



Alfalah Insurance

# Annual Report

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23



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# ABOUT US



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



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

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



## The Abu Dhabi Group

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



# Company Information

## Chairman

H.H. Sheikh Nahayan Mubarak Al Nahayan

## Board of Directors

H.H. Sheikh Nahayan Mubarak Al Nahayan

H.E Sheikh Saif Bin Mohammed Bin Butti

Mr. Khalid Mana Saeed Al Otaiba

Mr. Atif Bajwa

Mr. Khaled Jamal Abdul Rahman Khanfar

Ms. Anjum Hai

Mr. Abdul Haye Mughal

Director

Director

Director

Director

Director

Director

Director

## Chief Executive & Managing Director

Mr. Abdul Haye Mughal

## Chief Financial Officer & Company Secretary

Mr. Adnan Waheed

## Board Committees:

### Board Advisory/Strategy Committee:

Mr. Atif Bajwa

Mr. Khaled Jamal Abdul Rahman Khanfar

Ms. Anjum Hai

Mr. Abdul Haye

Chairman

Member

Member

Member

### Audit Committee:

Mr. Atif Bajwa

Mr. Khaled Jamal Abdul Rahman Khanfar

Ms. Anjum Hai

Mr. Faisal Shahzad

Chairman

Member

Member

Secretary

### Ethics, Human Resource and Remuneration Committee:

Mr. Atif Bajwa

Mr. Khaled Jamal Abdul Rahman Khanfar

Ms. Anjum Hai

Mr. Abdul Haye

Mr. Adnan Waheed

Chairman

Member

Member

Member

Secretary

### Investment Committee:

Mr. Atif Bajwa

Mr. Khaled Jamal Abdul Rahman Khanfar

Ms. Anjum Hai

Mr. Abdul Haye

Mr. Adnan Waheed

Chairman

Member

Member

Member

Member & Secretary

## Management Committees:

### Underwriting Committee:

Mr. Abdul Haye

Mr. Raza Javaid

Mr. Faisal Arshad

Mr. Amer Sarfraz

Chairman

Member

Member

Member & Secretary

### Claims Settlement Committee:

Mr. Abdul Haye

Mr. Adnan Waheed

Ch. Manzoor Hussain

Member

Member

Member & Secretary

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

Mr. Abdul Haye  
Mr. Faisal Arshad  
Mr. Shahzad Aamir

Chairman  
Member  
Member & Secretary

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

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

Chairman  
Member  
Member  
Member & Secretary

### **Conventional Banks**

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

### **Takaful Banks**

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

### **Auditors**

M/s A. F. Fergusson & Co,  
Chartered Accountants

### **Legal Advisors**

Mahmood & Partners

### **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 & Mission

### VISION

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

### MISSION

We undertake to provide world class service with unmatched security to our clients and help in increasing awareness about insurance in the country, as well as enhancing public confidence in the insurance industry in Pakistan.

We will introduce new modern insurance products comparable with international standards and will emerge as an innovative insurer providing complete risk management solutions to the insuring public in Pakistan.

## Board of Directors



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



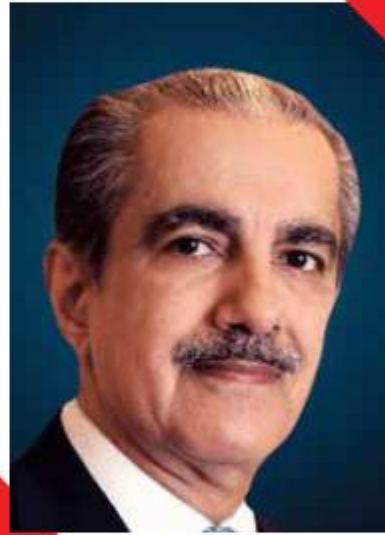
His Excellency Sheikh  
Saif Bin Mohammed Bin Butti  
**Director**



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



Mr. Khaled Khanfer  
**Director**



Mr. Atif Bajwa  
**Director**



Ms. Anjum Hai  
**Director**



Mr. Abdul Haye  
**MD & CEO**



# “A” IS IN OUR DNA

UPGRADED TO “AA+” BY PACRA

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

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



MOTOR



INDUSTRIAL



PROPERTY



CARGO



TEXTILE



TRAVEL



ENERGY



HEALTH



AGRICULTURE



## Directors Report to the Share Holders

The Directors of Alfalah Insurance Company Limited are pleased to submit 18<sup>th</sup> Annual Report of your Company, together with audited financial statements for the year ended December 31, 2023.

### ECONOMIC OVERVIEW

The Year 2023 was characterized by a mix of economic challenges and positive outcomes. While concerns about inflation persisted, the country made significant strides in improving its current account deficit. The PKR underwent fluctuations as the caretaker government initiated currency adjustments in line with IMF instructions. Despite initial depreciation, measures to curb illegal exchange activities and currency smuggling led to the PKR's partial recovery. The SBP's decisions to keep the policy rate unchanged at a high 22%, a robust large scale manufacturing sector, and preparations for the upcoming elections provided reasons for optimism. In a positive turn of events, Pakistan exceeded the International Monetary Fund's revenue collection target for the first half of FY24 indicating potential of unlocking the next tranche of IMF support. This achievement highlights the country's commitment to fiscal responsibility, despite the challenges it faces.

The Current Account posted a surplus of US\$ 563million in CY23 as compared to deficit of US\$ 12 billion in CY22. Huge improvement came largely on the back of decrease in import sharply especially in first half of CY23 due to economic slowdown and import restrictions put in place by SBP. Remittances stands at US\$ 26.35 billion in CY23 as compared to US\$ 29.89 in CY22, declined by around 11.8% due to rise in intermarket and open market exchange rate gap which occurred during first half of CY23. Inflation in CY23 stands at an average 30.9% as compared to 19.7% average inflation in CY22. Going forward, inflation is expected to remain at elevated levels till January 2024, before falling below 20% in last quarter of the current fiscal year. However, further energy and gas cost hikes may keep the positive trend intact.

The Year 2024 is election year for the country,

considering the political chaos witnessed in last years — it is hoped that a strong government would emerge as a result of the elections and there would be smooth transition of power. It would not only bring the political stability in Pakistan but would also bring the economic stability for the country by making the investment climate more conducive for local/foreign investors.

## INSURANCE SECTOR

The insurance industry managed to grow by 29% on the basis of nine months ended September 30, 2023 versus same period last year. This growth was mainly dominated by the fire segment while the growth in marine and motor class was impacted due to import restrictions, high discount rates and restriction on car financing limits. The year 2024 would be a challenging year for the insurance industry in the current economic situation of the country, however, smooth transition of power through general elections during the year would improve the situation.

The SECP hosted an International InsureImpact Conference in December 2023 where it unveiled its five year plan which aimed to boost insurance penetration in Pakistan by utilizing technology, raising awareness about insurance products, and promoting crop and disaster risk insurance. It was in continuation of SECP's efforts to collaborate with industry experts and stakeholders to create a dynamic and resilient insurance landscape in Pakistan. The conference would mark a significant milestone in fostering industry growth, promoting innovation, and safeguarding the nation's future.

## ALFALAH INSURANCE PERFORMANCE

Year 2023 was a remarkable year in terms of profitability as the Company registered the highest profits of its history.

Improvement in claims expense coupled with controlled expenses, better performance of window takaful operations and the momentous investment income together pushed the Company into high profit zone and the Company managed to post profit before tax of Rs864m, i.e. 89% higher from last year.

On consolidated basis, the Company has underwritten gross premium/contribution of Rs4,842m, slightly lower than the last year by 2%. The Company didn't renew one major client in health segment which had an impact on net premium revenue due to which growth number in this component remained subdued but its impact was diluted with almost similar fiscal saving in commission expense in the same segment. The net claims expense was reduced from last year as the loss ratio in almost all classes other than the health class was improved. Management & admin expenses remained under control and were increased by Rs74m i.e. 14% despite the highest ever inflation numbers. Investment income of the Company was drastically increased by Rs247m and was more than double from the last year. It was mainly attributed to high discount rates, robust performance of stock market and enhanced investment float. Profit from window takaful operations also showed significant growth of Rs59m i.e. 42% vis a vis last year due to better contribution of motor & health class coupled with investment income. In nutshell, although the Company faced dent in its net premium revenue, however, with fiscal saving from claim and commission expenses along with heightened investment income, the Company posted the highest ever profits of Rs864m i.e. 89% higher than last year.

## Segment Wise Profitability At Glance

	Net Premium Revenue	Net Claim	Net Commission	Segment Profitability 2023	Segment Profitability 2022	Variance	%
Fire	37,856	45,737	(27,860)	19,979	(22,763)	42,742	188%
Marine	27,930	14,251	(6,300)	19,979	20,974	(995)	-5%
Motor	740,355	365,219	13,055	362,081	360,857	1,224	0%
Misc.	72,179	23,965	(44,899)	93,113	60,939	32,174	53%
Health	806,998	703,049	(90)	104,039	103,302	737	1%
<b>Total</b>	<b>1,685,318</b>	<b>1,152,221</b>	<b>(66,094)</b>	<b>599,191</b>	<b>523,309</b>	<b>75,882</b>	<b>15%</b>

**Fire Segment** contributed profit of Rs20m vis a vis the loss of Rs23m of last year. It was because the last year included a one-off loss due to fire incident at Packaging factory Lahore.

**Marine Segment** contribution was slightly decreased by Rs 1m i.e. by 5%. It was because the gross premium written in this segment was compacted due to certain import restrictions by SBP caused by low foreign reserves.

**Motor Segment** contribution was similar to last year levels. The impact of increase in net premium revenue was offset with the increase in claims expense.

**Miscellaneous Segment** contribution was significantly increased by Rs32m i.e. 53% from last year. Both the net premium revenue and the claims expenses were improved from the last year. The saving in claims was mainly due to reversal of flood losses reported in last year.

**Health Segment** contribution was also similar to last year levels. The impact of decrease in net premium revenue due to non-renewal of one major client was offset with fiscal saving in acquisition expense.

**Reinsurance** is indeed an important segment of any insurance company. The 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. The Company followed a policy of optimizing retention of risk through a carefully

designed program of insurance risk management. The Company has also increased its risk capacities for traditional reinsurance arrangements as well as obtained capacity for specialized lines.

**Window Takaful Operations (WTO)** was able to underwrite contribution of Rs676m i.e. 15% higher than last year. The PTF surplus was increased by Rs44m i.e. 172% from last year and was mainly attributable to increased contribution of motor & health class coupled with investment income. The SHF surplus was also increased by Rs59m i.e. 42% due to similar reasons.

## EARNING PER SHARE

During the year after tax earnings per share was Rs.10.63 (2022: Rs.6.07). Detailed working has been reported in Note 34 to the financial statements.

## AUDITORS

M/s A. F. Ferguson & Co., Chartered Accountants, being eligible for appointment, have shown their willingness to act as external and Shariah Compliance auditors of the Company for the year ending December 31, 2024. The Audit Committee and Board of directors in their respective meetings have recommended M/s A. F. Ferguson & Co., Chartered Accountants as external and Shariah Compliance Auditors of the Company

for the year ending December 31, 2024.

## BOARD OF DIRECTORS MEETINGS

During the year 2023, four (4) meetings of the Board were held, with attendance as follows;

Name of Directors	No. of Meetings Attended
• HH Sheikh Nahayan Mabarak Al Nahayan	4
• HE Sheikh Saif Bin Mohammad Bin Butti	-
• Mr. Khalid Mana Saeed Al Otaiba	4
• Mr. Atif Bajwa	4
• Mr. Khaled Jamal Abdul Rahman Khanfar	2
• Mr. Tanveer Hussain Awan	1
• Ms. Anjum Hai	4
• Mr. Abdul Haye	4

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

## INSURERS FINANCIAL RATING STRENGTH

PACRA, during its recent review conducted on 16<sup>th</sup> June 2023, has maintained the IFS rating of your Company at "AA+" (Double A Plus) with stable outlook. This rating denotes Very strong capacity to meet policy holders and contract obligations. Risk factors are very low, and the impact of any adverse business and economic factors is expected to be very small.

## AUDIT COMMITTEE

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

• Mr. Atif Bajwa	Chairman
• Mr. Khaled Jamal Abdul Rahman Khanfar	Member
• Ms. Anjum Hai	Member

## RELATED PARTY TRANSACTIONS

At each board meeting, the Board of Directors approved company's transactions made with related parties. All the transactions executed with related parties were on commercial terms

and conditions.

## STATEMENT OF ETHICS AND BUSINESS PRACTICES/CODE OF CONDUCT

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

## COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

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

- The financial statements, together with the notes thereon have been drawn up in conformity with the Insurance Ordinance 2000 and rules thereunder and Companies Act, 2017.
- These statements present fairly the company's state of affairs, results of its operations, cash flow and changes in equity.
- Proper books of accounts have been maintained by the company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The International Accounting Standards, International Financial Reporting Standards or any other regulation or law as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been continuously monitored by the internal audits. This is a continuous process and any weakness will be removed and its effective implementation shall be ensured.

- There is no significant doubt upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.
- Key operating and financial data is separately annexed with the report.
- Outstanding taxes and duties are given in the financial statements.
- The value of investments of provident and gratuity fund on the basis of un-audited accounts as on December 31, 2023 is as follows:

**Rs in '000'**

• Provident Fund	81,949
• Gratuity Fund	77,320

• The statement of pattern of shareholding in the Company as on December 31, 2023 is separately annexed with the report.

- The Board of Directors have formulated a comprehensive proxy voting policy which is available on the website of the Company and report pertaining to the actual proxies voted by the Company is available without charge to all shareholders, upon request."

## 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

  
\_\_\_\_\_  
Director

Company continues to be in compliance with the provisions of the ordinance and the rules made thereunder relating to paid up capital, solvency and reinsurance arrangements.

## FUTURE OUTLOOK

With paid up capital of Rs500m and improved rating of AA+, Alfalah Insurance is poised to increase its market share while maintaining its prudent underwriting policy which has helped the company from inception despite serious jolts in our initial years. We believe 2024 to be a very important year for us. We are aware of the challenges we face but we have set ambitious goals for ourselves and believe that the phenomenal strength of Dhabi Group will help us in achieving our targets.

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

## ACKNOWLEDGEMENT

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

We would also like to express our appreciation to our executives, officers and staff for their hard work, dedication and their  
On behalf of the Board,

  
\_\_\_\_\_  
Chief Executive Officer

# Historical financial Information of Last ten (10) Years

Description	For the Year Ended on December 31									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Gross Premium Written	4,166,123	4,374,858	3,499,285	2,810,203	2,666,478	2,338,699	2,082,006	1,924,316	1,545,612	1,330,854
Net Premium Revenue	1,685,318	2,218,696	1,934,765	1,726,381	1,583,734	1,302,298	1,043,222	916,586	780,180	705,323
Net Claim Expense	(1,152,221)	(1,198,482)	(988,076)	(742,441)	(658,573)	(617,966)	(470,630)	(493,076)	(429,297)	(410,817)
Management Expenses	(543,586)	(489,130)	(416,161)	(408,871)	(405,266)	(397,735)	(383,559)	(370,370)	(267,333)	(239,919)
Net Commission	66,094	(496,905)	(422,776)	(487,481)	(446,852)	(262,400)	(88,341)	33,028	96,608	95,928
Underwriting Profit	50,978	37,094	117,661	94,404	81,791	24,197	100,692	86,168	180,158	150,515
Investment Other Income	670,851	318,771	212,727	261,240	165,694	72,675	78,888	119,407	77,137	105,103
Admin Expenses	(52,405)	(33,597)	(30,418)	(28,390)	(24,238)	(16,091)	(11,095)	(12,489)	(103,784)	(105,024)
Profit before tax	863,650	457,099	365,422	381,903	253,053	80,782	168,485	193,086	153,511	150,594
Profit from Window Takaful	112,967	142,528	75,361	61,467	38,554	14,407	8,410	1,890	-	-
Income tax	(331,966)	(153,747)	(99,582)	(108,175)	(93,709)	(29,421)	(53,855)	(65,602)	(38,297)	(27,557)
Profit after tax	531,684	303,352	265,840	273,730	159,344	65,768	123,040	129,374	115,214	123,037
Paid up Capital	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	300,000
Share deposit money	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381
General Reserve	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Fair value reserve	61,815	(34,945)	9,210	72,902	33,015	(50,777)	951	52,160	9,453	-
Un-appropriated Profit	1,800,129	1,377,462	1,172,911	907,299	627,989	466,262	402,085	281,644	153,935	258,930
	2,513,325	1,993,898	1,833,502	1,631,582	1,312,385	1,066,866	1,054,417	985,185	814,769	710,311
Earnings per Share	10.63	6.07	5.32	5.47	3.19	1.32	2.46	2.59	2.30	2.46
Breakup Value per Share-with fair value adjustment	50.27	39.88	36.67	32.54	26.25	21.34	21.09	19.70	16.30	23.68
Breakup Value per Share-without fair value adjustment	49.03	40.58	36.48	31.17	25.59	22.38	21.07	18.66	16.11	23.68
Net Loss Ratio	-68%	-54%	-51%	-43%	-42%	-47%	-45%	-54%	-53%	-58%
Expense Ratio	-14%	-12%	-13%	-16%	-16%	-18%	-19%	-20%	-24%	-26%
Underwriting Profit to Net Premium	3%	2%	6%	5%	5%	2%	10%	9%	23%	21%
Return on Average Equity	24%	16%	15%	19%	13%	6%	12%	14%	15%	19%
<b>WINDOWS TAKAFUL OPERATIONS</b>										
Gross contribution revenue	676,408	589,457	504,771	373,370	338,869	263,203	175,491	98,065	-	-
Net contribution revenue not of Wakala	349,730	277,613	225,562	186,648	176,244	131,516	93,134	20,997	-	-
Retakaful rebate earned	20,076	18,696	15,443	13,261	7,513	5,430	3,177	1,060	-	-
Net claims expense	(336,891)	(282,062)	(200,802)	(164,628)	(147,832)	(105,898)	(78,271)	(17,913)	-	-
Direct expenses	(2,977)	(5,929)	(11,875)	(18,565)	(24,656)	(27,663)	(21,203)	(18,595)	-	-
Investment / other income	69,470	39,278	13,869	16,391	16,392	6,572	3,958	744	-	-
(Provision) / Reversal of doubtful	-	(8,373)	(1,185)	(723)	-	-	-	-	-	-
Surplus / (deficit)-before taxation	99,408	39,223	41,012	32,384	28,088	9,957	795	(13,707)	-	-
Surplus / (deficit)- PTF	69,958	25,754	24,638	32,384	28,088	9,957	795	(13,707)	-	-

## Pattern of Share Holding As at December 31, 2023

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

### Classification of Shares Categories As at December 31, 2023

Categories of Members	Number of Shareholders	Number of Shares Held	Percentage
<b>Individuals having shareholding five percent or more</b>	<b>3</b>	<b>12,497,822</b>	<b>25.00%</b>
H.H. Sheikh Hamdan Bin Mubarak Bin Mohammed Al Nahayan		2,500,000	5.00%
H.E. Sheikh Mohammed Bin Butti Hamid Al Hamid		4,998,911	10.00%
H.E. Dr. Mana Saeed Al Otaiba		4,998,911	10.00%
<b>Associated Companies</b>	<b>1</b>	<b>14,997,825</b>	<b>30.00%</b>
M/s Bank Alfalah Limited		14,997,825	30%
<b>Directors and CEO</b>	<b>7</b>	<b>17,504,353</b>	<b>35.00%</b>
H.H. Sheikh Nahayan Mabarak Al Nahayan		17,497,323	34.99%
H.E. Sheikh Saif Bin Mohammed Bin Butti		1,085	0.002%
Mr. Khalid Mana Saeed Al Otaiba		1,085	0.002%
Mr. Atif Aslam Bajwa		500	0.001%
Mr. Khaled Jamal Abdul Rahman Khankfar		500	0.001%
Ms. Anjum Hai		1,085	0.002%
Mr. Abdul Haye Mughal		2,775	0.006%
<b>Companies having shareholding five percent or more</b>	<b>1</b>	<b>5,000,000</b>	<b>10.00%</b>
M/s Electromechanical Co. LLC		5,000,000	10.00%
<b>Total</b>	<b>12</b>	<b>50,000,000</b>	<b>100.00%</b>

## حصص داروں کے نام ڈائریکٹرز کی رپورٹ

الفلاح انشورنس کمپنی لمیٹڈ کے ڈائریکٹرز آپ کی کمپنی کی اٹھارہویں سالانہ رپورٹ بخوشی پیش کر رہے ہیں۔ جس میں 31 دسمبر 2023ء کو اختتام پذیر سال کے پڑتال شدہ مالیاتی گوشوارے بھی شامل کئے گئے ہیں۔

### معاشی جائزہ

2023ء معاشی مشکلات اور مثبت نتائج کی ملی جلی خصوصیات کا حامل سال تھا۔ چالو کھاتے کے خسارے<sup>1</sup> میں بہتری کے حوالے سے ملک میں اہم پیش رفت ہوئی جبکہ افراطِ زر<sup>2</sup> سے متعلق تشویش برقرار رہی۔ پاکستانی روپیہ اتار چڑھاؤ کا شکار رہا کیونکہ نگران حکومت نے آئی۔ ایم، ایف کی ہدایات کے مطابق سکہ رائج الوقت<sup>4</sup> میں تطبیق کے عمل کا آغاز کیا۔ ہنڈی<sup>5</sup> کے کاروبار اور کرنسی کی غیر قانونی درآمد و برآمد کو روکنے کے لیے اٹھائے گئے اقدامات کے سبب روپے کی قدر میں ابتدائی کمی کے باوجود جزوی بہتری آئی۔ بینک دولت پاکستان<sup>6</sup> کے پالیسی ریٹ کو تبدیل کئے بغیر 22 فیصد کی بلند سطح پر برقرار رکھنے کے فیصلے ایک مضبوط بڑے پیمانے کے صنعتی شعبے اور آئندہ انتخابات کی تیاریوں نے اچھے نتائج کی امیدوں کے محرکات فراہم کئے۔ واقعات کے مثبت موڑ پر، پاکستان نے بین الاقوامی مالیاتی فنڈ کے مالی سال 2024ء کی پہلی ششماہی<sup>7</sup> کے محصول کی وصولی کے ہدف کو پورا کیا، جو کہ بین الاقوامی مالیاتی فنڈ کی امداد کی اگلی قسط ملنے کے امکان کو ظاہر کرتا ہے۔ یہ کامیابی مالی ذمہ داریاں پوری کرنے کے ملکی عزم کو واضح کرتی ہے، اس کے باوجود کہ ملک کو بہت سی مشکلات کا سامنا ہے۔

تقویمی سال 2022ء<sup>8</sup> کے دوران 12 ارب ڈالر کے خسارے کے مقابلے میں تقویمی سال 2023ء کے دوران چالو کھاتے میں 563 ملین ڈالر کی بیشی ہوئی۔ معاشی سست روی اور بینک دولت پاکستان کی جانب سے درآمدات پر لگائی گئی پابندیوں اور خصوصاً تقویمی سال 2023ء کی پہلی ششماہی میں برآمدات میں تیزی سے کمی کی وجہ سے بڑے پیمانے پر بہتری آئی۔ تقویمی سال 2023ء میں ترسیلاتِ زر، تقویمی سال 2022ء کے 29.89 ارب امریکی ڈالر کے مقابلے میں تقریباً 8-11 فیصد کمی کے

<sup>1</sup> Current account deficit

<sup>2</sup> Inflation

<sup>3</sup> International Monetary Fund (IMF)

<sup>4</sup> Currency

<sup>5</sup> Illegal exchange

<sup>6</sup> State bank of Pakistan (SBP)

<sup>7</sup> First half of FY24

<sup>8</sup> CY22

حساب سے 35-26 ارب امریکی ڈالر رہی، اس کمی کی وجہ تقویمی سال 2023ء کی پہلی ششماہی میں منڈیوں کے مابین<sup>9</sup> اور کھلی منڈی<sup>10</sup> کے درمیان پیدا ہونے والے شرح مبادلہ<sup>11</sup> کا فرق ہے۔ تقویمی سال 2023ء میں افراطِ زر اوسطاً، تقویمی سال 2022ء کے 7-19 فیصد کے مقابلے میں 9-30 فیصد رہی۔ مزید پیش رفت میں، افراطِ زر موجودہ مالی سال کی آخری سہ ماہی میں 20 فیصد سے نیچے کرنے سے پہلے، جنوری 2024ء تک بلند سطح پہ رہنے کا امکان ہے۔ تاہم، بجلی اور گیس کی قیمتوں میں مزید اضافہ مثبت رجحان کو برقرار رکھ سکتا ہے۔

