



ANNUAL REPORT
2015

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COMPANY INFORMATION

Chairman

H.H. Sheikh Hamdan Bin Mubarak Bin Mohammed Al Nahayan

Board of Directors

H.H. Sheikh Hamdan Bin Mubarak Bin Mohammed Al Nahayan	Director
H.E. Sheikh Saif Bin Mohammed Bin Butti	Director
Mr. Khalid Mana Saeed Al Otaiba	Director
Mr. Atif Aslam Bajwa	Director
Mr. Suhail Yaqoob Khan	Director
Mr. Adeel Khalid Bajwa	Director
Mr. Nasar us Samad Qureshi	Director

Chief Executive & Managing Director

Mr. Nasar us Samad Qureshi

Chief Financial Officer & Company Secretary

Mr. Adnan Waheed

Audit Committee

Mr. Atif Aslam Bajwa	Chairman
Mr. Suhail Yaqoob Khan	
Mr. Adeel Khalid Bajwa	
Mr. Faisal Shahzad	Secretary

HR & Finance Committee

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

Underwriting Committee

Mr. Nasar us Samad Qureshi	
Mr. Abdul Haye Mughal	
Capt. Azhar Ehtesham	
Mr. Amjad Masood	
Mr. Fawad Sarwar	
Mr. Iqbal Hassan	(Secretary)

Claim Committee

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

Reinsurance/Coinsurance Committee

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

Bankers

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

Auditors

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

Legal Advisors

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

Head Office

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



2007

Year 2007 was our first operational year and since then we have already established offices in major cities of Pakistan.

The company started operations with a paid up capital of Rs. 230 million, which was almost three times the minimum paid up capital requirement of Rs. 80 million needed to establish a general insurance company in Pakistan.

During the past nine years the company has posted profitable results and thus, has been able to increase the paid up capital to Rs. 500 Million through issuance of bonus shares.

**AND THE JOURNEY
BEGINS...**

VISION

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

MISSION

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



His Highness Sheikh Nahayan Mubarak Al Nahayan
Chairman Abu Dhabi Group



**His Highness
Sheikh Hamdan Bin
Mubarak Al Nahayan**
Chairman



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



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



Mr. Atif Bajwa
Director



Mr. Suhail Yaqoob Khan
Director



Mr. Adeel Bajwa
Director



Mr. Naser us Samad Qureshi
MD & CEO

2008



**FIRST RATING
BY PACRA**



DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors of Alfalah Insurance Company Limited are pleased to submit 10th Annual Report of your company, together with audited financial statements for the year ended December 31, 2015.

Country Overview

Pakistan experienced more stability, economically as well as politically in the year 2015. The country has been facing various crises such as terrorism, electricity shortages, etc. in the past few years which have hindered the country's progress. There have been major developments to eradicate these problems completely. This includes the Zarb-e-Azab operation which is still ongoing and has eradicated terrorism to a larger extent. The Pakistan army also launched a huge and successful operation in Karachi, which is the hub of economic activity in the country, to root out extremism in the area. The electricity crisis in the country has also improved to a manageable level and will further improve with investments in thermal and wind power projects.

The country can foresee major foreign investments in the coming future. The CPEC Corridor which is a mega project of around US\$ 46Bn will not only improve ties between Pakistan and China but will also upgrade the Pakistani infrastructure. The Stock market went through its ups and downs and peaked at its highest point of 36,228 points during August 2015 but fell due to market regulations and regional pressures and ultimately closed at 2% higher than last year. Falling global Oil prices led to a fall in the country's inflation rate and helped the Government in easing out its monetary policy by cutting discount rates from 9.5% to 6.5% i.e. by 300 bps. The government's efforts of bringing in more investment and stabilizing the political arena of the country will only take Pakistan on higher grounds and will increase investors' confidence which will lead to a flourishing economy.

Insurance Sector Review

The non-life insurance market of Pakistan has underwritten a total of PKR 50.17Bn worth of premiums as at 30th September 2015. A growth of approximately 14% has been observed with premium underwritten increasing from PKR 44 Bn as at September 2014 to PKR 50.17Bn in 2015. The growth has primarily come from new power projects which include thermal and wind power projects. This development has therefore positively affected the economy of Pakistan in 2015 and has also fostered the growth of the Insurance sector of Pakistan. The introduction of Window Takaful operations has also contributed to this growth as more companies already involved in general operations can now venture into Takaful operations.

The China Pakistan Economic Corridor (CPEC) will also greatly impact the Insurance market in the future especially in the lines of Fire, Engineering & Marine. The government of Pakistan has full plans to focus on its Energy & Infrastructure in the coming years which will have a direct impact on the Insurance market of Pakistan. With new investments, new product lines and a stronger regulatory approach, the Insurance market will only grow into becoming one of the booming sectors of the economy.

Alfalah Insurance Performance

Year 2015 was a good year for your Company both in terms of top line growth and underwriting results. Company registered growth of 16% in its premium written and 20% in underwriting results. Non-group business of the Company increased by 24% registering group vs non-group ratio at 43:57 (LY: 46:54).

Increased premium written coupled with crystallization of unearned premium written of last year resulted in higher net premium revenue i.e. 11% as compared to last year. Net claims expenses were increased by Rs.18m i.e. 4%, however, overall net loss ratio was improved from 58% to 55% mainly due to improvement in loss ratio of Fire class reported as 39% (LY: 104%). In absolute terms, management and admin expenses were increased by 8%, however, overall expense ratio improved to 24% (LY: 26%). Investment/other income was decreased by Rs. 28m i.e. 27% from last year on the backdrop of decrease in discount rate from 9.5% to 6.5% and relative flattish movement of stock market which generated only 2% (LY:27%). Company earned underwriting profit of Rs.180m, 20% higher than last year, however, shortfall in investment

DIRECTORS' REPORT TO THE SHAREHOLDERS

income puts pressure on bottom line and company achieved profit before tax of Rs. 153m, only 2% higher than last year. Insurance Association of Pakistan (LAP) has ranked AICL in 11th (LP: 11th) position of all Insurance companies in Pakistan in terms of Premium written as of September 2015.

Segments At Glance

Fire Class contributed Rs. 442m to the total premium written and registered growth of 15% in comparison to last year. Net premium revenue increased by 3% from last year but improvement in loss ratio from 104% of last year to 39% in current year owing to less than expected losses incurred coupled with last year reversals turned this class into profitable zone. It contributed Rs. 12m profit to underwriting profit in comparison to loss of Rs. 20m in last year.

Marine Class though accounts for only 7% of the total Premium Written (as always an insignificant contributor to business) grew by 22%. Even though Net premium revenue increased by 16% than last year but increase in loss ratio from 30% of last year to 45% pushed this class in red zone and it contributed to underwriting profit with only Rs. 0.692m in comparison to Rs. 8m of last year.

Motor Class contributing Rs. 410m to the total premium written, registered growth of 18% over last year. Motor contributed heavily to the net premium revenue of the company, 16% higher than last year and with almost same loss ratio i.e. 41% (LY: 40%), it remained the most profitable class. It contributed Rs. 80m to the underwriting profit, 12% higher than last year.

Health Class registered growth of 19% in terms of premium written by contributing Rs. 315m in comparison to Rs. 265m of last year. Net premium revenue was increased by Rs. 19m i.e. 7%, however, increase in loss ratio from 79% to 82% impacted the profitability of this class. Its contribution to underwriting profit was decreased by Rs. 10m i.e. 41% down from last year.

Miscellaneous Class registered growth of 10% in terms of premium written by contributing Rs. 273m against Rs. 248m of last year. Net premium revenue increased by 7% which coupled with similar loss ratio of last year contributed positively to the underwriting profits with Rs. 74m i.e. 8.7% higher from last year.

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

Insurers Financial Rating Strength

PACRA, during its recent review conducted on 1st December 2015, has maintained the IFS rating of your Company at "A+" (Single A plus) with stable outlook. This rating denotes strong capacity to meet policy holder and contract obligations.

PACRA has stated in its report that this rating recognizes successful execution of the company's business strategy leading to build up of non-captive business volumes, while keeping overall underwriting performance intact. The rating takes comfort from refinement in the monitoring and performance evaluation of the core business in a wholesome manner. This, along with the company's conservative stance, in the form of low risk retention, continued yielding profitability. The rating recognizes AFIC's sustainable improvement in financial profile, emanating from i) well managed insurance assets/liabilities structure, and ii) growing investment book that contributes a sizable income stream. AFIC's association with Abu Dhabi group provides support to the company mainly in the form of captive business, adding stability to its revenue stream.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Earning Per Share

During the year after tax earnings per share was RS.2.30 (2014: Rs.2.46). Detailed working has been reported in Note 25 to the financial statements.

Appropriations

During the year, following appropriations were recommended by the Board and approved by the members in Extra Ordinary General Meeting of the Company;

- payment of interim cash dividend of Rs17.702m i.e. Rs0.590 per share or 5.90%
- issuance of bonus shares of Rs200m i.e. two (2) bonus shares for every three (3) shares held to increase the paid up capital of the Company from Rs300m to Rs500m

Auditors

The present auditors Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants being eligible, offer themselves for appointment. The Board of Directors on the suggestion of Audit Committee recommended the appointment of Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as statutory auditors till the conclusion of next AGM.

Board Of Directors Meetings

During the year 2015, four (4) meetings of the Board were held, with attendance as follows;

Name of Directors	Name of Directors
• HH Sheikh Hamdan Bin Mubarak Al Nahayan	3
• HE Sheikh Saif Bin Mohammad Bin Butti	-
• Mr. Khalid Mana Saeed Al Otaiba	4
• Mr. Atif Aslam Bajwa	4
• Mr. Adeel Bajwa	2
• Mr. Nasar us Samad Qureshi	4
• Mr. Suhail Yaqoob Khan	2
• Mr. Mohammad Yousuf*	1

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

*Mr. Mohammad Yousuf resigned on April 20, 2015 and Mr. Suhail Yaqoob Khan was appointed on May 20, 2015 to fill up the casual vacancy by the Board of Directors.

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:

DIRECTORS' REPORT TO THE SHAREHOLDERS

- Mr. Atif Aslam Bajwa Chairman
- Mr. Adeel Bajwa Member
- Mr. Suhail Yaqoob Khan Member

In line with changes in Board of Directors, Mr. Suhail Yaqoob Khan was appointed as Member of Audit Committee by the Board of Directors in place of Mr. Mohammad Yousuf.

