plan assets per annum - %	13.25%	8.25%
Future salary increases - %	12.25%	7.25%
Net retirement age	60	60
Mortality rates	SLIC 2001-05	SLIC 2001-05
Withdrawal rate	Moderate	Moderate
Effective salary increase timing	1st January 2019	1st January 2018

19.1.5 Comparison for five years:

	2018	2017	2016	2015	2014
	(Rupees in thousand)				
As at December 31					
Present value of defined benefit obligation	62,709	53,202	43,821	36,749	29,918
Fair value of plan assets	(62,071)	(48,982)	(41,858)	(33,663)	(29,912)
Deficit	<u>638</u>	<u>4,220</u>	<u>1,963</u>	<u>3,086</u>	<u>6</u>

19.1.6 Experience adjustments

Gain / (loss) on plan assets (as percentage of plan assets)	0.15%	2.57%	3.20%	3.08%	3.03%
Gain / (loss) on plan assets (as percentage of obligations)	2.41%	2.65%	0.52%	4.00%	-4.42%

19.1.7 Plan assets comprise of the following:

	2018		2017	
	Rupees in Thousand	%	Rupees in Thousand	%
Equity	706	1.14%	663	1.35%
Others including (cash and bank balances)	61,365	98.86%	48,320	98.65%
	<u>62,071</u>	<u>100.00%</u>	<u>48,983</u>	<u>100.00%</u>

20 Insurance / reinsurance payable	Note	2018 (Rupees in thousand)	2017
Due to other insurers / reinsurers		<u>406,939</u>	<u>397,347</u>
21 Other creditors and accruals			
Agent commission payable		238,332	144,556
Cash margin against performance bonds		16,254	5,247
Federal excise duty and Sales tax		4,370	22,608
Federal Insurance Fee		1,521	1,351
Workers' welfare fund	21.1	15,003	15,003
Accrued expenses	21.2	82,066	97,525
Tax deducted at source		13,913	10,743
Others	21.3	16,599	10,968
		<u>388,058</u>	<u>308,001</u>

Alfalah Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

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

During the year ended 31 December 2012, the Honorable Lahore High Court (LHC) in Constitutional Petition relating to the amendments brought to WWF Ordinance, 1971 through Finance Act, 2006 and the Finance Act, 2008, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Honorable Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act, 2006 and Finance Act, 2008 do not suffer from any constitutional or legal infirmity. However, the Honorable Supreme Court of Pakistan declared broadening the scope of WWF (become applicable for all commercial organizations) to be void. Based on the above developments, the Company has decided not to make provision against WWF for the current year, however being prudent prior periods provision has not been reversed.

21.2 Accrued expenses

This mainly includes provision for bonus payable to employees of Rs. 24.95 million (2017: Rs. 30.66 million)

21.3 Unclaimed insurance benefits

Others include unclaimed insurance benefits of Rs. 3.15 million (2017: Rs. 2.92 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 - 2018	7	257	1,088	454	1,340	3,146

	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 - 2017	-	1,133	494	534	766	2,927

22 Contingencies and commitments

22.1 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 ['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.

b) Income tax - Tax Year 2017

The audit proceedings in respect of the subject tax year were concluded through amendment order dated December 31, 2018 issued under section 122(5) of the Ordinance raising aggregate income tax demand of Rs. 93.884 million. The Company has preferred an appeal against the said amendment order before the appellate authority which is pending adjudication. As per Company's Tax advisor, reasonable arguments exist to defend the Company's position.

22.2 Commitments

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

	2018	2017
	(Rupees in thousand)	
Not later than one year	18,250	7,690
Later than one year and not later than five years	41,273	8,769
Later than five years	2,424	4,763
	61,947	21,222

Alfalah Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

	2018	2017
	— (Rupees in thousand) —	
23 Net insurance premium		
Written gross premium	2,338,699	2,082,006
Unearned premium reserve as at 01 January	673,331	628,930
Unearned premium reserve as at 31 December	(650,096)	(673,331)
Premium earned	<u>2,361,934</u>	<u>2,037,605</u>
Reinsurance premium ceded	(1,003,837)	(1,013,734)
Prepaid reinsurance premium ceded as at 01 January	(326,253)	(306,902)
Prepaid reinsurance premium ceded as at 31 December	270,454	326,253
Reinsurance expense	<u>(1,059,636)</u>	<u>(994,383)</u>
	<u>1,302,298</u>	<u>1,043,222</u>
24 Net insurance claims		
Claims paid	1,168,455	711,734
Outstanding claims including IBNR as at 31 December	532,442	568,892
Outstanding claims including IBNR as at 01 January	(568,892)	(485,892)
Claims expense	<u>1,132,005</u>	<u>794,734</u>
Reinsurance and other recoveries received	(608,607)	(243,167)
Reinsurance and other recoveries in respect of outstanding claims as at 31 December	(293,866)	(388,434)
Reinsurance and other recoveries in respect of outstanding claims as at 01 January	388,434	307,497
Reinsurance and other recoveries revenue	<u>(514,039)</u>	<u>(324,104)</u>
	<u>617,966</u>	<u>470,630</u>

24.1 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 2018.

	Accident year					Total
	2014	2015	2016	2017	2018	
Estimate of ultimate claims cost						
At the end of accident year						
with IBNR	373,502	295,983	476,945	412,866	638,739	2,198,035
One year later	331,112	231,972	436,905	355,994	-	1,355,983
Two years later	298,132	219,488	430,268	-	-	947,888
Three years later	296,984	214,656	-	-	-	511,640
Four years later	295,771	-	-	-	-	295,771
Current estimate of cumulative claims	295,771	214,656	430,268	355,994	638,739	1,935,428
Cumulative payments to date	(278,083)	(210,319)	(413,104)	(332,431)	(399,535)	(1,633,472)
Liability recognized	<u>17,688</u>	<u>4,337</u>	<u>17,164</u>	<u>23,563</u>	<u>239,204</u>	<u>301,956</u>

	2018	2017
	(Rupees in thousand)	
25 Net commission / acquisition expense / (income)		
Commission paid or payable	552,439	395,313
Deferred commission expense as at 01 January	86,770	54,274
Deferred commission expense as at 31 December	(83,486)	(86,770)
Net commission	<u>555,723</u>	<u>362,817</u>
Commission received or recoverable	(279,164)	(290,257)
Unearned reinsurance commission as at 01 January	(82,088)	(66,307)
Unearned reinsurance commission as at 31 December	67,929	82,088
Commission from reinsurance	<u>(293,323)</u>	<u>(274,476)</u>
	<u>262,400</u>	<u>88,341</u>

Alfalsh Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

			2018	2017
			— (Rupees in thousand) —	
26	Management expenses	<i>Note</i>		
	Employee benefit cost	26.1	218,369	214,574
	Travelling expenses		5,927	7,328
	Advertisement and sales promotion		955	1,997
	Printing and stationery		8,512	6,799
	Depreciation	5.1.2	14,875	16,881
	Amortization		1,119	878
	Rent, rates and taxes		22,380	18,939
	Electricity, gas and water		6,166	5,582
	Vehicle running expenses		13,921	12,650
	Office repairs and maintenance		8,387	7,740
	Bank charges		1,696	1,426
	Postages, telegrams and telephone		8,728	8,252
	Annual supervision fee SECP		3,849	3,091
	Fee and subscription		2,802	2,725
	Tracker expense		54,196	58,115
	Training and development		3,008	2,554
	Inspection fee		1,133	2,288
	Bad and doubtful debts	11 & 12.1	16,215	4,242
	Miscellaneous expenses		5,497	7,497
			397,735	383,559
26.1	Employee benefit cost			
	Salaries, allowances and other benefits		201,999	201,090
	Charges for post employment benefits		16,370	13,484
			218,369	214,574
26.2	Management expenses amounting to Rs. 23.05 million (2017: Rs. 16.90 million) have been allocated to Window Takaful Operations Operators fund.			
			2018	2017
			— (Rupees in thousand) —	
27	Investment income			
27.1	Income from equity securities			
	<i>Dividend income</i>			
	- Available for sale		12,874	15,032
			12,874	15,032
27.2	Income from debt securities			
	<i>Held to maturity</i>			
	Return on Pakistan Investment Bonds		476	2,879
	<i>Available for sale</i>			
	Return on Pakistan Investment Bonds		7,086	-
	Return on Sukuk certificate		1,454	-
	Return on Term finance certificate		1,426	-
			10,442	2,879
	Balance carried forward		23,316	17,911

Alfalsh Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

			<i>Note</i>	2018	2017	— (Rupees in thousand) —	
	Balance brought forward			23,316	17,911		
27.3	Net realized gains on investments						
	- Available for sale						
	Realized (loss)/gains on equity securities			(3,465)	12,635		
	- Held for trading						
	Realized gains on debt securities			15,614	16,857		
				12,149	29,492		
27.4	Net unrealized gains on investments						
	- Held for trading						
	Net un-realized gains on investments at fair value through profit and loss account			4,732	5,042		
	Total investment income			40,197	52,445		
	- Impairment of available for sale securities						
	Equity securities			-	-		
	- Investment related expenses			(3,265)	(3,589)		
				36,932	48,856		
28	Other Income						
	Return on bank balances			35,001	27,606		
	Gain on disposal of fixed assets			537	2,164		
	Other			205	262		
				35,743	30,032		
29	Other expenses						
	Insurance expenses			4,832	4,939		
	Legal and professional fee			7,063	2,378		
	Auditor's remuneration	29.2		1,833	1,573		
	Donation			-	10		
	Security expense			2,030	2,083		
	Miscellaneous expenses			333	112		
				16,091	11,095		
29.1	Other expenses amounting to Rs. 1.60 million (2017: Rs. 0.80 million) have been allocated to Window Takaful Operations Operators fund.						
29.2	Auditors' remuneration			2018	2017	— (Rupees in thousand) —	
	Statutory audit fee			650	591		
	Half yearly review			289	263		
	Statutory returns			220	131		
	Certification and sundry services			482	438		
	Out of pocket expenses			192	150		
				1,833	1,573		

Alfalsh Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

30 Taxation	2018	2017
	— (Rupees in thousand) —	
<i>Current Tax:</i>		
Current year	30,244	55,027
Prior years	-	-
	30,244	55,027
<i>Deferred Tax:</i>		
- Permanent differences	(754)	(1,164)
- Change in tax rate	(69)	(8)
	(823)	(1,172)
	29,421	53,855

30.1 Relationship between tax expense and accounting profit

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

	2018	2017
	— (Rupees in thousand) —	
Accounting profit	95,188	176,895
Tax at the applicable rate of 29% (2017: 30%)	27,605	53,069
<i>Tax effect of amounts that are:</i>		
- Related to permanent differences	1,885	794
- Chargeable to tax at different rates	(69)	(8)
Prior year adjustment	-	-
	1,816	786
Tax expense	29,421	53,855

31 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:

	2018	2017
	— (Rupees in thousand) —	
Net profit after tax for the year	65,767	123,040
	Number of shares	
Weighted average number of shares of Rs. 10 each	50,000,000	50,000,000
	————— (Rupees) —————	
Basic earnings per share	1.32	2.46

31.1 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.