2024ء ملک کے لئے انتخابات کا سال ہے، گزشتہ برسوں میں دیکھی گئی سیاسی افراتفری کو مد نظر رکھتے ہوئے۔ یہ امید کی جا رہی ہے کہ انتخابات کے نتیجے میں ایک مضبوط حکومت سامنے آئے گی اور یہ ایک پر امن انتقالِ اقتدار ہو گا۔ یہ ناصرف ملک میں سیاسی استحکام لائے گا بلکہ ملکی / غیر ملکی سرمایہ کاروں کے لیے سرمایہ کاری کا ماحول مزید سازگار بنا کر ملک میں معاشی استحکام بھی لائے گا۔

### بیمہ کاری کا شعبہ

بیمے کی صنعت نومبر کے اختتام، 30 ستمبر 2023ء تک، گزشتہ برس کے اسی دورانیے کے مقابلے میں 29 فیصد کی نمو پانے میں کامیاب رہی۔ اس نمو میں بنیادی طور پر آتشزدگی کا شعبہ سب سے نمایاں رہا جبکہ بحری اور موٹر کے شعبے کی نمو برآمدات پہ پابندیوں، بلند کٹوتی کی شرح اور کار مالکاری کی حدود پر پابندیوں کی وجہ سے متاثر ہوئی۔ سال 2024ء موجودہ ملکی معاشی صورتحال کے پیش نظر بیمہ کاری کی صنعت کے لئے ایک مشکل سال ہو گا، تاہم، سال کے دوران عام انتخابات کے نتیجے میں پر امن انتقالِ اقتدار حالات میں بہتری لائے گا۔

ایس۔ ای۔ سی۔ پی<sup>12</sup> نے دسمبر 2023ء میں بین الاقوامی بیمے کے اثر<sup>13</sup> کی کے اجلاس کی میزبانی کی۔ اس اجلاس میں پانچ سالہ منصوبے کو منظر عام پر لایا گیا، جس کا مقصد ٹیکنالوجی، بیمے کی مصنوعات سے متعلق آگاہی اور فصلوں اور آفات کے خطرات کی بیمہ کاری کی حوصلہ افزائی کے ذریعے پاکستان میں بیمہ کاری کو رسائی فراہم کرنا ہے۔ یہ ایس۔ ای۔ سی۔ پی کی ان کوششوں کا

<sup>9</sup> Intermarket

<sup>10</sup> Open market

<sup>11</sup> Exchange rate

<sup>12</sup> Securities & Exchange Commission of Pakistan

<sup>13</sup> International Insure Impact Conference

تسلسل ہے، جن کا مقصد پاکستان میں شعبے کے ماہرین اور حصہ داروں کے اشتراک سے بیمہ کاری کا ایک متحرک اور مضبوط پیش منظر وجود میں لانا ہے۔ یہ اجلاس صنعتی ترقی کے فروغ، جدت طرازی کی حوصلہ افزائی اور قوم کے مستقبل کی حفاظت کے لیے ایک اہم سنگ میل ثابت ہوگا۔

## الفلاح انشورنس کمپنی کی کارکردگی

سال 2023ء منافع کے اعتبار سے ایک غیر معمولی سال تھا کیونکہ کمپنی نے اس سال اپنی تاریخ کا سب سے زیادہ منافع درج کیا۔ بیمے کے اخراجات کے ساتھ ساتھ منضبط اخراجات، ونڈو ٹکافل آپریشنز کی بہتر کارکردگی اور نہایت اہم سرمایہ کاری کی آمدن نے مل کر کمپنی کو بلند ترین منافع بخش کمپنی کے درجے پہ پہنچا دیا اور کمپنی، ٹیکس کے بغیر 864 ملین روپے کے منافع کے حصول میں کامیاب رہی، جو کہ گزشتہ برس کے مقابلے میں 89 فیصد زیادہ ہے۔

مجموعی طور پر، کمپنی نے 4842 ملین روپے کے خام بیمے<sup>14</sup> / اعانت کی ذمہ نویسی<sup>15</sup> تحریر کی جو کہ گزشتہ برس کے مقابلے میں 2 فیصد کے حساب سے قدرے کم رہی۔ کمپنی کا صحت کے شعبے کے ایک اہم موکل کے ساتھ کام کی تجدید ناکرنے کا اثر خالص بیمہ کی آمدن<sup>16</sup> پر پڑا، جس کی وجہ سے اس حصے کی عددی نمو کم رہی، لیکن اس کا اثر اسی شعبے کے کمیشن کے اخراجات میں تقریباً اسی طرح کی مالی بچت سے کم ہوا۔ گل دعویوں کے اخراجات گزشتہ برس کی نسبت کم ہوئے کیونکہ تمام شعبوں میں، سوائے صحت کے شعبے کے، نقصان کی شرح میں بہتری آئی۔ انتظامی و نظم و نسق کے اخراجات قابو میں رہے اور ان اخراجات میں افراطِ زر تاریخ کی بلند ترین سطح پر ہونے کے باوجود 14 فیصد کے حساب سے 74 ملین روپے کا اضافہ ہوا۔ کمپنی کی سرمایہ کاری کی آمدن میں تیزی سے 247 ملین روپے کا اضافہ ہوا جو کہ گزشتہ برس کی نسبت دو گنا تھا۔ اس اضافے کی بنیادی وجہ، بلند کٹوتی کی شرح، بازارِ حصص کی زبردست کارکردگی اور رواں سرمایہ کاری<sup>17</sup> میں اضافے کو قرار دیا جاسکتا ہے۔ ونڈو ٹکافل آپریشنز کے منافع میں، گزشتہ برس کے مقابلے میں موثر اور صحت کے شعبوں کے بڑے حصے کے ساتھ ساتھ سرمایہ کاری کی آمدن کی وجہ سے، 42 فیصد کے حساب سے 59 ملین روپے کی قابل ذکر نمو دیکھنے میں آئی۔ مختصراً، اگرچہ کمپنی کو خالص بیمے کی آمدن پر دھچکا

<sup>14</sup> Gross premium

<sup>15</sup> Underwritten

<sup>16</sup> Net premium revenue

<sup>17</sup> Investment Float

سہنا پڑا، تاہم، دعووں اور کمیشن کے اخراجات کے ساتھ ساتھ سرمایہ کاری کی آمدن کی بلند سطح کی وجہ سے کمپنی نے 864 ملین روپے کے حساب سے اپنی تاریخ کا بلند ترین منافع درج کیا، جو کہ گزشتہ برس کی نسبت 89 فیصد زیادہ ہے۔

## شعبہ جات کے لحاظ سے منافع پر ایک نظر

شعبہ جات	خالص بیمہ کی آمدن	کل دعوے	خالص کمیشن	شعبہ جات کا منافع 2023ء	شعبہ جات کا منافع 2022ء	مقدار تغیر	%
آتشزدگی	37,856	45,737	(27,860)	19,979	(22,763)	42,742	188%
بحری	27,930	14,251	(6,300)	19,979	20,974	(995)	-5%
موٹر	740,355	365,219	13,055	362,081	360,857	1,224	0%
حزق	72,179	23,965	(44,899)	93,113	60,939	32,174	53%
صحت	806,998	703,049	(90)	104,039	103,302	737	1%
کل	1,685,318	1,152,221	(66,094)	599,191	523,309	75,882	15%

آتشزدگی کے شعبے نے گزشتہ برس کے 23 ملین روپے کے نقصان کے مقابلے میں 20 ملین روپے کے منافع کا حصہ ڈالا۔ اس نقصان کی وجہ، گزشتہ برس پیکینج فیکٹری لاہور میں آتشزدگی کے واقعے کے باعث صرف ایک بار کا نقصان تھا۔

بحری شعبے کے حصے میں 5 فیصد کے حساب سے 1 ملین روپے کی معمولی کمی ہوئی۔ اس کی وجہ، زرمبادلہ کے ذخائر میں کمی کے باعث بینک دولت پاکستان کی جانب سے کچھ درآمدات پر پابندیوں کی وجہ سے اس شعبے میں مجموعی خام بیمے<sup>18</sup> میں کمی واقع ہوئی۔

<sup>18</sup> Gross premium written

**موٹر کے شعبے** کا حصہ گزشتہ برس کی سطح پر برقرار رہا۔ خالص بیسے کی آمدن میں اضافے کا اثر دعوؤں کے اخراجات میں اضافے سے زائل ہو گیا۔

**متفرق شعبے** کے حصے میں گزشتہ برس کے 53 فیصد کی نسبت 32 ملین کا قابل ذکر اضافہ ہوا۔ دونوں، خالص بیسے کی آمدن اور دعوؤں کے اخراجات میں گزشتہ برس کی نسبت بہتری آئی۔ دعوؤں پر بچت کی بنیادی وجہ گزشتہ برس سیلاب کے نقصانات کی اطلاع پر دعوے کی واپسی تھی۔

**صحت کے شعبے** کا حصہ بھی گزشتہ برس کی سطح پر برقرار رہا۔ ایک اہم موکل کے ساتھ عدم تجدید کے نتیجے میں خالص بیسے کی آمدن میں کمی کا اثر حصولی خرچ<sup>19</sup> کی مد میں ہونے والی مالیاتی بچت سے زائل ہو گیا۔

**مکرر بیمہ** یقیناً کسی بھی بیمہ کمپنی کا ایک اہم شعبہ تصور کیا جاتا ہے۔ 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۔ کمپنی نے نہایت احتیاط سے ڈیزائن کردہ بیسے 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 شعبوں میں بھی صلاحیت بڑھائی ہے۔

**ونڈو کافل آپریشنز** 676 ملین روپے کی اعانت تحریر کرنے کے قابل ہوا جو کہ گزشتہ برس سے 15 فیصد زیادہ ہے۔ شراکت داروں کے کافل فنڈ<sup>20</sup> کی بیشی میں 44 ملین روپے کا اضافہ ہوا جو کہ گزشتہ برس سے 172 فیصد زیادہ ہے اور یہ اضافہ بنیادی طور پر موٹر اور صحت کے شعبوں کے حصے میں اضافے کے ساتھ سرمایہ کاری کی آمدن کے ساتھ منسوب کیا جاسکتا ہے۔ انہی وجوہات کی بنا پر حصص داروں کے فنڈ<sup>21</sup> میں بھی 42 فیصد کے حساب سے 59 ملین روپے کا اضافہ ہوا۔

<sup>19</sup> Acquisition expense

<sup>20</sup> PTF

<sup>21</sup> SHF

## فی حصص آمدنی

دوران سال ٹیکس کی ادائیگی کے بعد فی حصص آمدنی 10.63 روپے رہی جو 2022ء میں 6-07 روپے تھی۔ اس کی تفصیلی رپورٹ مالی گوشوارے کے نوٹ نمبر 34 میں موجود ہے۔

## پڑتال کنندگان

میسرز اے۔ ایف۔ فرگوسن اور کمپنی، جو کہ سند یافتہ محاسب اور تقرری کے اہل ہیں، نے 31 دسمبر 2024ء کو اختتام پذیر سال کے لئے خارجی اور شریعہ تعمیلی پڑتال کنندگان کی ذمہ داری لینے کے لئے رضامندی کا اظہار کیا ہے۔ پڑتال کمیٹی اور ڈائریکٹرز کے بورڈ نے اپنے متعلقہ اجلاسوں میں 31 دسمبر 2024ء کو اختتام پذیر سال کے لیے میسرز اے۔ ایف۔ فرگوسن اور کمپنی، سند یافتہ محاسب کی خارجی اور شریعہ تعمیلی پڑتال کنندہ گان کے طور پر سفارش کی ہے۔

## ڈائریکٹرز کے بورڈ کے اجلاس

سال 2023ء کے دوران بورڈ کے چار (4) اجلاس ہوئے، جن میں شرکت کی تفصیل مندرجہ ذیل ہے:-

اجلاس میں شرکت کی تعداد	ڈائریکٹرز کے نام
4	- جناب عالی شیخ نہیان مبارک ال نہیان
-	- فضیلت مآب شیخ سیف بن محمد بن لُطی
4	- جناب خالد مانع سعید العتیبہ
2	- جناب خالد جمال عبدالرحمن خنفر
1	- جناب تنویر حسین اعوان
4	- محترمہ انجم حئی

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

## کمپنی کی مالیاتی طاقت کی درجہ بندی

پی۔ اے۔ سی۔ آر۔ اے<sup>22</sup> نے 16 جون 2023ء کے حالیہ جائزہ میں آپ کی کمپنی کی مالیاتی طاقت کے اعتبار سے درجہ بندی کو مستحکم تناظر میں دیکھتے ہوئے "ذیل اے پلس"<sup>23</sup> کے درجے پر برقرار رکھا ہے۔ یہ درجہ بندی، بیمہ پالیسی کے حامل افراد اور معاہدوں کی ذمہ داریوں کو پورا کرنے کی بھرپور صلاحیت کو ظاہر کرتی ہے۔ خطرے کی علامات کم ترین ہیں اور ناموافق اقتصادی و کاروباری اثرات سے متعلق خدشات ناہونے کے برابر ہیں۔

## پڑتال کمیٹی

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

- جناب عاطف باجوہ - (چیئرمین)

- جناب خالد جمال عبدالرحمن خنفر - (رکن)

- محترمہ عبدالحی - (رکن)

## متعلقہ گروہ سے لین دین

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

<sup>22</sup> Pakistan Credit Rating Agency (PACRA)

<sup>23</sup> AA+

## 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۔

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

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

- کاروبار کو جاری رکھنے کے حوالے سے کمپنی کی صلاحیت شکوک و شبہات سے بالاتر ہے۔
- کارپوریٹ نظم و نسق<sup>24</sup> کے بہترین طرز عمل کے حوالے سے کوئی میٹیریل ڈیپارچر<sup>25</sup> نہیں ہوا۔
- اہم اثاثوں اور مالیات سے متعلق اعداد و شمار، رپورٹ کے ساتھ ضمیمے میں شامل کر دیا گیا ہے۔
- واجب الادا ٹیکس اور محصولات<sup>26</sup> مالیاتی گوشواروں میں موجود ہیں۔
- 31 دسمبر 2023ء تک غیر پڑتال شدہ کھاتوں کی بنیاد پر پراویڈنٹ اور گریجویٹ فنڈ سے ہونے والی سرمایہ کاری کی قیمت درج ذیل ہے:

روپے '000

81,949 ■ پراویڈنٹ فنڈ

77,320 ■ گریجویٹ فنڈ

- 31 دسمبر 2023ء تک، کمپنی کے حصص داری کے طریقہ کار کا گوشوارہ رپورٹ کے ساتھ ضمیمے میں الگ سے شامل کر دیا گیا ہے۔

- ڈائریکٹرز کے بورڈ نے نیابت کے ذریعے رائے دہندگی کی ایک جامع پالیسی تجویز کی ہے جو کہ کمپنی کی ویب سائٹ پر موجود ہے اور رپورٹ، جو کہ کمپنی کی طرف سے رائے دہی کرنے والے اصل نائیبین سے متعلق ہے، طلب کیے جانے پر تمام حصص داروں کے لیے بلا معاوضہ دستیاب ہے۔

<sup>24</sup> Corporate Governance

<sup>25</sup> Material Departure

<sup>26</sup> Outstanding Taxes and Duties

## 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 گوشوارے<sup>27</sup>، آرڈیننس کے عین مطابق ہیں اور اس کے مطابق وضع کئے گئے قوانین کے موافق ہیں؛

ب) کمپنی نے اس تمام عرصہ کے دوران آرڈیننس کی شرائط کی تعمیل کی ہے اور اس کے مطابق وضع کئے گئے قوانین کی، جو کہ حصص کی مد میں حاصل کئے گئے سرمائے، ادائے قرض کی صلاحیت، اور مکرر نیچے 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 کئے گئے قوانین کی، جو کہ حصص کی مد میں حاصل کئے گئے سرمائے، ادائے قرض کی صلاحیت<sup>28</sup>، اور مکرر نیچے کے انتظامات کے بارے میں ہیں۔

### مستقبل کے مواقع

حصص کی مد میں حاصل کئے گئے 500 ملین روپے کے سرمائے کے ساتھ "ڈبل اے پلس" درجہ پانے کے بعد الفلاح انشورنس، مارکیٹ میں اپنا کاروباری حصہ بڑھانے کے حوالے سے پُر اعتماد ہے اور اس کے ساتھ ساتھ اپنی محتاط ذمہ نویسی کی حکمت عملی برقرار رکھے ہوئے ہے، جس نے کمپنی کو آغاز سے ہی شدید نقصانات کے باوجود مدد پہنچائی۔ ہمیں یقین ہے کہ 2024ء ہمارے لئے ایک اہم سال ہے۔ ہم اپنے روبرو چ مشکلات سے باخبر ہیں کیونکہ ہم نے اپنے لیے خود حوصلہ مند انہ منزل منتخب کی ہے اور یقین رکھتے ہیں کہ ٹھہری گروپ کی غیر معمولی قوت اس منزل کو پانے میں ہماری مدد کرے گی۔

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


<sup>27</sup> Statutory Accounts

<sup>28</sup> Paid up capital, Solvency

## اعتراف

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



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چیف ایگزیکٹو آفیسر



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ڈائریکٹر

## پچھلے دس (10) سال کا تاریخی مالیاتی اعداد و شمار

31 دسمبر کو ختم ہونے والے سال کے لئے										تفصیلات
2014ء	2015ء	2016ء	2017ء	2018ء	2019ء	2020ء	2021ء	2022ء	2023ء	
1,330,854	1,545,612	1,924,316	2,082,006	2,338,699	2,666,478	2,810,203	3,499,285	4,374,858	4,166,123	جمہوری خام بیرو
705,323	780,180	916,586	1,043,222	1,302,298	1,583,734	1,726,381	1,934,765	2,218,696	1,685,318	خالص بیرو آمدنی
(410,817)	(429,297)	(493,076)	(470,630)	(617,966)	(658,573)	(742,441)	(988,076)	(1,198,482)	(1,152,221)	خالص دعوؤں کے اخراجات
(239,919)	(267,333)	(370,370)	(383,559)	(397,735)	(405,266)	(408,871)	(416,161)	(496,827)	(543,586)	انتظامی اخراجات
95,928	96,608	33,028	(88,341)	(262,400)	(446,852)	(487,481)	(422,776)	(496,905)	66,094	خالص کمیشن کی رقم
150,515	180,158	86,168	100,692	24,197	81,791	94,404	117,661	37,094	50,978	ذمہ نویسی کا منافع
105,103	77,137	119,407	78,888	72,675	165,694	261,240	212,727	318,771	670,851	سرمایہ کاری / دیگر آمدنی
(105,024)	(103,784)	(12,489)	(11,095)	(16,091)	(24,238)	(28,390)	(30,418)	(33,597)	(52,405)	تعمیر و توسیع کے اخراجات
150,594	153,511	193,086	168,485	80,782	253,053	381,903	365,422	457,099	863,650	عملی از نکلیں منافع
-	-	1,890	8,410	14,407	38,554	61,467	75,361	142,528	112,967	دیباچہ نکالنے سے منافع
(27,557)	(38,297)	(65,602)	(53,855)	(29,421)	(93,709)	(108,175)	(99,582)	(153,747)	(331,966)	آمدنی پر ٹیکس
123,037	115,214	129,374	123,040	65,768	159,344	273,730	265,840	303,352	531,684	بعد از ٹیکس منافع
300,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	حصص کی مد میں حاصل کیا گیا سرمایہ
1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381	حصص کی مد میں جمع کرائی گئی رقم
150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	عام محفوظ فنڈ
-	9,453	52,160	951	(50,777)	33,015	72,902	9,210	(34,945)	61,815	مناسب قدر و قیمت کا فنڈ
258,930	153,935	281,644	402,085	466,262	627,989	907,299	1,172,911	1,377,462	1,800,129	غیر مختص منافع
710,311	814,769	985,185	1,054,417	1,066,866	1,312,385	1,631,582	1,833,502	1,993,898	2,513,325	غیر مختص منافع
2.46	2.3	2.59	2.46	1.32	3.19	5.47	5.32	6.07	10.63	فی حصص آمدنی
23.68	16.30	19.70	21.09	21.34	26.25	32.54	36.67	39.88	50.27	فی حصص الگ الگ قدر و قیمت - قدر و قیمت کے مناسب تعلق کے ساتھ
23.68	16.11	18.66	21.07	22.38	25.59	31.17	36.48	40.58	49.03	فی حصص الگ الگ قدر و قیمت - قدر و قیمت کے مناسب تعلق کے بغیر
-58%	-55%	-54%	-45%	-47%	-42%	-43%	-51%	-54	-68%	کل خسارے کا تناسب
-26%	-24%	-20%	-19%	-18%	-16%	-16%	-13%	-12%	-14%	اخراجات کا تناسب
21%	23%	9%	10%	2%	5%	5%	6%	2%	3%	کل بیسے کا ذمہ نویسی منافع
19%	15%	14%	12%	6%	13%	19%	15%	16%	24%	کمپنی کے حصص پر اوسط منافع

حصص داری کا طریقہ کار  
31 دسمبر 2023 تک

مجموعی لے گئے حصص	حصص داری		حصص داروں کی تعداد
	تک	سے	
-	100	1	-
1,000	500	101	2
-	1,000	501	-
6,030	5,000	1,001	4
-	10,000	5,001	-
2,500,000	2,500,000	10,001	1
14,997,822	50,00,000	2,500,001	3
14,997,825	15,000,000	5,000,001	1
17,497,323	20,000,000	15,000,001	1
<b>کل</b>			
<b>50,000,000</b>			<b>12</b>

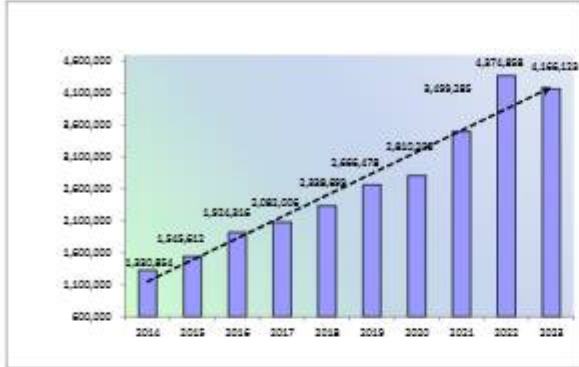
حصص کے ذمروں کی درجہ بندی  
31 دسمبر 2023 تک

نمبر	لے گئے حصص کی تعداد	حصص داروں کی تعداد	ادراکن کے ذمے
<b>25.00%</b>	<b>12,497,822</b>	<b>3</b>	افراد جن کے حصص 5 فیصد یا اس سے زیادہ ہیں
5.00%	2,500,000		جناب عالی شیخ عمران بن مبارک بن محمد ال تنبیان
10.00%	4,998,911		فضیلت آپ شیخ محمد بن علی حاد الحامد
10.00%	4,998,911		فضیلت آپ ذاکر صالح سعید العتیم
<b>30.00%</b>	<b>14,997,825</b>	<b>1</b>	حلقہ کمپنیاں
30%	14,997,825		بھیرزیک انفلاح لٹڈ
<b>35.00%</b>	<b>17,504,353</b>	<b>7</b>	ڈائریکٹرز اور چیف ایگزیکٹو آفیسرز
34.99%	17,497,323		جناب عالی شیخ تنبیان مبارک ال تنبیان
0.002%	1,085		فضیلت آپ شیخ سیف بن محمد بن علی
0.002%	1,085		جناب خالد صالح سعید العتیم
0.001%	500		جناب مایطہ اسلم بانوہ
0.001%	500		جناب خالد جمال عبدالرحمن خنفر
0.002%	1,085		محمد مداح عتی
0.006%	2,775		جناب عبدالرحمن عتی
<b>10.00%</b>	<b>5,000,000</b>	<b>1</b>	کمپنیاں جن کے حصص 5 فیصد یا اس سے زیادہ ہیں
10.00%	5,000,000		بھیرز ڈائیٹری و کینیٹیکل کمپنی اے ای ای سی
<b>100.00%</b>	<b>50,000,000</b>	<b>12</b>	<b>کل</b>