Related Party Transactions

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

Statement Of Ethics And Business Practices

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 were as follows:

- The financial statements, together with the notes thereon have been drawn up in conformity with the Insurance Ordinance 2000 and rules thereunder and Companies Ordinance 1984. These statements present fairly the company's state of affairs, results of its operations, cash flow and changes in equity.
- Proper books of accounts have been maintained by the company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The international accounting standards as applicable in Pakistan have been consistently followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal control is sound in design and has been continuously monitored by the internal audits. This is a continuous process and any weakness will be removed and its effective implementation shall be ensured.
- There is no significant doubt upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.
- Key operating and financial data is separately annexed with the report.
- Outstanding taxes and duties are given in the financial statements.
- The value of investments of provident fund on the basis of audited accounts and gratuity fund on the basis of unaudited accounts as on December 31, 2015 is as follows:

	Rs in '000'
• Provident Fund	60,646
• Gratuity Fund	33,663

- The statement of pattern of shareholding separately annexed with the report. in the Company as on December 31, 2015 is separately annexed with the report.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Statement Of Compliance Under Section 46(6) Of The Insurance Ordinance 2000

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

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

Future Outlook

With increased paid up capital of Rs. 500m and rating of A+, Alfalah Insurance is poised to increase its market share while maintaining its prudent underwriting policy which has helped the company from inception despite serious jolts in our initial years. We believe 2016 to be a very important year for the company as we have to consolidate our gains and emerge as a very serious and capable market player. We are aware of the challenges we face but we have set ambitious goals for ourselves and believe that the phenomenal strength of Abu Dhabi Group will help us in achieving our targets.

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

Acknowledgement

We thank our sponsor shareholders for their support and guidance. We are equally thankful to our clients and to our reinsurers for their collective contribution. We would also like to place on record our special thanks to the Securities & Exchange Commission of Pakistan for rendering invaluable guidance during the period and to Pakistan Reinsurance Company for their support.

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

On behalf of the Board,



NASAR US SAMAD QURESHI
Chief Executive Officer

2011

A

**RATING UPGRADED.
ANOTHER MILESTONE
ACHIEVED**

KEY FINANCIAL DATA

Rupee '000'

Description	For the Year Ended on December 31								
	2015	2014	2013	2012	2011	2010	2009	2008	2007
Gross Premium Written	1,545,612	1,330,854	1,230,932	1,060,187	928,020	662,971	651,459	568,183	312,924
Net Premium Revenue	780,180	705,323	563,744	454,403	384,483	359,938	331,786	262,453	73,839
Net Claim Expense	(429,297)	(410,817)	(317,378)	(262,368)	(243,221)	(259,435)	(231,336)	(191,118)	(48,566)
Management Expenses	(267,333)	(239,919)	(214,401)	(195,933)	(134,810)	(109,263)	(94,556)	(65,969)	(41,094)
Net Commission	96,608	95,928	94,672	96,358	71,167	74,750	68,307	59,561	25,826
Underwriting Profit	180,158	150,515	126,637	92,460	77,619	65,990	74,201	64,927	10,005
Investment/Other Income	77,137	105,103	85,605	96,088	72,156	46,177	21,189	3,300	33,080
Admin Expenses	(103,784)	(105,024)	(89,202)	(80,662)	(74,141)	(62,660)	(47,307)	(43,764)	(13,384)
Profit before Tax	153,511	150,594	123,040	107,886	75,634	49,507	48,083	24,463	29,701
Income Tax	(38,297)	(27,557)	(20,463)	(9,864)	(6,396)	(6,858)	(17,387)	(16,913)	(5,016)
Profit after Tax	115,214	123,037	102,577	98,022	69,238	42,649	30,696	7,550	24,685
Paid up Capital	500,000	300,000	300,000	300,000	300,000	250,000	230,000	230,000	230,000
Share Deposit Money	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381
General Reserve	150,000	150,000	150,000	15,000	15,000	25,000	25,000	-	-
Un-appropriated Profit	153,935	258,930	135,475	170,309	72,218	42,980	36,431	30,735	23,185
	805,316	710,311	586,856	486,690	388,599	319,361	292,812	262,116	254,566
Earnings per Share	2.30	2.46	3.42	3.27	2.31	1.42	1.23	0.33	0.99
Breakup Value per Share	16.11	23.68	19.56	16.22	12.95	12.77	12.73	11.4	11.07
Net Loss Ratio	-55%	-58%	-56%	-58%	-63%	-72%	-70%	-73%	-66%
Expense Ratio	-24%	-26%	-25%	-26%	-23%	-26%	-22%	-19%	-17%
Underwriting Profit to Net Premium	23%	21%	22%	20%	20%	18%	22%	25%	14%
Return on Equity	15%	19%	19%	22%	20%	14%	11%	3%	10%

Pattern of Share Holding

As at December 31, 2015

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

Classification of Shares Categories

As at December 31, 2015

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

2012

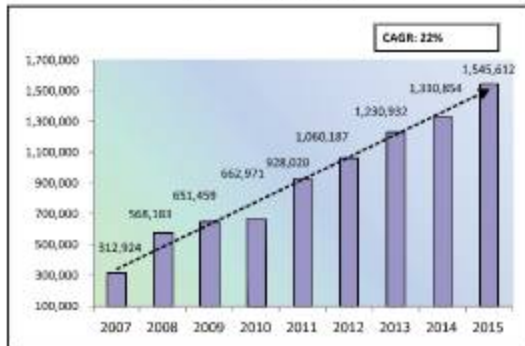
...a Billion Times Over

Achieved the milestone of **Rs. 1 Billion Gross Premium** in the year 2012 - the fastest achieved by any non-life insurance company in a record time of only six years since incorporation.

FINANCIAL SUMMARY

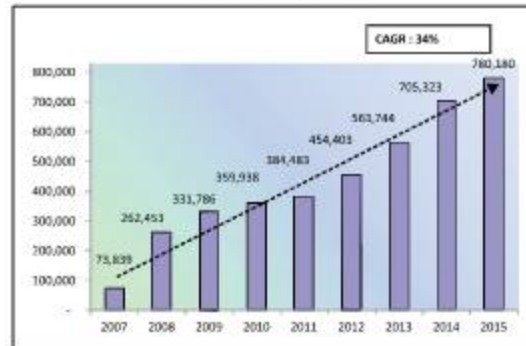
GROSS PREMIUM WRITTEN

(Rupees in Thousand)

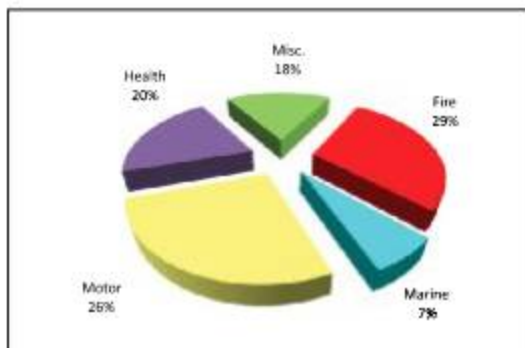


PREMIUM REVENUE

(Rupees in Thousand)

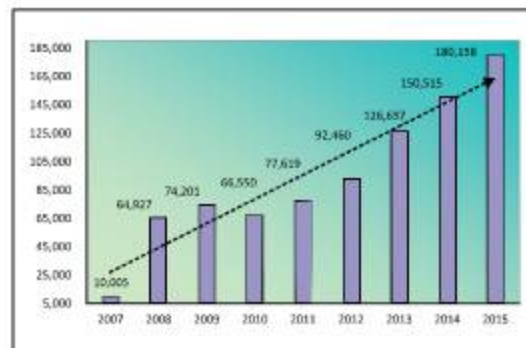


PRODUCT MIX ANALYSIS

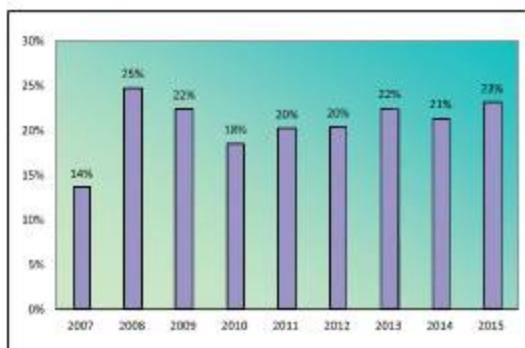


UNDERWRITING RESULTS

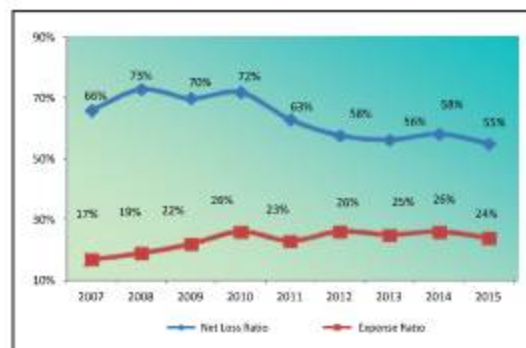
(Rupees in Thousand)



UNDERWRITING PROFIT MARGIN

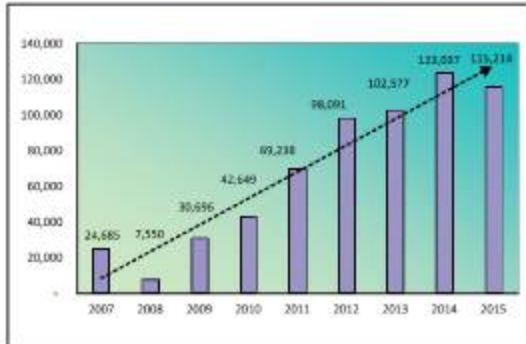


LOSS RATIO AND EXPENSE RATIO

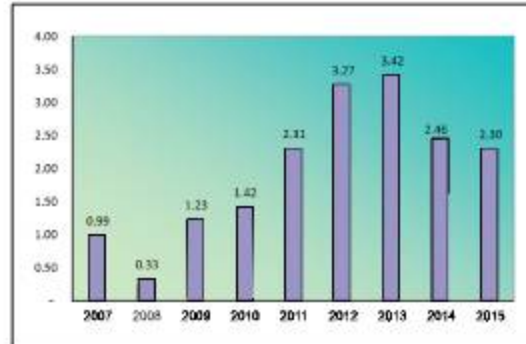


FINANCIAL SUMMARY

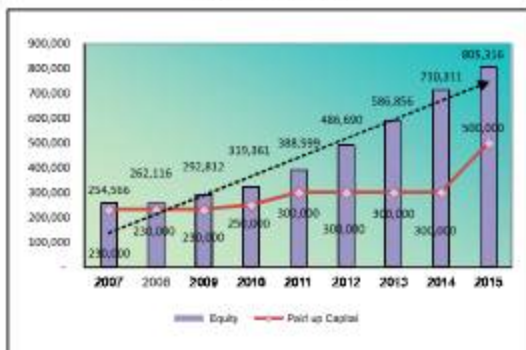
PROFIT AFTER TAX
(Rupees in Thousand)



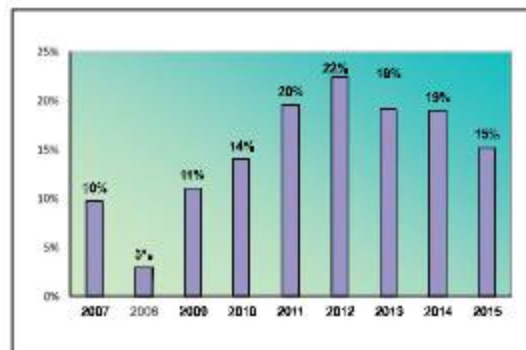
EARNING PER SHARE



SHAREHOLDER EQUITY
(Rupees in Thousand)



RETURN ON EQUITY



1st FPCCI ACHIEVEMENT AWARD

2013



**REWARDED FOR THE
OUTSTANDING SERVICES
IN YEAR 2012**

Statement of Ethics and Business Practices

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

2014

A+

Upgraded To "A+" by PACRA.
The highest Rating Achieved by
any non-life insurance company
from PACRA in a Record Time of
only eight years from start of
operations in 2007.