Alfalah Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

32 Remuneration of Directors, Chief Executive and Key Management Personnel:

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

	Chief Executive Officer		Directors		Key Management Personnel	
	2018	2017	2018	2017	2018	2017
	(Rupees in thousand)					
Managerial remuneration	22,033	20,030	-	-	66,628	62,011
Leave fare assistance	551	500	-	-	1,666	1,317
Bonus	9,490	9,063	-	-	10,667	10,078
Change for defined benefit plan	1,082	887	-	-	2,872	2,496
Contribution to defined contribution plan	1,102	1,002	-	-	3,225	2,925
Rent and house maintenance	3,468	4,238	-	-	-	-
Vehicle allowance	-	-	-	-	3,468	6,285
Other perquisites and allowances	364	465	-	-	1,054	878
	38,090	36,185	-	-	89,580	85,990
	(Number)					
	1	1	8	7	36	34

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

33 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 2018:

	2018	2017
Size of the fund	72,980	81,050
Cost of investments made	72,320	80,914
Percentage of investments made (based on fair value)	99.33%	99.90%
Fair value of investments	72,491	80,965

Break up of Investments

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

Percentage of Investments as a % size of fund	Fair Value	
	2018	2017
	(Rupees in thousand)	
Mutual funds	3%	2%
Profit bearing bank accounts	97%	98%
	1,981	1,860
	70,510	79,105
	72,491	80,965

Alfalsh Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

34 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 32. Contributions and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan as disclosed in note 19 and 33 of these financial statements, respectively.

Investment in related parties have been disclosed in note 8 to the financial statements. Other transactions with related parties are summarized as follows:

	2018	2017
	— (Rupees in thousand) —	
i) Associated undertakings and other related parties		
Premium written	385,190	451,673
Premium received	504,366	545,250
Claims paid	294,402	310,154
Interest income	30,219	23,499
Dividend Income	788	3,082
Rent paid	1,456	-
Rent expense	2,509	2,522
License fees and connection charges	2,125	2,352
Expense charged in respect of retirement benefit plans	15,686	11,995
Investment Advisory Fee	2,693	3,487
Investments purchased	135,000	3,082
Investments sold	70,356	93,842
 <u>Key management personnel</u>		
Premium written	176	70
Claims paid	36	102
 ii) Period end balances		
<u>Associated undertakings and other related parties</u>		
Premium receivable from related parties	57,594	117,182
Provision for outstanding claims	174,157	122,012
Interest charges payable	-	5,614
 <u>Key Management Personnel</u>		
Premium receivable	62	140
Provision for outstanding claims	66	46

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

Alfalah Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

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

Alfalah Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

	31 December 2017					
	Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident & Health	Miscellaneous	Total
	(Rupees in thousand)					
Premium receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	443,290	174,501	531,375	538,273	653,585	2,341,024
Federal Excise Duty	(54,713)	(20,379)	(70,673)	(36,877)	(55,576)	(238,218)
Federal Insurance Fee	(3,734)	(1,556)	(4,605)	(4,964)	(5,942)	(20,801)
Gross Written Premium (inclusive of Administrative Surcharge)	384,843	152,566	456,097	496,432	592,067	2,082,005
Gross direct premium	365,819	147,964	439,974	496,227	586,509	2,036,493
Facultative inward premium	16,734	201	187	-	2,996	20,118
Administrative surcharge	2,290	4,401	15,936	205	2,562	25,394
	384,843	152,566	456,097	496,432	592,067	2,082,005
Insurance premium earned	401,727	156,890	413,274	501,348	564,366	2,037,605
Insurance premium ceded to reinsurers	(364,652)	(135,607)	(28,449)	(58,658)	(407,017)	(994,383)
Net insurance premium	37,075	21,283	384,825	442,690	157,349	1,043,222
Commission income	90,182	34,885	2,292	7,767	139,350	274,476
Net underwriting income	127,257	56,168	387,117	450,457	296,699	1,317,698
Insurance claims	(159,401)	(26,234)	(194,542)	(252,746)	(161,811)	(794,734)
Insurance claims recovered from reinsurers	139,621	23,027	13,792	5,803	141,861	324,104
Net claims	(19,780)	(3,207)	(180,750)	(246,943)	(19,950)	(470,630)
Commission expense	(65,224)	(26,313)	(31,334)	(137,037)	(102,909)	(362,817)
Management expense	(60,156)	(23,848)	(129,409)	(77,599)	(92,547)	(383,559)
Premium deficiency reserve	-	-	-	-	-	-
Net insurance claims and expenses	(145,160)	(53,368)	(341,493)	(461,579)	(215,406)	(1,217,006)
Underwriting results	(17,903)	2,800	45,624	(11,122)	81,293	100,692
Net investment income						48,856
Rental income						-
Other income						30,032
Other expenses						(11,095)
Finance costs						-
Profit from window takaful operations						8,410
Profit before tax						176,895
Segment assets	548,289	97,763	110,282	532,486	161,598	1,450,418
Unallocated assets						1,700,065
						3,150,483
Segment liabilities	541,433	163,063	366,313	537,802	102,547	1,711,158
Unallocated liabilities						384,908
						2,096,066

Alfalsh Insurance Company Limited Notes to the Financial Statements For the year ended 31 December 2018

36 Movement in investments

	Held to maturity	Available for sale	Fair value through profit and loss account	Total
	(Rupees in thousand)			
As at beginning of previous year	49,815	395,930	352,363	798,108
Additions	-	141,263	1,459,320	1,600,583
Disposals (sales and redemptions)	(24,000)	(365,131)	(1,388,144)	(1,777,275)
Fair value net gains (excluding net realized gains) (Discount) on investment bonds	(807)	-	5,042	(46,167)
Impairment/ (reversal) losses	-	-	-	-
At the beginning of the year	25,008	120,853	428,581	574,442
Additions	-	830,579	1,779,058	2,609,637
Disposals (sales and redemptions)	(25,008)	(330,204)	(1,767,363)	(2,122,575)
Fair value net gains (excluding net realized gains) (Discount) on investment bonds	-	(51,728)	4,732	(46,996)
Impairment losses	-	-	-	-
At the end of current year	-	569,500	445,008	1,014,508

Alfalah Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

37 Risk management

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

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

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

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

- a) Financial risk, categorized into;
 - Credit risk - note 37.1.1
 - Liquidity risk - note 37.1.2
 - Market risk - note 37.1.3
- b) Capital adequacy risk - note 37.2
- c) Insurance risk - note 37.3

37.1 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.

37.1.1 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		2018	2017
(Rupees in thousand)			
Bank balances	- note 37.1.1.1	591,860	764,487
Investments		1,014,508	574,442
Due from insurance contract holders	- note 37.1.1.2	414,952	536,214
Amount due from other insurers / reinsurers	- note 37.1.1.3	126,352	112,750
Accrued investment income		7,718	1,047
Reinsurance recoveries against outstanding claims	- note 37.1.1.3	293,866	388,434
Loans and Other receivables		36,990	33,519
		<u>2,486,246</u>	<u>2,410,893</u>

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

	Rating		Agency	2018	2017
	Short term	Long term			
(Rupees in thousand)					
Bank Alfalah Limited	A1+	AA+	PACRA	534,461	695,375
Habib Bank Limited	N/A	AA+	JCR-VIS	173	163
The Bank of Punjab	A1+	AA	PACRA	107	105
Silk Bank Limited	A-2	A-	JCR-VIS	4	2
Summit Bank Limited	A-3	BBB-	JCR-VIS	374	2,482
Mobilink Micro Finance Bank	A1	A	PACRA	19,017	1,911
Zarai Tarakiat Bank Limited	A1+	AAA	JCR-VIS	12,769	16,746
NRSP Microfinance Bank Limited	A-1	A	PACRA	2,001	44,639
Khushhali Microfinance Bank	A-1	A	JCR-VIS	9,661	3,064
Finca Microfinance Bank Limited	A-1	A	PACRA	3,144	-
Faysal Bank Limited	A1+	AA	JCR-VIS	10,149	-
				<u>591,860</u>	<u>764,487</u>

Alfalsh Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

37.1.1.2 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. 32.91 (2017: Rs. 18.59 million) is shown in note 12.1. 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:

	2018	2017
	(Rupees in thousand)	
Financial institutions	77,588	138,043
Telecom sector	21,432	19,448
Foods & beverages	67	4,862
Personal Goods	8,107	12,041
Health	7,064	7,251
Textile	59,310	76,831
Others including miscellaneous	271,517	296,332
	445,085	554,808
Provision for impairment of receivables from insurance contract holders	(30,133)	(18,594)
	414,982	536,214

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

	2018			2017		
	Related parties	Others	Total	Related parties	Others	Total
	(Rupees in thousand)					
Up to 1 year	53,478	303,251	356,729	117,176	419,291	536,467
1-2 years	4,115	73,174	77,289	-	16,362	16,362
2-3 years	-	9,771	9,771	-	1,886	1,886
Over 3 years	-	1,296	1,296	-	93	93
	57,593	387,492	445,085	117,176	437,632	554,808

37.1.1.3 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:

	Reinsurance		
	Amount due from other insurers / reinsurers	recoveries against outstanding claims	Total
	(Rupees in thousand)		
As at 31 December 2018			
BB ⁺ or above (including PRCL)	126,352	293,866	420,218
	129,128	293,866	422,994
As at 31 December 2017			
BB ⁺ or above (including PRCL)	112,750	388,434	501,184
	112,750	388,434	501,184

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:

	2018		2017	
	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	181,936	361,013	300,657	455,416
1-2 years	39,135	74,097	23,460	34,348
2-3 years	24,014	32,094	6,199	11,458
Over 3 years	48,781	65,238	58,118	67,670
	293,866	532,442	388,434	568,892

Alfalah Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

37.1.2 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. 592.90 million (2017: Rs. 765.26 million) and Rs. 445.01 million (2017: Rs. 428.58 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.