# FINANCIAL SUMMARY

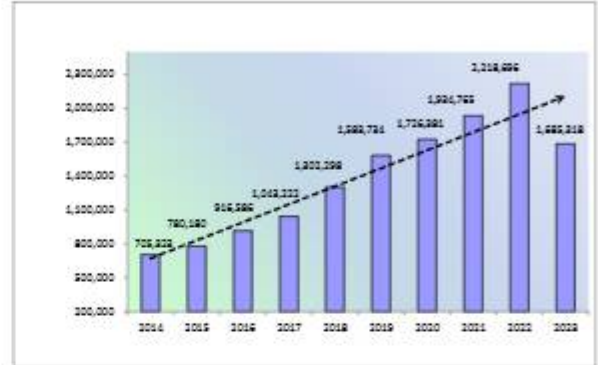
## GROSS PREMIUM WRITTEN

(Rupees in Thousand)

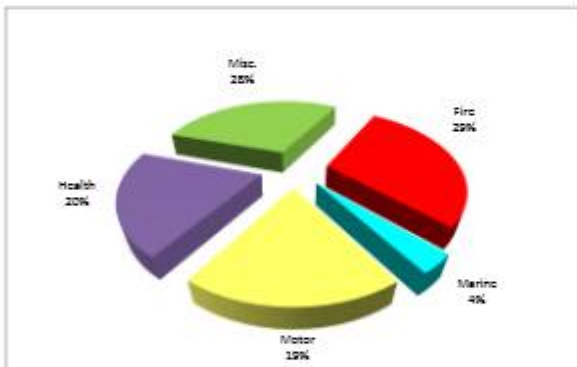


## PREMIUM REVENUE

(Rupees in Thousand)

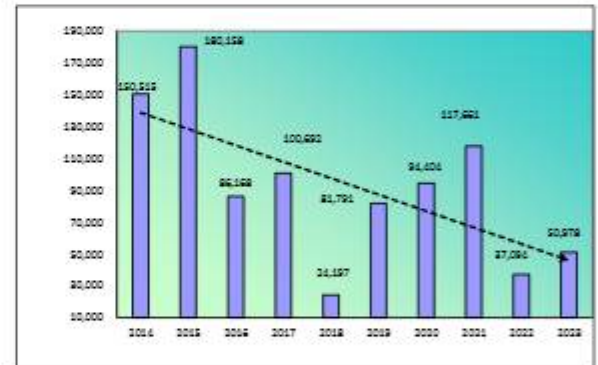


## PRODUCT MIX ANALYSIS



## UNDERWRITING RESULTS

(Rupees in Thousand)



## UNDERWRITING PROFIT MARGIN



## LOSS RATIO AND EXPENSE RATIO



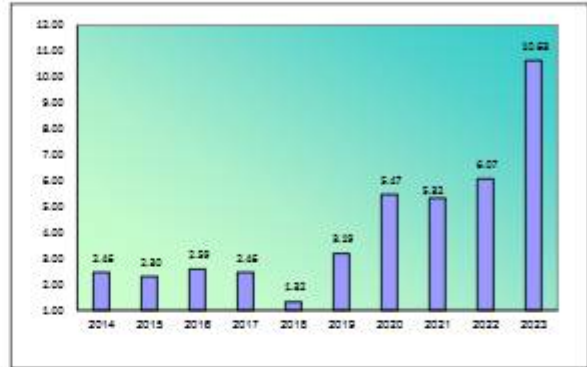
# FINANCIAL SUMMARY

## PROFIT AFTER TAX

(Rupees in Thousand)

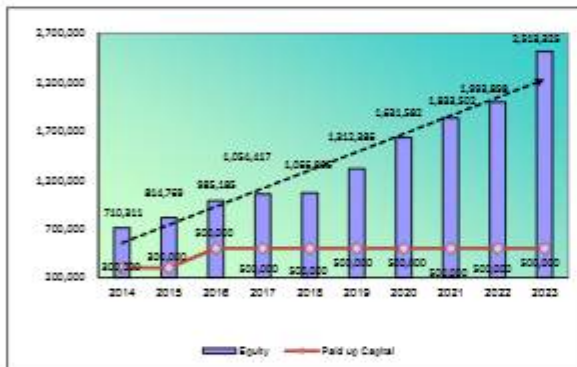


## EARNING PER SHARE

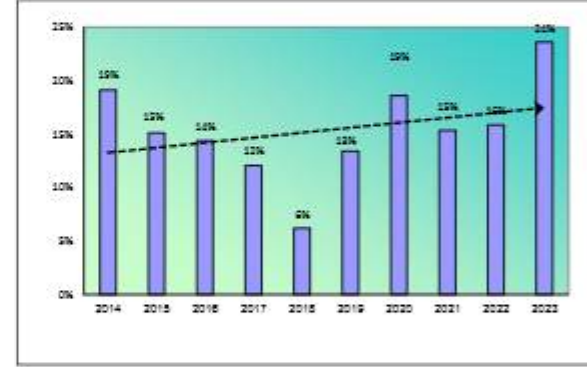


## SHAREHOLDER EQUITY

(Rupees in Thousand)



## RETURN ON EQUITY



# ALFALAH INSURANCE COMPANY LIMITED

## CODE OF CONDUCT & PROFESSIONAL STANDARDS

### Client Service

The interest of the policyholders is absolute. We shall provide the best possible services equivalent to international standard to our clients and shall make arrangements to serve them without any cause of complaint relating to claim settlement and otherwise. Our endeavor is to introduce new and innovative schemes of arrangements for the benefit of clients so that they will be able to get better services at very economical premium and commission expenses along with heightened investment income, the Company posted the highest ever profits of Rs864m i.e. 89% higher than last year.

### Compliance with the applicable laws

It is the basic principle of Alfalah Insurance Company Limited to obey the law of the land and comply with its legal system. Accordingly, every employee of the company shall obey the law. Any employee guilty of violation will be liable to disciplinary consequences because of the violation of his/her duties. Every manager and supervisor shall be responsible to see that there is no violation of laws within his/her area of responsibility which proper supervision could have prevented. The manager and supervisor shall still be responsible if he/she delegated particular tasks.

### Act with Honesty and Openness

The image and reputation of Alfalah Insurance Company Limited is determined by the way each and every one of us acts and conducts himself/herself at all times. Board members and staff of Alfalah Insurance Company Limited shall act with honesty and openness as representatives of the organization and in their interactions with one another. Alfalah Insurance Company Limited promotes a working environment that values respect, candor, and fairness.

### Conflict of Interest

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

### Integrity of financial information

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

### Equal opportunity employer

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

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2023

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

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

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

Category	Name
Non-Executive Director	H.H Sheikh Nahayan Mabarak Al Nahayan
Non-Executive Director	HE Sheikh Saif Bin Mohammed Bin Butti Al Hamid
Non-Executive Director	Mr. Khalid Mana Saeed Al Otaiba
Non-Executive Director	Mr. Atif Aslam Bajwa
Non-Executive Director	Mr. Khaled Jamal Abdul Rahman Khanfar
Female Director	Ms. Anjum Hai
Executive Director / Chief Executive Officer	Mr. Abdul Haye Mughal

There is no independent Director on Board due to relaxation provided in the Code of Corporate Governance for Insurers, 2016. However, the Company shall ensure 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 are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company. A DFI or an NBFIs, being a member of stock exchange, has been declared as a defaulter by a stock exchange.

4. A casual vacancy occurring on the Board on 27<sup>th</sup> April 2023 due to the resignation of Mr. Tanveer Hussain Awan was filled up by Mr. Khalid Jamal Abdul Rahman Khanfar 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 powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive directors and the key officers,

have been taken by the Board.

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

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

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

11. The Board has approved remuneration and terms and conditions of employment of Chief Financial Officer, Company Secretary and Head of Internal Audit.

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

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

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

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

16. The Board has formed the following Management Committees:

**Underwriting Committee:**

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

**Claims Settlement Committee:**

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

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

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

**Risk Management & Compliance Committee:**

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

17. The Board has formed the following Board Committees:

**Ethics, Human Resource and Remuneration Committee:**

Name	Category
Mr. Atif Aslam Bajwa	Chairman
Mr. Khaled Jamal Abdul Rahman Khanfer	Member
Ms. Anjum Hai	Member
Mr. Abdul Haye	Member
Mr. Adnan Waheed	Secretary

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

**Investment Committee:**

Name	Category
Mr. Atif Aslam Bajwa	Chairman
Mr. Khaled Jamal Abdul Rahman Khanfer	Member
Ms. Anjum Hai	Member
Mr. Abdul Haye	Member
Mr. Adnan Waheed	Member & Secretary

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

Name of the Member	Category
Mr. Atif Aslam Bajwa	Chairman
Mr. Khaled Jamal Abdul Rahman Khanfer	Member
Ms. Anjum Hai	Member

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

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

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

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

<b>Name of the Person</b>	<b>Designation</b>
Mr. Abdul Haye	Chief Executive Officer
Mr. Adnan Waheed	Chief Financial Officer & Company Secretary
Mr. Faisal Shahzad	Head of Internal Audit
Mr. Naveed Akbar	Compliance Officer
Mr. Faisal Arshad	Head of Underwriting
Mr. Manzoor Hussain	Head of Claims
Mr. Shahzad Aamir	Head of Reinsurance
Mr. Hasnain Zawar	Head of Grievance Department

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

22. The statutory auditors of the Company have been appointed from the panel of auditors approved by the commission in terms of section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the 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 Board ensures that investment policy of the Company has drawn up 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 Board ensures that as part of the risk management system, the Company gets itself rated from PACRA which is being used by its risk management function / department and the respective committee as a risk monitoring tool. The rating assigned by the said rating agency on June 16, 2023 is AA+ (ifs) with stable outlook.
28. The Company has set up a grievance function, which fully complies with the requirements of the Code of Corporate Governance for Insurers, 2016.
29. The Company has not obtained any exemption from the Securities and Exchange of Commission of Pakistan in respect of the requirement of the Code of Corporate Governance for Insurers, 2016.
30. We will confirm that all other material principles contained in the code of Corporate Governance for Insurers, 2016 as applicable up to the reporting date have been compiled by the company



Chief Executive Officer

**INDEPENDENT AUDITOR'S REVIEW REPORT****TO THE MEMBERS OF ALFALAH INSURANCE COMPANY LIMITED****REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN THE CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016**


We have reviewed the enclosed Statement of Compliance contained in the Code of Corporate Governance for Insurers, 2016 (the Code) prepared by the Board of Directors of the Alfalah Insurance Company Limited (the Company) for the year ended December 31, 2023, to comply with the Code issued by the Securities and Exchange Commission of Pakistan.

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

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to this extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Code as applicable to the Company for the year ended December 31, 2023.



**A.F. Ferguson & Co.**  
**Chartered Accountants**

**Lahore****Date:** April 08, 2024**UDIN:** CR202310071IT7hoXspa

*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
308-Upper Mall, Shahrah-e-Quaid-e-Azam, P.O. Box 39, Lahore-54000, Pakistan.  
Tel: +92 (42) 3519 9343-50 / Fax: +92 (42) 3519 9351 [www.pwc.com/pk](http://www.pwc.com/pk)*

**▪KARACHI▪LAHORE▪ISLAMABAD**

## 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 December 31, 2023, 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 material 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 the Company's affairs as at December 31, 2023 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion


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

Information Other than the Financial Statements and Auditor's Report Thereon

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

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

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

  
A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
308-Upper Mall, Shahrah-e-Quaid-e-Azam, P.O. Box 39, Lahore-54000, Pakistan.  
Tel: +92 (42) 3519 9343-50 / Fax: +92 (42) 3519 9351 www.pwc.com/pk

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**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:

- 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.



2 of 3 pages

Independent Auditor's Report

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.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **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).

### **Other Matter**

The financial statements of the Company for the year ended December 31, 2022 were audited by another firm of Chartered Accountants who had expressed an unmodified opinion on those financial statements vide their reports dated March 30, 2023.

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



**A. F. Ferguson & Co.**  
**Chartered Accountants**

**Lahore**

**Date:** April 08, 2024

**UDIN:** AR202310071a6nS7CrXc

# ALFALAH INSURANCE COMPANY LIMITED

## STATEMENT OF FINANCIAL POSITION

### AS AT 31 DECEMBER 2023

	Note	2023	2022
(Rupees in thousand)			
<b>ASSETS</b>			
Property and equipment	5	203,932	181,317
Right-of-use asset	6	77,779	62,084
Intangible assets	7	7,663	8,617
Investment property	8	1,588	1,588
Investments			
Equity securities	9	518,245	534,808
Debt securities	10	2,176,947	1,688,118
Term deposits	11	-	-
Loans and other receivables	12	280,237	202,662
Insurance / Reinsurance receivables	13	916,826	625,293
Reinsurance recoveries against outstanding claims	26	906,887	677,388
Salvage recoveries accrued		21,699	32,241
Deferred commission expense / acquisition cost	27	153,382	128,117
Deferred taxation	14	9,306	58,856
Retirement benefits	20	-	298
Prepayments	15	965,117	680,053
Cash and bank	16	474,829	538,463
		<u>6,714,437</u>	<u>5,419,901</u>
Total assets of Window Takaful Operations - Operator's Fund	17	690,482	524,500
<b>TOTAL ASSETS</b>		<u><b>7,404,919</b></u>	<u><b>5,944,401</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to Company's equity holders</b>			
Authorized capital 50,000,000 (2022: 50,000,000) ordinary shares of Rs.10 each		<u>500,000</u>	<u>500,000</u>
Ordinary share capital	18	500,000	500,000
Reserves	19	213,196	116,436
Unappropriated profits		<u>1,800,129</u>	<u>1,377,462</u>
<b>TOTAL EQUITY</b>		<u><b>2,513,325</b></u>	<u><b>1,993,898</b></u>
<b>LIABILITIES</b>			
Underwriting provisions:			
Outstanding claims including IBNR	26	1,314,412	1,104,316
Unearned premium reserve	25	1,445,436	1,194,868
Premium deficiency reserves		10,837	6,210
Unearned reinsurance commission	27	177,838	139,311
Retirement benefits obligations	20	7,643	-
Premium received in advance		33,197	52,802
Insurance / Reinsurance payables	21	848,487	545,635
Lease liabilities	22	93,893	79,920
Unpaid dividend		59,497	-
Other creditors and accruals	23	601,789	581,896
Taxation - payment less provisions		5,814	5,809
		<u>4,598,843</u>	<u>3,710,767</u>
Total liabilities of Window Takaful Operations - Operator's Fund	17	292,751	239,736
		<u>4,891,594</u>	<u>3,950,503</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	24	<u><b>7,404,919</b></u>	<u><b>5,944,401</b></u>
<b>CONTINGENCIES AND COMMITMENTS</b>			

The annexed notes 1 to 46 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 AS AT 31 DECEMBER 2023

	Note	2023 (Rupees in thousand)	2022
Net insurance premium	25	1,685,318	2,218,696
Net insurance claims	26	(1,152,221)	(1,198,482)
Premium deficiency (expense) / income		(4,627)	2,915
Net commission and other acquisition cost income / (expense)	27	66,094	(496,905)
Insurance claims and acquisition expenses		(1,090,754)	(1,692,472)
Management expenses	28	(543,586)	(489,130)
<b>Underwriting results</b>		<b>50,978</b>	<b>37,094</b>
Investment income	29	479,039	232,436
Other income	30	191,812	86,335
Other expenses	31	(52,405)	(33,597)
<b>Results of operating activities</b>		<b>669,424</b>	<b>322,268</b>
Finance cost	32	(7,508)	(7,697)
Profit from Window Takaful Operations - Operator's fund	17	201,734	142,528
<b>Profit before tax</b>		<b>863,650</b>	<b>457,099</b>
Income tax expense	33	(331,966)	(153,747)
<b>Profit after tax</b>		<b>531,684</b>	<b>303,352</b>
Earnings (after tax) per share - Rupees	34	10.63	6.07

The annexed notes 1 to 46 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 2023

	2023	2022
	(Rupees in thousand)	
Profit after tax	531,684	303,352
<b>Items that may be reclassified to profit and loss account in subsequent periods (net of tax):</b>		
Unrealized gain / (loss) on available-for-sale investments	96,760	(44,155)
<b>Items that will not be reclassified to profit and loss account in subsequent periods (net of tax):</b>		
Remeasurement (loss) / gain on retirement benefit obligations	(9,017)	1,199
Other comprehensive gain / (loss) for the year	87,743	(42,956)
<b>Total comprehensive income for the year</b>	<b>619,427</b>	<b>260,396</b>

The annexed notes 1 to 46 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 2023

	Attributable to equity holders of the Company					Total
	Share capital issued, subscribed and paid-up	Capital reserve	Share deposit money	Fair Value Reserves	Revenue reserve	
				General reserve	Unappropriated profits	
	------(Rupees in thousand)-----					
Balance as at January 1, 2022	500,000	1,381	9,210	150,000	1,172,911	1,833,502
Profit for the year	-	-	-	-	303,352	303,352
Other comprehensive income for the year	-	-	(44,155)	-	1,199	(42,956)
Total comprehensive income for the year	-	-	(44,155)	-	304,551	260,396
<i>Transactions with owners of the Company</i>						
Final dividend for the year ended 31 December 2021 @ 20% (Rupee 2/- per share)	-	-	-	-	(100,000)	(100,000)
Balance as at December 31, 2022	500,000	1,381	(34,945)	150,000	1,377,462	1,993,898
Profit for the year	-	-	-	-	531,684	531,684
Other comprehensive income for the year	-	-	96,760	-	(9,017)	87,743
Total comprehensive income for the year	-	-	96,760	-	522,667	619,427
<i>Transactions with owners of the Company</i>						
Final dividend for the year ended 31 December 2022 @ 20% (Rupee 2/- per share)	-	-	-	-	(100,000)	(100,000)
Balance as at December 31, 2023	500,000	1,381	61,815	150,000	1,800,129	2,513,325

The annexed notes 1 to 46 form an integral part of these financial statements.

  
Chairman

  
Director

  
Director

  
Chief Executive Officer

# ALFALAH INSURANCE COMPANY LIMITED

## CASH FLOW STATEMENT

### FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	(Rupees in thousand)	
<b><u>Operating cash flows</u></b>		
<b>a) Underwriting activities</b>		
Insurance premium received	3,905,696	4,402,003
Reinsurance premium paid	(2,300,445)	(1,636,567)
Claims paid	(1,560,645)	(1,787,787)
Reinsurance and other recoveries received	418,833	386,444
Commission paid	(405,306)	(988,936)
Commission received	485,711	384,112
Management expenses paid	(407,439)	(441,154)
<b>Net cash flow from underwriting activities</b>	<b>136,405</b>	<b>318,115</b>
<b>b) Other operating activities</b>		
Income tax paid	(339,143)	(144,124)
Other (paid) / received	(15,032)	44,159
Loans disbursed	(18,786)	(13,866)
Loans repayments received	16,115	12,377
<b>Net cash flow from other operating activities</b>	<b>(356,846)</b>	<b>(101,454)</b>
<b>Total cash (used in) / generated from all operating activities</b>	<b>(220,441)</b>	<b>216,661</b>
<b><u>Investment activities</u></b>		
Profit / return received on bank deposits	383,514	229,788
Dividends received	34,867	49,630
Payments for investments	(8,945,166)	(5,850,400)
Proceeds from disposal of investments	8,800,579	5,709,853
Fixed capital expenditure	(43,857)	(29,352)
Proceeds from disposal of operating fixed assets	684	1,831
<b>Total cash generated from investing activities</b>	<b>230,621</b>	<b>111,350</b>
<b><u>Financing activities</u></b>		
Payment of lease liability in respect of right-of-use assets	(33,309)	(34,206)
Dividend paid	(40,505)	(100,000)
<b>Total cash flow from financing activities</b>	<b>(73,814)</b>	<b>(134,206)</b>
<b>Net cash flow from all activities</b>	<b>(63,634)</b>	<b>193,805</b>
Cash and cash equivalents at beginning of the year	538,463	344,658
<b>Cash and cash equivalents at end of the year</b>	<b>474,829</b>	<b>538,463</b>

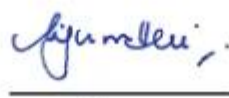
The annexed notes 1 to 46 form an integral part of these financial statements.



Chairman



Director



Director



Chief Executive Officer

# ALFALAH INSURANCE COMPANY LIMITED

## CASH FLOW STATEMENT

### FOR THE YEAR ENDED 31 DECEMBER 2023

2023                      2022

(Rupees in thousand)

#### Reconciliation to profit and loss account

Operating cash flows	(220,441)	216,661
Depreciation expense	(40,982)	(34,930)
Finance cost	(8,727)	(8,735)
Amortization of intangibles	(3,619)	(2,464)
Gain on disposal of operating fixed assets	230	569
Profit on sale of investments	104,348	40,301
Impairment in value of available-for-sale investments	22,072	(55,735)
Dividend and other income	461,829	292,361
Decrease in assets other than cash	844,868	454,622
Increase in liabilities other than borrowings	(846,640)	(758,470)
Un-realized gain in value of held for trading investment	17,012	16,644
Profit from Window Takaful Operations	201,734	142,528
<b>Profit after taxation</b>	<b>531,684</b>	<b>303,352</b>

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

Cash and other equivalents	5,535	3,602
Current and other accounts	469,294	534,861
<b>Total cash and cash equivalents</b>	<b>474,829</b>	<b>538,463</b>

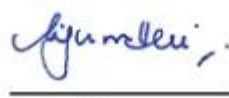
The annexed notes 1 to 46 form an integral part of these financial statements.



Chairman



Director



Director



Chief Executive Officer

# ALFALAH INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENT

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

**1.1** The Company operates through the following locations in Pakistan;

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

#### 2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

##### 2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017 and the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017, the Takaful Rules, 2012 and General Takaful Accounting Regulations, 2019.

In case requirements differ, the provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017, the Takaful Rules, 2012 and General Takaful Accounting Regulations, 2019 shall prevail.

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

## 2.2 Basis of measurement

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

## 2.3 Functional and presentation currency

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

## 2.4 Standards, interpretations and amendments to the accounting and reporting standards as applicable in Pakistan that are effective in the current period

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2023 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore, have not been detailed in these financial statements.

## 2.5 Standards and amendments to accounting and reporting standards that are not yet effective and have not been early adopted by the Company

		Effective date (annual reporting periods beginning on or after)
IFRS 7	Financial Instruments: Disclosures (Amendments)	January 1, 2024
IFRS 16	Leases (Amendments)	January 1, 2024
IAS 1	Presentation of Financial Statements (Amendments)	January 1, 2024
IAS 7	Statement of Cash Flows (Amendments)	January 1, 2024
IAS 21	The Effects of Changes in Foreign Exchange Rates (Amendments)	January 1, 2025
IFRS 17	Insurance Contracts	January 1, 2026

Other than the aforementioned standards, interpretations and amendments, IASB has also issued the following standards and interpretation, which have not been notified locally or declared exempt, in relation to the Company, by Securities and Exchange Commission of Pakistan (SECP) as at December 31, 2023:

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information
IFRS S2	Climate-related Disclosures

## 2.6 Amendments to IFRS 4 applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts

The Company meets the eligibility criteria of the temporary exemption from IFRS 9 and intends to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) for annual reporting periods beginning on or after January 1, 2023, as allowed by the Securities and Exchange Commission of Pakistan (SECP) through S.R.O. 1715 (i)/2023 dated November 21, 2023.

The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning on 1 January 2023 and continue to apply IAS 39 to financial assets and liabilities. An entity may apply the temporary exemption from IFRS 9 if:

- (i) it has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as FVPL; and
- (ii) its activities are predominantly connected with insurance on its annual reporting date.

### 3 USE OF JUDGEMENT AND ESTIMATES

The preparation of financial statements 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:

	<u>Note</u>
- Provision for doubtful receivables	4.1.16
- Provision for outstanding claims including claims incurred but not reported (IBNR)	4.1.12
- Premium deficiency reserve	4.1.13
- Defined benefit plans	4.2.3
- Provision for taxation including the amount relating to tax contingency	4.1.19
- Useful lives, pattern of economic benefits and impairments - Fixed assets	4.1.1& 4.2.2
- Useful lives, pattern of economic benefits and impairments - Investment property	4.2.1
- Segment reporting	4.1.20

### 4 ACCOUNTING POLICY INFORMATION

#### 4.1 MATERIAL ACCOUNTING POLICY INFORMATION

The Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statements 2 'Making Materiality Judgements') from January 1, 2023. Although amendments did not result in any changes to the accounting policies themselves, they impact the accounting policy information disclosed in the financial statements.