Statement Of Compliance With The Code Of Corporate Governance

For The Year Ended December 31, 2015

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

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

1. The directors have confirmed that none of them is serving as a director in ten or more listed companies. The company encourages representation of independent non-executive directors on its Board of Directors. At present, the board includes six non-executive directors out of seven.
2. All the resident directors of the Company have declared that they are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by a Stock exchange.
3. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
4. 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.
5. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
6. A casual vacancy occurring on the Board due to resignation of Mr. Muhammad Yousuf on 20th April 2015 was filled up by the directors within thirty (30) days thereof. Mr. Suhail Yaqoob Khan was appointed on 20th May 2015 to fill up the casual vacancy for the remainder term.
7. All the meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
8. The Board has established a system of sound internal control, which is effectively implemented at all levels within the company. The Company include all the necessary aspects of internal control given in the code.
9. An orientation was arranged for the directors during this tenure to apprise them of their duties & responsibilities and to keep them informed on new laws, rules and regulations and amendments thereof.
10. There was no new appointment of CFO, Company Secretary or Internal Auditor during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

Statement Of Compliance With The Code Of Corporate Governance

For The Year Ended December 31, 2015

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an underwriting, a claim settlement & a reinsurance committee.
16. The Board has formed an audit committee comprising of 3 members, all of them are non executive Directors including the Chairman of the committee.
17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as per the requirement of the Code. The audit committee has adopted the same terms of reference as defined by the Code and advised to the committee for compliance.
18. The Board has set-up an effective Internal Audit function which is consider suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
19. All related parties transactions entered during the year were on arm's length basis and these have been placed before the Audit Committee and Board of Directors. These transactions are duly reviewed and approved by Audit Committee and Board of Directors.
20. The statutory auditors of the Company 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 International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with ICAP Code of Ethics and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The actuary appointed by the company has confirmed that he or his spouse and minor children do not hold shares of the company.
23. The Board ensures that the appointed actuary complied with the requirements set out for him in this code.
24. We confirm that all other material principles contained in the Code have been complied by the Company.



NASAR US SAMAD QURESHI
Chief Executive Officer



2015

**ALFALAH INSURANCE HAS STARTED
'WINDOW TAKAFUL OPERATIONS'**



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Chartered Accountants
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Review Report To The Members On Statement Of Compliance With Best Practices Of Code Of Corporate Governance

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2015 prepared by the Board of Directors of Alfalah Insurance Company Limited (the Company) to comply with the code issued by the Securities and Exchange Commission of Pakistan applicable to non listed insurance companies.

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

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control systems to enable us to express an opinion as to whether the Board's Statement on internal control covers all control and effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement does not appropriately reflect the status of the Company's compliance, in all material respects, with the best practices contained in the Code, for the year ended 31 December 2015.

Chartered Accountants
Engagement Partner: Farooq Hameed
Lahore: 29 February 2016

Independent Auditors' Report To The Members

We have audited the annexed financial statements comprising of:

- i. balance sheet;
- ii. profit and loss account;
- iii. statement of changes in equity;
- iv. cash flow statement;
- v. statement of premiums;
- vi. statement of claims;
- vii. statement of expenses; and
- viii. statement of investment income

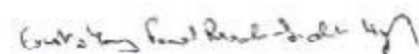
of Alfalah Insurance Company Limited (the Company) as at 31 December 2015, together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Company's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting, policies used and significant estimates made by the management, as well as, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for the changes as stated in note 2.2 of these financial statements, with which we concur;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2015 and of the profit, its comprehensive income, its cash flow and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- d) In our opinion, no Zakat was deductible under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).



Chartered Accountants
Engagement Partner: Farooq Hameed
Lahore: 29 February 2016

Balance Sheet as At 31 December 2015

	Note	2015 (Rupees in thousand)	2014
Share capital and reserves			
Authorized capital			
50,000,000 (2014: 50,000,000) ordinary shares of Rs 10 each		<u>500,000</u>	<u>500,000</u>
Issued, subscribed and paid up capital			
50,000,000 (2014: 30,000,000) ordinary shares of Rs 10 each	5	500,000	300,000
Share deposit money		1,381	1,381
General reserve		150,000	150,000
Unappropriated profit		<u>153,935</u>	<u>258,930</u>
		805,316	710,311
Underwriting provisions			
Provision for outstanding claims [including IBNR]		499,376	456,432
Provision for unearned premium		575,991	505,363
Commission income unearned		60,543	53,238
Total underwriting provisions		1,135,910	1,015,033
Deferred liabilities			
Deferred taxation	6	1,571	5,388
Creditors and accruals			
Premium received in advance		5,531	7,367
Amounts due to other insurers / reinsurers		233,804	281,020
Accrued expenses	7	75,948	66,624
Other creditors and accruals	8	113,110	86,876
		428,393	441,887
Other liabilities			
Deposits and other payables	9	5,563	7,234
TOTAL LIABILITIES		1,571,437	1,469,542
TOTAL EQUITY AND LIABILITIES		2,376,753	2,179,853
CONTINGENCIES AND COMMITMENTS	10		

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



Chairman



Director

Balance Sheet as At 31 December 2015

	Note	2015 (Rupees in thousand)	2014
Cash and bank deposits			
Cash and other equivalents	11	1,204	496
Current and other accounts	12	131,265	207,145
Deposits maturing within 12 months	13	-	-
		<u>132,469</u>	<u>207,641</u>
Loan - secured considered good			
To employees	14	2,685	3,910
Investments			
	15	969,323	860,171
Other assets			
Premiums due but unpaid - unsecured	16	430,587	378,199
Amounts due from other insurers / reinsurers - unsecured	17	113,428	87,042
Salvage recoveries accrued		5,960	9,715
Accrued investment income		2,030	1,687
Reinsurance recoveries against outstanding claims		311,880	264,928
Deferred commission expense		37,390	26,386
Prepayments - prepaid reinsurance premium ceded		278,397	247,781
- others		12,790	4,725
Taxation - payments less provision		1,736	6,092
Sundry receivables	18	5,500	7,019
		<u>1,199,698</u>	<u>1,033,574</u>
Fixed assets			
Building on leasehold land	19	17,667	21,141
Furniture, fixtures and office equipment		18,650	22,176
Motor vehicles		28,784	28,559
		<u>65,101</u>	<u>71,876</u>
Capital work in progress		4,606	742
Intangible			
Computer software	20	2,871	1,939
TOTAL ASSETS		<u>2,376,753</u>	<u>2,179,853</u>



Director


Principal Officer and
Chief Executive

Profit And Loss Account For The Year Ended 31 December 2015

Note	Fire and property damage	Marine, aviation and transport	Motor	Health	Others including Miscellaneous	Total	
						2015	2014
(Rupees in thousand)							
Revenue account							
	49,312	17,479	364,779	305,373	43,237	780,180	705,323
	(19,290)	(7,840)	(148,478)	(249,550)	(4,139)	(429,297)	(410,817)
21	(59,909)	(14,237)	(113,800)	(42,654)	(36,933)	(267,333)	(239,919)
	41,879	5,290	(22,508)	664	71,383	96,608	95,928
Underwriting result							
	11,992	692	80,193	13,733	73,548	180,158	150,515
Investment income							
						75,583	101,341
22						1,854	3,762
23						(103,784)	(105,024)
						(26,647)	79
Profit before taxation							
						153,511	150,594
Taxation							
24						(38,297)	(27,557)
Profit after taxation							
						115,214	123,037
Other comprehensive (loss) / income							
Items not to be reclassified to profit and loss in subsequent periods							
Re-measurement (loss) / gain on defined benefit obligation							
						(2,507)	418
Total comprehensive income for the year							
						112,707	123,455
Balance at the commencement of the year							
						258,930	135,475
Interim dividend for the year 2015							
						(17,702)	-
@ Rs. 0.59 per ordinary share (2014: Nil)							
Transfer to reserve for issuance of bonus shares							
						(200,000)	-
Total comprehensive income for the year							
						112,707	123,455
Balance of unappropriated profits at the end of the year							
						153,935	258,930
Restated							
Earnings per share - basic and diluted - Rupees (- note 25)							
						2.30	2.46

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



Chairman



Director



Director


Principal Officer and
Chief Executive

Statement Of Changes In Equity For The Year Ended 31 December 2015

	Capital Reserve			Revenue Reserve		Total
	Share capital	Share deposit money	Reserve for issuance of bonus shares	General reserve	Unappropriated Profit	
	(Rupees in thousand)					
Balance as at 01 January 2014	300,000	1,381	-	150,000	135,475	586,856
Profit after tax for the year	-	-	-	-	123,037	123,037
Other comprehensive income for the year	-	-	-	-	418	418
Total comprehensive income for the year	-	-	-	-	123,455	123,455
Balance as at 31 December 2014	300,000	1,381	-	150,000	258,930	710,311
Balance as at 01 January 2015	300,000	1,381	-	150,000	258,930	710,311
Profit after tax for the year	-	-	-	-	115,214	115,214
Other comprehensive loss for the year	-	-	-	-	(2,507)	(2,507)
Total comprehensive income for the year	-	-	-	-	112,707	112,707
Interim dividend for the year 2015	-	-	-	-	(17,702)	(17,702)
Transfer to reserve for issue of bonus shares	-	-	200,000	-	(200,000)	-
Issuance of bonus shares @ 2 shares for every 3 ordinary shares	200,000	-	(200,000)	-	-	-
Balance as at 31 December 2015	500,000	1,381	-	150,000	153,935	805,316