	2018			
	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year
	(Rupees in thousand)			
Provision for outstanding claims	532,442	532,442	532,442	-
Amounts due to other insurers / reinsurers	406,939	406,939	406,939	-
Other creditors and accruals	388,058	388,058	388,058	-
	<u>1,327,439</u>	<u>1,327,439</u>	<u>1,327,439</u>	<u>-</u>
	2017			
	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year
	(Rupees in thousand)			
Provision for outstanding claims	568,892	568,892	568,892	-
Amounts due to other insurers / reinsurers	397,347	397,347	397,347	-
Other creditors and accruals	308,001	308,001	308,001	-
	<u>1,274,240</u>	<u>1,274,240</u>	<u>1,274,240</u>	<u>-</u>

37.1.3 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.

37.1.3.1 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:

	2018 Effective Interest rate %	Carrying amounts Maturity up to one year		Carrying amounts Maturity after one year	
		2018	2017	2018	2017
		(Rupees in thousand)			
Financial assets					
Bank balances	1.69% to 8.25%	<u>298,808</u>	<u>687,831</u>	<u>-</u>	<u>-</u>

Alfalsh Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

	2018 Effective Interest rate %	Carrying amounts Maturity up to one year		Carrying amounts Maturity after one year	
		2018	2017	2018	2017
		(Rupees in thousand)			
Investments					
TFCs and Sukkuk	6.97% to 8.18	-	-	69,575	-
PIB's	8.91%	-	25,008	206,703	-
T.Bills	0.15% to 5.75%	445,008	428,581	-	-
		445,008	453,589	276,278	-

Sensitivity analysis

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

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

Impact on profit and loss account	Increase by 100 bps	Decrease by 100 bps
	(Rupees in thousand)	
As at 31 December 2018		
Cash flow sensitivity-variable rate financial assets	3,839	(3,839)
As at 31 December 2017		
Cash flow sensitivity-variable rate financial assets	4,090	(4,090)

37.1.3.2 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 these changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Company is exposed to price risk since it has investments amounting to Rs. 1,014.51 million (2017: Rs 549.43 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 2018 and 31 December 2017 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios.

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

			Fair value	Hypothetical price change	Estimated fair value after hypothetical changes in price	Hypothetical increase/ (decrease) in	
						Asset	Profit after tax
						(Rupees in thousand)	
31 December 2018	Available for sale	for	293,222	10% increase	322,544	29,322	20,819
				10% decrease	263,900	(29,322)	(20,819)
	Held for trading	for	445,008	10% increase	489,509	44,501	31,596
				10% decrease	400,507	(44,501)	(31,596)
31 December 2017	Available for sale	for	120,853	10% increase	132,938	12,085	8,218
				10% decrease	108,768	(12,085)	(8,218)
	Held for trading	for	428,581	10% increase	471,439	42,858	29,144
				10% decrease	385,723	(42,858)	(29,144)

Alfalah Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

37.1.3.3 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 2018 (2017: US \$ Nil).

37.1.3.4 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 38 to these financial statements.

37.2 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 (I)/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.

37.3 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 37.3.1
- Claim Risk - note 37.3.2
- Reinsurance Risk - note 37.3.3

37.3.1 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	
	2018	2017	2018	2017
Fire	57%	45%	22%	17%
Marine	28%	28%	28%	19%
Motor	3%	2%	22%	15%
Accident and Health	2%	14%	17%	34%
Others including miscellaneous	11%	10%	12%	16%
	100%	100%	100%	100%

Alfalah Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

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

	Gross premium written		Net premium written	
	2018	2017	2018	2017
Fire	17%	18%	2%	4%
Marine	6%	8%	1%	2%
Motor	21%	22%	33%	37%
Accident and Health	25%	24%	12%	42%
Others including miscellaneous	31%	28%	51%	15%
	100%	100%	100%	100%

37.3.2 Claim Risk

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

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

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

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

Company has reasonably accounted for claims that have occurred by the end of the reporting period but remain unsettled and for those that may have occurred but have not yet been notified to the company and those that are not yet apparent to the insured. The Company's policy for accounting of its claims has been disclosed in note 4.13 to the financial statements.

Sensitivity analysis

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

As the Company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit before tax (net of reinsurance) due to 10% change in claim expense.

	Underwriting result		Shareholders' Equity	
	2018	2017	2018	2017
----- (Rupees in thousand) -----				
Fire	3,342	1,976	2,373	1,383
Marine	550	352	390	246
Motor	25,307	18,075	17,968	12,653
Accident and Health	4,139	25,159	2,938	17,611
Others including Miscellaneous	28,459	2,020	20,206	1,414
	61,797	47,582	43,875	33,307

37.3.3 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 2018

38 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	Carrying amount					Fair value					
		Available for sale	Fair value through profit and loss account	Held to maturity	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2018												
Financial assets - measured at fair value												
Investment - Equity securities	8	293,222	-	-	-	-	-	293,222	293,222	-	-	-
Financial assets - not measured at fair value												
Investment - Debt securities	9	276,278	445,008	-	-	-	-	721,286	721,286	-	-	-
Loans and other receivables*	11	-	-	36,990	-	-	-	36,990	-	-	-	-
Insurance / reinsurance receivables	12	-	-	-	541,304	-	-	541,304	-	-	-	-
- unsecured and considered good*					293,866			293,866				
Reinsurance recoveries against outstanding claims*	24	-	-	-	-	-	-	-	-	-	-	-
Cash and bank*	15	-	-	-	-	592,898	-	592,898	-	-	-	-
Total assets of Window Takaful Operations- Operator's Fund*	16	-	-	-	-	122,102	-	122,102	-	-	-	-
		276,278	445,008	-	872,160	715,090	-	2,308,446	721,286	-	-	-
Financial liabilities - measured at fair value												
Financial liabilities - not measured at fair value												
Underwriting provision against outstanding claims including IBNR*	24	-	-	-	-	-	-	532,442	532,442	-	-	-
Insurance / reinsurance payables*	20	-	-	-	-	-	-	406,939	406,939	-	-	-
Other creditors and accruals*	21	-	-	-	-	-	-	368,058	368,058	-	-	-
Total liabilities of Window Takaful Operations- Operator's Fund*	16	-	-	-	-	-	-	54,339	54,339	-	-	-
		-	-	-	-	-	-	1,361,778	1,361,778	-	-	-

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

Alfaluh Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

	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	
Note (Rupees in thousand)												
31 December 2017												
<i>Financial assets - measured at fair value</i>												
Investment - Equity securities	8	120,853	-	-	-	-	-	120,853	120,853	-	-	120,853
<i>Financial assets - not measured at fair value</i>												
Investment - Debt securities	9	-	428,581	25,008	-	-	-	453,589	428,581	-	-	428,581
Loans and other receivables*	11	-	-	-	33,519	-	-	33,519	-	-	-	-
Insurance / reinsurance receivables	12	-	-	-	648,964	-	-	648,964	-	-	-	-
- unsecured and considered good*	24	-	-	-	388,434	-	-	388,434	-	-	-	-
Reinsurance recoveries against outstanding claims*	15	-	-	-	765,259	-	-	765,259	-	-	-	-
Cash and bank*	16	-	-	-	107,180	-	-	107,180	428,581	-	-	428,581
Total assets of Window Takaful Operations- Operator's Fund*		-	428,581	25,008	1,070,917	872,439	-	2,396,945	428,581	-	-	428,581
<i>Financial liabilities - measured at fair value</i>												
<i>Financial liabilities - not measured at fair value</i>												
Underwriting provision against outstanding claims including IBNR*	24	-	-	-	-	-	-	568,892	-	-	-	568,892
Insurance / reinsurance payables*	20	-	-	-	-	-	-	397,347	-	-	-	397,347
Other creditors and accruals*	21	-	-	-	-	-	-	308,001	-	-	-	308,001
Total liabilities of Window Takaful Operations- Operator's Fund*	16	-	-	-	-	-	-	49,646	49,646	-	-	49,646
		-	-	-	-	-	-	1,333,886	1,333,886	-	-	1,333,886

* 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 2018

39 Number of employees

The number of employees of the Company are as follows:

	<u>2018</u>	<u>2017</u>
Average number of employees during the year	226	209
As at 31 December	226	226

40 Date of authorization for issue

These financial statements were authorized for issue on 21 February 2019 by the Board of Directors of the Company.

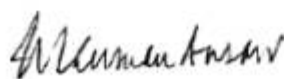
41 General

Corresponding figures have been rearranged and reclassified for better presentation, wherever considered necessary.

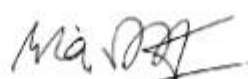
Figures have been rounded off to the nearest thousand rupees unless other wise stated.