The amendments require disclosure of 'material', rather than 'significant' accounting policies. The amendments also provide the guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful entity specific accounting policy information that user need to understand other information in the financial statements.

The material accounting policies set out below have been applied consistently to all periods presented in these financial statements.

##### 4.1.1 Property and equipment

Operating fixed assets:

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

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

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

### **4.1.2 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.

#### **4.1.2.1 Non-derivative financial assets**

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

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

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

#### **Financial assets at fair value through profit and loss account**

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

#### **Held to maturity financial assets**

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

## Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

### 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.

### 4.1.2.2 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.

### 4.1.2.3 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 Company has a legal enforceable right to set off the recognized amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

## 4.1.3 Impairment

### Financial assets

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

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

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

## Non-financial assets

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

The 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.

### 4.1.4 Insurance Contracts

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

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

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

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

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

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

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

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

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

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

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

## Premiums and administrative surcharge

Premium is recognised on the basis of the Rule of 24.

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

### 4.1.5 Provision for unearned premium

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

- for marine cargo business, premium written is recognized as provision for unearned premium until the commencement of voyage
- for Fire, Motor, Miscellaneous and Health business, premium written is recognized as provision for unearned premium by applying the 1/24th method.

### 4.1.6 Receivables and Payables related to insurance contracts

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

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

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

### 4.1.7 Reinsurance contracts held

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

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

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

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

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

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

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

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

#### **4.1.8 Reinsurance expense**

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

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

The portion of reinsurance premium ceded not yet recognized as an expense is recognized as a prepayment. The prepaid portion of premium ceded is recognized as an asset. Such asset is calculated by applying the 1/24th 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.

#### **4.1.9 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.

#### **4.1.10 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.

#### **4.1.11 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.

#### 4.1.12 Provision for outstanding claims incurred but not reported (IBNR)

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

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

#### Claims incurred but not reported

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

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

As required under the Guidelines, the Company uses CLM by involving an actuary for determination of provision against IBNR. Accordingly, the actuarial valuation as at 31 December 2023 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.

#### 4.1.13 Premium deficiency reserve

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

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

Based on recommendation of actuary, the unearned premium reserve, on aggregation basis, at the year end is not adequate to meet the expected future liability after reinsurance claims and claim handling expenses, expected to be incurred after the statement of financial position date in respect of policies in force at the statement of financial position date. Therefore, no premium deficiency reserve has been accounted for in these financial statements, however for health class premium deficiency reserve has been accounted for separately.

#### 4.1.14 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.

#### 4.1.15 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.

#### **4.1.16 Provisions and contingencies**

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

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

#### **Leases**

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

#### **Company as lessee**

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

#### **Right-of-use assets**

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

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

The right-of-use assets are also subject to impairment. Refer to the note 4.1.3

#### **Lease liabilities**

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

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

#### **4.1.17 Revenue recognition**

#### **Premium income and administrative surcharge**

Premium income and administrative surcharge is recognised in line with note 4.1.4.

## **Commission income**

Commission income from other reinsurers is recognized at the time of issuance of the underlying insurance policy by the Company. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit / commission, if any, under the terms of reinsurance agreements is recognized when Company's right to same are established.

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

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

## **Dividend income**

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

## **Interest income and other returns**

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

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

## **Miscellaneous Income**

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

Other revenues are recognized on accrual basis.

### **4.1.18 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.

### **4.1.19 Taxation**

#### **Current**

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

The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

#### **Deferred**

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

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

#### **4.1.20 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 4.1.4. 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 the material accounting policy information.

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.

#### **4.1.21 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.

#### **4.1.22 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.

#### **4.1.23 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 2023.

### **4.2 SUMMARY OF OTHER ACCOUNTING POLICIES**

Other than material accounting policies applied in the preparation of these financial statements are set out below for ease of user's understanding of these financial statements. These policies have been applied consistently for all periods presented, unless otherwise stated.

#### **4.2.1 Investment Property**

Property held for capital appreciation purpose is classified as investment property. The investment property of the Company comprises of land and is valued using the cost method less any identified impairment loss.

Fair value is disclosed and is determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee. Any gain or loss on disposal or retirement of investment property represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as income or expense in the profit and loss account.

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

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

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

#### **4.2.2 Intangible assets**

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

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

The Company assesses at each statement of financial position date whether there is any indication that intangible asset may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account currently. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

#### **4.2.3 Employees benefit plans**

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

Post employment benefits - Defined contribution plan

"The Company operates an approved contributory provident fund for all permanent employees by establishing a separate Trust. Equal monthly contributions are made by the Company and employees to the fund at the rate of 8.33% (2022: 8.33%) of basic salary."

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

#### **Post employment benefits - Defined benefit plan**

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

The calculation of defined benefit obligation is performed annually by a qualified actuary using the 'Projected Unit Credit Method' and latest actuarial valuation has been carried out at 31 December 2023. 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 20.

## 5 PROPERTY AND EQUIPMENT

	2023		2022		Note	2023		2022	
	As at 01 January 2023	As at 31 December 2023	As at 01 January 2022	As at 31 December 2022		Rupees in thousand	Rupees in thousand	Depreciation rates	Depreciation rates
Operating assets									
5.1 Operating assets					5.1	203,932	181,317		
	(Rupees in thousand)								
	Cost		Depreciation			Written down value			
	As at 01 January 2023	As at 31 December 2023	As at 01 January 2023	As at 31 December 2023	On disposals	As at 31 December 2023	As at 31 December 2022	Depreciation rates	%
Land - freehold	121,671	121,671	-	-	-	-	121,671	-	-
Building on leasehold land	49,300	49,300	48,909	49,065	-	49,065	205	10	10
Furniture and fixtures	19,351	19,351	17,469	17,907	-	17,907	1,544	10	10
Office equipment	22,052	22,703	19,066	20,278	(288)	20,278	2,425	20	20
Computer equipment	53,052	70,199	39,883	44,758	-	44,758	25,441	25	25
Vehicles	71,696	92,954	30,448	40,308	(1,363)	40,308	52,646	25	25
	337,092	376,178	155,775	172,246	(1,652)	172,246	203,932		

	2022		2022		Note	2023		2022	
	As at 01 January 2022	As at 31 December 2022	As at 01 January 2022	As at 31 December 2022		Rupees in thousand	Rupees in thousand	Depreciation rates	Depreciation rates
Operating assets									
5.1.1 Operating assets									
	(Rupees in thousand)								
	Cost		Depreciation			Written down value			
	As at 01 January 2022	As at 31 December 2022	As at 01 January 2022	As at 31 December 2022	On disposals	As at 31 December 2022	As at 31 December 2022	Depreciation rates	%
Land - freehold	121,671	121,671	-	-	-	-	121,671	-	-
Building on leasehold land	50,564	49,300	49,715	48,909	(1,264)	48,909	391	10	10
Furniture and fixtures	19,180	19,351	16,967	17,469	-	17,469	1,882	10	10
Office equipment	21,390	22,052	17,814	19,066	(268)	19,066	2,966	20	20
Computer equipment	49,939	53,052	39,629	39,883	(2,360)	39,883	13,169	25	25
Vehicles	63,005	71,696	27,435	30,448	(3,465)	30,448	41,218	25	25
	319,749	337,092	151,580	155,775	(7,357)	155,775	181,317		

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

5.1.2 These include operating assets amounting to Rs. 148.76 million (2022: Rs. 139.94 million) having nil book value as at year end.

5.1.3 Depreciation has been allocated as follows :

	Note	2023	2022
Management expenses			
Window Takaful Operations - Operator's Fund	28	15,591	10,182
		2,532	1,370
		18,123	11,552

#### 5.1.4 Disposal of property and equipment

2023							
Particulars	Particulars of buyer	Relationship with the Company	Cost	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal
------(Rupees in thousand)-----							
<b>Vehicles</b>							
Toyota XLI (LEH-15-3490)	Mr. Naveed Akbar	Employee	1,716	429	429	-	Company Policy
70 cc Bike (KIE-5351)	Mr. Mehtab Khan	Third Party	48	12	24	12	Auction
70 cc Bike (KND-9424)	Mr. Muhammad Rashid	Third Party	55	13	24	11	Auction
<b>Office Equipment</b>							
Various	IGI General Insurance Ltd	Third Party	289	-	207	207	Claim recovered against insurance
2023			<b>2,106</b>	<b>454</b>	<b>684</b>	<b>230</b>	
2022			<b>8,619</b>	<b>1,262</b>	<b>1,831</b>	<b>569</b>	

	Note	2023	2022
Rupees in thousand			
<b>6 RIGHT-OF-USE ASSET</b>			
As at 01 January		62,084	85,462
Modification during the year		38,554	-
Less: Depreciation	6.1	(22,859)	(23,378)
As at 31 December		<b>77,779</b>	<b>62,084</b>
6.1 Depreciation has been allocated as follows:			
Management expenses	28	19,666	20,602
Window Takaful Operations - Operator's Fund		3,193	2,776
		<b>22,859</b>	<b>23,378</b>
<b>7 INTANGIBLE ASSETS</b>			
Intangible assets	7.1	<b>7,663</b>	<b>8,617</b>
7.1 Intangible assets		<b>7,663</b>	<b>8,617</b>
		<b>Computer Software</b>	
<b>Cost</b>			
Cost as at 01 January		30,524	27,134
Additions during the year		2,665	3,390
Cost as at 31 December		<b>33,189</b>	<b>30,524</b>
<b>Amortization</b>			
As at 01 January		21,907	19,443
Charged during the year	7.1.2	3,619	2,464
As at 31 December		<b>25,526</b>	<b>21,907</b>
<b>Net book value as at 31 December</b>		<b>7,663</b>	<b>8,617</b>
<b>Rate of amortization</b>		<b>25%</b>	<b>25%</b>

7.1.1 These include intangible assets amounting to Rs. 17.84 million (2022: Rs. 17.58 million) having nil book value as at year end.

	Note	2023	2022
Rupees in thousand			
7.1.2 Amortization has been allocated as follows:			
Management expenses	28	3,114	2,172
Window Takaful Operations - Operator's Fund		505	292
		<u>3,619</u>	<u>2,464</u>

## 8 INVESTMENT PROPERTY

This represents land situated at 64 B Block, Eden Valley Faisalabad having a fair value of Rs. 12.69 million (2022: Rs. 11.64 million) measuring 7 Marla 15 square feet kept for long term capital appreciation purpose and measured at cost model.

As at 31 December 2023 and 2022, the fair values of the land are based on valuations performed by ARCH-e-decon, an accredited independent valuer on panel of Pakistan Banks' Association. ARCH-e-decon is a specialist in valuing these types of investment properties. A valuation model recommended by the International Valuation Standards Committee has been applied to determine the value of property. Investment properties of the Company are valued every year. There is no income or expense related to these

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

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

## 9 INVESTMENTS IN EQUITY SECURITIES

	Note	2023			2022		
		Cost	Impairment / Provision	Carrying value	Cost	Impairment / Provision	Carrying value
(Rupees in thousand)							
9.1 Available for sale - Quoted							
<u>Related parties</u>		-	-	-	-	-	-
<u>Others</u>							
Listed shares	9.1.1	476,011	(50,247)	425,764	435,230	(72,319)	362,911
		476,011	(50,247)	425,764	435,230	(72,319)	362,911
Unrealized loss on revaluation		-	-	92,481	-	-	(32,569)
		476,011	(50,247)	518,245	435,230	(72,319)	330,342
<b>Held for trading - Mutual funds</b>							
<u>Related parties</u>	9.2	-	-	-	204,347	-	204,347
<u>Others</u>		-	-	-	-	-	-
		-	-	-	204,347	-	204,347
Unrealized gain on revaluation		-	-	-	-	-	117
		-	-	-	204,347	-	204,464
		476,011	(50,247)	518,245	639,577	(72,319)	534,806
					Note	2023	2022
9.2 Mutual Fund						(Rupees in thousand)	
Alfalah Ghp Cash Fund						-	204,347
9.3 Movement of provision:							
As at 01 January						72,319	16,584
Charged during the year						43,916	68,084
Transferred to profit and loss account on sale of investment	29					(65,988)	(12,349)
As at 31 December						<u>50,247</u>	<u>72,319</u>

### 9.1.1 Others - listed shares

Shares		Company	Face value per share	Cost		Market Value	
2023	2022			2023	2022	2023	2022
-----Number-----		----- (Rupees in thousand) -----					
<b>Commercial Banks</b>							
-	1,094,750	The Bank of Punjab	10	-	8,832	-	5,003
313,200	294,500	Habib Bank Limited	10	29,327	32,315	34,715	18,768
246,900	267,000	Bank AL Habib Limited	10	18,970	20,557	19,885	14,760
152,000	220,000	United Bank Limited	10	24,723	27,774	27,032	22,165
139,500	136,000	MCB Bank Limited*	10	23,424	24,417	24,071	15,798
94,500	101,358	Meezan Bank Limited	10	14,916	11,306	15,249	10,089
<b>Engineering</b>							
-	227,000	Agha Steel Industries Limited	10	-	7,982	-	3,155
44,500	-	Mughal Iron and Steels Industries	10	3,231	-	2,945	-
-	40,000	Amreli Steels Limited	10	-	960	-	718
38,000	55,000	International Steels Limited	10	2,834	3,343	2,776	2,494
<b>Cement</b>							
560,000	-	Fauji Cement Company Limited	10	8,638	-	10,595	-
235,000	182,000	Maple Leaf Cement Factory Limited	10	9,179	6,197	9,146	4,108
-	200,000	Flying Cement Company Limited	10	-	1,825	-	1,172
71,000	13,600	D.G Khan Cement Limited	10	4,730	1,016	5,495	702
84,814	-	Pioneer Cement Limited	10	9,021	-	9,749	-
12,319	66,500	Kohat Cement Company Limited	10	2,213	11,473	2,885	9,822
14,600	46,000	Lucky Cement Limited	10	10,876	26,155	11,490	20,543
56,000	-	Cherat Cement Limited	10	8,531	-	9,127	-
100,000	100,000	Descon Oxychem Limited	10	2,445	2,548	2,260	2,206
<b>Fertilizers</b>							
54,000	-	Engro Corporation Limited	10	14,781	-	15,925	-
135,933	97,232	Fauji Fertilizer Company	10	14,522	10,522	15,386	9,598
194,700	190,000	Engro Fertilizer Limited	10	18,959	16,461	21,851	14,609
<b>Pharmaceuticals</b>							
366,500	366,500	Citi Pharma Limited	10	12,210	12,630	8,701	8,851
-	52,000	The Searle Company Limited	10	-	8,166	-	3,061
<b>Automobile Assembler</b>							
6,500	6,500	Atlas Honda Limited	10	3,067	3,067	2,280	1,950
11,922	7,225	Millat Tractors Limited	10	5,013	5,013	6,930	3,505
15,300	-	Pak Suzuki Motor Company Limited	10	8,442	-	8,543	-
<b>C/F</b>				<b>250,052</b>	<b>242,559</b>	<b>267,036</b>	<b>173,077</b>

Shares		Company	Face value per share	Cost		Market Value	
2023	2022			2023	2022	2023	2022
-----Number-----				----- (Rupees in thousand) -----			
		<b>B/F</b>		<b>250,052</b>	<b>242,559</b>	<b>267,036</b>	<b>173,077</b>
		<b>Power Generation and Distribution</b>					
285,136	54,445	Hub Power Company Limited	10	27,576	3,498	33,387	3,434
2,240,000	-	K-Electric Limited	10	9,234	-	11,782	-
		<b>Oil and Gas Exploration Companies</b>					
332,164	210,000	Oil And Gas Development Company Limited	10	34,692	23,193	37,352	16,729
-	47,091	Pakistan Oil Fields Limited	10	-	19,712	-	18,500
16,498	24,798	Mari Petroleum Company Limited	10	28,198	42,384	34,585	38,362
292,596	-	Pakistan Petroleum Limited	10	26,935	-	33,657	-
162,898		Sui Northern Gas Pipeline	10	9,005	-	11,976	-
		<b>Textile Composite</b>					
145,840	108,200	Gul Ahmad Textile Mills Limited	10	4,857	4,473	3,150	2,666
55,000	-	Nishat Chunian Limited	10	1,675	-	1,538	-
129,876	79,876	Nishat Mills Limited	10	10,410	7,385	9,964	4,392
19,800		Towellers Limited	10	3,682	-	3,774	-
		<b>Automobile Parts and Accessories</b>					
-	31,059	Panther Tyres Limited	10	-	1,145	-	644
15,000		Sazgar Engineering Works Limited	10	2,760	-	2,668	-
-	15,000	Atlas Battery Limited	10	-	2,749	-	2,446
		<b>Insurance</b>					
-	127,500	Adamjee Insurance Company Limited	10	-	5,134	-	3,592
		<b>Glass and Ceramics</b>					
145,448	56,250	Tariq Glass Industries Limited	10	12,481	5,710	14,504	3,663
-	91,000	Shabbir Tiles & Ceramics Limited	10	-	1,542	-	783
		<b>C/F</b>		<b>421,557</b>	<b>359,484</b>	<b>465,373</b>	<b>268,288</b>

Shares		Company	Face value per share	Cost		Market Value	
2023	2022			2023	2022	2023	2022
-----Number-----		----- (Rupees in thousand) -----					
		<b>B/F</b>		<b>421,557</b>	<b>359,484</b>	<b>465,373</b>	<b>268,288</b>
		<b>Refinery</b>					
898,000	898,000	Energy PK Limited	10	7,374	7,374	4,418	3,315
		<b>Technology</b>					
11,000	44,536	System Limited	10	4,716	21,667	4,659	21,553
64,936	65,000	Avanceon Limited	10	4,196	5,207	3,723	4,292
		<b>Technology &amp; Communication</b>					
-	20,000	TRG Pakistan Limited	10	-	2,369	-	2,168
		<b>Foods and Personal Care Products</b>					
-	222,165	The Organic Meat Company Limited	10	-	5,483	-	4,590
		<b>Oil and Gas Marketing Companies</b>					
131,878	78,878	Pakistan State Oil Company Limited	10	21,136	13,622	23,304	11,358
-	16,250	Attock Petroleum Limited	10	-	5,098	-	4,708
		<b>Transport</b>					
-	244,000	Pakistan International Bulk Terminal Limited	10	-	1,780	-	1,157
30,500	-	Pakistan National Shipping Corporation	10	6,663	-	8,067	-
		<b>Synthetic &amp; Rayon</b>					
150,000	167,500	Image Pakistan Limited	10	2,559	2,137	2,544	1,573
		<b>Miscellaneous</b>					
101,000	151,500	Siddiqsons Tin Plate Limited	10	1,247	1,871	739	962
-	100,500	Pakistan Aluminium Beverage Can Limited	10	-	4,619	-	3,902
25,000		Maopac Films Limited	10	580	-	525	-
450,000		HBL Investment Fund - Class	10	1,469	-	1,553	-
250,190	250,190	Synthetic Products Enterprises Limited	10	4,514	4,519	3,340	2,477
		Value as at 31 December		<b>476,011</b>	<b>435,230</b>	<b>518,245</b>	<b>330,343</b>
		<b>Grand Total</b>		<b>476,011</b>	<b>435,230</b>	<b>518,245</b>	<b>330,343</b>

\* 2023: 136,000 (2022: 136,000) shares are pledged with National Clearing Company of Pakistan Limited (NCCPL) as exposure margin.

10 INVESTMENTS IN DEBT SECURITIES	Note	2023	2022
(Rupees in thousand)			
<b>Available for sale - Unquoted</b>			
Term finance certificates	10.1	95,000	129,665
Pakistan Investment Bonds	10.2	816,383	1,263,679
		<u>911,383</u>	<u>1,393,344</u>
Unrealized gain on debt securities		8,849	(19,593)
		<u>920,232</u>	<u>1,373,751</u>
<b>Held for trading</b>			
Treasury Bills	10.3	1,214,713	297,838
Sukuk certificates	10.4	25,000	-
Unrealized gain on debt securities		17,002	16,529
<b>Total Investment in debt securities</b>		<u><u>2,176,947</u></u>	<u><u>1,688,118</u></u>

Description	Maturity	Profit Payment	Yield	2023	2022
(Rupees in thousand)					

#### 10.1 Term finance certificates

Habib Bank Limited	15-Nov-24	Quarterly	3M KIBOR + 1.60%	20,000	20,000
The Bank of Punjab	-	Semi Annually	6M KIBOR + 1.00%	-	34,665
Habib Bank Limited	Perpetual	Quarterly	3M KIBOR + 2%	75,000	75,000
				<u>95,000</u>	<u>129,665</u>

#### 10.2 Pakistan Investment Bonds

Pakistan Investment Bond-Floater	09-Aug-28	Semi Annually	23.57%	110,000	110,000
Pakistan Investment Bond-Floater	22-Oct-23	Quarterly	7.57%	-	199,480
Pakistan Investment Bond-Floater	22-Oct-23	Quarterly	7.61%	-	124,630
Pakistan Investment Bond-Floater	22-Oct-23	Quarterly	7.62%	-	49,850
Pakistan Investment Bond-Floater	26-Aug-23	Quarterly	8.77%	-	299,247
Pakistan Investment Bond-Floater	26-Aug-23	Quarterly	8.77%	-	124,685
Pakistan Investment Bond-Floater	30-Dec-23	Quarterly	15.70%	-	124,277
Pakistan Investment Bond	04-Aug-25	Semi Annually	14.00%	-	45,705
Pakistan Investment Bond	05-Aug-24	Semi Annually	11.72%	-	139,805
Pakistan Investment Bond	05-Aug-24	Semi Annually	12.60%	-	46,000
Pakistan Investment Bond	04-Jul-26	Semi Annually	17.38%	44,705	-
Pakistan Investment Bond	04-Jul-26	Semi Annually	19.35%	257,695	-
Pakistan Investment Bond	05-Aug-24	Semi Annually	21.52%	184,424	-
Pakistan Investment Bond	04-Aug-25	Semi Annually	19.57%	43,686	-
Pakistan Investment Bond	04-Aug-25	Semi Annually	19.10%	175,873	-
<b>Average yield / total</b>			<u>14.32%</u>	<u>816,383</u>	<u>1,263,679</u>

10.2.1 Pakistan Investment Bonds having face value of Rs. 60 million (2022: Rs. 60 million) and market value of Rs. 59 million (2022: Rs. 60 million) respectively are held with State Bank of Pakistan as security deposit.

Description	Maturity	Profit Payment	Yield	2023	2022
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(Rupees in thousand)

### 10.3 Treasury Bills - Held for Trading

Treasury Bills	17-Oct-24	On Maturity	22.07%	143,430	-
Treasury Bills	12-Dec-24	On Maturity	21.40%	527,437	-
Treasury Bills	12-Dec-24	On Maturity	21.41%	412,023	-
Treasury Bills	14-Nov-24	On Maturity	21.43%	131,823	-
Treasury Bills	20-Apr-23	On Maturity	13.25%	-	22,082
Treasury Bills	24-Mar-23	On Maturity	12.20%	-	89,127
Treasury Bills	20-Apr-23	On Maturity	13.28%	-	44,153
Treasury Bills	20-Apr-23	On Maturity	13.44%	-	22,045
Treasury Bills	02-Nov-23	On Maturity	15.73%	-	43,221
Treasury Bills	26-Jan-23	On Maturity	15.70%	-	77,210
<b>Average yield / total</b>			<b>16.99%</b>	<b>1,214,713</b>	<b>297,838</b>

### 10.4 Sukuk certificates

GIS-VRR	04-Dec-24	On Maturity	20.33%	25,000	-
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## 11 INVESTMENTS IN TERM DEPOSITS

	Note	2023	2022
Term Deposit Receipt - maturing within 12 months	11.1	2,000	2,000
Impairment		(2,000)	(2,000)
		-	-

11.1 These includes term deposit receipts (TDRs) purchased from Trust Investment Bank of Rs. 2 million (2022: Rs. 2 million) matured in 2013. Impairment has been charged due to uncertainty surrounding the recoverability of the amount.