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



Chairman



Director



Director



Principal Officer and
Chief Executive

Cash Flow Statement

For The Year Ended 31 December 2015

	2015	2014
	(Rupees in thousand)	
Operating cash flows		
Underwriting activities		
Premiums received	1,490,285	1,207,423
Reinsurance premiums paid	(886,116)	(462,373)
Commissions received	263,893	117,858
Commissions paid	(64,292)	(46,049)
Claims paid	(593,629)	(560,165)
Reinsurance recoveries received	160,324	166,003
Management expenses paid	(273,234)	(234,888)
Net cash inflow from underwriting activities	97,231	187,809
Other operating activities		
Income tax paid	(37,758)	(37,580)
Other operating payments	(70,548)	(68,860)
Other operating receipts	398	1,144
Loans advanced	(6,175)	(7,800)
Loan repayments received	7,400	6,756
Net cash outflow from other operating activities	(106,683)	(106,340)
Total cash (outflow) / inflow from all operating activities	(9,452)	81,469
Investment activities		
Profit / return received	19,486	17,241
Dividend received	10,653	6,267
Sale of investments	2,004,910	418,399
Purchase of investments	(2,068,503)	(414,358)
Proceeds from disposal of fixed assets	2,434	5,795
Fixed capital expenditure	(16,998)	(9,575)
Total cash (outflow) / inflow from investing activities	(48,018)	23,769
Financing activities		
Dividend paid	(17,702)	-
Net cash (outflow) / inflow from all activities	(75,172)	105,238
Cash at the beginning of the year	207,641	102,403
Cash at the end of the year	132,469	207,641

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



Chairman



Director



Director


Principal Officer and
Chief Executive

Cash Flow Statement For The Year Ended 31 December 2015

	2015	2014	
	(Rupees in thousand)		
Reconciliation to profit and loss account			
Operating cash flows	(9,452)	81,469	
Depreciation of tangibles	(18,631)	(18,699)	
Amortization of intangibles	(1,134)	(2,063)	
Increase in assets other than cash	164,554	176,286	
Increase in liabilities	(97,320)	(218,489)	
Un-realized gain in value of held for trading investments	10,155	62,317	
Others			
Gain on disposal of investments	36,059	16,576	
Impairment loss in value of available for sale investments	(286)	(229)	
Gain on disposal of fixed assets	1,156	2,618	
Dividend and other investment income	30,113	23,251	
Profit after taxation	115,214	123,037	
Definition of cash			
Cash for the purposes of Cash Flow Statement consists of:			
Cash and other equivalents			
Cash in hand	- note 11	631	249
Stamps in hand	- note 11	573	247
		1,204	496
Current and other accounts			
Current accounts	- note 12	26,520	140,069
Saving accounts	- note 12	104,745	67,076
		131,265	207,145
Deposits maturing within 12 months	- note 13	-	-
		132,469	207,641

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



Chairman



Director



Director



Principal Officer and
Chief Executive

Statement Of Premiums For The Year Ended 31 December 2015

Business underwritten inside Pakistan

Direct and facultative	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		2015	2014
Class										
Fire and Property Damage	442,011	221,443	248,071	410,363	389,308	187,416	210,903	368,071	49,312	47,900
Marine, Aviation and Transport	105,162	10,759	13,172	102,749	85,270	-	-	85,270	17,479	15,127
Motor	410,083	179,954	205,802	381,235	17,836	2,140	3,520	16,456	364,779	315,795
Health	315,054	24,267	29,439	309,852	6,996	1,864	4,061	4,509	305,373	295,255
Others including Miscellaneous	272,802	88,940	76,007	265,735	225,760	56,861	59,923	222,498	43,237	40,236
Total	1,545,612	505,363	575,991	1,474,984	725,420	247,781	278,397	694,804	780,180	705,323

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



Chairman



Director



Director



Principal Officer and
Chief Executive

Statement Of Claims For The Year Ended 31 December 2015

Business underwritten inside Pakistan

Direct and facultative Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net Claim Expense	
		Opening	Closing			Opening	Closing		2015	2014
									(Rupees in thousand)	
Fire and Property Damage	115,153	157,569	150,670	106,454	87,911	116,693	117,946	89,164	19,290	49,968
Marine, Aviation and Transport	25,888	13,661	35,836	48,073	21,760	10,919	29,392	40,233	7,840	4,554
Motor	143,009	65,709	71,352	148,652	1,040	927	81	174	148,478	127,349
Health	249,873	82,319	51,996	249,660	-	-	-	-	249,660	225,150
Others including Miscellaneous	59,706	167,184	189,322	81,844	49,613	136,389	164,481	77,706	4,139	3,706
Total	593,629	456,432	499,376	636,573	160,324	264,928	311,880	207,276	429,297	410,817

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



Chairman



Director



Director



Principal Officer and
Chief Executive

Statement Of Expenses

For The Year Ended 31 December 2015

Business underwritten inside Pakistan

Direct and facultative	Commissions paid or payable	Deferred commission		Net commission expenses	Other management expenses	Underwriting expense	Commissions from reinsurers	Net underwriting expense	
		Opening	Closing					2015	2014
(Rupees in thousand)									
Class									
Fire and Property Damage	35,191	11,895	18,249	28,637	59,909	88,546	70,516	18,030	18,034
Marine, Aviation and Transport	17,470	1,710	2,162	16,948	14,237	31,185	22,238	8,947	2,551
Motor	26,119	10,139	13,199	23,059	113,600	136,659	551	136,108	116,867
Health	723	256	514	475	42,654	43,129	1,039	42,090	37,759
Others including Miscellaneous	3,127	2,576	3,246	2,457	36,933	39,390	73,840	(34,450)	(31,220)
Total	82,580	26,386	37,390	71,576	267,333	338,909	168,184	170,725	143,991

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



Chairman



Director



Director



Principal Officer and
Chief Executive

Statement Of Investment Income For The Year Ended 31 December 2015

	2015	2014
	(Rupees in thousand)	
Income from trading investments		
Gain on sale of held for trading investments	36,289	16,576
Dividend income	4,776	-
	41,065	16,576
Income from non-trading investments		
Held to maturity		
Return on Government Securities	3,978	3,474
Return on other fixed income securities and deposits	15,458	13,561
	19,436	17,035
Available for sale		
Dividend income	5,901	6,216
Loss on sale of available for sale investments	(230)	-
	5,671	6,216
Un-realized gain in value of held for trading investments	10,155	62,317
Impairment in value of available for sale investments	(286)	(229)
Investment expenses	(458)	(574)
Net investment income for the year	75,583	101,341

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



Chairman



Director



Director



Principal Officer and
Chief Executive

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

1. LEGAL STATUS AND NATURE OF BUSINESS

Alfalah Insurance Company Limited (the Company) is a general non-life insurance company which was incorporated as an unquoted public limited company in Pakistan on 21 December 2005 under the Companies Ordinance, 1984. The registered office of the Company is situated at 5-Saint Mary Park, Gulberg III, Lahore. The Company has been allowed to work as Window Takaful Operator on 30 September 2015 by Securities and Exchange Commission of Pakistan under Takaful Rules, 2012 to carry on Islamic General Takaful in Pakistan.

2. BASIS OF PREPARATION

2.1 These financial statements have been prepared in accordance with the requirements of the Insurance Ordinance 2000, the SEC (Insurance) Rules, 2002, the Companies Ordinance, 1984 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprises such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Insurance Ordinance, 2000, SEC (Insurance) Rules, 2002, the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Insurance Ordinance, 2000, SEC (Insurance) Rules, 2002, the Companies Ordinance, 1984 or the said directives take precedence.

2.2 PRESENTATION CURRENCY

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

2.2 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS EFFECTIVE IN 2015:

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

New Standards, Interpretations and Amendments

The Company has adopted the following revised standard, amendments and interpretation of IFRSs which became effective for the current year:

IFRS 10	- Consolidated Financial Statements
IFRS 11	- Joint Arrangements
IFRS 12	- Disclosure of Interests in Other Entities
IFRS 13	- Fair Value Measurement
IAS 19	- Employee Benefits (Amendment) – Defined Benefit Plans: Employee Contributions

Improvements to Accounting Standards Issued by the IASB in December 2013

IFRS 2	- Share-based Payment - Definitions of vesting conditions
IFRS 3	- Business Combinations – Accounting for contingent consideration in a business combination
IFRS 3	- Business Combinations - Scope exceptions for joint ventures
IFRS 8	- Operating Segments – Aggregation of operating segments
IFRS 8	- Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets
IFRS 13	- Fair Value Measurement - Scope of paragraph 52 (portfolio exception)
IAS 16	- Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method – proportionate restatement of accumulated depreciation / amortisation
IAS 24	- Related Party Disclosures - Key management personnel
IAS 40	- Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any material effect on the financial statements except that certain disclosure is given in note 30.1.3 (d) to the financial statements which has been included as a result of adoption of IFRS 13.

2.3 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE:

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

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)	01 January 2016
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	01 January 2016
IFRS 11 - Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016
IAS 1 - Presentation of Financial Statements-Disclosure Initiative(Amendment)	01 January 2016
IAS 16 - Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	01 January 2016
IAS 16 - Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	01 January 2016
IAS 27 - Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	01 January 2016

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

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in September 2014. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

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

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment and estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Provision for outstanding claims including incurred but not reported (IBNR) (note 4.2);
- b) Premium deficiency reserve (note 4.3);
- c) Provision for taxation (note 4.6);
- d) Employee retirement benefits (note 4.7); and
- e) Useful life and residual values of fixed assets (note 4.16)

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1 INSURANCE CONTRACTS

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

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
- 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.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

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.

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

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

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

4.2 PROVISION FOR OUTSTANDING CLAIMS INCLUDING INCURRED BUT NOT REPORTED (IBNR)

The Company recognises liability in respect of all claims incurred up to the balance sheet date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract.

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

Provision for IBNR is based on the management's best estimate which takes into account past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date, except for the provision of IBNR related to health which is based on actuarial valuation.

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

4.3 PREMIUM DEFICIENCY RESERVE

The Company maintains a provision in respect of premium deficiency for the class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve is recorded as an expense / income in the profit and loss account for the year.

For this purpose average loss ratio of last three years inclusive of claim settlement cost but excluding exceptional claims are taken into consideration to determine ultimate loss ratio except for health which is based on actuarial valuation. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, premium deficiency is determined. The loss ratios estimated on these basis for the unexpired portion are as follows:

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

	2015	2014
- Fire and property damage	66%	72%
- Marine, aviation and transport	44%	36%
- Motor	40%	43%
- Health	81%	78%
- Others including Miscellaneous	21%	32%

Based on an analysis of loss ratios for the expired period of each reportable segment, management considers that the unearned premium reserve for all classes of business as at the year end is adequate to meet the expected future liability after reinsurance claims and other expenses, expected to be incurred after the balance sheet date in respect of policies in those classes of business in force at the balance sheet date. Hence, no reserve for the same has been made in these financial statements.