Chairman



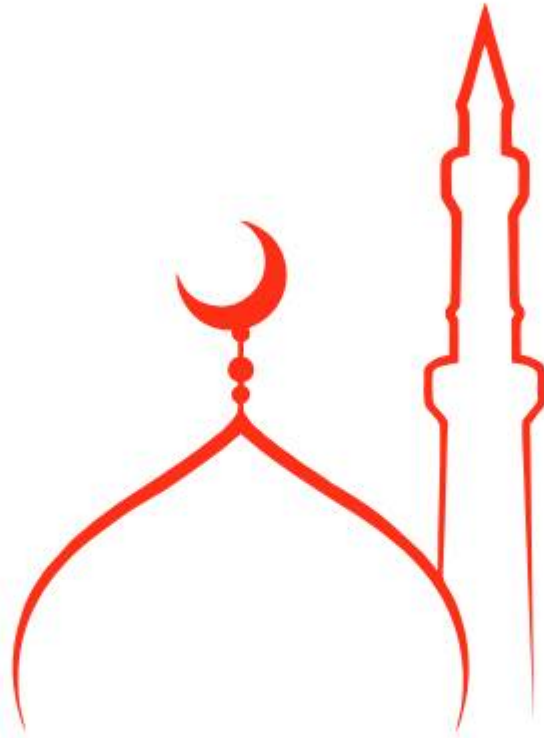
Director



Director



Chief Executive Officer



ALFALAH INSURANCE COMPANY LIMITED WINDOW TAKAFUL OPERATIONS



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

We were engaged by the Board of Directors of **Alfalah Insurance Company Limited** ("the Company") to report on the management's assessment of compliance of the Window Takaful Operations ("Takaful Operations") of the Company, as set out in the annexed statement prepared by the management for the year ended 31 December 2018, with the Takaful Rules, 2012, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of compliance of the Operations with the Takaful Rules, 2012, in all material respects.

Applicable criteria

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

Responsibilities of the management

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

The Board of Directors/management of the Company are also responsible for preventing and detecting fraud and for identifying and ensuring that the Takaful Operations comply with laws and regulations applicable to its activities. They are also responsible for ensuring that the management, where appropriate, those charged with governance, and personnel involved with the Takaful Operations compliance with the Takaful Rules, 2012 are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.

Our Independence and Quality Control

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

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

Our responsibilities

Our responsibility is to examine the annexed statement and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the annexed statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

The procedures selected depend on our judgement, including the assessment of the risks of material non-compliances with the Takaful Rules, 2012, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Takaful Operations compliance with the Takaful Rules, 2012, in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the Takaful Operations' compliance with the Takaful Rules, 2012. Reasonable assurance is less than absolute assurance.

A system of internal control, because of its nature, may not prevent or detect all instances of non-compliance with Takaful Rules, 2012, and consequently cannot provide absolute assurance that the objective of compliance with Takaful Rules, 2012, will be met. Also, projection of any evaluation of effectiveness to future periods is subject to the risk that the controls may become inadequate or fail.



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

The procedures performed included:

- Evaluate the systems, procedures and practices in place with respect to the Takaful operations against the Takaful Rules, 2012 and Shariah advisor's guidelines;
- Evaluating the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee / Shariah Advisor and the board of directors;
- Test for a sample of transactions relating to Takaful operations to ensure that these are carried out in accordance with the laid down procedures and practices including the regulations relating to Takaful Operations as laid down in Takaful Rules, 2012; and
- Review the statement of management's assessment of compliance of the Takaful transactions during the year ended 31 December 2018 with the Takaful Rules, 2012.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the annexed statement, for the year ended 31 December 2018, presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

Lahore

Date: 21 February 2019

KPMG Taseer Hadi & Co.

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

Shariah Advisory Report to the Board of Directors For the year ended 31 December 2018

The year 2018 was the third year of Alfalah Insurance Company Ltd. (Window Takaful Operations), the launch Window Takaful Operations (WTO) by Alfalah Insurance Company Ltd. (AICL) was a step in the direction of promotion the Islamic Economic System. This initiative was to provide Shariah Compliant Takaful facilities to the people of Pakistan.

Progress of the year:

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

1. Under the guidance of the Shariah Advisor AICL (WTO) continued to offer a host of takaful products of Motor, Marine, Property, Health and Miscellaneous for its participants.
2. Through active participation of head office and all branches in the business of Takaful in the various locations of country were recorded in the Head Office branch of Takaful and later on some divisions recorded the Takaful Policies in their offices.
3. Significant success has been achieved in the Takaful agreements with Islamic Banks. This year we approved a product with the name " Zaamin " for bank customers.
4. AICL (WTO) has implemented a dedicated Takaful administration system which manages all operational aspects of window Takaful operations.
5. For the investment purpose of Takaful Funds, a Shariah Compliant investment policy has been approved by Shariah Advisor and all the investments of Takaful are undertaken in accordance with this policy. Moreover, all Bank Accounts of Takaful are separate from the conventional insurance Business and are maintained in Islamic Banks.

Shariah Certification:

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

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

In the end; I pray to Allah Almighty that Allah Almighty accept our efforts and enable us to perform our duties in the best manner. May Allah Almighty grant us success and help us at every step, keep us away from every hindrance and difficulty, and give financial success to Alfalah Insurance Company Ltd. (Window Takaful Operations).

Wassalam



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

- ☆ ونڈو حڪافل آپريشنز كى عليحدگى درست حڪافل معاھدوں كا جزو لازم ھے۔ ميں يہ بيان كرتے ھوئے خوشى محسوس كر رہا ھوں كہ الفلاح انشورنس كميپنى (ونڈو حڪافل آپريشن) نے اس بات كو ترجيحي بنيادوں پر ممكن بنايا ھے كہ اس كے تمام حڪافل فنڈز، سرمايہ كارى، بنك اكاؤنٹس، سسٹمز اور دوسرے متعلقہ معاملات كو روايتى انشورنس كے كاروبار سے الگ ركھا جائے جيسا كہ شريعت كا تقاضا ھے۔
- ☆ ونڈو حڪافل آپريشنز كى مالى ضروريات كو پورا كرنے كيلئے شريعت كے تقاضوں كے مطابق فنڈز فراهم كئے گئے ھيں۔ اور حڪافل كے تمام اخراجات بشمول وقف كى گنى اصل رقم، اسي فنڈ سے پورے كئے گئے ھيں۔
- ☆ حڪافل نظام كے اصولوں اور اس كى عملى صورت كو سمجھنے كے لئے علمى و نظرياتي ترقى كى كوشش اور تربيت از حد ضرورى ھے۔ الفلاح انشورنس كميپنى (ونڈو حڪافل آپريشن) نے اس معاملے ميں بھى اپنى ذمہ دارى كو پورا كيا ھے اور هيڈ آفس اور براينچز كے عملے كے لئے حڪافل كے تربيتى پروگرام كا انتظام كيا ھے، مجھے يقين ھے كہ الفلاح انشورنس كميپنى (ونڈو حڪافل آپريشن) كاروبارى و انتظامى سطح پر شريعه اصولوں كى كملى پاسدارى يقينى بنانے كے لئے اپنى افرادى قوت پر خرچ كرتا ھے گا
- ☆ اختتام پر ميں اللہ تعالىٰ سے دعا گو ھوں، كہ اللہ تعالىٰ ھماری كوششوں كو قبول كرے اور ھمیں اس قابل بنائے كہ ھم اپنى ذمہ دارياں بھترين طريقے سے پورى كر سكيں۔ اللہ تعالىٰ ھمیں كاميابى عطا كرے اور ھر قدم پر ھماری مدد كرے، ھمیں ھر مشكل اور ركاوٹ سے دور ركھے اور الفلاح انشورنس كميپنى لميٹيد (ونڈو حڪافل آپريشن) كو مالى كاميابى سے ھمكار كرے۔

والسلام



ڈاكٽر خليل احمد اعظمى

شريعہ مشير

الفلاح انشورنس كميپنى لميٹيد

(ونڈو حڪافل آپريشن)

بورڈ آف ڈائریکٹرز کو پیش کردہ 31 دسمبر، 2018ء کو اختتام پذیر سال کی

شریعتی ایڈوائزر کی رپورٹ

2018ء کا سال الفلاح انشورنس کمپنی (ونڈو تکافل آپریشن) کا تیسرا سال تھا۔ ونڈو تکافل آپریشنز کا افتتاح کرتے ہوئے الفلاح انشورنس کمپنی لمیٹڈ نے اسلامی معاشی نظام کی ترقی کیلئے بہت اہم قدم اٹھایا ہے۔ یہ قدم پاکستان کے لوگوں کو شریعتی کپلائٹ تکافل کی سہولیات پہنچانے کے لئے اٹھایا گیا ہے۔

سال کی پیشرفت

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

- 1- شریعتی 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- ہیڈ آفس اور ملک کے مختلف حصوں میں قائم برانچز کے اسٹاف نے تکافل بزنس کو بڑھانے میں تندی سے کام لیا۔ ان کی محنت کے نتیجے میں ہیڈ آفس اور برانچز میں متعدد تکافل معاہدات ریکارڈ کئے گئے۔
- 3- اسلامی بینکوں کے ساتھ تکافل معاہدوں کے معاملے میں نمایاں کامیابی حاصل کی گئی ہے۔ اس سال ہم نے بینکوں کے صارفین کیلئے "ضامن" کے نام سے ایک بڑا ڈاکٹ کی منظوری دی ہے۔
- 4- الفلاح انشورنس کمپنی (ونڈو تکافل آپریشن) نے خاص طور پر ایک مستقل تکافل ایڈمنسٹریشن سسٹم کا نفاذ کیا ہے۔ جو ونڈو تکافل آپریشنز کی تمام انتظامی ذمہ داریوں کو نبھا رہا ہے۔
- 5- تکافل فنڈز سے سرمایہ کاری کے لئے شریعتی ایڈوائزر نے شریعتی کپلائٹ 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۔

شریعتی سرٹیفیکیشن

الفلاح انشورنس کمپنی (ونڈو تکافل آپریشن) کے شریعتی 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۔ پی۔ ٹی۔ ایف پالیسیوں، تکافل پالیسیوں اور ری تکافل معاہدات وغیرہ کا احتیاط سے جائزہ لیا ہے اور الحمد للہ میں نے ان کو شریعتی اصولوں سے ہم آہنگ پایا ہے۔ مزید یہ کہ دوران سال جاری کی جانے والی تکافل پالیسیاں شریعتی کی ہدایات کے مطابق جاری کی گئی ہیں۔
- ☆ ونڈو تکافل کے مرکزی دفتر کا پر عزم عملہ، کسی بھی تکافل پالیسی کے اجراء سے قبل شریعتی رہنمائی اور مشورہ لیتا ہے اور ہمیشہ شریعتی کپلائٹس آفیسر کے مشورہ اور شریعتی ایڈوائزر کی جانب سے فراہم کردہ ہدایات کے مطابق ہی تکافل پالیسیاں بناتا ہے۔

Statement of Compliance with the Shariah Principles For the year ended December 31, 2018

The financial arrangements, contracts and transactions, entered into by Alfalah Insurance Company Limited - Window Takaful Operations ('the Operator') for the year ended December 31, 2018 are in compliance with the Takaful Rules, 2012.