## 12 LOANS AND OTHER RECEIVABLES

### Considered good

	Note	2023	2022
Accrued investment income		47,566	34,885
Security deposits		6,123	6,123
Loan to employees	12.1	8,861	6,190
Insurance claim receivable		-	152
Receivable from Shareholders' fund	12.2	200,632	142,649
Other advances	12.3	17,055	12,663
		<b>280,237</b>	<b>202,662</b>

12.1 This represents short term advance obtained by employees who have completed one year of service with the company. The advance is markup-free and is repayable within 12 months. As per policy, the maximum finance limit per employee is lower of two gross salaries or 80% of the respective employees' provident fund balance.

12.2 This represents receivable in respect of common expenses incurred by the Company on behalf of the Window Takaful Operations.

12.3 This includes advance amounting to Rs.14.1 million (2022: 11.3 million) paid to Axa Life and Health Reinsurance Solutions (Private) Limited on account of advance reinsurance float.

	Note	2023	2022
(Rupees in thousand)			
<b>13 INSURANCE / REINSURANCE RECEIVABLES</b>			
<b>Unsecured and considered good</b>			
Due from insurance contract holders		846,744	555,577
Less: provision for impairment of receivables from insurance contract holders	13.1	(27,108)	(16,417)
		819,636	539,160
Due from other insurers / reinsurers	13.3	136,984	136,618
Less: provision for impairment of due from other insurers / reinsurers	13.2	(39,794)	(50,485)
		97,190	86,133
		<u>916,826</u>	<u>625,293</u>
<b>13.1 Provision for impairment for receivables from insurance contract holders</b>			
Balance as at 01 January		16,417	32,659
Addition / (reversal) made during the year	28	10,691	(16,242)
Balance as at 31 December		<u>27,108</u>	<u>16,417</u>
<b>13.2 Provision for impairment of due from other insurers / reinsurers</b>			
Balance as at 01 January		50,485	4,243
(Reversal) / Addition made during the year	28	(10,691)	46,242
Balance as at 31 December		<u>39,794</u>	<u>50,485</u>

13.3 The Company has co-insurance and reinsurance arrangements with various insurance and reinsurance companies. Under the above arrangements, the receivable and payable balances originate mainly due to premiums underwritten or claims settled by the lead insurer on behalf of other co-insurers, and in case of reinsurance, the premium ceded to and claims recoverable from the reinsurer under the respective contracts. As per the prevailing industry practices, settlements of balances under co-insurance and reinsurance arrangements are done between respective insurance companies in normal course of business.

The current balances of co-insurance and reinsurance reflected in the records of the Company are based on underlying contracts and transactions supported by appropriate evidence.

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

	2023	2022
(Rupees in thousand)		
<b>14 DEFERRED TAXATION</b>		
Credit / (debit) balances arising in respect of timing differences relating to:		
<b>Deferred credits arising in respect of</b>		
Accelerated tax depreciation allowance	1,419	1,796
Leases - net	6,285	5,885
Investments - Available for sale	(19,921)	41,078
Worker's welfare fund	28,155	15,588
<b>Deferred debits arising due to</b>		
Investments - Held for trading	(6,632)	(5,491)
	<u>9,306</u>	<u>58,856</u>

	Note	2023	2022
(Rupees in thousand)			
<b>14.1 Reconciliation of deferred tax liabilities - net</b>			
As at 01 January		58,856	10,608
Tax income recognized in profit and loss account	33	7,182	27,274
Tax (loss)/income recognized in OCI	14.2	(56,732)	20,974
As at 31 December		9,306	58,856
<b>14.2</b> This represents deferred tax income recognized on unrealized loss on available-for-sale investments in other comprehensive income			
	Note	2023	2022
(Rupees in thousand)			
<b>15 PREPAYMENTS</b>			
Prepaid reinsurance premium ceded	25	962,674	674,957
Prepaid miscellaneous expenses		2,443	5,096
		965,117	680,053
<b>16 CASH AND BANK</b>			
<b><u>Cash and cash equivalents</u></b>			
Cash in hand		3,035	2,127
Revenue stamps		2,500	1,475
		5,535	3,602
<b><u>Cash at bank</u></b>			
Current accounts			
- Local currency		101,327	49,815
- Foreign currency (USD 3,294.98) (2022: USD 3,294.98)		940	776
		102,267	50,591
Savings accounts	16.1	367,027	484,270
		469,294	534,861
		474,829	538,463
<b>16.1</b> The balance in saving accounts carry mark-up at the rate of 14.85% to 20.60% per annum (2022: 8.50% to 14.60% per annum).			
<b>16.2</b> Cash at bank deposits includes an amount of Rs. 413.76 million (2022: Rs. 486.92 million) held with Bank Alfalah Limited, an associated undertaking.			
<b>17 WINDOW TAKAFUL OPERATIONS</b>		2023	2022
(Rupees in thousand)			
<b>Operator's Fund</b>			
<b>Assets:</b>			
Cash and bank deposits		139,302	271,780
Assets - Others		551,180	252,720
<b>Total assets</b>		690,482	524,500
<b>Total Liabilities</b>		292,751	239,736

	2023	2022
	(Rupees in thousand)	
<b>17.1 Window Takaful Operations</b>		
<b>Profit and loss account</b>		
Wakala fee	197,365	174,835
Commission expense	(26,337)	(28,534)
Management expense	(61,632)	(52,775)
Investment income - net	46,383	26,887
Mudarib's share of PTF investment income	23,012	13,093
Other income	27,491	13,541
Finance cost	(1,219)	(1,037)
Direct expenses	(3,329)	(3,482)
Profit before tax from Window Takaful Operations	<u>201,734</u>	<u>142,528</u>
Taxation	(88,767)	(50,048)
<b>Profit after tax from Window Takaful Operations</b>	<u><b>112,967</b></u>	<u><b>92,480</b></u>

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

## 18 SHARE CAPITAL

### 18.1 Authorized Capital

2023	2022		2023	2022
(Number of shares)			(Rupees in thousand)	
<u>50,000,000</u>	<u>50,000,000</u>	Ordinary share of Rs. 10 each	<u>500,000</u>	<u>500,000</u>

### 18.2 Issued, subscribed and paid-up share capital

2023	2022		2023	2022
(Number of shares)				
30,000,000	30,000,000	Ordinary shares of Rs. 10 each, fully paid in cash	300,000	300,000
20,000,000	20,000,000	Ordinary shares of Rs. 10 each, issued as fully paid bonus shares	200,000	200,000
<u>50,000,000</u>	<u>50,000,000</u>		<u>500,000</u>	<u>500,000</u>

18.3 As at 31 December 2023, Bank Alfalah Limited and Sheikh Nahayan Mubarak Al Nahayan held 14,997,825 (2022: 14,997,825) and 17,497,323 (2022: 17,497,323) ordinary shares of Rs. 10 each fully paid, respectively.

	Note	2023	2022
		(Rupees in thousand)	
<b>19 RESERVES</b>			
Capital reserves			
Share deposit money		1,381	1,381
Revenue reserves			
Fair value reserves		61,815	(34,945)
General reserves		150,000	150,000
		<u>213,196</u>	<u>116,436</u>

## 20 RETIREMENT BENEFITS ASSET / OBLIGATION

Staff gratuity liability / (asset)	20.1	<u>7,643</u>	<u>(298)</u>
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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) risks.

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. An actuarial valuation is performed every year in accordance with the requirements of the revised International Accounting Standards 19 (IAS 19). 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 performs regular maturity analysis of the defined benefit obligation and manages its contributions accordingly.

	2023	2022
	(Rupees in thousand)	
<b>20.1 Statement of financial position reconciliation</b>		
The amounts recognized in the statement of financial position are as follows:		
Present value of defined benefit obligations	120,702	91,310
Payable to outgoing employees	851	-
Fair value of plan assets	(113,910)	(91,608)
Recognized (asset) / liability	<u>7,643</u>	<u>(298)</u>
<b>20.1.1 Movement in the defined benefit obligations</b>		
Obligation as at 01 January	91,310	76,493
Current service cost	9,456	8,890
Interest cost	12,749	8,830
Actuarial gain	13,960	(234)
Benefits paid	(5,922)	(2,669)
Obligation as at 31 December	<u>121,553</u>	<u>91,310</u>
<b>20.1.2 Movement in the fair value of plan assets</b>		
Fair value as at 01 January	91,608	77,320
Expected return on plan assets	13,559	9,320
Actuarial gain	4,943	964
Employer contributions	9,722	6,672
Benefits paid	(5,922)	(2,668)
Fair value as at 31 December	<u>113,910</u>	<u>91,608</u>
<b>20.1.3 Cost</b>		
Current service cost	9,456	8,890
Interest cost	12,749	8,830
Expected return on plan assets	(13,559)	(9,320)
Expense	<u>8,646</u>	<u>8,400</u>
Actual return on plan assets	<u>18,502</u>	<u>10,285</u>
<b>20.1.4 Principal actuarial assumptions used are as follows:</b>		
Discount rate per annum - %	15.50%	14.50%
Expected return on plan assets per annum - %	15.50%	14.50%
Future salary increases - %	20.00%	12.50%
Net retirement age	60	60
Mortality rates	SLIC 2001-05	SLIC 2001-05
Withdrawal rate	Moderate	Moderate
Effective salary increase timing	1st January 2024	1st January 2023

	2023	2022	2021	2020	2019
<b>20.1.5 Comparison for five years</b>	(Rupees in thousand)				
As at 31 December					
Present value of defined benefit obligation	121,553	91,310	76,493	64,650	54,897
Fair value of plan assets	(113,910)	(91,608)	(77,320)	(70,551)	(57,776)
Deficit	7,643	(298)	(827)	(5,901)	(2,879)

#### 20.1.6 Experience adjustments

Gain / (loss) on plan assets - (as % age of plan assets)	11.48%	-0.26%	-0.45%	-3.23%	-5.06%
Gain / (loss) on plan assets - (as % age of obligations)	-4.34%	-1.05%	0.74%	-4.95%	0.69%

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

	2023		2022	
	Rupees in Thousand	%	Rupees in Thousand	%
Mutual funds	21,868	19%	18,125	20%
Treasury bills	83,271	73%	56,745	62%
Others including (cash and bank balances)	8,771	8%	16,738	18%
	113,910	100%	91,608	100%

## 21 INSURANCE / REINSURANCE PAYABLE

Due to other insurers / reinsurers

	2023	2022
	(Rupees in thousand)	
	848,487	545,635

## 22 LEASE LIABILITY

The effective interest rate used as the discounting factor (i.e. implicit in the lease) ranges from 7.95% to 21.71%. The amount of future payments and the period during which they will become due are:

	Note	2023	2022
		(Rupees in thousand)	
Year ending 31 December			
2023		-	32,542
2024		34,754	18,887
2025		36,439	19,765
2026		36,886	15,425
2027		1,952	8,171
2028 onwards		6,170	-
	22.1	116,201	92,790
Less: Future finance charges		(22,308)	(12,870)
	22.2	93,893	79,920

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

	2023		2022	
	MLP	PV of MLP	MLP	PV of MLP
Due not later than 1 year	34,754	23,520	32,542	26,439
Due later than 1 year but not later than 5 years	77,228	66,628	56,030	49,735
Due later than 5 years	4,219	3,745	4,218	3,746
	116,201	93,893	92,790	79,920

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

	2023	2022
	(Rupees in thousand)	
As at 01 January	79,920	105,391
Additions during the year	38,554	-
Markup on lease liabilities	8,727	8,735
	127,201	114,126
Lease rentals paid	(33,308)	(34,206)
As at 31 December	93,893	79,920

	Note	2023	2022
(Rupees in thousand)			
<b>23 OTHER CREDITORS AND ACCRUALS</b>			
Agent commission payable		138,452	142,224
Cash margin against performance bonds		99,257	94,356
Federal excise duty and sales tax		81,751	77,667
Federal Insurance Fee		3,251	3,547
Workers' welfare fund	23.1	72,191	47,239
Accrued expenses		161,544	167,532
Tax deducted at source		16,799	17,631
Others	23.2	28,544	31,700
		601,789	581,896

#### 23.1 Workers' welfare fund

As at 01 January		47,239	37,868
Provision for the year	31	24,952	9,371
As at 31 December		72,191	47,239

#### 23.2 Unclaimed insurance benefits

Others include unclaimed insurance benefits of Rs. 5.89 million (2022: Rs. 7.77 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 - 2023	35	1,151	1,113	420	3,170	5,889
Claims not encashed - 2022	2	1,307	1,896	1,357	3,235	7,797

## 24 CONTINGENCIES AND COMMITMENTS

### 24.1 Tax Contingencies

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

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

b) **Income tax - Tax Year 2017**

For tax year 2017, the tax department disputed Company's treatment on certain issues and raised the aggregate liability of Rs. 93.9 million, however, upon assailing the assessment order before the first appellate authority, additions only to the extent of Rs 5.9 million were confirmed in respect of unpaid liabilities (Rs 0.4 million) and unverified expenses (Rs 5.5 million). While the former will be claimed on payment basis, the Company has preferred an appeal before the Appellate Tribunal Inland Revenue. On 1 March 2023 Appellate Tribunal Inland Revenue has passed an order and give relief by accepting all Company's point and no demand has been raised. The department has filed an appeal in Lahore High Court against ATIR's order. As per Company's Tax advisor, the Company has strong case, accordingly, the appeal is likely to be decided in favor of the Company. Therefore, no provision has been made in these financial statements.

c) **Income tax - Tax Year 2019**

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

d) **Income tax - Tax Year 2021**

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

There are no commitments as at 31 December 2023 (31 December 2022: Nil).

	Note	2023	2022
<b>25 NET INSURANCE PREMIUM</b>		<b>(Rupees in thousand)</b>	
Written gross premium		4,166,123	4,374,858
Unearned premium reserve as at 01 January		1,194,868	991,716
Unearned premium reserve as at 31 December		<u>(1,445,436)</u>	<u>(1,194,868)</u>
Premium earned		3,915,555	4,171,706
Reinsurance premium ceded		<u>(2,517,954)</u>	<u>(2,153,348)</u>
Prepaid reinsurance premium ceded as at 01 January		(674,957)	(474,619)
Prepaid reinsurance premium ceded as at 31 December	15	962,674	674,957
Reinsurance expense		<u>(2,230,237)</u>	<u>(1,953,010)</u>
		<u>1,685,318</u>	<u>2,218,696</u>
<b>26 NET INSURANCE CLAIMS</b>			
Claims paid		1,590,752	1,823,908
Outstanding claims including IBNR as at 31 December		1,314,412	1,104,316
Outstanding claims including IBNR as at 01 January		<u>(1,104,316)</u>	<u>(840,710)</u>
Claims expense		1,800,848	2,087,514
Reinsurance and other recoveries received		<u>(419,128)</u>	<u>(679,392)</u>
Reinsurance and other recoveries in respect of outstanding claims net of impairment as at 31 December		(906,887)	(677,388)
Reinsurance and other recoveries in respect of outstanding claims net of impairment as at 01 January		677,388	467,748
Reinsurance and other recoveries revenue		<u>(648,627)</u>	<u>(889,032)</u>
		<u>1,152,221</u>	<u>1,198,482</u>

## 26.1 Claim Development

The following table shows the development of fire, marine and others including miscellaneous claims over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For other classes of business the uncertainty about the amount and timings of claims payment is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at 31 December 2023.

	Accident year					Total
	2019 and earlier	2020	2021	2022	2023	
Estimate of ultimate claims cost						
At the end of accident year with IBNR	444,627	595,999	502,418	1,028,514	805,251	3,376,809
One year later	396,321	561,335	456,131	964,852	-	2,378,639
Two years later	383,285	561,539	438,414	-	-	1,383,238
Three years later	381,134	563,526	-	-	-	944,660
Four years later	385,483	-	-	-	-	385,483
Five years and beyond	3,535,166	-	-	-	-	3,535,166
Current estimate of cumulative claims	3,920,649	563,526	438,414	964,852	805,251	6,692,692
Cumulative payments to date	(3,854,027)	(561,536)	(345,541)	(635,801)	(291,667)	(5,688,572)
<b>Liability recognized in the statement of financial position</b>	<b>66,622</b>	<b>1,990</b>	<b>92,873</b>	<b>329,051</b>	<b>513,584</b>	<b>1,004,120</b>

2023      2022  
(Rupees in thousand)

## 27 NET COMMISSION / ACQUISITION (INCOME) / EXPENSE

Commission paid or payable	420,304	1,002,423
Deferred commission expense as at 01 January	128,117	60,976
Deferred commission expense as at 31 December	(153,382)	(128,117)
Net commission	395,039	935,282
Commission received or recoverable	(499,660)	(494,866)
Unearned reinsurance commission as at 01 January	(139,311)	(82,822)
Unearned reinsurance commission as at 31 December	177,838	139,311
Commission from reinsurance	(461,133)	(438,377)
	(66,094)	496,905

28 MANAGEMENT EXPENSES	Note	2023	2022
(Rupees in thousand)			
Employee benefit cost	28.1	350,086	282,449
Travelling expenses		14,049	11,939
Advertisement and sales promotion		1,823	3,463
Printing and stationery		10,557	12,641
Depreciation of operating assets	5.1.3	15,591	10,182
Depreciation of right-of-use asset	6.1	19,666	20,602
Amortization of intangibles	7.1.2	3,114	2,172
Rent, rates and taxes		1,775	2,975
Electricity, gas and water		13,824	14,733
Vehicle running expenses		32,707	25,524
Office repairs and maintenance		14,842	14,168
Bank charges		2,533	2,070
Postages, telegrams and telephone		10,353	10,316
Annual supervision fee SECP		6,666	7,000
Fee and subscription		9,916	4,688
Tracker expense		3,454	6,703
Training and development		173	125
Inspection fee		1,509	2,118
Bad and doubtful debts	13	-	30,000
Miscellaneous expenses		30,948	25,262
		543,586	489,130
<b>28.1 Employee benefit cost</b>			
Salaries, allowances and other benefits		327,051	264,922
Charges for post employment benefits		23,035	17,527
		350,086	282,449

28.2 Management expenses amounting to Rs. 50.90 million (2022: Rs. 36.46 million) have been allocated to Window Takaful Operations Operators fund.

29 INVESTMENT INCOME	Note	2023	2022
(Rupees in thousand)			
Dividend income	29.1	34,867	49,630
Income from debt securities	29.2	305,679	187,034
Net realized gains on investments	29.3	104,348	40,301
Net unrealized gains on investments	29.4	17,012	16,644
Impairment on available-for-sale securities		(43,916)	(68,084)
Transferred to profit or loss on sale of investment	9.3	65,988	12,349
Investment related expenses		(4,939)	(5,438)
		479,039	232,436

	Note	2023	2022
<b>29.1 Dividend income</b>		<b>(Rupees in thousand)</b>	
- Available for sale			
Dividend income		34,867	33,827
- Held for trading			
Dividend income		-	15,803
		34,867	49,630
<b>29.2 Income from debt securities</b>			
- Available for sale			
Return on Pakistan Investment Bonds		280,371	178,567
Return on Sukuk Certificate		1,544	86
Return on Term Finance Certificate		21,964	8,381
- Held for trading			
Return on GIS-VRR		1,800	-
		305,679	187,034
<b>29.3 Net realized gains on investments</b>			
- Available for sale			
Realized gain / (loss) on equity securities		10,017	(8,882)
Realized (loss) / gain on debt securities		(19,495)	8,181
- Held for trading			
Realized gain on equity securities		-	13,242
Realized gain on debt securities		113,826	27,760
		104,348	40,301
<b>29.4 Net unrealized gains on investments</b>			
- Held for trading			
Net un-realized gains on investments at fair value through profit and loss account		17,012	16,644
		461,906	293,609
- Impairment of available for sale securities			
Equity securities		(43,916)	(68,084)
- Gain on sale of investment		65,988	12,349
- Investment related expenses		(4,939)	(5,438)
<b>Total investment income</b>		<b>479,039</b>	<b>232,436</b>
<b>30 OTHER INCOME</b>			
Return on bank balances		121,283	55,697
Gain on disposal of property and equipment		230	569
Exchange gain		3,131	-
Liabilities written back		66,068	30,000
Others		1,100	69
		191,812	86,335
<b>31 OTHER EXPENSES</b>			
Insurance expenses		5,995	5,917
Legal and professional fee		7,563	13,903
Auditor's remuneration	31.2	11,702	2,041
Miscellaneous expenses		2,193	2,241
Workers' welfare fund	23.1	24,952	9,371
Exchange loss		-	124
		52,405	33,597

31.1 Other expenses amounting to Rs. 2.56 million (2022: Rs. 2.91 million) have been allocated to Window Takaful Operations Operators fund.

	2023	2022
<b>31.2 Auditor's remuneration</b>	<b>(Rupees in thousand)</b>	
Statutory audit fee	1,285	840
Half yearly review	579	373
Statutory returns	732	479
Certification and sundry services	216	141
Taxation services	8,561	-
Out of pocket expenses	189	116
Sales tax	140	92
	<b>11,702</b>	<b>2,041</b>

## 32 FINANCE COST

Mark-up on lease liabilities

7,508      7,697

32.1 Finance cost amounting to Rs. 1.22 million (2022: Rs. 1.04) has been allocated to Window Takaful Operations Operators fund.

	2023	2022
<b>33 TAXATION</b>	<b>(Rupees in thousand)</b>	
<b>Current Tax:</b>		
Current year	326,437	165,617
Prior years	12,711	15,404
	<b>339,148</b>	<b>181,021</b>
<b>Deferred Tax</b>	<b>(7,182)</b>	<b>(27,274)</b>
	<b>331,966</b>	<b>153,747</b>

### 33.1 Relationship between tax expense and accounting profit

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

	2023	2022
	<b>(Rupees in thousand)</b>	
Accounting profit	863,650	457,099
Tax at the applicable rate of 39% (2022: 33%)	336,824	150,843
Tax effect of amounts that are:		
- Related to temporary differences		
- Current year	(7,098)	1,459
- Prior years	(2,900)	(12,496)
- Change in tax rate	(7,571)	(1,463)
- Prior year adjustment - Current tax	12,711	15,404
	<b>(4,858)</b>	<b>2,904</b>
Tax expense	<b>331,966</b>	<b>153,747</b>

#### 34 EARNINGS PER SHARE - BASIC AND DILUTED

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

	2023	2022
	(Rupees in thousand)	
Net profit after tax for the year	531,684	303,352
	Number of shares	
Weighted average number of shares of Rs. 10 each	50,000,000	50,000,000
	(Rupees)	
Basic earnings per share	10.63	6.07

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

#### 35 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE OFFICER AND KEY MANAGEMENT PERSONNEL

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

	Chief Executive Officer		Directors		Executives	
	2023	2022	2023	2022	2023	2022
	(Rupees in thousand)					
Managerial remuneration	21,600	18,270	-	-	127,652	101,028
Leave fare assistance	540	450	-	-	3,243	2,497
Bonus	9,600	8,000	-	-	20,480	16,520
Charge for defined benefit plan	940	894	-	-	4,738	4,263
Contribution to defined contribution plan	1,080	900	-	-	6,383	4,918
Rent and house maintenance	3,407	3,407	-	-	-	-
Vehicle allowance	1,170	-	-	-	21,518	20,881
Other perquisites and allowances	175	183	-	-	840	240
	<b>38,512</b>	<b>32,084</b>	<b>-</b>	<b>-</b>	<b>184,853</b>	<b>150,148</b>
Number	<b>1</b>	<b>1</b>	<b>6</b>	<b>6</b>	<b>61</b>	<b>55</b>

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

#### 36 PROVIDENT FUND TRUST

The Company operates funded contributory provident fund scheme for all its eligible employees. The following information is based on the unaudited financial statements of the provident fund for the year ended 31 December 2023:

	(Un-audited)	
	2023	2022
	(Rupees in thousand)	
Size of the fund	98,782	87,531
Cost of investments made	90,008	84,485
Percentage of investments made (based on fair value)	91.12%	96.52%
Fair value of investments	98,359	88,256
<b>Break up of Investments</b>		

Investments out of provident fund have been made in accordance with the provisions of Section 218 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	
	(Un-audited)		(Un-audited)	
	2023	2022	2023	2022
	(Rupees in thousand)			
Mutual funds	0%	10%	-	9,039
Government Securities	90%	84%	88,199	56,746
Profit bearing bank accounts	10%	25%	10,160	22,471
			<b>98,359</b>	<b>88,256</b>

### 37 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of directors, key management personnel, associated companies, entities with common directors and employee retirement benefit funds. The Company, in the normal course of business, carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration of directors, chief executive and key management personnel is disclosed in note 35. Contributions and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan as disclosed in note 20 and 36 of these financial statements, respectively.