4.4 PROVISION FOR UNEARNED PREMIUM

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

- for marine cargo business, premium written is recognised as provision for unearned premium until the commencement of voyage.
- for other classes premium written is recognised as provision for unearned premium by applying the 1/24th method as specified in the SEC (Insurance) Rules, 2002.

4.5 COMMISSION INCOME UNEARNED

Unearned commission income from the reinsurers represents the portion of commission income relating to the unexpired period of reinsurance coverage and is recognised as a liability. It is calculated in accordance with the pattern of its related prepaid reinsurance premium ceded.

4.6 TAXATION

CURRENT

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

DEFERRED

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised 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 utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

4.7 EMPLOYEE RETIREMENT BENEFITS

The main features of the schemes operated by the Company for its employees are as follows:

4.7.1 DEFINED CONTRIBUTION PLAN

The Company has established an approved contributory provident fund for all permanent employees. Equal monthly contributions are made by the Company and employees to the fund at the rate 8.33% of basic salary. Contributions made by the Company are recognised as expense.

4.7.2 DEFINED BENEFIT PLAN

The Company has established an approved gratuity fund for all permanent employees. Monthly contributions are made to the fund on the basis of actuarial recommendations and in line with the provisions of the Income Tax Ordinance, 2001. The latest actuarial valuation was carried out as at 31 December 2015.

The future contribution rates of these plans include allowances for deficit and surplus. Projected unit credit method, using the following significant assumptions, is used for valuation of this scheme:

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

Retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

Actuarial gains or losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements and net interest income (expense).

4.8 AMOUNT DUE TO / FROM OTHER INSURERS / REINSURERS

Amounts due to / from other insurers / reinsurers are carried at cost less provision for impairment, if any. Cost represents the fair value of the consideration to be paid / received in future for the services received / rendered.

4.9 CREDITORS, ACCRUALS AND PROVISIONS

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

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

4.10 CASH AND CASH EQUIVALENTS

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

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

4.11 INVESTMENTS

4.11.1 RECOGNITION

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs. These are classified into the following categories:

- Held to maturity
- Available for sale
- Held for trading

All 'regular way' purchases and sales of financial assets are accounted for at trade date.

4.11.2 MEASUREMENT

HELD TO MATURITY

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost and at subsequent reporting dates measured at amortised cost using the effective yield method.

Any premium paid or discount availed on acquisition of held to maturity investments is deferred and included in the income for the period on a straight-line-basis over the term of the investment.

AVAILABLE FOR SALE

The financial assets including investments in associated undertakings where the Company does not have significant influence that are intended to be held for an indefinite period of time or may be sold in response to the need for liquidity are classified as available for sale.

Subsequent to initial recognition at cost, these are stated at the lower of cost or market value (market value being taken as lower if the fall is other than temporary) in accordance with the requirements of the S.R.O. 938 issued by the SECP in December 2002. The Company uses latest stock exchange quotations in an active market to determine the market value of its quoted investments whereas, impairment of unquoted investments is computed by reference to net assets of the investee on the basis of the latest available audited / unaudited financial statements.

Had these investments been measured at fair value as required by IAS 39, the Company's net equity would have been higher by Rs. 9.454 million (2014: higher by Rs. 17.570 million).

Gain / (loss) on sale of available for sale investments are recognized in profit and loss account.

HELD FOR TRADING

These financial assets are acquired principally for the purpose of generating profit from short-term fluctuations in price or are part of a portfolio for which there is a recent actual pattern of short-term profit taking and are included in current assets.

Subsequent to initial recognition these are re-measured at fair value by reference to quoted market prices with the resulting gain / (loss) being included in net profit / (loss) for the period in which it arises.

4.12 PREMIUMS DUE BUT UNPAID

These are recognised at cost, which is the fair value of the consideration given less provision for doubtful debts, if any.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

4.13 REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS

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

4.14 DEFERRED COMMISSION EXPENSE

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

4.15 PREPAID REINSURANCE PREMIUM CEDED

It represents the portion of reinsurance premium ceded relating to the unexpired period of reinsurance coverage and is recognised as a prepayment. It is calculated in accordance with the pattern of its related unearned premium income.

4.16 FIXED ASSETS

TANGIBLE

These are stated at cost, signifying historical cost, less accumulated depreciation and any identified impairment loss.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of the residual value of its tangible fixed assets as at 31 December 2015 has not required any adjustment.

Depreciation on all fixed assets is charged to profit and loss account on the straight line method so as to write off depreciable amount of an asset over its useful life at the rates stated in note 19. The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant.

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

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

The gain or loss on disposal or retirement of an asset, represented by the difference between the sale proceeds and the carrying amount of the asset, is recognised as an income or expense.

INTANGIBLE

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

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalised, while no amortisation is charged for the month in which the asset is disposed off.

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

4.17 FINANCIAL INSTRUMENTS

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

Financial instruments carried on the balance sheet include cash and bank deposits, investments, premiums due but unpaid, amounts due from other insurers / reinsurers, accrued investment income, salvage recoveries accrued, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other insurers / reinsurers, accrued expenses and sundry creditors. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.18 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amount and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

4.19 REVENUE RECOGNITION

PREMIUM INCOME

Premium income under a policy is recognised over the period of insurance from the date of issuance on the following basis:

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

Where the pattern of incidence of risk varies over the period of the policy, premium is recognised as revenue in accordance with the pattern of the incidence of risk.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

ADMINISTRATIVE SURCHARGE

This represents documentation and other charges recovered by the Company from policy holders in respect of policies issued, at a rate of 5% of the premium restricted to a maximum of following limits:

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

Premium written includes administrative surcharge amounting to Rs. 22.3 million (2014: Rs.19.8 million).

DIVIDEND INCOME AND BONUS SHARES

Dividend income and entitlement of bonus shares are recognised when right to receive such dividend and bonus shares is established.

Gain / (loss) on sale of investments is taken to the profit and loss account in the year of sale as per trade date.

INCOME ON HELD TO MATURITY INVESTMENTS

Income on held to maturity investments is recognised on a time proportion basis taking into account the effective yield on investments.

MISCELLANEOUS INCOME

Other revenues are recognised on accrual basis.

4.20 REINSURANCE CEDED

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

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

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

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

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

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

4.21 CLAIMS EXPENSE

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

4.22 COMMISSION

COMMISSION EXPENSE

Commission expense incurred in obtaining and recording insurance policies is deferred and recognised as an asset on the attachment of the related risks. This expense is charged to the profit and loss account based on the pattern of recognition of related premium revenue.

COMMISSION INCOME

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

4.23 IMPAIRMENT

The carrying amount of the assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such assets is estimated and the impairment losses are recognised in the profit and loss account currently.

Provisions for impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Changes in the provisions are recognised as income / expense currently.

4.24 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognised in the profit and loss account. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

4.25 MANAGEMENT EXPENSES

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

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

4.26 SEGMENT REPORTING

A business segment is a distinguishable component of the Company that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Company accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The reported operating segments are also consistent with the internal reporting framework provided to Board of Directors who are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

Based on its classification of insurance contracts issued, the Company has five primary business segments for reporting purposes namely fire, marine, motor, health and others including miscellaneous. The nature and business activities of these segments are disclosed in note 4.1.

As the operation of the Company are predominantly carried out in Pakistan, information relating to geographical segment is not considered relevant.

Financing, investment and income taxes are managed on an overall basis and are therefore, not allocated to any segment. The accounting policies of operating segment are the same as those described in the summary of significant accounting policies.

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

4.27 SALVAGE RECOVERIES

Salvage recoveries are recognised on estimated basis and are in line with the recognition of related claim expenses.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2015	2014		2015	2014
(Number of shares)			(Rupees in thousand)	
30,000,000	30,000,000	Ordinary shares of Rs. 10 each fully paid in cash	300,000	300,000
20,000,000	-	Ordinary shares of Rs. 10 each, issued as fully paid bonus shares	200,000	-
<u>50,000,000</u>	<u>30,000,000</u>		<u>500,000</u>	<u>300,000</u>

14,997,825 (2014: 8,998,695) ordinary shares of the Company are held by Bank Alfalah Limited, an associated undertaking as at 31 December 2015.

5.1 MOVEMENT IN PAID UP CAPITAL

	Number of Shares	Rupees in thousand
As at 01 January 2014	30,000,000	300,000
Issued as fully paid bonus shares	-	-
As at 31 December 2014	30,000,000	300,000
Issued as fully paid bonus shares	20,000,000	200,000
As at 31 December 2015	<u>50,000,000</u>	<u>500,000</u>

6. DEFERRED TAXATION

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

	2015	2014
	(Rupees in thousand)	
7. ACCRUED EXPENSES		
Accrued expenses	47,118	37,225
Bonus payable	28,767	29,302
EOBI payable	63	97
	<u>75,948</u>	<u>66,624</u>

8. OTHER CREDITORS AND ACCRUALS

Agent commission payable	59,418	39,820
Federal Insurance Fee	1,677	1,850
Federal Excise Duty	23,688	26,018
Gratuity payable	3,086	6
Workers' Welfare Fund	15,003	11,870
Others	10,238	7,512
	<u>113,110</u>	<u>86,876</u>

8.1 GRATUITY PAYABLE

The amounts recognised in the balance sheet are as follows:

Present value of defined benefit obligation	36,749	29,918
Fair value of plan assets	(33,663)	(29,912)
Liability as at 31 December	<u>3,086</u>	<u>6</u>
Net obligation as at 01 January	6	2,554
Charge to profit and loss account	5,079	4,610
Other comprehensive income	2,907	(418)
Company contribution	(4,506)	(6,740)
	<u>3,086</u>	<u>6</u>