Further, we confirm that:

- The Operator has developed and implemented all the policies and procedures in accordance with the Takaful Rules, 2012 and rulings of the Shariah Advisor along with a comprehensive mechanism to ensure compliance with such rulings and Takaful Rules, 2012 in their overall operations. Further, the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee / Shariah Advisor and the Board of Directors have been implemented;
- The Operator has imparted necessary trainings / orientations and ensured availability of manuals / agreements approved by Shariah Advisor to maintain the adequate level of awareness, capacity and sensitization of the staff and management;
- All the products and policies have been approved by Shariah Advisor and the financial arrangements including investments made, policies, contracts and transactions entered into by Window Takaful Operations are in accordance with the polices approved by Shariah Advisor; and
- The assets and liabilities of Window Takaful Operations (Participants' Takaful Fund and Operator's fund) are segregated from its other assets and liabilities, at all times in accordance with the provisions of the Takaful Rules, 2012.

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



NASAR US SAMAD QURESHI
Chief Executive Officer



KPMG Taseer Hadi & Co.
Chartered Accountants
351 Shadman-1, Jail Road,
Lahore 54000 Pakistan
+ 92 (42) 111-KPMGTH (576484), Fax +92 (42) 3742 9907

INDEPENDENT AUDITOR'S REPORT

To the members of Alfalah Insurance Company Limited - Window Takaful Operations ("the Operator")

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Alfalah Insurance Company Limited - Window Takaful Operations** ("the Operator") which comprise the statement of financial position as at 31 December 2018, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows 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 statement of cash flows 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 2018 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 Operator in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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



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INDEPENDENT AUDITOR'S REPORT

- 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.

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Operator as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows 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 Bilal Ali.

Lahore

Date: 21 February 2019

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

Alfalah Insurance Company Limited

Window Takaful Operations

Statement of Financial Position

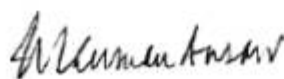
As at 31 December 2018

	Note	2018			2017
		Operator's Fund	Participants' Takaful Fund	Aggregate	Aggregate
ASSETS					
----- (Rupees in thousand) -----					
Operating assets	5	41	-	41	62
Investment - Term deposits	6	-	-	-	50,000
Wakala and mudarib fee receivable		18,527	-	18,527	22,583
Loans and other receivables		-	-	-	5,235
Takaful / retakaful receivables	7	-	27,454	27,454	18,393
Retakaful recoveries against outstanding claims		-	13,108	13,108	587
Salvage recoveries accrued		-	2,501	2,501	4,253
Qard-c-Hasna to Participant Takaful Fund		30,000	-	30,000	25,000
Deferred commission expense / acquisition cost	19	8,273	-	8,273	5,710
Deferred wakala fee	14	-	32,511	32,511	21,866
Taxation - payments less provision		-	1,240	1,240	488
Prepaid retakaful contribution coded	12	-	12,377	12,377	6,649
Cash and bank	8	65,261	157,518	222,779	116,033
TOTAL ASSETS		122,102	246,709	368,811	276,859
FUND AND LIABILITIES					
<u>Funds attributable to Operator and Participants</u>					
<i>Operator's Fund:</i>					
Statutory fund	9	50,000	-	50,000	50,000
Unappropriated profit		17,763	-	17,763	7,534
		67,763	-	67,763	57,534
<i>Waaf / Participants' Takaful Fund:</i>					
Coded moncy		-	500	500	500
Accumulated deficit		-	(2,955)	(2,955)	(12,912)
		-	(2,455)	(2,455)	(12,412)
Qard-c-Hasna from Operators' Fund		-	30,000	30,000	25,000
<u>Liabilities</u>					
<i>Underwriting provisions:</i>					
Outstanding claims including IBNR	13	-	52,913	52,913	31,074
Unearned contribution reserve	12	-	109,248	109,248	73,721
Unearned retakaful rebate	16	-	1,912	1,912	960
Contribution received in advance		-	2,253	2,253	622
Re takaful / Co-takaful payables		807	11,377	12,184	12,278
Wakala and mudarib fee payable		-	18,527	18,527	22,583
Unearned wakala fee	14	32,511	-	32,511	21,866
Other creditors and accruals	10	21,021	22,934	43,955	43,633
Total liabilities		54,339	219,164	273,503	206,737
Contingencies and commitments	11				
TOTAL FUND AND LIABILITIES		122,102	246,709	368,811	276,859


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



Chairman



Director



Director



Chief Executive Officer

Alfaluh Insurance Company Limited

Window Takaful Operations

Profit and Loss Account

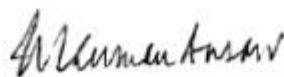
For the year ended 31 December 2018

<u>Participants' revenue account</u>	Note	2018 (Rupees in thousand)	2017
Net contribution revenue	12	194,363	136,269
Net claims	13	(105,898)	(78,271)
Wakala fee	14	(62,847)	(43,135)
Direct expenses	15	(27,663)	(21,203)
Rebate on re-takaful	16	5,430	3,177
Claims and acquisition expenses		(190,978)	(139,432)
Underwriting surplus/ (deficit)		3,385	(3,163)
Investment income - net	17	1,670	529
Other income	18	4,902	3,429
Surplus for the year		9,957	795
 <u>Operators' revenue account</u>			
Wakala fee	14	62,847	43,135
Commission expense	19	(16,987)	(9,146)
Management expenses	20	(30,686)	(24,503)
		15,174	9,486
Investment income - net	17	1,166	235
Mudarib's share of PTF investment income		557	177
Other income	18	951	949
Other expenses	21	(3,441)	(2,437)
Profit before tax		14,407	8,410
Taxation	22	(4,178)	(2,702)
Profit after tax		10,229	5,708


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



Chairman



Director



Director



Chief Executive Officer

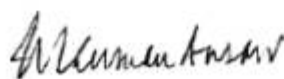
Alfalah Insurance Company Limited Window Takaful Operations Statement of Comprehensive Income For the year ended 31 December 2018

	2018	2017
	(Rupees in thousand)	
Profit after tax	10,229	5,708
Other comprehensive income		
<u>Items that will not be reclassified to profit and loss account:</u>		
Re-measurement loss on defined benefit obligations	-	(64)
Total comprehensive income	10,229	5,644

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



Chairman



Director



Director



Chief Executive Officer

Alfalah Insurance Company Limited

Window Takaful Operations

Statement of Cash Flows

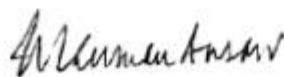
For the year ended 31 December 2018

	2018			2017		
	Operator's Fund	Participants' Takaful Fund	Aggregate	Operator's Fund	Participants' Takaful Fund	Aggregate
(Rupees in thousand)						
Operating cash flows						
(a) Takaful activities						
Contributions received	-	257,817	257,817	-	168,127	168,127
Retakaful contribution paid	-	(39,364)	(39,364)	-	(18,714)	(18,714)
Retakaful rebate received	-	4,035	4,035	-	2,570	2,570
Claims paid	-	(113,706)	(113,706)	-	(60,980)	(60,980)
Commissions paid	(15,201)	-	(15,201)	(8,341)	-	(8,341)
Retakaful recoveries received	-	17,126	17,126	-	126	126
Management expenses	(25,825)	(27,428)	(53,253)	(30,548)	(21,056)	(51,604)
Net cash (outflows)/ inflows from takaful activities	(41,026)	98,480	57,454	(38,889)	70,073	31,184
(b) Other operating activities						
Income tax paid	-	(752)	(752)	(119)	(415)	(534)
Other operating receipts/ (payments)	59,788	(68,990)	(9,202)	69,195	(53,356)	15,839
Loans disbursed	-	-	-	(325)	-	(325)
Loans repayed	-	-	-	325	-	325
Net cash inflows/ (outflows) from other operating activities	59,788	(69,742)	(9,954)	69,076	(53,771)	15,305
Total cash inflows/ (outflow) from operating activities	18,762	28,738	47,500	30,187	16,302	46,489
Investment activities						
Profit/ return received	2,674	6,572	9,246	1,184	4,135	5,319
Qard-e-Hasna paid to Participant's Takaful Fund	(5,000)	-	(5,000)	(5,000)	-	(5,000)
Payment for investments	-	-	-	(25,000)	(25,000)	(50,000)
Receipts from investments	25,000	25,000	50,000	-	-	-
Fixed capital expenditure	-	-	-	(82)	-	(82)
Total cash (outflows) / inflows from investing activities	22,674	31,572	54,246	(28,898)	(20,865)	(49,763)
Financing activities						
Contribution to operator's fund	-	-	-	-	-	-
Qard-e-Hasna received from Operator's Fund	-	5,000	5,000	-	5,000	5,000
Ceded money	-	-	-	-	-	-
Total cash (outflow)/ inflows from financing activities	-	5,000	5,000	-	5,000	5,000
Net cash inflow during the year	41,436	65,310	106,746	1,289	437	1,726
Cash at the beginning of the year	23,825	92,208	116,033	22,536	91,771	114,307
Cash at the end of the year	65,261	157,518	222,779	23,825	92,208	116,033
Reconciliation to profit and loss account						
Operating cash flows	18,762	28,738	47,500	30,187	16,302	46,489
Depreciation	(21)	-	(21)	(20)	-	(20)
Increase in assets other than cash	(6,493)	36,720	30,227	(4,130)	22,164	18,034
Increase in liabilities	(4,693)	(62,073)	(66,766)	(21,513)	(41,806)	(63,319)
Return on bank deposits	2,674	6,572	9,246	1,184	4,135	5,319
Net surplus / (deficit) for the year	10,229	9,957	20,186	5,708	795	6,503