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

	2023	2022
	(Rupees in thousand)	
<b>i) Associated undertakings and other related parties</b>		
Premium written	936,868	695,596
Premium received	1,023,456	751,377
Claims paid	673,816	503,287
Interest income	113,988	52,961
Dividend Paid	70,004	65,004
Dividend received	-	6,156
License fees and connection charges	2,644	2,631
Rent paid	2,860	5,589
Commission paid	2,852	141
Expense charged in respect of retirement benefit plans	17,202	15,724
Investment advisory Fee	1,905	2,622
Investments purchased	2,104,494	836,152
Investments sold	2,332,922	641,372
<b>Key management personnel</b>		
Premium written	159	460
Claims paid	553	413
Vehicle sold	429	766
Vehicle Purchased	12,000	7,500
Loan paid	7,983	4,464
Loan recovered	5,699	4,089
<b>ii) Period end balances</b>		
<b>Associated undertakings and other related parties</b>		
Premium receivable from related parties	75,785	75,728
Provision for outstanding claims	324,871	289,608
Interest charges payable	8,026	4,727
<b>Key Management Personnel</b>		
Premium receivable	120	281
Provision for outstanding claims	360	122
Loan outstanding	3,564	1,792

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

Name of related party	Basis of relationship	Aggregate % of shareholding
Bank Alfalah Limited	Shareholding & Common Directorship	30%
Taavun (Private) Limited	Common Directorship	Nil
Alfalah GHP Investment Management Limited	Common Directorship	Nil
Alfalah Asset Management Limited	Common Directorship	Nil
Alfalah Securities(Private) Limited	Group Company	Nil
Wateen Telecom Limited	Common Directorship	Nil
Wateen WiMAX (Pvt.) Ltd	Common Directorship	Nil
Wateen Solutions (Pvt.) Ltd	Common Directorship	Nil
Sapphire Wind Power Company Limited	Group Company	Nil

### 38 SEGMENT REPORTING

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

	31 December 2023					
	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)	1,395,072	167,212	903,020	875,109	1,363,527	4,703,940
Federal Excise Duty	(176,838)	(17,857)	(122,248)	(16,206)	(163,021)	(496,170)
Federal Insurance Fee	(12,062)	(1,470)	(7,738)	(8,504)	(11,873)	(41,647)
Gross Written Premium (inclusive of Administrative Surcharge)	<b>1,206,172</b>	<b>147,885</b>	<b>773,034</b>	<b>850,399</b>	<b>1,188,633</b>	<b>4,166,123</b>
Gross direct premium	1,204,386	142,136	741,681	850,034	1,185,206	4,123,443
Facultative inward premium	-	916	-	-	1,950	2,866
Administrative surcharge	1,786	4,833	31,353	365	1,477	39,814
	<b>1,206,172</b>	<b>147,885</b>	<b>773,034</b>	<b>850,399</b>	<b>1,188,633</b>	<b>4,166,123</b>
Insurance premium earned	1,035,215	147,821	792,915	826,560	1,113,044	3,915,555
Insurance premium ceded to reinsurers	(997,359)	(119,891)	(52,560)	(19,562)	(1,040,865)	(2,230,237)
Net insurance premium	<b>37,856</b>	<b>27,930</b>	<b>740,355</b>	<b>806,998</b>	<b>72,179</b>	<b>1,685,318</b>
Commission income	153,243	32,225	1,183	5,869	268,613	461,133
<b>Net underwriting income</b>	<b>191,099</b>	<b>60,155</b>	<b>741,538</b>	<b>812,867</b>	<b>340,792</b>	<b>2,146,451</b>
Insurance claims	(447,459)	(74,274)	(368,495)	(679,847)	(230,773)	(1,800,848)
Insurance claims recovered from reinsurers	401,722	60,023	3,276	(23,202)	206,808	648,627
Net claims	(45,737)	(14,251)	(365,219)	(703,049)	(23,965)	(1,152,221)
Commission expense	(125,383)	(25,925)	(14,238)	(5,779)	(223,714)	(395,039)
Management expense	(156,378)	(19,174)	(103,676)	(110,253)	(154,105)	(543,586)
Premium deficiency reserve	-	-	-	(4,627)	-	(4,627)
<b>Net insurance claims and expenses</b>	<b>(327,498)</b>	<b>(59,350)</b>	<b>(483,133)</b>	<b>(823,708)</b>	<b>(401,784)</b>	<b>(2,095,473)</b>
<b>Underwriting results</b>	<b>(136,399)</b>	<b>805</b>	<b>258,405</b>	<b>(10,841)</b>	<b>(60,992)</b>	<b>50,978</b>
Net investment income						479,039
Other income						191,812
Other expenses						(52,405)
Profit from Window Takaful Operations - Operator's Fund						201,734
Finance Cost						(7,508)
<b>Profit before tax</b>						<b>863,650</b>
Segment assets	1,641,027	62,792	83,038	129,865	1,112,185	3,028,907
Unallocated assets						4,376,012
						<b>7,404,919</b>
Segment liabilities	1,589,148	143,211	576,078	282,483	1,160,579	3,751,499
Unallocated liabilities						1,140,095
						<b>4,891,594</b>

39 MOVEMENT IN INVESTMENTS

	Held to maturity	Available for sale	Fair value through profit and loss account	Total
----- <b>(Rupees in thousand)</b> -----				
<b>As at beginning of previous year</b>	-	2,022,192	113,327	2,135,519
Additions	-	1,417,973	4,432,427	5,850,400
Disposals (sales and redemptions)	-	(1,624,058)	(4,043,568)	(5,667,626)
Fair value net gains (excluding net realized gains)	-	(65,128)	16,645	(48,483)
(Discount) on investment bonds	-	8,847	-	8,847
Impairment losses	-	(55,733)	-	(55,733)
<b>At the beginning of the year</b>	-	<b>1,704,093</b>	<b>518,831</b>	<b>2,222,924</b>
Additions	-	3,139,746	5,805,420	8,945,166
Disposals (sales and redemptions)	-	(3,598,180)	(5,084,421)	(8,682,601)
Fair value net gains (excluding net realized gains)	-	153,493	17,011	170,504
(Discount) on investment bonds	-	17,257	-	17,257
Impairment losses	-	22,068	(126)	21,942
<b>At the end of current year</b>	-	<b>1,438,477</b>	<b>1,256,715</b>	<b>2,695,192</b>

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

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

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

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

- a) Financial risk, categorized into;
- Credit risk - note 40.1.1
  - Liquidity risk - note 40.1.2
  - Market risk - note 40.1.3
- b) Capital adequacy risk - note 40.2
- c) Insurance risk - note 40.3

#### 40.1 Financial risk

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

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

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

##### 40.1.1 Credit risk

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

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

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

Financial assets		2023	2022
		(Rupees in thousand)	
Bank balances	- note 40.1.1.1	469,294	534,861
Investments		2,695,192	2,222,924
Due from insurance contract holders	- note 40.1.1.2	819,636	539,160
Amount due from other insurers / reinsurers	- note 40.1.1.3	97,190	86,133
Accrued investment income		47,566	34,885
Reinsurance recoveries against outstanding claims	- note 40.1.1.3	906,887	677,388
Loans and other receivables		223,810	161,586
		<u>5,259,575</u>	<u>4,256,937</u>

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

	Rating		Rating Agency	2023	2022
	Short-term	Long-term			
				(Rupees in thousand)	
Bank Alfalah Limited	A1+	AA+	PACRA	413,765	486,916
Habib Bank Limited	A-1+	AAA	JCR-VIS	2	1
The Bank of Punjab	A1+	AA+	PACRA	110	109
Silk Bank Limited	A-2	A-	JCR-VIS	7	6
Summit Bank Limited	Suspended	Suspended	JCR-VIS	1,479	1,366
Mobilink Microfinance Bank Limited	A1	A	PACRA	29,561	16,018
Zarai Tarakiati Bank Limited	A-1+	AAA	JCR-VIS	611	611
NRSP Microfinance Bank Limited	A2	BBB+	JCR-VIS	100	90
Khushhali Microfinance Bank Limited	A-2	A-	JCR-VIS	9,231	10,155
Finca Microfinance Bank Limited	A2	A-	PACRA	13,419	11,787
Faysal Bank Limited	A1+	AA	PACRA	395	361
Soneri Bank Limited	A1+	AA-	PACRA	512	7,339
The Punjab Provincial Cooperative Bank Limited	N/A	N/A	N/A	103	102
Allied Bank Limited	A1+	AAA	PACRA	-	-

40.1.1.2 The management monitors exposure to credit risk in premium receivable arising from insurance and reinsurance contracts, through regular review of credit exposure and prudent estimates of provision for doubtful receivables. The provision for doubtful receivables amounting to Rs. 27.11 million (2022: Rs. 16.42 million) is shown in note 13.1. The figures shown below are exclusive of any provisions made during the year. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sector segments.

	2023	2022
Sector wise analysis of due from insurance contract holders but unpaid is as follows:	(Rupees in thousand)	
Financial institutions	53,653	86,420
Telecom sector	70,026	20,434
Construction	23,011	15,224
Manufacturing	583,421	205,191
Personal goods	3,395	5,317
Health & pharmaceutical	4,667	7,278
Textile & composite	47,302	45,136
Miscellaneous & others	61,269	170,577
	<b>846,744</b>	<b>555,577</b>
Provision for impairment of receivables from insurance contract holders	<b>(27,108)</b>	<b>(16,417)</b>
	<b>819,636</b>	<b>539,160</b>

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

	2023			2022		
	Related parties	Others	Total	Related parties	Others	Total
(Rupees in thousand)						
Up to 1 year	75,785	749,384	825,169	75,678	469,557	545,235
1-2 years	-	15,712	15,712	21	6,349	6,370
2-3 years	-	3,846	3,846	29	1,723	1,752
Over 3 years	-	2,017	2,017	-	2,220	2,220
	<b>75,785</b>	<b>770,959</b>	<b>846,744</b>	<b>75,728</b>	<b>479,849</b>	<b>555,577</b>

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

	Reinsurance		Total
	Amount due from other insurers / reinsurers	recoveries against outstanding claims	
(Rupees in thousand)			
<b>As at 31 December 2023</b>			
BB+ or above (including PRCL)	136,984	906,887	1,043,871
<b>As at 31 December 2022</b>			
BB+ or above (including PRCL)	136,618	677,388	814,006

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

	2023		2022	
	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	480,197	813,396	470,179	854,740
1-2 years	241,966	289,017	134,242	159,108
2-3 years	110,742	121,046	28,940	36,266
Over 3 years	73,982	90,953	44,027	54,203
	<b>906,887</b>	<b>1,314,412</b>	<b>677,388</b>	<b>1,104,317</b>

#### 40.1.2 Liquidity risk

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

On the statement of financial position date, the Company has cash and bank deposits and readily marketable securities with insignificant change in value of Rs. 474.83 million (2022: Rs. 538.46 million) and Rs. 2,895.19 million (2022: Rs. 2,222.92 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.

	2023			
	Total	On demand	Maturity up to one year	Maturity after one year
	(Rupees in thousand)			
Provision for outstanding claims	1,314,412	1,314,412	-	-
Amounts due to other insurers / reinsurers	848,487	848,487	-	-
Other creditors and accruals	601,789	601,789	-	-
	<b>2,764,688</b>	<b>2,764,688</b>	-	-

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

		01 January	Cashflows	Other	31 December
40.1.2.1 Changes in liabilities arising from financing activities		(Rupees in thousand)			
Lease liabilities	2023	79,920	(33,309)	47,282	93,893
Lease liabilities	2022	105,391	(34,206)	8,735	79,920

#### 40.1.3 Market risk

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

The Company is exposed to market risk with respect to its bank balances deposits and investments.

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

##### 40.1.3.1 Interest rate risk

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

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

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

	2023 Effective Interest rate	Carrying amounts		Carrying amounts	
		Maturity up to one year		Maturity after one year	
		2023	2022	2023	2022
(Rupees in thousand)					
<b>Financial assets</b>					
Bank balances	14.85% to 20.60%	367,027	484,270	-	-
<b>Investments</b>					
TFCs and Sukkuk	20.33% to 23.12%	45,000	-	75,000	129,665
PIB's	17.38% to 23.57%	360,297	922,169	456,086	341,510
Treasury Bills	21.40% to 22.07%	1,214,713	297,838	-	-
		1,620,010	1,220,007	531,086	471,175

#### 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.

	Increase by 100 bps	Decrease by 100 bps
(Rupees in thousand)		
<b>Impact on profit and loss account</b>		
<b>As at 31 December 2023</b>		
Cash flow sensitivity-variable rate financial assets	86,957	(86,957)
<b>As at 31 December 2022</b>		
Cash flow sensitivity-variable rate financial assets	35,037	(35,037)

#### 40.1.3.2 Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark-up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Company is exposed to price risk since it has investments amounting to Rs. 2,695.19 million (2022: Rs. 2,222.92 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 2023 and 31 December 2022 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 2023	Available for sale	518,245	10% increase	570,070	51,825	31,613
			10% decrease	466,421	(51,825)	(31,613)
	Held for trading	-	10% increase	-	-	-
			10% decrease	-	-	-
31 December 2022	Available for sale	330,342	10% increase	363,376	33,034	23,454
			10% decrease	297,308	(33,034)	(23,454)
	Held for trading	204,464	10% increase	224,910	20,446	14,517
			10% decrease	184,018	(20,446)	(14,517)

#### 40.1.3.3 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company's exposure to exchange rate fluctuation risk is insignificant as it hold liabilities of US \$ Nil as at 31 December 2023 (2022: US \$ Nil).

#### 40.1.3.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of all financial assets and financial liabilities approximate their fair values except for certain debt instruments held. The fair values of financial instruments are disclosed in note 41 to these financial statements.

### 40.2 Capital adequacy risk

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

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

The Company's current paid-up capital is in accordance with the limit prescribed by the Insurance Rules, 2017.

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

### 40.3 Insurance risk

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

The company is facing three kinds of risk in its insurance activities, namely;

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

#### 40.3.1 Premium Risk

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

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

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

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

	Gross sum insured		Net sum insured	
	2023	2022	2023	2022
Fire	65%	55%	28%	18%
Marine	16%	26%	25%	38%
Motor	2%	3%	22%	24%
Accident and Health	3%	2%	22%	16%
Others including miscellaneous	14%	14%	3%	4%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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

	Gross premium written		Net premium written	
	2023	2022	2023	2022
Fire	29%	19%	2%	2%
Marine	4%	4%	2%	1%
Motor	19%	18%	44%	34%
Accident and Health	20%	35%	49%	60%
Others including miscellaneous	29%	23%	4%	3%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

#### 40.3.2 Claim Risk

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

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

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

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

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 4.1.12 to the financial statements.

#### Sensitivity analysis

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

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

	Underwriting result		Shareholders' Equity	
	2023	2022	2023	2022
	(Rupees in thousand)			
Fire	4,574	9,751	2,790	6,923
Marine	1,425	1,684	869	1,196
Motor	36,522	34,308	22,278	24,359
Accident and Health	70,305	68,661	42,886	48,749
Others including Miscellaneous	2,397	5,444	1,462	3,865
	115,223	119,848	70,285	85,092

#### 40.3.3 Reinsurance risk

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

## 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 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.

31 December 2023	Note	Carrying amount				Fair value						
		Available for sale	Fair value through profit and loss	Held to maturity	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets - measured at fair value</b>												
	9	518,245	-	-	-	-	-	518,245	518,245	-	-	518,245
	10	920,232	-	-	-	-	-	920,232	920,232	-	-	920,232
		1,438,477	-	-	-	-	-	1,438,477	518,245	920,232	-	1,438,477
<b>Financial assets - not measured at fair value</b>												
	10	-	1,256,715	-	-	-	-	1,256,715	-	1,256,715	-	1,256,715
	12	-	-	-	280,237	-	-	280,237	-	-	-	-
	13	-	-	-	916,826	-	-	916,826	-	-	-	-
	26	-	-	-	906,887	-	-	906,887	-	-	-	-
	16	-	-	-	-	474,829	-	474,829	-	-	-	-
	17	-	-	-	-	690,482	-	690,482	-	-	-	-
		-	1,256,715	-	2,103,950	1,165,311	-	4,525,976	-	1,256,715	-	1,256,715
<b>Financial liabilities - measured at fair value</b>												
<b>Financial liabilities - not measured at fair value</b>												
	26	-	-	-	-	-	1,314,412	1,314,412	-	-	-	-
	21	-	-	-	-	-	848,487	848,487	-	-	-	-
	23	-	-	-	-	-	601,789	601,789	-	-	-	-
	17	-	-	-	-	-	292,751	292,751	-	-	-	-
		-	-	-	-	-	3,057,439	3,057,439	-	-	-	-

\* The Company 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						
	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 2022 .....(Rupees in thousand).....											
<b>Financial assets - measured at fair value</b>											
9	330,342	204,464	-	-	-	-	534,806	534,806	-	-	534,806
10	1,373,751	-	-	-	-	-	1,373,751	-	1,373,751	-	1,373,751
	1,704,093	204,464	-	-	-	-	1,908,557	534,806	1,373,751	-	1,908,557
<b>Financial assets - not measured at fair value</b>											
10	-	314,367	-	-	-	-	314,367	-	314,367	-	314,367
12	-	-	-	202,662	-	-	202,662	-	-	-	-
13	-	-	-	625,293	-	-	625,293	-	-	-	-
26	-	-	-	677,388	-	-	677,388	-	-	-	-
16	-	-	-	-	538,463	-	538,463	-	-	-	-
17	-	-	-	-	524,500	-	524,500	-	-	-	-
	-	314,367	-	1,505,343	1,062,963	-	2,882,673	-	314,367	-	314,367
<b>Financial liabilities - measured at fair value</b>											
<b>Financial liabilities - not measured at fair value</b>											
26	-	-	-	-	-	1,104,316	1,104,316	-	-	-	-
21	-	-	-	-	-	545,635	545,635	-	-	-	-
23	-	-	-	-	-	581,896	581,896	-	-	-	-
17	-	-	-	-	-	239,736	239,736	-	-	-	-
	-	-	-	-	-	2,471,583	2,471,583	-	-	-	-

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

## 42 NUMBER OF EMPLOYEES

The number of employees of the Company are as follows:

	<u>2023</u>	<u>2022</u>
Average number of employees during the year	<b>222</b>	216
As at 31 December	<b>228</b>	215

## 43 SUBSEQUENT EVENTS

The Board of Directors at its meeting held on 1<sup>st</sup> Feb 2024 has proposed a final dividend @ Rs. 3.00 per share for the year ended 31 December 2023 (2022: Rs2/share) amounting to Rs 150 million (2022: 100.00m) for approval of the members at the Annual General Meeting to be held on 30<sup>th</sup> April 2024. These financial statements do not reflect this dividend.

## 44 GENERAL

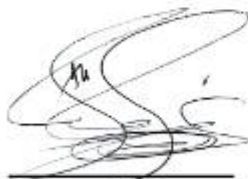
Figures in these financial statements have been rounded off to the nearest thousand of Rupees, unless otherwise stated.

## 45 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors on 1<sup>st</sup> Feb 2024.

## 46 CORRESPONDING FIGURES

Corresponding figures have been re-arranged wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison. However, no significant re-arrangements have been made.



Chairman



Director



Director



Chief Executive Officer

**INDEPENDENT ASSURANCE REPORT ON THE STATEMENT OF MANAGEMENT'S ASSESSMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES****TO THE BOARD OF DIRECTORS OF ALFALAH INSURANCE COMPANY LIMITED**

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 December 31, 2023, with the Takaful Rules, 2012, in the form of an independent limited assurance conclusion about whether the annexed statement reflects the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects. This engagement was conducted by a multidisciplinary team including assurance practitioners and independent Shariah scholars.

**APPLICABLE CRITERIA**

The criteria for the assurance engagement against which the annexed statement has been assessed comprises of the Takaful Rules, 2012, issued by the Securities and Exchange Commission of Pakistan (SECP).

**MANAGEMENT'S RESPONSIBILITY FOR SHARIAH COMPLIANCE**

The management of the Company is responsible for preparation of the annexed statement that is free from material misstatement.

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


**OUR INDEPENDENCE AND QUALITY CONTROL**

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

The firm applies International Standards on Quality Control 1 "Quality Control For Firms That Perform Audits 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 RESPONSIBILITY AND SUMMARY OF THE WORK PERFORMED**

Our responsibility is to examine the annexed statement and to report thereon in the form of an independent limited assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements 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 limited assurance about whether the annexed statements reflect the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

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

In this connection, we have also reviewed the work carried out by the Internal Shariah Compliance Department and the Shariah reviews carried out by the Internal Shariah Compliance Department. We have designed and performed necessary verification procedures on various financial arrangements, contracts, classes of transactions and related policies and procedures based on judgmental and systematic samples with regard to the compliance with the Takaful Rules, 2012 and Shariah guidelines issued by the Shariah Advisor of the Company. In performing our audit procedures necessary guidance on Shariah matters was provided by independent Shariah scholars referred above.

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

#### **CONCLUSION**

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the annexed statement does not reflect the Company's status of compliance, in all material respects, with the Takaful Rules, 2012 for the year ended December 31, 2023.



**A.F. Ferguson & Co.**  
**Chartered Accountants**

**Lahore**

**Date:** April 08, 2024

## Shariah Advisory Report to the Board of Directors

For the period 1<sup>st</sup> Jan.2023 to 31<sup>st</sup> Dec.2023

By the grace of ALLAH almighty, the year 2023 was the eighth year of Alfalah Insurance Company Ltd. (Window Takaful Operations), the launch of Window Takaful Operations (WTO) by Alfalah Insurance Company Ltd. (AICL) has been a positive contribution towards the development of a complete Islamic financial System in Pakistan. This initiative has successfully provided Takaful facilities to numerous individuals and companies seeking shariah compliant alternatives to insurance.

### Progress of the year:

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

1. Under the guidance of the Shariah Advisor AICL (WTO) continued to offer a host of takaful products of Motor, Marine, Property, Health and Miscellaneous for its participants.
2. Significant success has been achieved in the Takaful agreements with new Islamic Banks.
3. AICL (WTO) has implemented a dedicated Takaful administration system which manages all operational aspects of window Takaful operations.
4. For the investment of Takaful Funds, a Shariah Compliant investment policy has been approved by the shariah advisor and all the investments of Takaful Funds are undertaken in accordance with the approved policy.
5. This year, Management has invested Takaful funds in secure and low risk shariah compliant avenues. As a result of secure investment Takaful fund has gain record profits from investments.
6. All Bank Accounts of Takaful are separate from the conventional insurance business and they are maintained in Islamic Banks.
7. ALHAMDULILLAH, after maintaining its contingency reserves and solvency level, PTF has been able to take its financial position towards strong stability, hopefully this financial stability of Takaful Fund will give more confidence to Takaful participants.

### Shariah Certification:

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

- I have carefully reviewed all the products of AICL (WTO) including Waqf Deed, PTF Policies, Takaful Policies and Re-Takaful Agreements etc. And Alhamdulillah I have found them in accordance with Shariah Principles. Further, I confirm that the Takaful Policies issued during the year under review are in accordance with the guidelines of Shariah.
- The management of AICL (WTO) continuously seeks advice and guidance regarding Shariah before launching any Takaful product. Furthermore, all the takaful products are developed through consultation with the Shariah Compliance Officer and in accordance to the guidelines provided by the Shariah Advisor.
- Segregation of Window Takaful Operations from the conventional insurance business is an essential part of valid takaful contracts. I am pleased to state that AICL (WTO) has made it a priority to separate all the Takaful Funds, Investments, Bank Accounts, Systems and other related issues from its conventional insurance business, as per 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 imperative for understanding the principles of Takaful and its practical implementation. For this purpose, AICL (WTO) has fulfilled its responsibility and arranged Takaful training for head office and branch staff, I hope that AICL (WTO) will continue to invest in its human capital to ensure complete compliance of shariah principles at business and operational levels.

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

Wassalam



Dr.Khalil Ahmed Aazami

Shariah Advisor

Alfalah Insurance Company Ltd.