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

	2015	2014		
	(Rupees in thousand)			
6.1.1 The movement in the present value of defined benefit obligation				
Present value of defined benefit obligation as at 01 January	29,918	24,259		
Service cost	5,315	4,717		
Interest cost	2,987	3,099		
Benefits paid	(2,941)	(834)		
Experience adjustments	1,470	(1,323)		
Present value of defined benefit obligation as at 31 December	<u>36,749</u>	<u>29,918</u>		
6.1.2 The movement in fair value of plan assets				
Fair value as at 01 January	29,912	21,705		
Expected return on plan assets	3,223	3,206		
Company contributions	4,506	6,740		
Benefits paid	(2,941)	(834)		
Return on plan assets excluding interest income	(1,037)	(805)		
Fair value as at 31 December	<u>33,663</u>	<u>29,912</u>		
6.1.3 Plan assets				
	Percentage		Fair Value	
	2015	2014	2015	2014
	(Rupees in thousand)			
Investment in units of mutual funds	2%	2%	586	538
Cash at bank	98%	98%	33,077	29,374
			<u>33,663</u>	<u>29,912</u>
			2015	2014
			(Rupees in thousand)	
6.1.4 Actual return on plan assets				
Expected return on assets			3,223	3,206
Actuarial loss			(1,037)	(805)
			<u>2,186</u>	<u>2,301</u>
6.1.5 Charge to profit and loss account				
Current service cost			5,315	4,717
Net interest			(236)	(107)
Expense for the year			<u>5,079</u>	<u>4,610</u>
6.1.6 Re-measurements recognized in other comprehensive income				
Experience adjustments			1,470	(1,323)
Return on plan assets excluding interest income			1,037	805
			<u>2,507</u>	<u>(418)</u>
6.1.7 Sensitivity analysis on significant actuarial assumptions: Actuarial liability				
Discount rate +1%			(2,502)	(2,054)
Discount rate -1%			2,955	2,426
Future salary increases +1%			3,085	2,531
Future salary increases -1%			(2,650)	(2,173)

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

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

	2015	2014	2013	2012	2011
	(Rupees in thousand)				
As at 31 December					
Present value of defined benefit obligation	36,749	29,918	24,259	16,788	10,858
Fair value of plan assets	(33,663)	(29,912)	(21,705)	(16,994)	(12,286)
Surplus / (Deficit)	<u>3,086</u>	<u>6</u>	<u>2,554</u>	<u>(206)</u>	<u>(1,428)</u>
Experience adjustment on obligation	4.00%	-4.42%	7.99%	10.97%	-3.53%
Experience adjustment on plan assets	3.08%	3.03%	1.62%	-1.10%	5.71%

8.2 WORKERS' WELFARE FUND	2015	2014
	(Rupees in thousand)	
Opening balance		11,870
Provision for the year		3,133
Payment		-
Balance as at 31 December	<u>15,003</u>	<u>11,870</u>

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

During the year ended 31 December 2012, the Honorable Lahore High Court (LHC) in Constitutional Petition relating to the amendments brought to WWF Ordinance, 1971 through Finance Act, 2008 and the Finance Act, 2008, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Honorable Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act, 2008 and Finance Act, 2008 do not suffer from any constitutional or legal infirmity. However, the SHC has not addressed the other amendments made in the WWF Ordinance 1971 about applicability of WWF to the insurance companies which is still pending before the Court. Without prejudice to the above, the Management of the Company, as matter of abundant caution, has decided to make the provision for WWF amounting to Rs. 3,133 thousands for the current year in these financial statements.

8.3 UNCLAIMED INSURANCE BENEFITS

Others include unclaimed insurance benefits of Rs. 1,461 thousand (Rs.1,075 thousand), aging of which is given below:

	2015					2014				
	Age-wise breakup of unclaimed insurance benefits					Age-wise breakup of unclaimed insurance benefits				
	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Total	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Total
	(Rupees in thousand)					(Rupees in thousand)				
Claims not uncashed	18	510	663	170	1,361	469	344	177	-	990
Other unclaimed benefits	4	1	77	18	100	-	8	-	77	85
	<u>22</u>	<u>511</u>	<u>740</u>	<u>188</u>	<u>1,461</u>	<u>469</u>	<u>352</u>	<u>177</u>	<u>77</u>	<u>1,075</u>

9. DEPOSITS AND OTHER PAYABLES	2015	2014
	(Rupees in thousand)	
Retention money		118
Cash margin		7,118
	<u>5,447</u>	<u>7,234</u>

10. CONTINGENCIES AND COMMITMENTS

10.1 CONTINGENCIES

Claim against the company not acknowledged as debt.	<u>261</u>	<u>261</u>
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10.2 COMMITMENTS

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

	2015	2014
	(Rupees in thousand)	
Not later than one year	7,361	13,976
Later than one year and not later than five years	30,835	35,970
Later than five years	-	1,092
	<u>38,196</u>	<u>51,038</u>

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

15.2 AVAILABLE FOR SALE - QUOTED

2015	2014	Company's / Fund name	Face value per share / unit	2015	2014
Number of Shares / Units			Rupees	(Rupees in thousand)	
Investment in associated undertaking					
500,000	500,000	Bank Alfalah Limited*	10	10,859	10,859
Market value as at 31 December				14,410	17,440
Investment in others					
110,500	70,500	Hub Power Company Limited	10	8,106	4,228
74,000	74,000	Kot Addu Power Company Limited	10	3,640	3,640
51,400	26,400	Bank Al-Habib Limited	10	1,763	661
30,000	10,000	Lucky Cement Limited	10	14,945	2,239
27,500	27,500	Nishat Chunian Limited	10	1,451	1,451
-	100,000	NIB Bank Limited	10	-	260
30,000	30,000	Nishat Mills Limited	10	2,998	2,998
-	9,900	Oil and Gas Development Company Limited	10	-	2,300
-	10,000	Pakistan Oil Fields Limited	10	-	4,808
10,000	44,000	Pakistan Petroleum Limited	10	1,058	8,358
15,000	33,000	Pakistan State Oil Limited	10	4,666	10,266
45,000	50,000	DG Khan Company Limited	10	6,010	4,196
66,500	56,500	Nishat Power Limited	10	2,343	1,781
59,083	49,083	United Bank Limited	10	9,554	7,755
100,000	100,000	Pakgen Power Limited	10	2,226	2,226
47,500	35,000	Fauji Fertilizer Company Limited	10	5,622	3,822
50,000	-	Fauji Fertilizer Bin Qasim Limited	10	2,784	-
70,000	-	Engro Fertilizer Limited	10	8,372	-
10,000	-	Engro Foods Limited	10	1,651	-
22,500	-	Engro Corporation Limited	10	6,927	-
45,000	-	Engro Powergen Qadirpur Limited	10	1,710	-
12,522	-	Amreli Steels Limited	10	729	-
1,552,976	-	NAFA Stock Fund	10	20,000	-
				104,555	60,969
Impairment in value of available for sale investments				(515)	(220)
				104,040	60,760
Market value as at 31 December				109,943	71,749
Total available for sale - quoted				114,899	71,619
Total market value as at 31 December				124,353	89,189

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

15.3 HELD FOR TRADING

2015	2014	Fund name	Face value per unit	2015	2014
Number of Units			Rupees	(Rupees in thousand)	
Investment in associated undertaking					
86,020	154,918	Alfalah GHP Cash Fund	500	44,276	81,196
610,659	362,519	Alfalah GHP Money Market Fund**	100	63,321	38,178
				107,597	119,372

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

2015	2014	Company's / Fund name	Face value per unit / share	2015	2014
Number of Units / Shares			Rupees	(Rupees in thousand)	
Investment in others					
131,313	96,282	MCB Cash Management Optimizer Fund	100	13,539	10,044
737,871	771,159	MCB Dynamic Allocation Fund	100	56,813	61,106
146,164	138,229	Atlas Money Market Fund	500	75,930	72,504
812,980	734,572	UBL Liquidity Plus Fund	100	63,262	76,899
600,198	648,157	Pakistan Cash Management Fund	50	30,999	33,808
787,751	833,555	Askari Sovereign Cash Fund	100	81,721	66,393
7,221,690	5,736,787	ABL Cash Fund	10	74,453	60,030
681,421	689,927	Faysal Money Market Fund	100	70,813	72,615
669,392	668,391	HBL Money Market Fund	100	69,551	69,962
5,770,471	6,594,213	NAFA Money Market Fund	10	58,446	68,952
-	200,887	Metro Bank Pakistan Sovereign Fund	50	-	10,954
2,346,096	-	NAFA Financial Sector Income Fund	-	25,372	-
49,000	53,500	Hub Power Company Limited	10	5,027	4,182
12,500	-	Pakistan State Oil Limited	10	4,072	-
29,000	3,000	Allied Bank Limited	10	2,734	342
-	8,200	Attock Cement Limited	10	-	1,800
21,500	-	Amreli Steels Limited	10	1,292	-
369	360	Bata Pakistan Limited	10	1,177	1,256
9,800	9,600	Engro Corporation Limited	10	2,738	2,126
56,500	21,000	Engro Fertilizer Limited	10	4,753	1,840
21,000	-	Engro Foods Limited	10	3,079	-
85,000	39,000	Fatima Fertilizer Company Limited	10	3,802	1,395
48,000	70,000	Fauji Cement Company Limited	10	1,767	1,809
-	500	Fauji Fertilizer Bin Qasim Limited	10	-	23
-	10,500	Fauji Fertilizer Company Limited	10	-	1,230
-	47,500	Habib Metropolitan Bank Limited	10	-	1,772
12,893	-	Habib Bank Limited	10	2,580	-
5,000	-	Honda Atlas Cars Limited	10	1,195	-
5,500	-	ICI Pakistan Limited	10	2,662	-
1,640	-	Indus Motor Company Limited	10	1,659	-
125,000	-	JS Bank Limited	10	969	-
52,000	23,500	Kot Addu Power Company Limited	10	4,212	1,855
4,900	4,100	Lucky Cement Limited	10	2,426	2,051
75,000	-	Lalpir Power Limited	10	2,231	-
25,500	43,500	Maple Leaf Cement Factory Limited	10	1,902	1,925
18,000	-	Mughal Iron & Steel Industries Limited	10	1,255	-
36,500	-	Oil and Gas Development Company Limited	10	4,283	-
-	6,850	MCB Bank Limited	10	-	2,033
-	2,200	Milal Tractors Limited	10	-	1,423
11,000	11,000	Nishat Power Limited	10	590	502
4,300	4,300	Pak Suzuki Motor Company Limited	10	2,130	1,596
32,200	14,000	Pakistan Petroleum Limited	10	3,922	2,471
55,000	-	Pakgen Power Limited	10	1,619	-
7,700	-	Pakistan Oilfields Limited	10	2,064	-
15,000	-	Pioneer Cement Limited	10	1,363	-
650	-	Shezan International Limited	10	398	-
9,500	-	THAL Limited	5	2,407	-
16,000	10,230	United Bank Limited	10	2,479	1,808
				693,686	636,316
Total - held for trading				801,283	755,687

**During the year Bank Alfalah Limited (associated undertaking) has acquired IGI Money Market Fund, therefore the name of the fund has been changed from IGI Money Market Fund to Alfalah GHP Money Market Fund.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

10. PREMIUMS DUE BUT UNPAID

	2015	2014
	(Rupees in thousand)	
Unsecured		
- Considered good	430,587	378,199
- Considered doubtful	12,959	11,856
	443,546	390,055
Less: Provision for doubtful receivables	- note 16.1 (12,959)	(11,856)
	430,587	378,199

16.1 PROVISION FOR DOUBTFUL RECEIVABLES

Balance as at 01 January	11,856	9,856
Provision made during the year	- note 21 1,103	2,000
Balance as at 31 December	12,959	11,856

17. AMOUNTS DUE FROM OTHER INSURERS/REINSURERS

These are unsecured and considered **good**.