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



Chairman



Director



Director



Chief Executive Officer

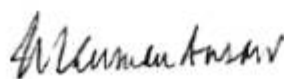
Alfalah Insurance Company Limited Window Takaful Operations Statement of Changes in Fund For the year ended 31 December 2018

	Operator's Fund		
	Statutory fund	Unappropriated profit	Total
	----- (Rupees in thousand) -----		
Balance as at 01 January 2017	50,000	1,890	51,890
<i>Total comprehensive income for the year :</i>			
Profit after tax	-	5,708	5,708
Other comprehensive loss for the year	-	(64)	(64)
	-	5,644	5,644
Balance as at 31 December 2017	50,000	7,534	57,534
<i>Total comprehensive income for the year :</i>			
Profit after tax	-	10,229	10,229
Other comprehensive loss for the year	-	-	-
	-	10,229	10,229
Balance as at 31 December 2018	50,000	17,763	67,763

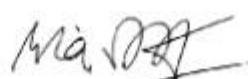
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Chairman



Director



Director



Chief Executive Officer

Alfalah Insurance Company Limited

Window Takaful Operations

Statement of Changes in Fund

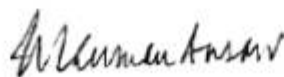
For the year ended 31 December 2018

	Participants' Takaful Fund		
	Cede money	Accumulated deficit	Total
<i>Note</i>	----- (Rupees in thousand) -----		
Balance as at 01 January 2017	500	(13,707)	(13,207)
<u>Total comprehensive income for the year:</u>			
Surplus for the year	-	795	795
Balance as at 31 December 2017	500	(12,912)	(12,412)
<u>Total comprehensive income for the year:</u>			
Surplus for the year	-	9,957	9,957
Balance as at 31 December 2018	500	(2,955)	(2,455)


The annexed notes from 1 to 32 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 2018

1 Reporting entity

1.1 Legal status and nature of business

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

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

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

1.2 Summary of significant events and transactions in the current reporting period

Due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the fifth schedule of the Companies Act, 2017, certain additional disclosures have been presented in these financial statements.

2 Basis of accounting

2.1 Statement of compliance

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

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

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

2.1.2 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.

Alfalah Insurance Company Limited

Window Takaful Operations

Notes to the Financial Statements

For the year ended 31 December 2018

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of judgment and estimates

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

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

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

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

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

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

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

Alfalsh Insurance Company Limited Window Takaful Operations Notes to the Financial Statements For the year ended 31 December 2018

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment to be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Operator's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The application of this standard is not likely to have an impact on Operator's financial statements.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instrument. The application of this standard is not likely to have a material impact on Operator's financial statements.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The application of this standard is not likely to have a material impact on Operator's financial statements.

Annual Improvements to IFRS Standards 2015-2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

Alfalah Insurance Company Limited

Window Takaful Operations

Notes to the Financial Statements

For the year ended 31 December 2018

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

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Operator's financial statements.

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.

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.

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.

Alfalah Insurance Company Limited

Window Takaful Operations

Notes to the Financial Statements

For the year ended 31 December 2018

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.

Alfalah Insurance Company Limited

Window Takaful Operations

Notes to the Financial Statements

For the year ended 31 December 2018

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

4.2.3 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").

Alfalah Insurance Company Limited

Window Takaful Operations

Notes to the Financial Statements

For the year ended 31 December 2018

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.

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.

Alfalah Insurance Company Limited

Window Takaful Operations

Notes to the Financial Statements

For the year ended 31 December 2018

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 Rules, 2017.
- for marine cargo business, contribution written is recognized as provision for unearned contribution until the commencement of voyage.

4.6 Receivables and Payables related to takaful contracts

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

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

4.7 Retakaful contracts held

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

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

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

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

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

Alfalah Insurance Company Limited

Window Takaful Operations

Notes to the Financial Statements

For the year ended 31 December 2018

4.8 Retakaful expense

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

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

The portion of retakaful contribution ceded not yet recognized as an expense is recognized as a prepayment. The prepaid portion of contribution ceded is recognized as an asset. Such asset is calculated by applying the twenty-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.

Alfalah Insurance Company Limited

Window Takaful Operations

Notes to the Financial Statements

For the year ended 31 December 2018

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 2018 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.

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:

Alfalah Insurance Company Limited

Window Takaful Operations

Notes to the Financial Statements

For the year ended 31 December 2018

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

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

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

4.15 Cash and Cash equivalents

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

4.16 Employees benefit

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

Post employment benefits - Defined benefit plan

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

The calculation of defined benefit obligation is performed annually by a qualified actuary using the 'Projected Unit Credit Method' and latest actuarial valuation has been carried out at 31 December 2018. When calculation results in a potential asset for the Operator, the recognized asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Following are the significant assumptions being used:

	Per annum	
	2018	2017
- Discount rate	13.25%	8.25%
- Expected rate of increase in salary level	12.25%	7.25%
- Expected rate of return on plan assets	13.25%	8.25%

Alfaluh Insurance Company Limited

Window Takaful Operations

Notes to the Financial Statements

For the year ended 31 December 2018

4.17 Creditors and accruals

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

4.18 Provisions and contingencies

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

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

4.19 Revenue recognition

4.19.1 Participant's' Takaful Fund

Contribution

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

Rebate from retakaful operators

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

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

Miscellaneous Income

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

Alfalah Insurance Company Limited

Window Takaful Operations

Notes to the Financial Statements

For the year ended 31 December 2018

4.20 Management Expenses

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

4.21 Taxation

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

4.22 Segment reporting

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

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

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

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them. Those assets and liabilities which 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.

Alfalsh Insurance Company Limited Window Takaful Operations Notes to the Financial Statements For the year ended 31 December 2018

	Note	2018			2017		
		OPF	PTF	Aggregate	Aggregate		
5 Operating assets		(Rupees in thousand)					
Opening balance - net book value		62	-	62	-		
Additions during the year	5.1	-	-	-	82		
Book value of disposals during the year		-	-	-	-		
Depreciation charged during the year		(21)	-	(21)	(20)		
		(21)	-	(21)	(20)		
		41	-	41	62		
5.1 Additions during the year							
Computer equipment		-	-	-	82		
5.2 The depreciation charge for the year is at 25%.							
6 Investment							
Term deposits - Held to maturity							
Deposits maturing within 12 months	6.1	-	-	-	50,000		
6.1 This represent term deposit receipts placed with Bank Alfalah Limited.							
7 Takaful / re-takaful receivables	Note						
Contribution due from policy holders		-	22,415	22,415	14,616		
Provision for impairment of receivables from takaful contract holders		-	(1,436)	(1,436)	(654)		
		-	20,979	20,979	13,962		
Amount due from other takaful / retakaful operator		-	6,475	6,475	4,431		
		-	27,454	27,454	18,393		
8 Cash and Bank							
Cash at bank							
Cash and other equivalents		24	-	24	27		
Savings accounts	8.1	65,237	157,518	222,755	116,006		
		65,261	157,518	222,779	116,033		
8.1 The rate of profit on profit and loss sharing accounts from bank range from 4.04% to 9.65% (2017: 3.49% to 4.08%) per annum depending upon the size of average deposits.							
8.2 Cash and bank deposits include Rs. 97.36 million (2017: Rs. 85.30 million) held with Bank Alfalah Limited.							
9 Statutory fund							
Amount of Rs. 50 million is deposited as statutory reserves to comply with provisions of para 4 of Circular No 8 of 2014 read with section 11(c) of Takaful Rules, 2012 issued by SECP.							
10 Other creditors and accruals	Note						
Federal excise duty		-	2,461	2,461	1,181		
Federal insurance fee		-	536	536	504		
Payable to Alfalah Insurance Company Limited	10.1	10,494	6,642	17,136	20,338		
Taxes payable		28	3,811	3,839	2,482		
Agency commission payable		9,733	-	9,733	6,061		
Accrued expenses	10.2	766	7,876	8,642	7,304		
Payable to Participant's Fund		-	-	-	-		
Others	10.3	-	1,608	1,608	5,763		
		21,021	22,934	43,955	41,633		
10.1 This represents payable in respect of common expenses incurred by Alfalah Insurance Company Limited on behalf of the Operator.							
10.2 Accrued expenses							
Tracker expense payable		-	7,876	7,876	6,378		
Bonus payable		491	-	491	685		
Audit fee payable		261	-	261	241		
Sundry expenses payable		14	-	14	-		
		766	7,876	8,642	7,304		
10.3 Unclaimed insurance benefits							
Others include unclaimed insurance benefits of Rs. 0.412 million (2017: Rs. Nil), aging of which is given below:							
		Age-wise breakup of unclaimed insurance benefits					
		1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	beyond 36 months	Total
		(Rupees in thousand)					
Claims not unexpired - 2018		17	255	128	12	-	412

11 Contingencies and Commitments

There are no significant contingencies and commitments as at 31 December 2018.

Alfalah Insurance Company Limited

Window Takaful Operations

Notes to the Financial Statements

For the year ended 31 December 2018

	2018	2017
	(Rupees in thousand)	
12 Net contribution revenue		
Written gross contribution	263,203	175,491
Unearned contribution reserve as at 01 January	73,721	51,476
Unearned contribution reserve as at 31 December	(109,248)	(73,721)
Contribution earned	227,676	153,246
Re-takaful ceded	(39,041)	(20,846)
Prepaid re-takaful contribution ceded 01 January	(6,649)	(2,780)
Prepaid re-takaful contribution 31 December	12,377	6,649
Re-takaful expense	(33,313)	(16,977)
	194,363	136,269
13 Net claims		
Claims paid	113,706	60,980
Outstanding claims including IBNR as at 31 December	52,913	31,074
Outstanding claims including IBNR as at 01 January	(31,074)	(13,177)
Claims expense	135,545	78,877
Re-takaful and other recoveries received	(17,126)	(126)
Re-takaful and other recoveries in respect of outstanding claims as at 31 December	(13,108)	(587)
Re-takaful and other recoveries in respect of outstanding claims as at 01 January	587	107
Re-takaful and other recoveries revenue	(29,647)	(606)
	105,898	78,271

13.1 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 2018.