(Window Takaful Operations)



**ALFALAH INSURANCE  
COMPANY LIMITED  
WINDOW TAKAFUL OPERATIONS**

**INDEPENDENT AUDITOR'S REPORT****To the members of Alfalah Insurance Company Limited – Window Takaful Operations****Report on the Audit of the Financial Statements****Opinion**

We have audited the annexed financial statements of Alfalah Insurance Company Limited – Window Takaful Operations (the Operator), which comprise the statement of financial position of OPF and PTF as at December 31, 2023, and the profit and loss account, the statement of comprehensive income, the statement of changes in operator's fund and participants' takaful fund, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material 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 of OPF and PTF, the profit and loss account, the statement of comprehensive income, the statement of changes in operator's fund and participants' takaful fund 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 the Operator's affairs as at December 31, 2023 and of the profit and other comprehensive income, the changes in operator's fund and participants' takaful fund and its cash flows for the year then ended.

**Basis for Opinion**


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

**Information Other than the Financial Statements and Auditor's Report Thereon**

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

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

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



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### **Responsibilities of Management and Board of Directors for the Financial Statements**

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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



2 of 3 pages

Independent Auditor's Report

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### **Report on Other Legal and Regulatory Requirements**

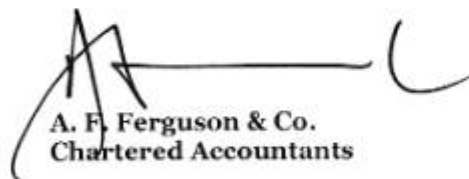
Based on our audit, we further report that in our opinion:

- 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 of OPF and PTF, the profit and loss account, the statement of comprehensive income, the statement of changes in operator's fund and participants' takaful fund 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).

#### **Other Matter**

The financial statements of the Operator for the year ended December 31, 2022 were audited by another firm of Chartered Accountants who had expressed an unmodified opinion on those financial statements vide their reports dated March 30, 2023.

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



**A. F. Ferguson & Co.**  
**Chartered Accountants**

**Lahore**

**Date:** April 08, 2024

**UDIN:** AR202310071a6nS7CrXc

# ALFALAH INSURANCE COMPANY LIMITED

## WINDOW TAKAFUL OPERATIONS

### STATEMENT OF FINANCIAL POSITION OF OPF AND PTF AS AT 31 DECEMBER 2023

	Note	OPF		PTF	
		2023	2022	2023	2022
(Rupees in thousand)					
<b>ASSETS</b>					
Property and equipment	5	-	4	-	-
Investments	6				
Equity securities		272,627	146,806	147,980	113,324
Term deposits		149,940	-	399,920	-
Loans and other receivables		-	-	-	7,444
Takaful / retakaful receivables	7	-	-	68,889	107,942
Salvage recoveries accrued		-	-	12,043	6,636
Deferred wakala fee	19	-	-	70,585	71,325
Receivable from PTF	8	116,226	92,570	-	-
Accrued investment income		3,246	3,062	4,391	3,815
Retakaful recoveries against outstanding claims		-	-	49,015	64,424
Deferred commission expense / acquisition cost	20	9,141	10,478	-	-
Prepayments	13	-	-	34,065	24,168
Cash and bank	9	139,302	271,780	36,632	302,639
<b>TOTAL ASSETS</b>		<b>690,482</b>	<b>524,500</b>	<b>823,520</b>	<b>701,717</b>
<b>RESERVES AND LIABILITIES</b>					
<b>RESERVES ATTRIBUTABLE TO OPERATOR AND PARTICIPANTS</b>					
Operator's Reserves:					
Statutory reserves	10	50,000	50,000	-	-
Unappropriated profits		347,731	234,764	-	-
<b>Total operator's reserve</b>		<b>397,731</b>	<b>284,764</b>	<b>-</b>	<b>-</b>
Participants' Takaful Fund (PTF)					
Seed money		-	-	500	500
Accumulated surplus		-	-	177,867	107,909
<b>Balance of Participants' Takaful Fund</b>		<b>-</b>	<b>-</b>	<b>178,367</b>	<b>108,409</b>
<b>LIABILITIES</b>					
<b>PTF Underwriting Provisions:</b>					
Outstanding claims including IBNR	15	-	-	184,664	196,776
Unearned contribution reserve	13	-	-	209,823	208,773
Unearned retakaful rebate	14	-	-	4,234	2,849
		-	-	398,721	408,398
Unearned wakala fee	19	70,585	71,325	-	-
Contribution received in advance		-	-	6,466	9,542
Takaful / retakaful payables		7,540	2,235	110,597	56,654
Other creditors and accruals	11	214,626	166,176	9,729	13,275
Taxation - provision less payments		-	-	3,414	12,869
Payable to OPF		-	-	116,226	92,570
<b>TOTAL LIABILITIES</b>		<b>292,751</b>	<b>239,736</b>	<b>645,153</b>	<b>593,308</b>
<b>TOTAL FUND AND LIABILITIES</b>		<b>690,482</b>	<b>524,500</b>	<b>823,520</b>	<b>701,717</b>
<b>CONTINGENCIES AND COMMITMENTS</b>					
	12				

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

### PROFIT AND LOSS ACCOUNT

#### FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023	2022
(Rupees in thousand)			
<b>Participants' takaful fund</b>			
Contributions earned		477,993	397,321
Less: Contributions ceded to retakaful		(128,263)	(119,708)
Net contributions revenue	13	349,730	277,613
Retakaful rebate earned	14	20,076	18,696
Net underwriting income		369,806	296,309
Net claims - reported / settled		(336,290)	(279,197)
- IBNR		(601)	(2,865)
	15	(336,891)	(282,062)
Other direct expenses	16	(2,977)	(5,929)
Surplus before investment income		29,938	8,318
Investment income	17	45,402	35,305
Other income	18	47,080	17,066
Less: Modarib's share of investment income		(23,012)	(13,093)
Provision for doubtful contributions (net of wakala fee)		-	(8,373)
<b>Suplus before taxation</b>		<b>99,408</b>	<b>39,223</b>
Taxation	25	(29,450)	(13,469)
Surplus transferred to accumulated surplus		<b>69,958</b>	<b>25,754</b>
<b>Operator's fund</b>			
Wakala fee	19	197,365	174,835
Commission expense	20	(26,337)	(28,534)
General administrative and management expenses	21	(61,632)	(52,775)
		109,396	93,526
Investment income	17	46,383	26,887
Modarib's share of PTF investment income		23,012	13,093
Direct expenses	22	(3,329)	(3,482)
Finance cost		(1,219)	(1,037)
Other income	18	27,491	13,541
<b>Profit before taxation</b>		<b>201,734</b>	<b>142,528</b>
Taxation	25	(88,767)	(50,048)
<b>Profit after taxation attributable to shareholders</b>		<b>112,967</b>	<b>92,480</b>

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 2023**

	2023	2022
	(Rupees in thousand)	
<b>Participants' takaful fund</b>		
Surplus for the year	69,958	25,754
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b>69,958</b>	<b>25,754</b>
<b>Operator's fund</b>		
Profit after tax	112,967	92,480
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b>112,967</b>	<b>92,480</b>

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



\_\_\_\_\_  
Chairman



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Director



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Director




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Chief Executive Officer

**ALFALAH INSURANCE COMPANY LIMITED**  
**WINDOW TAKAFUL OPERATIONS**  
**STATEMENT OF CHANGES IN OPERATOR'S FUND**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

	Statutory reserves	Unappropriated profits	Total
	(Rupees in thousand)		
Balance as at January 1, 2022	50,000	142,284	192,284
Profit for the year	-	92,480	92,480
Other comprehensive income for the year	-	-	-
<b>Total comprehensive income for the year</b>	-	92,480	92,480
<b>Balance as at December 31, 2022</b>	<b>50,000</b>	<b>234,764</b>	<b>284,764</b>
Profit for the year	-	112,967	112,967
Other comprehensive income for the year	-	-	-
<b>Total comprehensive income for the year</b>	-	<b>112,967</b>	<b>112,967</b>
<b>Balance as at December 31, 2023</b>	<b>50,000</b>	<b>347,731</b>	<b>397,731</b>

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 PARTICIPANT'S TAKAFUL FUND**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

	Seed money	Accumulated surplus	Total
	(Rupees in thousand)		
Balance as at January 1, 2022	500	82,155	82,655
Surplus for the year	-	25,754	25,754
Other comprehensive income for the year	-	-	-
<b>Total comprehensive income for the year</b>	-	25,754	25,754
<b>Balance as at December 31, 2022</b>	<b>500</b>	<b>107,909</b>	<b>108,409</b>
Surplus for the year	-	69,958	69,958
Other comprehensive income for the year	-	-	-
<b>Total comprehensive income for the year</b>	-	<b>69,958</b>	<b>69,958</b>
<b>Balance as at December 31, 2023</b>	<b>500</b>	<b>177,867</b>	<b>178,367</b>

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

### CASH FLOW STATEMENT

#### FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022	2023	2022
	OPF		PTF	
	----- (Rupees in thousand) -----			
<b>Operating cash flows</b>				
<b>(a) Takaful activities</b>				
Contributions received	-	-	719,442	584,747
Retakaful contribution paid	-	-	(83,164)	(101,563)
Retakaful rebate received	-	-	13,351	13,814
Claims paid	-	-	(366,941)	(295,302)
Commissions paid	(24,678)	(26,388)	-	-
Retakaful recoveries received	-	-	33,347	32,111
Wakala Fees received	174,732	161,241	-	-
Wakala Fees paid	-	-	(174,732)	(161,241)
Modarib share received	21,249	12,525	-	-
Modarib share paid	-	-	(21,249)	(12,525)
Net cash inflows from takaful activities	171,303	147,378	120,054	60,041
<b>(b) Other operating activities</b>				
Income tax paid	-	-	(38,905)	(7,029)
General and other expenses paid	(86,900)	(8,634)	4,467	(2,851)
Other operating receipts / (payments)	(14,610)	(9,095)	(8,953)	5,072
Loans disbursed	-	-	-	-
Loans repaid	-	-	-	-
Net cash outflows from other operating activities	(101,510)	(17,729)	(43,391)	(4,808)
<b>Total cash inflows from operating activities</b>	69,793	129,649	76,663	55,233
<b>Investment activities</b>				
Profit / return received	38,217	25,914	72,751	39,721
Payments for investments	(467,488)	(648,000)	(1,693,421)	(1,638,000)
Proceeds from disposal of investments	227,000	715,000	1,278,000	1,670,000
<b>Total cash (outflows) / inflows from investing activities</b>	(202,271)	92,914	(342,670)	71,721
<b>Financing activities</b>				
<b>Total cash flow from financing activities</b>	-	-	-	-
<b>Net cash (outflow) / inflow during the year</b>	(132,478)	222,563	(266,007)	126,954
<b>Cash at the beginning of the year</b>	271,780	49,217	302,639	175,685
<b>Cash at the end of the year</b>	139,302	271,780	36,632	302,639

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**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

	2023	2022	2023	2022
	OPF		PTF	
	(Rupees in thousand)			
<b>Reconciliation to profit and loss account</b>				
Operating cash flows	69,793	129,649	76,663	55,233
Depreciation	(4)	(27)	-	-
Increase/ (decrease) in assets other than cash	22,319	18,911	(47,342)	27,050
Increase in liabilities	(53,015)	(96,481)	(51,845)	(108,900)
Investment and other income	73,874	40,428	92,482	52,371
<b>Net profit / surplus for the year</b>	<b>112,967</b>	<b>92,480</b>	<b>69,958</b>	<b>25,754</b>
Operator's Takaful Fund	112,967	92,480	-	-
Participants' Takaful Fund	-	-	69,958	25,754
	<b>112,967</b>	<b>92,480</b>	<b>69,958</b>	<b>25,754</b>

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 2023

## 1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

## 2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

### 2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017, the Takaful Rules, 2012 and General Takaful Accounting Regulations, 2019.

- In case requirements differ, the provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017, the Takaful Rules, 2012 and General Takaful Accounting Regulations, 2019 shall prevail.

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

### 2.2 Basis of measurement

These financial statements have been prepared under historical cost convention except for certain financial instruments carried at fair value. All transactions reflected in these financial statements are on accrual basis except for those reflected in the cash flow statement.

### 2.3 Functional and presentation currency

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

## 2.4 Standards, interpretations and amendments to the accounting and reporting standards as applicable in Pakistan that are effective in the current year

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2023 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore, have not been detailed in these financial statements.

## 2.5 Standards and amendments to accounting and reporting standards that are not yet effective and have not been early adopted by the Company

		Effective date (annual reporting periods beginning on or after)
IFRS 7	Financial Instruments: Disclosures (Amendments)	January 1, 2024
IFRS 16	Leases (Amendments)	January 1, 2024
IAS 1	Presentation of Financial Statements (Amendment)	January 1, 2024
IAS 7	Statement of Cash Flows (Amendment)	January 1, 2024
IAS 21	The Effects of Changes in Foreign Exchange Rates (Amendments)	January 1, 2025
IFRS 17	Insurance Contracts	January 1, 2026

Other than the aforementioned standards, interpretations and amendments, IASB has also issued the following standards and interpretation, which have not been notified locally or declared exempt, in relation to the Company, by Securities and Exchange Commission of Pakistan (SECP) as at December 31, 2023:

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information
IFRS S2	Climate-related Disclosures

## 2.6 Amendments to IFRS 4 applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts

The Company meets the eligibility criteria of the temporary exemption from IFRS 9 and intends to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) for annual reporting periods beginning on or after January 1, 2023, as allowed by the Securities and Exchange Commission of Pakistan (SECP) through S.R.O. 1715 (i)/2023 dated November 21, 2023.

The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2023 and continue to apply IAS 39 to financial assets and liabilities. An entity may apply the temporary exemption from IFRS 9 if:

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

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

## 3. USE OF JUDGEMENT AND ESTIMATES

The preparation of financial statements 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:

	<b>Note</b>
- Residual values and useful lives of property and equipment	4.2.1
- Provision for doubtful receivables	4.1.2
- Provision for outstanding claims including claims incurred but not reported (IBNR)	4.1.11
- Contribution deficiency reserve	4.1.12
-Segment reporting	4.1.21

## **4. ACCOUNTING POLICY INFORMATION**

### **4.1 MATERIAL ACCOUNTING POLICY INFORMATION**

The Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statements 2 'Making Materiality Judgements') from January 1, 2023. Although amendments did not result in any changes to the accounting policies themselves, they impact the accounting policy information disclosed in the financial statements.

The amendments require disclosure of 'material', rather than 'significant' accounting policies. The amendments also provide the guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful entity specific accounting policy information that user need to understand other information in the financial statements.

The material accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### **4.1.1 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.

##### **4.1.1.1 Non-derivative financial assets**

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

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

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

#### **Financial assets at fair value through profit and loss account**

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

## **Held to maturity financial assets**

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

## **Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

## **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.

### **4.1.1.2 Non-derivative financial liabilities**

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

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

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

### **4.1.1.3 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 a legal enforceable right to set off the recognized amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

## **4.1.2 Impairment**

### **Financial assets**

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

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

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

### **Non-financial assets**

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

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

#### **4.1.3 Takaful contracts**

Takaful contracts are based on the principles of Wakala. The takaful contracts are 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 the following main categories, depending on the nature and duration of takaful risk and whether or not the terms and conditions are fixed.

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

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

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

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

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

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

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

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

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

#### **4.1.4 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 General Takaful Accounting Regulations, 2019.
- for marine cargo business, contribution written is recognized as provision for unearned contribution until the commencement of voyage.

#### **4.1.5 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.

#### **4.1.6 Retakaful contracts held**

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

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

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

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

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

#### **4.1.7 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, after taking into account the prepaid portion of retakaful contribution ceded and 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 1/24th 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.

#### **4.1.8 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.

#### **4.1.9 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.

#### **4.1.10 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.

#### **4.1.11 Outstanding claims including incurred but not reported (IBNR)**

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

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

#### **Claims incurred but not reported**

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

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

As required under the Guidelines, the Operator uses CLM by involving an actuary for determination of provision against IBNR. Accordingly, the actuarial valuation as at 31 December 2023 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.

#### **4.1.12 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.

#### **4.1.13 Wakala fee and Modarib Share**

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

- Fire and property damage	30%
- Marine	30%
- Motor	35%
- Accident and health	15%
- Others including miscellaneous	30%

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

Wakala fee and Modarib 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.

#### **4.1.14 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.

#### **4.1.15 Employees benefit**

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

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

#### **4.1.16 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.

#### **4.1.17 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.

#### **4.1.18 Revenue recognition**

##### **4.1.18.1 Participant's Takaful Fund**

###### **Contribution**

Contribution income under a policy is recognized in line with note 4.1.4 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 1/24th method, whereby the liability shall equal 1/24 of the rebate relating to policies commencing in the first month of the operator's financial year, 3/24 of the rebate 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.

#### **4.1.19 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.

#### **4.1.20 Taxation**

Income tax expense comprises current 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.

#### **4.1.21 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 4.1.3 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 Material Accounting Policy Information.

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.

#### **4.1.22 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.

#### **4.1.23 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.

#### **4.1.24 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.

### **4.2 SUMMARY OF OTHER ACCOUNTING POLICIES**

Other than material accounting policies applied in the preparation of these financial statements are set out below for ease of user's understanding of these financial statements. These policies have been applied consistently for all periods presented, unless otherwise stated.

#### **4.2.1 Operating fixed assets**

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

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Operator and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account 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 after taking their residual value into account.

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

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

An item of 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.

	OPF		PTF	
	2023	2022	2023	2022
----- (Rupees in thousand) -----				
<b>5 PROPERTY AND EQUIPMENT</b>				
<b>Cost</b>				
As at 01 January	188	188	-	-
Additions during the year	-	-	-	-
As at 31 December	188	188	-	-
<b>Less: Depreciation</b>				
As at 01 January	184	157	-	-
Charged during the year	4	27	-	-
As at 31 December	188	184	-	-
<b>Net book value</b>	-	4	-	-
<b>Rate of depreciation</b>	25%	25%		

## 6 INVESTMENTS

	2023			2022		
	Cost	Impairment provision	Carrying value	Cost	Impairment provision	Carrying value
----- (Rupees in thousand) -----						
<b>Investment in equity securities</b>						
Mutual fund - PTF	147,980	-	147,980	113,324	-	113,324
Mutual fund - OPF	272,627	-	272,627	146,606	-	146,606
<b>Investment in term deposits</b>						
Musharika certificates - PTF	200,000	-	200,000	-	-	-
GIS VRR - PTF	199,920	-	199,920	-	-	-
GIS VRR - OPF	149,940	-	149,940	-	-	-

	Note	OPF		PTF	
		2023	2022	2023	2022
----- (Rupees in thousand) -----					
<b>7 TAKAFUL / RETAKAFUL RECEIVABLES</b>					
<b>- UNSECURED AND CONSIDERED GOOD</b>					
Contribution due from contract holders		-	-	32,519	78,629
Less: provision for impairment of receivables from takaful contract holders	7.1	-	-	(5,099)	(4,081)
		-	-	27,420	74,548
Amount due from other takaful/retakaful operator	7.3	-	-	52,976	45,919
Less: provision for impairment of due from other takaful / re-takaful operator	7.2	-	-	(11,507)	(12,525)
		-	-	41,469	33,394
		-	-	68,889	107,942

OPF		PTF	
2023	2022	2023	2022

----- (Rupees in thousand) -----

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

Balance as at 01 January	-	-	4,081	1,943
Addition made during the year	-	-	1,018	2,138
Balance as at 31 December	-	-	5,099	4,081

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

Balance as at 01 January	-	-	12,525	1,308
(Reversal) / addition made during the year	-	-	(1,018)	11,217
Balance as at 31 December	-	-	11,507	12,525

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

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

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

Note	OPF		PTF	
	2023	2022	2023	2022

**8 RECEIVABLE FROM PTF**

----- (Rupees in thousand) -----

Wakala fee	111,477	89,584	-	-
Modaraba fee	4,749	2,986	-	-
	116,226	92,570	-	-

**9 CASH AND BANK**

Cash in hand		59	173	-	-
<b>Cash at bank:</b>					
Savings accounts	9.1	139,243	271,607	36,632	302,639
		139,302	271,780	36,632	302,639

9.1 The rate of profit on profit and loss sharing accounts from bank range from 11.70% to 18.50% (2022: 2.60% to 15.25% ) per annum depending upon the size of average deposits.

9.2 Cash at bank deposits include Rs. 130.80 million (2022: Rs. 3.82 million) held with Bank Alfalah Limited (a related party).

## 10 STATUTORY RESERVES

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 Rule 11(1)(c) of Takaful Rules, 2012 issued by SECP.

	Note	OPF		PTF	
		2023	2022	2023	2022
----- (Rupees in thousand) -----					
11 OTHER CREDITORS AND ACCRUALS					
Federal excise duty		-	-	4,268	1,037
Federal insurance fee		-	-	340	382
Payable to Alfalah Insurance Company Limited	11.1	200,632	142,649	402	-
Payable to PTF		192	4,981	-	-
Taxes payable		277	248	1,103	6,864
Agency commission payable		10,372	15,355	-	-
Accrued expenses	11.2	3,014	2,699	1,057	1,240
Others	11.3	139	244	2,559	3,752
		<b>214,626</b>	<b>166,176</b>	<b>9,729</b>	<b>13,275</b>

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

	OPF		PTF	
	2023	2022	2023	2022
----- (Rupees in thousand) -----				
11.2 Accrued expenses				
Tracker expense payable	-	-	1,057	1,240
Bonus payable	80	928	-	-
Audit fee payable	890	531	-	-
Sundry expenses payable	2,044	864	-	-
Leave encashment payable	-	376	-	-
	<b>3,014</b>	<b>2,699</b>	<b>1,057</b>	<b>1,240</b>

### 11.3 Unclaimed insurance benefits

Others include unclaimed insurance benefits of Rs. 1.36 million (2022: Rs. 1.96 million), aging of which is given below:

	OPF		PTF	
	2023	2022	2023	2022
----- (Rupees in thousand) -----				
Claims not encashed				
1 to 6 months	-	-	-	5
7 to 12 months	-	-	481	366
13 to 24 months	-	-	182	383
25 to 36 months	-	-	254	335
beyond 36 months	-	-	441	873
	-	-	<b>1,358</b>	<b>1,962</b>

## 12 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at 31 December 2023 (2022: Nil).

	2023	2022
	(Rupees in thousand)	
<b>13 NET CONTRIBUTIONS REVENUE</b>		
<b>Written Gross Contribution</b>	676,408	589,457
Less: Wakala Fee	<u>(197,365)</u>	<u>(174,835)</u>
<b>Contribution Net of Wakala Fee</b>	479,043	414,622
Add: Unearned contribution reserve opening	208,773	191,472
Less: Unearned contribution reserve closing	<u>(209,823)</u>	<u>(208,773)</u>
<b>Contribution earned</b>	477,993	397,321
Re-takaful ceded	138,160	114,434
Add: Prepaid retakaful contribution opening	24,168	29,442
Less: Prepaid retakaful contribution closing	<u>(34,065)</u>	<u>(24,168)</u>
<b>Retakaful expense</b>	128,263	119,708
<b>Net Contribution</b>	<u>349,730</u>	<u>277,613</u>
<b>14 RETAKAFUL REBATE EARNED</b>		
Rebate on retakaful received	21,461	17,415
Add: Rebate on retakaful opening	2,849	4,130
Less: Rebate on retakaful closing	<u>(4,234)</u>	<u>(2,849)</u>
	<u>20,076</u>	<u>18,696</u>
<b>15 NET CLAIMS - REPORTED / SETTLED</b>		
<b>Benefits / Claims paid</b>	366,941	295,302
Add: Outstanding benefits / claims including IBNR closing	184,664	196,776
Less: Outstanding benefits / claims including IBNR opening	<u>(196,776)</u>	<u>(129,185)</u>
<b>Claims expense</b>	354,829	362,893
<b>Retakaful and other recoveries received</b>	33,347	32,111
Add: Retakaful and other recoveries in respect of outstanding claims closing	49,015	64,424
Less: Retakaful and other recoveries in respect of outstanding claims opening	<u>(64,424)</u>	<u>(15,704)</u>
<b>Re-takaful and other recoveries revenue</b>	17,938	80,831
<b>Net Claims Expense</b>	<u>336,891</u>	<u>282,062</u>

## 15.1 Claim development

The following table shows the development of fire, marine and others including miscellaneous claims over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For other classes of business the uncertainty about the amount and timings of claims payment is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at 31 December 2023.