18. SUNDRY RECEIVABLES

Security deposits	5,018	5,018
Receivable from provident fund	-	381
Insurance claim receivable	162	146
Other advances	320	1,474
	5,500	7,019

18.1 PROVIDENT FUND TRUST

Size of the fund	58,063	51,477
Cost of investment made	59,744	53,220
Percentage of investments made (based on fair value)	105%	105%
Fair value of investments	60,646	53,989

18.1.1 BREAK-UP OF INVESTMENTS

Investments out of provident fund have been in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose. The break-up of investments is as follows:

	Percentage Investments as a % size of fund		Fair Value	
	2015	2014	2015	2014
			(Rupees in thousand)	
Listed securities / mutual funds	3%	3%	1,645	1,511
Interest bearing bank accounts	102%	102%	59,001	52,478
			60,646	53,989

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

19. TANGIBLE

	Cost as at 01 January 2015	Additions	Disposals	Cost as at 31 December 2015	Accumulated depreciation as at 01 January 2015	Depreciation charge for the year	Accumulated Depreciation on Disposal	Accumulated depreciation as at 31 December 2015	Book value as at 31 December 2015	Depreciation rates
Building on leasehold land	49,032	1,332	-	50,364	27,891	5,006	-	32,897	17,467	10%
Furniture, fixtures and office equipment	17,288	413	(629)	17,172	8,907	1,736	(408)	10,235	6,937	10%
Furniture and fixtures	14,729	2,891	(37)	17,383	10,759	1,666	(37)	12,388	4,995	20%
Office equipment	33,388	1,828	(722)	34,494	23,563	4,838	(625)	27,775	8,718	25%
Computer equipment	65,405	4,932	(1,285)	69,052	43,229	8,240	(1,070)	50,399	18,650	20%
Motor vehicles	53,114	6,670	(3,177)	56,607	24,555	5,385	(2,117)	27,823	28,784	20%
2015	187,953	13,134	(4,465)	176,229	95,675	18,631	(3,187)	111,118	69,101	
Building on leasehold land	50,235	319	(337)	49,932	23,552	4,918	(87)	27,891	21,141	10%
Furniture, fixtures and office equipment	16,534	374	(289)	17,288	6,877	1,719	(73)	8,907	8,361	10%
Furniture and fixtures	13,888	1,531	(260)	14,728	9,681	1,582	(131)	10,759	3,970	20%
Office equipment	28,425	4,017	(430)	33,388	17,911	4,981	(653)	23,563	9,825	25%
Computer equipment	58,047	5,922	(846)	64,405	34,649	8,292	(661)	43,229	22,176	20%
Motor vehicles	56,671	3,925	(7,822)	50,114	24,198	5,469	(5,100)	24,555	28,559	20%
2014	165,953	10,166	(9,588)	167,551	82,367	18,699	(5,391)	95,675	71,876	

19.1 The depreciation charge for the year has been charged to the management expenses and general and administrative expenses as referred to in note 21 and 23.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

20. INTANGIBLE

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

2014	Cost as at 01 January 2014	Additions	Cost as at 31 December 2014	Accumulated amortisation as at 01 January 2014	Amortisation charge for the year	Accumulated amortisation as at 31 December 2014	Book value as at 31 December 2014 (Rupees in thousand)	Amortisation rate
Software	12,579	-	12,579	8,577	2,063	10,640	1,939	25%

20.1 The amortization charge for the year has been charged to the general and administrative expenses as referred to in note 23.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

	2015	2014
	(Rupees in thousand)	
21. MANAGEMENT EXPENSES		
Salaries, wages and other benefits	125,995	114,367
Staff retirement benefits	7,209	6,817
Tracker expenses	58,081	49,201
Rent, rates and taxes	13,201	9,967
Communication and utility expenses	11,730	11,943
Printing and stationery	7,802	7,582
Generator expense	2,495	2,656
Travelling and conveyance	7,784	6,497
Inspection fee	1,480	766
Provision for doubtful debts	1,103	2,000
Fees and subscription	4,866	4,302
Training and development	3,676	1,436
Depreciation on tangible assets	5,775	5,532
Vehicles running and maintenance expenses	6,704	8,170
Sundry expenses	9,431	8,663
	267,332	239,919

22. OTHER INCOME

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

	2015	2014
	(Rupees in thousand)	
23. GENERAL AND ADMINISTRATION EXPENSES		
Salaries, wages and other benefits	47,342	43,952
Staff retirement benefits	3,775	3,388
Depreciation on tangible assets	12,856	13,167
Amortisation of intangible assets	1,134	2,063
Vehicles running and maintenance expenses	5,341	5,720
Repair and maintenance	9,849	7,481
Insurance expense	4,932	4,480
Rent expense	9,911	8,994
Legal and professional	2,488	3,070
Advertisement expenses	1,295	2,284
Donations	500	-
Auditors' remuneration	1,228	1,066
Workers' welfare fund	3,133	9,359
	103,784	105,024

23.1 AUDITORS' REMUNERATION

Statutory audit fee	552	515
Half yearly review	245	229
Statutory returns	123	114
Certification and sundry services	162	122
Out of pocket expenses	116	88
	1,228	1,066

23.2 STAFF RETIREMENT BENEFITS

Staff retirement benefits comprises of provident fund and gratuity amounting to Rs. 5.905 million (2014: Rs. 5.6 million) and Rs. 5.079 million (2014: Rs. 4.6 million) respectively.

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

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

		2015	2014
		(Rupees in thousand)	
24.	TAXATION		
	Current Tax		
	Current year	42,312	27,881
	Prior years	(198)	(473)
		<u>42,114</u>	<u>27,408</u>
	Deferred Tax		
	Relating to reversal and origination of temporary differences	(3,980)	(5)
	Income resulting from reduction in tax rate	163	154
		<u>(3,817)</u>	<u>149</u>
		<u>38,297</u>	<u>27,557</u>

- note 24.1

24.1 TAX CHARGE RECONCILIATION

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

Accounting profit	153,511	150,594
Tax at the applicable rate of 32% (2014: 33%)	49,124	49,696
Tax effect of amounts that are:		
- Exempt for tax purposes	4,735	(24,339)
- Chargeable to tax at different rates	(15,364)	2,673
Prior year current tax	(198)	(473)
	<u>(10,827)</u>	<u>(22,139)</u>
Tax expense	<u>38,297</u>	<u>27,557</u>

25. EARNINGS PER SHARE - BASIC AND DILUTED

		2015	2014
Net profit for the year	Rupees in thousand	<u>115,214</u>	<u>123,037</u>
Weighted average number of ordinary shares issued and paid at the end of the year	Number of shares	<u>50,000,000</u>	Restated <u>50,000,000</u>
Earnings per share - basic and diluted	Rupees per share	<u>2.30</u>	Restated <u>2.46</u>

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

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

	Chief Executive Officer		Directors		Key Management Personnel	
	2015	2014	2015	2014	2015	2014
	(Rupees in thousand)					
Managerial remuneration	16,859	15,053	-	-	28,626	25,980
Staff retirement benefits	1,686	1,505	-	-	2,861	2,597
Bonus	7,248	6,207	-	-	3,817	4,342
Other perquisites and allowances	421	378	-	-	3,078	2,846
	<u>26,214</u>	<u>23,141</u>	<u>-</u>	<u>-</u>	<u>38,382</u>	<u>35,765</u>
Number of persons	<u>1</u>	<u>1</u>	<u>7</u>	<u>6</u>	<u>10</u>	<u>10</u>

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

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

27. NUMBER OF EMPLOYEES	2015	2014
The number of employees of the Company are as follows:		
Average number of employees during the year	208	200
As at 31 December	214	199

28. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated undertakings, other related Companies, directors of the Company and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Remuneration of directors, chief executive and key management personnel is disclosed in note 26. Amounts due to/from and other significant transactions with related parties are as follows:

		2015	2014
		(Rupees in thousand)	
Transactions during the period			
Relationship	Nature of transactions		
Associated undertakings and other related parties	Insurance premium	660,998	615,582
	Net premium received	834,656	761,692
	Claims paid	325,356	325,359
	Interest income	15,139	13,154
	Dividend received	1,000	1,000
	Rent paid	3,951	1,830
	Rent expense	2,026	1,999
	License fees and connection charges	2,694	2,938
	Investments purchased	179,950	-
	Investments sold	199,837	-
Key management personnel	Premium written	218	153
	Claims paid	131	78
	Receipt from sale of motor vehicle	-	675
Post employment benefit plans	Expense charged	10,404	10,205
Period end balances			
Associated undertakings and other related parties	Premium receivable	186,506	183,589
	Provision for outstanding claims	316,408	307,803
	Interest charges payable	411	440
Key management personnel	Premium receivable	99	104
	Provision for outstanding claims	253	121

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

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

29. SEGMENT REPORTING

Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirement of Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002. The following table presents information regarding segment assets, liabilities as at 31 December 2015 and 31 December 2014, unallocated capital expenditure and non-cash expenses during the year.