	Accident year			Total
	2016	2017	2018	
	(Rupees in thousand)			
Estimate of ultimate claims cost				
At the end of accident year with IBNR	119	615	34,263	34,997
One year later	104	546	-	650
Two years later	104	-	-	104
Current estimate of cumulative claims	104	546	34,263	34,913
Cumulative payments to date	(104)	(47)	(19,609)	(19,760)
Liability recognized	-	499	14,654	15,153

	2018	2017
	(Rupees in thousand)	
14 Wakala fee		
Gross wakala fee	73,492	47,127
Deferred wakala fee as at 01 January	21,866	17,874
Deferred wakala fee as at 31 December	(32,511)	(21,866)
	62,847	43,135

Alfalsh Insurance Company Limited

Window Takaful Operations

Notes to the Financial Statements

For the year ended 31 December 2018

		2018	2017
		(Rupees in thousand)	
15	Direct Expenses - PTF		
	Bank charges	89	126
	Tracker expenses	26,792	20,423
	Provision for doubtful debts	782	654
		27,663	21,203
16	Rebate on re-takaful		
	Rebate on re-takaful received	6,382	3,451
	Rebate on re-takaful as at 01 January	960	686
	Rebate on re-takaful as at 31 December	(1,912)	(960)
		5,430	3,177
17	Investment income - net		
	<u>Participant's Takaful Fund</u>		
	Profit on Term deposit receipts	2,227	706
	Mudarib's fee	(557)	(177)
		1,670	529
	<u>Operator's Fund</u>		
	Profit on Term deposit receipts	1,166	235
18	Other Income		
	This represents profit on savings' account amounting to Rs. 4.90 million and Rs. 0.95 million (2017: Rs. 3.4 million and Rs. 0.95 million) pertaining to Participant Takaful fund and Operator's fund respectively.		
19	Commission expense	2018	2017
		(Rupees in thousand)	
	Commission paid or payable	19,550	11,254
	Deferred commission as at 01 January	5,710	3,602
	Deferred commission as at 31 December	(8,273)	(5,710)
		16,987	9,146
20	Management expenses		
	Employee benefit cost	20.1	16,296
	Travelling expenses	752	13,291
	Advertisement and sales promotion	117	862
	Printing and stationery	1,230	168
	Fee and Subscription	196	698
	Depreciation	1,695	-
	Amortization	126	1,444
	Rent, rates and taxes	2,519	74
	Electricity, gas and water	694	1,596
	Vehicle running expenses	1,782	470
	Office repairs and maintenance	2,997	1,224
	Postages, telegrams and telephone	1,048	2,726
	Training and development	449	765
	Miscellaneous	785	672
		30,686	24,503

Alfalah Insurance Company Limited

Window Takaful Operations

Notes to the Financial Statements

For the year ended 31 December 2018

		2018	2017
		(Rupees in thousand)	
20.1	Employee benefit cost		
	Salaries allowances and other benefits	15,174	12,525
	Charges for post employment benefits	1,122	766
		16,296	13,291
20.2	Management expenses include reverse charge from conventional business to the Operator of Rs. 23.05 million (2017: Rs. 16.90 million) under various heads.		
	<i>Note</i>	2018	2017
		(Rupees in thousand)	
21	Other expenses		
	Insurance expenses	544	416
	Legal and professional fee	818	201
	Auditor's remuneration	361	315
	Shariah advisory fee	1,452	1,320
	Miscellaneous	266	185
		3,441	2,437
21.1	Auditor's remuneration		
	Annual Audit Fee	138	125
	Half year audit	83	75
	Shariah's Compliance report	83	75
	Sales tax	30	14
	Out of pocket	27	26
		361	315
21.2	Other expenses include reverse charge from conventional business of the Operator of Rs. 1.60 million (2017: Rs 0.80 million) under various heads.		
		2018	2017
		(Rupees in thousand)	
22	Taxation		
	Current tax	4,178	2,702
		4,178	2,702

Alfalah Insurance Company Limited

Window Takaful Operations

Notes to the Financial Statements

For the year ended 31 December 2018

	2018	2017
	(Rupees in thousand)	
23 Remuneration of head of Window Takaful Operations		
Managerial Remuneration	2,106	1,950
Leave fare assistance	53	49
Bonus paid	600	650
Charge for defined benefit plan	94	86
Contribution to defined contribution plan	105	97
Vehicle allowance	480	438
	3,438	3,270
	----- (Number) -----	
	1	1

24 Transactions with related parties

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

Other transactions with related parties are summarized as follows:

	2018	2017
	(Rupees in thousand)	
i) Associated undertakings and other related parties		
Contribution written	36,819	36,957
Contribution received	40,013	33,313
Claims paid	32,385	26,069
Markup Income	4,082	4,335
Expense charged in respect of retirement benefit plans	-	208
	<u>Key management personnel</u>	
Premium written	-	23
ii) Year end balances		
	<u>Associated undertakings and other related parties</u>	
Contribution receivable from related parties	1,617	4,113
Provision for outstanding claims	3,827	3,805

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

Alfalah Insurance Company Limited

Window Takaful Operations

Notes to the Financial Statements

For the year ended 31 December 2018

25 Segment Reporting - OPF

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

	31 December 2018					Total
	Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident & Health	Miscellaneous	
	(Rupees in thousand)					
Wakala fee	4,519	3,272	49,156	5,453	447	62,847
Commission expense	(2,337)	(1,905)	(12,662)	(13)	(70)	(16,987)
Management expenses	(2,271)	(1,272)	(22,689)	(4,251)	(203)	(30,686)
	(89)	95	13,805	1,189	174	15,174
Investment income - net						1,166
Mudarib's share of PTF investment income						557
Other income						951
Other expenses						(3,441)
Profit before tax						14,407
Segment assets	5,205	909	14,277	6,097	313	26,801
Unallocated assets						95,301
						122,102
Segment liabilities	3,055	133	29,474	264	212	33,138
Unallocated liabilities						21,201
						54,339
	31 December 2017					
	Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident & Health	Others including Miscellaneous	Total
	(Rupees in thousand)					
Wakala fee	2,208	1,751	33,704	5,272	200	43,135
Commission expense	(1,249)	(1,052)	(6,814)	(18)	(13)	(9,146)
Management expenses	(1,334)	(805)	(17,115)	(5,139)	(110)	(24,503)
	(375)	(106)	9,775	115	77	9,486
Investment income - net						235
Mudarib's share of PTF investment income						177
Other income						949
Other expenses						(2,437)
Profit before tax						8,410
Segment assets	3,054	815	21,543	2,622	82	28,116
Unallocated assets						79,064
						107,180
Segment liabilities	5,395	2,622	25,514	248	91	33,870
Unallocated liabilities						15,776
						49,646

Alfaluh Insurance Company Limited

Window Takaful Operations

Notes to the Financial Statements

For the year ended 31 December 2018

26 Segment Reporting - PTF

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

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

Alfalah Insurance Company Limited

Window Takaful Operations

Notes to the Financial Statements

For the year ended 31 December 2018

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

Alfalsh Insurance Company Limited

Window Takaful Operations

Notes to the Financial Statements

For the year ended 31 December 2018

27 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 recognises the critical importance of having efficient and effective risk management system in place.

The Board of Directors meets regularly to approve any commercial, regulatory and organizational decisions. The Chief Executive Officer under the authority delegated from the Board of Directors defines the Operator's risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, 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 27.1.1
 - Liquidity risk - note 27.1.2
 - Market risk - note 27.1.3
- b) Capital adequacy risk - note 27.2
- c) Takaful risk - note 27.3

27.1 Financial risk

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

27.1.1 Credit risk

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

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

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

Financial assets		2018	2017
		(Rupees in thousand)	
Bank balances	- note 27.1.1.1	222,779	116,033
Takaful / re-takaful receivables	- note 27.1.1.2	27,454	18,393
Retakaful recoveries against outstanding claims	- note 27.1.1.3	13,108	587
Term deposits		-	50,000
		263,341	185,013

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

	Rating		Agency	2018	2017
	Short term	Long term		(Rupees in thousand)	
Bank Alfalah Limited	A1+	AA+	PACRA	97,362	85,291
Meezan Bank Limited	A-1+	AA+	JCR-VIS	1,059	25,000
Askari Bank Limited	A1+	AA+	PACRA	24,334	5,715
Dubai Islamic Bank	A-1+	AA-	JCR-VIS	100,000	-
				222,755	116,006

Alfalah Insurance Company Limited

Window Takaful Operations

Notes to the Financial Statements

For the year ended 31 December 2018

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

	2018	2017
	(Rupees in thousand)	
Sector wise analysis of contributions due from policy holders is as follows :		
Financial institutions	16,549	10,324
Manufacturing	846	1,753
Construction	539	316
Personal Goods	581	6
Health & Pharmaceutical	1,044	625
Textile & Composite	319	298
Others including miscellaneous	2,537	1,294
	22,415	14,616

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:

	2018			2017		
	Related parties	Others	Total	Related parties	Others	Total
	----- (Rupees in thousand) -----					
Up to 1 year	1,614	19,040	20,654	4,113	9,849	13,962
1-2 years	3	1,104	1,107	-	654	654
2-3 years	-	654	654	-	-	-
	1,617	20,798	22,415	4,113	10,503	14,616

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

	Amount due from Takaful / Other retakaful Operators	Retakaful recoveries against outstanding claims	Total
	----- (Rupees in thousand) -----		
As at 31 December 2018			
BB+ or above	6,475	13,108	19,583
BBB and BBB+	-	-	-
	6,475	13,108	19,583
As at 31 December 2017			
BB+ or above	4,431	585	5,016
BBB and BBB+	-	2	2
	4,431	587	5,018