	2019 and		Accident year			Total
	earlier	2020	2021	2022	2023	
	(Rupees in thousand)					
Estimate of ultimate claims cost						
At the end of accident year						
with IBNR	1,998	80,333	16,096	90,425	50,513	239,365
One year later	(672)	54,215	11,844	63,201	-	128,588
Two years later	(956)	52,335	11,739	-	-	63,118
Three years later	(1,876)	52,483	-	-	-	50,607
Four years later	(1,876)	-	-	-	-	(1,876)
Five years and beyond	34,351	-	-	-	-	34,351
Current estimate of cumulative claims	32,475	52,483	11,739	63,201	50,513	210,411
Cumulative payments to date	(28,051)	(51,602)	(13,230)	(50,931)	(13,654)	(157,468)
Liability recognized in the statement of financial position	4,424	881	(1,491)	12,270	36,859	52,943

	2023	2022
	(Rupees in thousand)	
16 OTHER DIRECT EXPENSES		
Bank charges	8	9
Tracker expenses	2,969	5,920
	2,977	5,929

	OPF		PTF	
	2023	2022	2023	2022
	(Rupees in thousand)			
17 INVESTMENT INCOME				
Profit on Musharakah Certificate	3,374	11,570	21,095	22,118
Income on Sukuk Bonds	777	-	1,273	-
Unrealised gain on Mutual Funds	499	-	499	-
Dividend income	41,733	15,317	22,535	13,187
	46,383	26,887	45,402	35,305

18 OTHER INCOME				
Return on bank balances	27,491	13,541	46,648	17,066
Liabilities written back	-	-	432	-
	27,491	13,541	47,080	17,066

	2023	2022
	(Rupees in thousand)	
19 WAKALA FEE		
Gross wakala fee	196,625	181,511
Add : Deferred wakala fee opening	71,325	64,649
Less : Deferred wakala fee closing	(70,585)	(71,325)
Wakala expense	197,365	174,835

19.1 Wakala fee has been charged by OPF to PTF for managing the general takaful operations. Rates of Wakala fee for each class of business have been disclosed in note 4.1.13 to these financial statements.

	Note	2023	2022
<b>20 COMMISSION EXPENSE</b>		(Rupees in thousand)	
Commission paid or payable		25,000	27,067
Add : Deferred commission opening		10,478	11,945
Less : Deferred commission closing		(9,141)	(10,478)
		<u>26,337</u>	<u>28,534</u>

**21 GENERAL ADMINISTRATIVE AND MANAGEMENT EXPENSES**

Employee benefit cost	21.1	28,981	21,541
Travelling expenses		2,380	1,856
Advertisement and sales promotion		296	467
Printing and stationery		1,970	2,147
Depreciation of operating assets		2,536	1,397
Depreciation of right-of-use asset		3,193	2,776
Amortization of intangibles		505	292
Rent, rates and taxes		289	402
Electricity, gas and water		2,244	1,985
Vehicle running expenses		5,774	3,710
Office repairs and maintenance		4,964	4,481
Provision for doubtful contributions (net of wakala fee)		-	4,981
Postages, telegrams and telephone		1,715	1,414
Annual supervision fee		1,682	943
Training and development		87	229
Shariah advisory fee		1,672	2,118
Miscellaneous		3,344	2,036
		<u>61,632</u>	<u>52,775</u>

**21.1 Employee benefit cost**

Salaries allowances and other benefits	27,297	20,350
Charges for post employment benefits	1,684	1,191
	<u>28,981</u>	<u>21,541</u>

**21.2** General administrative and management expenses include reverse charge from conventional business to the Operator of Rs. 50.90 million (2022: Rs. 36.46 million) under various heads.

	Note	2023	2022
<b>22 Direct Expenses</b>		(Rupees in thousand)	
Insurance expenses		973	797
Legal and professional fee		1,228	1,873
Auditor's remuneration	22.1	771	510
Miscellaneous		357	302
		<u>3,329</u>	<u>3,482</u>

**22.1 Auditor's remuneration**

Annual Audit Fee	274	178
Half year review	163	107
Shariah's Compliance report	163	107
Statutory returns	88	58
Sales tax	34	22
Out of pocket	49	38
	<u>771</u>	<u>510</u>

**22.2** Direct expenses include reverse charge from conventional business of the Operator of Rs. 2.56 million (2022: Rs 2.97 million) under various heads.

	2023	2022
	(Rupees in thousand)	
23 REMUNERATION OF HEAD OF WINDOW TAKAFUL OPERATIONS		
Managerial remuneration	1,408	1,155
Leave fare assistance	58	28
Bonus paid	346	235
Charge for defined benefit plan	-	55
Contribution to defined contribution plan	70	55
Vehicle allowance	31	624
	<u>1,913</u>	<u>2,152</u>
	----- (Number) -----	
	<u>1</u>	<u>1</u>

## 24 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of directors, key management personnel, associated companies, entities with common directors and employee retirement benefit funds. The Operator, in normal course of business, carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration of head of Window Takaful Operations is disclosed in note 7 and note 23, respectively. Contributions and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan.

	OPF		PTF	
	2023	2022	2023	2022
	----- (Rupees in thousand) -----			

Other transactions with related parties are summarized as follows:

### i) Associated undertakings and other related parties

Contribution written	-	-	179,605	140,824
Contribution received	-	-	215,200	141,812
Dividend received	7,746	4,134	5,588	3,322
Claims paid	-	-	115,405	92,844
Profit on bank deposits	636	859	6,861	1,847
Expense charged in respect of retirement benefit plans	1,379	1,075	-	-
Investment Purchased	150,750	35,000	175,875	25,000

#### Key management personnel

Premium written	-	-	44	-
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### ii) Year end balances

#### Associated undertakings and other related parties

Contribution receivable from related parties	-	-	11,237	26,698
Provision for outstanding claims	-	-	32,033	22,580

#### Key management personnel

Contribution receivable from KMPs	-	-	14	-
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## 25 TAXATION

### Current Tax:

Current year	78,676	47,034	27,093	12,962
Prior years	10,091	3,014	2,357	507
	<u>88,767</u>	<u>50,048</u>	<u>29,450</u>	<u>13,469</u>

## 26 SEGMENT REPORTING - OPF

Each class of business has been identified as reportable segment. The following is a schedule of class of business wise assets, liabilities, revenue and results have been disclosed in accordance with the requirements of the Insurance Ordinance, 2000, the Insurance Rules, 2017, Insurance Accounting Regulations, 2017, Takaful Rules, 2012 and General Takaful Accounting Regulations 2019:

31 December 2023						
Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident & Health	Miscellaneous	Total	
(Rupees in thousand)						
Wakala fee	12,403	7,973	137,059	24,821	15,109	197,365
Commission expense	(5,322)	(4,669)	(16,632)	(100)	386	(26,337)
Management expenses	(4,531)	(2,422)	(34,568)	(15,348)	(4,763)	(61,632)
	<b>2,550</b>	<b>882</b>	<b>85,859</b>	<b>9,373</b>	<b>10,732</b>	<b>109,396</b>
Investment income - net						46,383
Modarib's share of PTF investment income						23,012
Other income						27,491
Direct expenses						(3,329)
Finance Cost						(1,219)
<b>Profit before tax</b>						<b>201,734</b>
Segment assets	17,587	4,255	62,347	38,282	2,896	125,367
Unallocated assets						565,115
						<b>690,482</b>
Segment liabilities	7,445	283	63,030	1,118	1,619	73,495
Unallocated liabilities						219,256
						<b>292,751</b>
31 December 2022						
Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident & Health	Miscellaneous	Total	
(Rupees in thousand)						
Wakala fee	12,147	6,473	127,600	14,619	13,996	174,835
Commission expense	(4,729)	(3,805)	(20,560)	(33)	593	(28,534)
Management expenses	(3,099)	(1,933)	(34,856)	(8,829)	(4,058)	(52,775)
	<b>4,319</b>	<b>735</b>	<b>72,184</b>	<b>5,757</b>	<b>10,531</b>	<b>93,526</b>
Investment income - net						26,887
Modarib's share of PTF investment income						13,093
Other income						13,541
Direct expenses						(3,482)
Finance Cost						(1,037)
<b>Profit before tax</b>						<b>142,528</b>
Segment assets	12,160	3,588	76,638	7,851	1,165	101,402
Unallocated assets						423,098
						<b>524,500</b>
Segment liabilities	3,981	128	66,315	672	1,054	72,150
Unallocated liabilities						167,586
						<b>239,736</b>

## 27 SEGMENT REPORTING - PTF

Each class of business has been identified as reportable segment. The following is a schedule of class of business wise assets, liabilities, revenue and results have been disclosed in accordance with the requirements of the Insurance Ordinance, 2000, the Insurance Rules, 2017, Insurance Accounting Regulations, 2017, Takaful Rules, 2012 and General Takaful Accounting Regulations, 2019:

	31 December 2023					
	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)	57,634	29,747	441,497	171,162	60,778	760,818
Federal Excise Duty	(7,403)	(2,900)	(58,327)	(1,034)	(7,981)	(77,645)
Federal Insurance Fee	(500)	(266)	(3,792)	(1,684)	(523)	(6,765)
Gross Written Contribution (inclusive of Administrative Surcharge)	<b>49,731</b>	<b>26,581</b>	<b>379,378</b>	<b>168,444</b>	<b>52,274</b>	<b>676,408</b>
Gross Direct Contribution	49,731	26,581	379,194	168,444	52,274	676,224
Facultative inward contribution	-	-	184	-	-	184
	<b>49,731</b>	<b>26,581</b>	<b>379,378</b>	<b>168,444</b>	<b>52,274</b>	<b>676,408</b>
Wakala fees	(12,403)	(7,973)	(137,059)	(24,821)	(15,109)	(197,365)
Contribution earned	41,346	26,578	391,595	165,472	50,367	675,358
Contribution ceded to retakaful	(39,231)	(20,399)	(25,539)	-	(43,094)	(128,263)
Net takaful contribution	<b>(10,288)</b>	<b>(1,794)</b>	<b>228,997</b>	<b>140,651</b>	<b>(7,836)</b>	<b>349,730</b>
Net rebate on re-takaful	6,641	4,633	234	-	8,568	20,076
Net underwriting income	<b>(3,647)</b>	<b>2,839</b>	<b>229,231</b>	<b>140,651</b>	<b>732</b>	<b>369,806</b>
Takaful claims	(6,753)	(5,811)	(189,809)	(138,227)	(14,229)	(354,829)
Takaful claims recovered from retakaful	5,990	4,954	(3,465)	-	10,459	17,938
Net claims	<b>(763)</b>	<b>(857)</b>	<b>(193,274)</b>	<b>(138,227)</b>	<b>(3,770)</b>	<b>(336,891)</b>
Contribution deficiency reversal	-	-	-	-	-	-
Other direct expenses	(1)	-	(2,973)	(1)	(2)	(2,977)
<b>(Deficit)/Surplus before investment income</b>	<b>(4,411)</b>	<b>1,982</b>	<b>32,984</b>	<b>2,423</b>	<b>(3,040)</b>	<b>29,938</b>
Investment income						45,402
Other income						47,080
Less: Modarib's share of investment income						(23,012)
(Provision) / Reversal for doubtful contributions (net of wakala fee)						-
<b>Profit before tax</b>						<b>99,408</b>
Segment assets	69,726	15,094	123,854	6,291	24,727	239,692
Unallocated assets						583,828
						<b>823,520</b>
Segment liabilities	89,588	26,277	393,337	69,044	47,832	626,078
Unallocated liabilities						19,075
						<b>645,153</b>

31 December 2022

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

## 28 RISK MANAGEMENT

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

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

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

a) Financial risk, categorized into;

- Credit risk - note 28.1.1
- Liquidity risk - note 28.1.2
- Market risk - note 28.1.3

b) Capital adequacy risk - note 28.2

c) Takaful risk - note 28.3

### 28.1 Financial risk

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

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

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

#### 28.1.1 Credit risk

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

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

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

		2023	2022
		(Rupees in thousand)	
<b>Financial assets</b>			
Bank balances	- note 28.1.1.1	175,875	574,246
Takaful / retakaful receivables	- note 28.1.1.3	68,889	107,942
Retakaful recoveries against outstanding claims	- note 28.1.1.3	49,015	64,424
		<u>293,779</u>	<u>746,612</u>

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

	Rating		Rating Agency	2023	2022
	Short-term	Long-term			
	(Rupees in thousand)				
Bank Alfalah Limited	A1+	AA+	PACRA	130,803	3,816
Askari Bank Limited	A1+	AA+	PACRA	622	5,204
Standard Chartered Bank	A1+	AAA	PACRA	-	263
Meezan Bank Limited	A1+	AAA	VIS	12,334	3,461
Dubai Islamic Bank	A1+	AA	VIS	32,116	561,502
				<b>175,875</b>	<b>574,246</b>

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

	2023	2022
Sector wise analysis of contributions due from policy holders is as follows:	(Rupees in thousand)	
Financial institutions	18,528	59,701
Manufacturing	2,505	1,400
Personal Goods	63	379
Health & Pharmaceutical	375	159
Textile & Composite	1,848	5,004
Others including miscellaneous	9,200	11,986
Provision for impairment of receivables from takaful contract holders	(5,099)	(4,081)
	<b>27,420</b>	<b>74,548</b>

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

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

	2023			2022		
	Related parties	Others	Total	Related parties	Others	Total
	(Rupees in thousand)					
Up to 1 year	11,237	15,939	27,176	26,698	50,527	77,225
1-2 years	-	4,434	4,434	-	902	902
2-3 years	-	399	399	-	271	271
Over 3 years	-	510	510	-	231	231
	<b>11,237</b>	<b>21,282</b>	<b>32,519</b>	<b>26,698</b>	<b>51,931</b>	<b>78,629</b>

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

	Amount due from Takaful / Other retakaful Operators	Retakaful recoveries against outstanding claims	Total
----- (Rupees in thousand) -----			
<b>As at 31 December 2023</b>			
BB+ or above	68,889	49,015	117,904
BBB and BBB+	-	-	-
	68,889	49,015	117,904
<b>As at 31 December 2022</b>			
BB+ or above	107,942	64,424	172,366
BBB and BBB+	-	-	-
	107,942	64,424	172,366

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

	2023		2022	
	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	34,421	160,159	62,593	187,657
1-2 years	13,476	18,933	1,299	6,637
2 to 3 years	765	3,386	279	2,100
Over 3 years	353	2,186	253	382
	49,015	184,664	64,424	196,776

## 28.1.2 Liquidity risk

Liquidity risk is the risk that the Operator will not be able to meet its financial obligations as they fall due. The Operator's 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 Operator'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 summarises 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:

		2023 OPF			
		Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year
		(Rupees in thousand)			
Re takaful / Co-takaful payables		7,540	7,540	7,540	-
Other creditors and accruals		214,626	214,626	214,626	-
		<b>222,166</b>	<b>222,166</b>	<b>222,166</b>	<b>-</b>
		2023 PTF			
		Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year
		(Rupees in thousand)			
Outstanding claims including IBNR		184,664	184,664	184,664	-
Re takaful / Co-takaful payables		110,597	110,597	110,597	-
Other creditors and accruals		9,729	9,729	9,729	-
		<b>304,990</b>	<b>304,990</b>	<b>304,990</b>	<b>-</b>
		2022 OPF			
		Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year
		(Rupees in thousand)			
Re takaful / Co-takaful payables		2,235	2,235	2,235	-
Other creditors and accruals		166,176	166,176	166,176	-
		<b>168,411</b>	<b>168,411</b>	<b>168,411</b>	<b>-</b>
		2022 PTF			
		Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year
		(Rupees in thousand)			
Outstanding claims including IBNR		196,776	196,776	196,776	-
Re takaful / Co-takaful payables		56,654	56,654	56,654	-
Other creditors and accruals		13,275	13,275	13,275	-
		<b>266,705</b>	<b>266,705</b>	<b>266,705</b>	<b>-</b>

### 28.1.3 Market risk

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

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

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

### 28.1.3.1 Interest rate risk

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

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

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

	Effective Interest rate	2023			
		Carrying amounts		Carrying amounts	
		Maturity up to one year		Maturity after one year	
		OPF	PTF	OPF	PTF
	%	(Rupees in thousand)			
<b>Financial assets</b>					
Bank balances	11.70% to 18.50%	139,243	36,632	-	-

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

As on 31 December 2023, Operator had no financial instrument valued at fair value through profit and loss account.

### 28.1.3.2 Price risk

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

### 28.1.3.3 Foreign Currency risk

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

## 28.2 Capital adequacy risk

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

## 28.3 Takaful risk

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

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

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

### 28.3.1 Contribution Risk

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

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

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

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

	PTF			
	Gross sum insured		Net sum insured	
	2023	2022	2023	2022
Fire	30%	33%	5%	11%
Marine	36%	32%	20%	16%
Motor	23%	18%	58%	57%
Accident and Health	6%	3%	15%	11%
Others including miscellaneous	5%	14%	2%	5%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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

	Gross contribution written		Net contribution written	
	2023	2022	2023	2022
Fire	7%	6%	1%	1%
Marine	4%	4%	1%	1%
Motor	56%	65%	66%	76%
Accident and Health	25%	17%	31%	21%
Others including miscellaneous	8%	8%	1%	1%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

### 28.3.2 Claim risk

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

- 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 4.1.11 of these financial statements.

#### Sensitivity analysis

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

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

	PTF			
	Underwriting result		Participants' surplus	
	2023	2022	2023	2022
	------(Rupees in thousand)-----			
Fire	763	1,240	8	12
Marine	857	2,080	9	21
Motor	193,274	185,001	1,933	1,850
Accident and Health	138,227	90,884	1,382	909
Others including Miscellaneous	3,770	2,857	38	29
	<b>336,891</b>	<b>282,062</b>	<b>3,370</b>	<b>2,821</b>

### 28.3.3 Retakaful risk

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

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

**FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

Note	Carrying amount			Fair value				
	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>31 December 2023</b>								
<b>Financial assets - measured at fair value</b>								
<b>Financial assets - not measured at fair value</b>								
7	68,889	-	-	68,889	-	-	-	-
	49,015	-	-	49,015	-	-	-	-
9	-	175,934	-	175,934	-	-	-	-
	117,904	175,934	-	293,838	-	-	-	-
<b>Financial liabilities - measured at fair value</b>								
<b>Financial liabilities - not measured at fair value</b>								
15	-	-	184,664	184,664	-	-	-	-
11	-	-	118,137	118,137	-	-	-	-
	-	-	224,355	224,355	-	-	-	-
	-	-	527,156	527,156	-	-	-	-

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

		Carrying amount				Fair value			
Note	Rupees	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		<b>31 December 2022</b>							
Financial assets - measured at fair value									
<b>Financial assets - not measured at fair value</b>									
<b>7</b>		107,942	-	-	107,942	-	-	-	-
		64,424	-	-	64,424	-	-	-	-
<b>9</b>		-	574,419	-	574,419	-	-	-	-
		172,366	574,419	-	746,785	-	-	-	-
Financial liabilities - measured at fair value									
<b>Financial liabilities - not measured at fair value</b>									
Underwriting provisions									
<b>15</b>		-	-	196,776	196,776	-	-	-	-
		-	-	58,889	58,889	-	-	-	-
<b>11</b>		-	-	179,451	179,451	-	-	-	-
		-	-	435,116	435,116	-	-	-	-

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

### 30 NUMBER OF FULL TIME EMPLOYEES

The number of employees of the Operations are as follows:


	<u>2023</u>	<u>2022</u>
Average number of employees during the year	2	2
As at 31 December	1	2

### 31 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Operator on 1<sup>st</sup> Feb 2024.

### 32 CORRESPONDING FIGURES

Corresponding figures have been re-arranged wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison. However, no significant re-arrangements have been made.



Chairman



Director



Director



Chief Executive Officer

## NOTICE OF 18<sup>th</sup> ANNUAL GENERAL MEETING

Notice is hereby given that 18th Annual General Meeting of the Shareholders of Alfalah Insurance Company Limited (the "Company") will be held on Tuesday, April 30, 2024 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 16th Annual General Meeting held on April 20, 2023.
2. To receive, consider and adopt the financial statements of Conventional business and Window takaful operations for the year ended December 31, 2023 along with the Director's and Auditor's report thereon, Shariah Advisor's Report and Auditor's assurance report on Compliance with Shariah rules and principles.
3. To declare and approve, as recommended by the Directors, the payment of the final cash dividend of Rs.3 per share i.e, 30% for the year ended December 31, 2023.
4. To appoint Statutory and Shariah Compliance Auditors of the Company for the year ending December 31, 2024 and to fix their remuneration.

M/s A.F Ferguson & Company, Chartered Accountants, CA member firm of PWC, being eligible for appointment, have shown their willingness to act as external auditors of the Company for the year ending December 31, 2024. The Audit Committee and Board of directors in their respective meetings have suggested and recommended their appointment as external and Shariah Compliance Auditors of the Company for the year ending December 31, 2024.

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

Date: April 8, 2024  
Lahore

By order of the Board  
Adnan Waheed  
Company Secretary

- 1) The Share Transfer Books of the Company will be closed from April 24, 2024 to April 30, 2024, both days inclusive.
- 2) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another person as a proxy to attend and vote instead of him/her.
- 3) Every proxy shall be appointed in writing under the hand of the appointer or by an agent duly authorized under a Power of Attorney or if such appointer is a company or corporation under the Common Seal of the company or corporation or the hand of its Attorney who may be the appointer.
- 4) The instrument of proxy in order to be effective must reach the Company's registered address at 5-Saint Mary Park, Gulberg III, Lahore not less than 48 hours before the time for holding of the Meeting.
- 5) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.
- 6) The signature on the instrument of proxy must conform to the specimen signature recorded with the Company.
- 7) The proxy shall produce his/her original CNIC or original passport at the time of the Meeting.
- 8) Shareholders are requested to notify change in their address, if any, to the Company Secretary.
- 9) SECP vide SRO No. 787(I)2014 dated 8th September, 2014 has allowed companies to circulate the audited financial statements and notice of Annual General Meeting to shareholders through their email address subject to their written consent. Desiring shareholders are requested to provide their complete email address through a duly signed letter along with copy of valid CNIC or passport. Shareholders are also required to notify immediately any change in email address in writing to the Company Secretary.





# FORM OF PROXY

The Company Secretary  
Alfalah Insurance Company Limited  
5-Saint Mary Park, Gulberg III, Lahore

"I/We \_\_\_\_\_ being a member of ALFALAH INSURANCE COMPANY LIMITED hereby appoint Mr./Mrs. \_\_\_\_\_ of \_\_\_\_\_ or failing him Mr./Mrs. \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of ALFALAH INSURANCE COMPANY LIMITED to be held on \_\_\_\_\_, 2024 at 11:00 a.m. at the registered office of the Company, 5-Saint Mary Park, Gulberg, III, Lahore and at any adjournment thereof."

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2024

Signature: .....

Name: .....

Holder of ..... Ordinary Shares

## WITNESSES:

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

# Alfalah Insurance Network

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Web: [www.alfalahinsurance.com](http://www.alfalahinsurance.com)

## Lahore Main Branch:

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## Lahore City Branch:

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MOTOR



ENGINEERING



FIRE



CARGO



TRAVEL



ENERGY



HEALTH



AGRICULTURE



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## 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 بڈا مسمی \_\_\_\_\_ ساکن \_\_\_\_\_ کو یا ان کی عدم دستیابی  
کی صورت میں مسمی \_\_\_\_\_ ساکن \_\_\_\_\_ کو میری / ہماری جانب سے پراکسی  
مقرر کر رہا ہوں تاکہ وہ الفلاح انشورنس کمپنی لمیٹڈ کے \_\_\_\_\_، 2024ء 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 \_\_\_\_\_ 2024ء

نام: \_\_\_\_\_

حامل \_\_\_\_\_ عام حصص

## گواہان:

۱. دستخط: \_\_\_\_\_

نام: \_\_\_\_\_

پتہ: \_\_\_\_\_

سی این آئی سی / پاسپورٹ نمبر: \_\_\_\_\_

۲. دستخط: \_\_\_\_\_

نام: \_\_\_\_\_

پتہ: \_\_\_\_\_

سی این آئی سی / پاسپورٹ نمبر: \_\_\_\_\_