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:

Alfalah Insurance Company Limited

Window Takaful Operations

Notes to the Financial Statements

For the year ended 31 December 2018

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

	2018		2017	
	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	12,658	43,431	587	27,817
1-2 years	450	7,504	-	3,257
2 to 3years	-	1,978	-	-
	13,108	52,913	587	31,074

27.1.2 Liquidity risk

Liquidity risk is the risk that the Operations will not be able to meet its financial obligations as they fall due. The Operations' approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient 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 summarizes 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:

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

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

	2017 OPF			
	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year
----- (Rupees in thousand) -----				
Re takaful / Co-takaful payables	275	275	275	-
Other creditors and accruals	27,505	27,505	27,505	-
	27,780	27,780	27,780	-

	2017 PTF			
	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year
----- (Rupees in thousand) -----				
Outstanding claims including IBNR	31,074	31,074	31,074	-
Re takaful / Co-takaful payables	12,003	12,003	12,003	-
Other creditors and accruals	16,128	16,128	16,128	-
	59,205	59,205	59,205	-

Alfalah Insurance Company Limited

Window Takaful Operations

Notes to the Financial Statements

For the year ended 31 December 2018

27.1.3 Market risk

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

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

27.1.3.1 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:

	2018 Effective Interest rate %	Carrying amounts		Carrying amounts	
		Maturity up to one year		Maturity after one year	
		OPF	PTF	OPF	PTF
		----- (Rupees in thousand) -----			
Financial assets					
Bank balances	4.04% to 9.65%	65,261	157,518	-	-
Term deposit receipt		-	-	-	-
		<u>65,261</u>	<u>157,518</u>	<u>-</u>	<u>-</u>

	2017 Effective Interest rate %	Carrying amounts		Carrying amounts	
		Maturity up to one year		Maturity after one year	
		OPF	PTF	OPF	PTF
		----- (Rupees in thousand) -----			
Financial assets					
Bank balances	3.49% to 4.08%	23,825	92,208	-	-
Term deposit receipt	5.34% to 5.88%	25,000	25,000	-	-
		<u>48,825</u>	<u>117,208</u>	<u>-</u>	<u>-</u>

As on 31 December 2018, Operator had no financial instrument valued at fair value through profit and loss account.

27.1.3.2 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.

27.1.3.3 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.

Alfaluh Insurance Company Limited

Window Takaful Operations

Notes to the Financial Statements

For the year ended 31 December 2018

27.2 Capital adequacy risk

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

27.3 Takaful risk

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

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

- Contribution Risk - note 27.3.1
- Claim Risk - note 27.3.2
- Retakaful Risk - note 27.3.3

27.3.1 Contribution Risk

The takaful strategy aims to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Pricing is generally based upon risk quality, historical claims frequencies, claims averages, adjusted for inflation and imposition of deductibles. Risk 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 (Catastrophic 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	
	2018	2017	2018	2017
Fire	45%	46%	19%	22%
Marine	36%	34%	13%	11%
Motor	16%	19%	57%	66%
Accident and Health	3%	0%	11%	0%
Others including miscellaneous	1%	1%	0%	1%
	100%	100%	100%	100%

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

	PTF			
	Gross contribution written		Net contribution written	
	2018	2017	2018	2017
Fire	7%	5%	1%	1%
Marine	4%	3%	0%	0%
Motor	74%	70%	82%	75%
Accident and Health	14%	21%	16%	24%
Others including miscellaneous	1%	1%	0%	0%
	100%	100%	100%	100%

Alfalah Insurance Company Limited

Window Takaful Operations

Notes to the Financial Statements

For the year ended 31 December 2018

27.3.2 Claim risk

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

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

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

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

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

Sensitivity analysis

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

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

	PTF			
	Underwriting result		Shareholders' Equity	
	2018	2017	2018	2017
	(Rupees in thousand)			
Fire	5	-	4	-
Marine	2,535	6	1,800	4
Motor	6,855	4,655	4,867	3,258
Accident and Health	3,284	-	2,332	-
Others including Miscellaneous	160	-	114	-
	12,839	4,661	9,116	3,262

27.3.3 Retakaful risk

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

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

Alfaluh Insurance Company Limited

Window Takaful Operations

Notes to the Financial Statements

For the year ended 31 December 2018

28 Fair value measurement of financial instruments

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

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

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
 - Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, derived from prices) (Level 2)
 - Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs (Level 3)
- Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred.

	31 December 2018		Fair value			
	Carrying amount		Level 1	Level 2	Level 3	Total
	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities			
	Rupees		Rupees			
Financial assets - measured at fair value	-	-	-	-	-	-
<i>Financial assets - not measured at fair value</i>						
Investment - Term deposits*	6	-	-	-	-	-
Takaful / re-takaful receivables*	7	27,454	-	-	-	27,454
Re-takaful recoveries against outstanding claims*	8	13,108	-	-	-	13,108
Cash and bank*	9	-	222,779	-	-	222,779
		40,562	222,779	-	-	263,341
Financial liabilities - measured at fair value	-	-	-	-	-	-
<i>Financial liabilities - not measured at fair value</i>						
Underwriting provisions	13	-	52,913	-	-	52,913
outstanding claims including IBNR*		-	12,184	-	-	12,184
Re-takaful / Co-takaful payables*	10	-	43,985	-	-	43,985
Other creditors and accruals*		-	109,052	-	-	109,052

Alfalah Insurance Company Limited Window Takaful Operational Notes to the Financial Statements For the year ended 31 December 2018

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

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								
31 December 2017								
	Financial assets - measured at fair value							
	<i>Financial assets - not measured at fair value</i>							
6	Investment - Term deposits*	50,000	-	-	-	-	-	50,000
7	Takaful / re-takaful receivables*	18,393	-	-	-	-	-	18,393
	Renaqafal recoveries against outstanding claims*	587	-	-	-	-	-	587
8	Cash and bank*	-	116,033	-	-	-	-	116,033
		68,980	116,033	-	-	-	-	185,013
	Financial liabilities - measured at fair value							
	<i>Financial liabilities - not measured at fair value</i>							
13	Underwriting provisions	-	-	31,074	-	-	-	31,074
	Outstanding claims including IBNR*	-	-	12,278	-	-	-	12,278
10	Re takaful / Co-takaful payables*	-	-	41,151	-	-	-	41,151
	Other creditors and accruals*	-	-	84,503	-	-	-	84,503

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

29 Subsequent events - non adjusting event

There are no significant events that need to be disclosed for the year ended 31 December 2018.

Alfalah Insurance Company Limited Window Takaful Operations Notes to the Financial Statements For the year ended 31 December 2018

30 Date of authorization for issue

These financial statements have been authorized for issue on 21 February 2019 by the Board of Directors of the Operator.

31 Corresponding figures

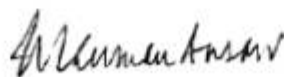
Corresponding figures have been re-arranged or reclassified wherever necessary, for the purpose of comparison.

32 General

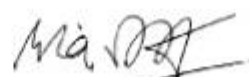
Figures have been rounded off to the nearest thousand rupees unless other wise stated.



Chairman



Director



Director



Chief Executive Officer

Notice of 13th Annual General Meeting

Notice is hereby given that 13th Annual General Meeting of the Shareholders of Alfalah Insurance Company Limited (the "Company") will be held on Monday, April 29, 2019 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 12th Annual General Meeting held on April 30, 2018.
2. To receive, consider and adopt the financial statements of Conventional business and Window takaful operations for the year ended December 31, 2018 along with the Director's and Auditor's report thereon, Shariah Advisor's Report and Auditor's assurance report on Compliance with Shariah rules and principles.
3. To appoint Statutory and Shariah Compliance Auditors of the Company for the year ending December 31, 2019 and to fix their remuneration.

M/s EY Ford Rhodes, Chartered Accountants, being eligible for appointment, have shown their willingness to act as external auditors of the Company for the year ending December 31, 2019. The Audit Committee and Board of directors in their respective meetings have suggested and recommended M/s EY Ford Rhodes, Chartered Accountants as external and Shariah Compliance Auditors of the Company for the year ending December 31, 2019.

The present auditors M/s KPMG Taseer Hadi & Company, Chartered Accountants were rotated after completion of two years. It was done in order to comply with the joint notification of State Bank of Pakistan and SECP dated 25th February 2004 which requires M/s Bank Alfalah Limited to ensure that all its associated companies engaged in the business of providing financial services should appoint the same firm of auditors and M/s EY Ford Rhodes, Chartered Accountants were the current auditors of the M/s Bank Alfalah Limited.

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

Date: April 8, 2019
Lahore



By order of the Board
Adnan Waheed
Company Secretary

Notes

- 1) The Share Transfer Books of the Company will be closed from April 22, 2019 to April 29, 2019 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.

پراکسی فارم

کمپنی سیکرٹری

الفلاح انشورنس کمپنی لمیٹڈ

۵۔ سینٹ میری پارک، گلبرگ ۱۱۱ لاہور۔

”میں / ہم“ ساکن _____ بحیثیت رکن الفلاح انشورنس کمپنی لمیٹڈ

بزرگ بھائی / بھائی کی عدم دستیابی ساکن _____ کو یا ان کی عدم دستیابی

کی صورت میں مہمی ساکن _____ کو میری / ہماری جانب سے پراکسی

مقرر کر رہا ہوں تاکہ وہ الفلاح انشورنس کمپنی لمیٹڈ کے اپریل _____، ۲۰۱۹ء 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 _____ ۲۰۱۹ء

نام: _____

حاصل _____ عام حصص

گواہان:

۱. دستخط: _____

نام: _____

پتہ: _____

سی این آئی سی / پاسپورٹ نمبر: _____

۲. دستخط: _____

نام: _____

پتہ: _____

سی این آئی سی / پاسپورٹ نمبر: _____

Alfalah Insurance Network

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