	Fire and property damage		Marine, aviation and transport		Motor		Health		Others including Miscellaneous		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Segment assets	601,804	548,697	86,613	49,550	98,234	83,105	65,499	49,176	301,778	273,608	1,153,328	1,004,336
Unallocated corporate assets											1,204,980	1,175,517
Consolidated total assets											2,358,908	2,179,853
Segment liabilities	596,220	532,457	69,219	74,315	306,114	273,894	82,950	76,977	300,534	338,416	1,355,037	1,296,059
Unallocated corporate liabilities											216,400	173,483
Consolidated total liabilities											1,571,437	1,469,542
Unallocated capital expenditure											16,998	9,575
Unallocated depreciation and amortization											19,765	20,762

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

30. RISK MANAGEMENT

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

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

The Board of Directors meets regularly to approve any commercial, regulatory and organizational decisions. The Chief Executive Officer under the authority delegated from the Board of Directors defines the Company's risk and its interpretation, limit structures 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 summarised below :

- a) Financial risk, categorized into :
- Credit risk - note 30.1.1
 - Liquidity risk - note 30.1.2
 - Market risk - note 30.1.3
- b) Capital adequacy risk - note 30.2
- c) Insurance risk - note 30.3

30.1 Financial risk

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

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

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

30.1.1 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:

		2015	2014
		(Rupees in thousand)	
Financial assets			
Bank balances	-note 30.1.1.1	131,265	207,145
Investments	-note 30.1.1.2	916,182	827,306
Premium due but unpaid	-note 30.1.1.3	443,546	390,055
Amount due from other insurers / reinsurers	-note 30.1.1.4	113,428	87,042
Accrued investment income		2,030	1,687
Reinsurance recoveries against outstanding claims	-note 30.1.1.4	311,880	264,928
Sundry receivables		4,467	7,019
Salvage recoveries accrued			
		<u>1,922,738</u>	<u>1,795,182</u>

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

	Rating		Rating Agency	2015	2014
	Short term	Long term			
(Rupees in thousand)					
Bank Alfalah Limited	A1+	AA	PACRA	119,504	198,213
Habib Bank Limited	A1+	AAA	PACRA	6,196	5,928
The Bank of Punjab	A1+	AA-	PACRA	3,096	3,003
Silk Bank Limited	A-2	A-	JCR-VIS	1	1
Summit Bank Limited	A-1	A	JCR-VIS	2,558	-
				<u>131,265</u>	<u>207,145</u>

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

30.1.1.2 The credit quality of Company's investments can be assessed with reference to external credit rating which is as follows :

Company / Asset Management Company Name	Rating	Rating Agency	2015	2014
			(Rupees in thousand)	
Affalah GHP Cash Fund	AA(f)	PACRA	44,276	81,196
Askari Sovereign Cash Fund	AA+(f)	PACRA	81,721	66,393
Atlas Money Market Fund	AA(f)	PACRA	75,930	72,504
Faysal Money Market Fund	AA+(f)	JCR-VIS	70,813	72,615
HBL Money Market Fund	AA(f)	PACRA	69,551	69,982
Affalah GHP Money Market Fund	AA(f)	PACRA	63,321	38,176
MCB Cash Management Optimizer Fund	AA(f)	JCR-VIS	13,539	10,044
MCB Dynamic / Asset Allocation Fund	5-Star	PACRA	56,813	61,106
Metro Bank Pakistan Sovereign Fund	N/A	-	-	10,954
NAFA Money Market Fund	AA(f)	PACRA	58,446	68,952
NAFA Financial Sector Income Fund	A+(f)	PACRA	25,372	-
NAFA Stock Fund	5-Star	PACRA	20,000	-
Pakistan Cash Management Fund	AAA(f)	PACRA	30,999	33,808
UBL Liquidity Plus Fund	AA(f)	JCR-VIS	63,262	76,899
ABL Cash Fund	AA(f)	PACRA	74,453	60,030
Allied Bank Limited	AA+	JCR-VIS	2,734	342
Amreli Steels Limited	A	PACRA	2,621	-
Attock Cement Limited	A-	JCR-VIS	-	1,600
Bank Affalah Limited	AA	PACRA	10,859	10,859
Bank Al Habib Limited	AA+	PACRA	1,763	851
Bata Pakistan Limited	N/A	-	1,177	1,256
D.G. Khan Cement Limited	N/A	-	6,910	4,196
Engro Corporation Limited	AA	PACRA	9,665	2,128
Engro Fertilizer Limited	AA-	PACRA	11,125	1,640
Engro Foods Limited	A+	PACRA	4,730	-
Engro Powergen Qadirpur Limited	N/A	-	1,710	-
Falima Fertilizer Company Limited	AA-	JCR-VIS	3,802	1,395
Fauji Cement Company Limited	A+	PACRA	1,767	1,809
Fauji Fertilizer Bin Qasim Limited	N/A	-	2,784	23
Fauji Fertilizer Company Limited	N/A	-	5,622	5,052
Habib Metropolitan Bank Limited	AA+	PACRA	-	1,772
Hub Power Company Limited	AA+	PACRA	13,133	8,420
Habib Bank Limited	AAA	PACRA	2,580	-
Honda Atlas Cars Limited	N/A	-	1,185	-
ICI Pakistan Limited	N/A	-	2,662	-
Indus Motor Company Limited	N/A	-	1,656	-
JS BANK LIMITED	A+	PACRA	969	-
Kot Addu Power Company Limited	A1+	PACRA	7,852	5,495
Lucky Cement Limited	AA(f)	JCR-VIS	17,371	4,290
Lalpur Power Limited	AA	PACRA	2,231	-
Maple Leaf Cement Factory Limited	A	PACRA	1,062	1,925
MCB Bank Limited	AAA	PACRA	-	2,033
Milat Tractors Limited	N/A	-	-	1,423
Mughal Iron Steel Industry	N/A	-	1,285	-
NIB Bank Limited	N/A	-	-	232
Nishat Chunian Limited	A	PACRA	938	1,249
Nishat Chunian Power Limited	A+	PACRA	2,933	2,283
Nishat Mills Limited	AA	PACRA	2,998	2,998
Oil and Gas Development Company Limited	AAA	PACRA	4,283	2,300
Pak Suzuki Motor Company Limited	N/A	-	2,130	1,596
Pakgen Power Limited	AA	PACRA	3,845	2,226
Pakistan Oil Fields Limited	N/A	-	2,062	4,808
Pakistan Petroleum Limited	N/A	-	4,980	10,829
Pakistan State Oil Limited	AA	PACRA	8,738	10,286
Pioneer Cement Limited	N/A	-	1,363	-
Shezan International Limited	N/A	-	398	-
THAL Limited	N/A	-	2,407	-
United Bank Limited	AA+	PACRA	12,033	9,563
			916,182	827,306

30.1.1.3 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.12,959 million (2014: Rs. 11,856 million) is shown in note 16.1. The figures shown below are exclusive of any provisions made during the year. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sector segments.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

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

	2015	2014
	(Rupees in thousand)	
Financial institutions	135,851	128,171
Telecom sector	81,565	6,785
Foods & beverages	6,220	5,232
Personal Goods	17,194	79,794
Health	4,637	12,715
Textile	97,921	77,425
Others including Miscellaneous	100,158	79,933
	443,546	390,058

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

	2015			2014		
	Related parties	Others	Total	Related parties	Others	Total
	(Rupees in thousand)					
Up to 1 year	181,238	244,081	425,319	181,700	194,295	375,995
1-2 years	4,711	7,666	12,377	1,802	10,660	12,542
2-3 years	557	5,293	5,850	7	1,511	1,518
Over 3 years	-	-	-	-	-	-
	186,506	257,040	443,546	183,509	206,466	390,058

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

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Total
	(Rupees in thousand)		
As at 31 December 2015			
BB+ or above (including PRCL)	119,903	311,880	423,783
BBB and BBB+	1,525	-	1,525
	113,428	311,880	425,308
As at 31 December 2014			
BB+ or above (including PRCL)	85,104	264,928	350,112
BBB and BBB+	1,858	-	1,858
	87,042	264,928	351,970

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

The age analysis of reinsurance against outstanding claims is shown below:

	2015		2014	
	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	166,293	312,979	219,513	380,816
1-2 years	97,649	123,135	26,655	49,170
2-3 years	26,298	34,892	13,106	17,103
Over 3 years	21,640	27,236	5,654	9,343
	311,880	498,242	264,928	456,432

30.1.2 Liquidity risk

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

On the balance sheet date, Company has cash and bank deposits and readily marketable securities with insignificant change in value of Rs. 132,469 million (2014: Rs. 207,641 million) and Rs. 801,283 (2014: Rs. 755,687 million) respectively.

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

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

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

	2014			
	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year
	(Rupees in thousand)			
Provision for outstanding claims	456,432	456,432	456,432	-
Amounts due to other insurers/reinsurers	87,042	87,042	87,042	-
Accrued expenses	66,527	66,527	66,527	-
Other creditors and accruals	47,338	47,338	47,338	-
Deposits and other payables	7,234	7,234	7,234	-
	684,573	684,573	684,573	-

30.1.3 Market risk

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

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

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

a) Interest rate risk

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

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

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

	2015 Effective Interest rate %	Carrying amounts		Carrying amounts	
		Maturity up to one year		Maturity after one year	
		2015	2014	2015	2014
		(Rupees in thousand)			
Financial assets					
Bank balances	6% to 6.5%	104,745	87,078	-	-
Investments					
Money market funds	4% to 10%	685,175	722,639	-	-
PIB's	7.76% to 13.85%	3,000	4,938	50,141	27,927

Sensitivity analysis

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

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

Impact on profit and loss	Increase by 100 bps	Decrease by 100 bps
	(Rupees in thousand)	
As at 31 December 2015		
Cash flow sensitivity-variable rate financial assets	26,867	(26,867)
As at 31 December 2014		
Cash flow sensitivity-variable rate financial assets	17,038	(17,038)

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

b) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark-up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Company is exposed to price risk since it has investments amounting to Rs. 916.182 million (2014: Rs 827.306 million) at the balance sheet date. However the company has no significant concentration of price risk.

The carrying amount of investments subject to price risk are based on quoted market prices as of the balance sheet date except for available for sale equity instruments which are stated at lower of cost or market value (market value being taken as lower if fall is other than temporary) in accordance with the requirements of the S.R.O. 938 issued by the SECP, in December 2002.

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

Sensitivity analysis

The table below summarizes Company's equity price risk as of 31 December 2015 and 31 December 2014 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios.

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

	Fair value	Hypothetical price change	Estimated fair value after hypothetical changes in price	Hypothetical increase/(decrease) in	
				equity	profit before tax
(Rupees in thousand)					
31 Dec 2015	801,203	10% increase	881,411	80,128	54,487
		10% decrease	721,155	(80,128)	(54,487)
31 Dec 2014	755,687	10% increase	831,256	75,569	50,631
		10% decrease	680,118	(75,569)	(50,631)

c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company's exposure to exchange rate fluctuation risk is insignificant as it hold liabilities of US \$ Nil as at 31 December 2016 (2014: US \$ Nil).

d) Fair value of financial instruments

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

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

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

- Level 1- Quoted (unadjusted) market prices in active markets for identical assets or liabilities. The Company has measured its held for trading portfolio using level 1 input method.
- Level 2- Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable. The Company has no item to report at this level.
- Level 3- Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. The Company has no item to report at this level.

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

	2015				2014				
	Fair value measurement using								
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	
(Rupees in thousand)									
Available for sale Investment									
Listed and mutual funds-Available for sale	124,353	-	-	-	89,189	-	-	-	-
Government securities	-	54,768	-	-	-	33,090	-	-	-
	124,353	54,768	-	-	89,189	33,090	-	-	-

30.2 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.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

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

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

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

30.3 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 30.3.1
- Claim Risk	-note 30.3.2
- Reinsurance Risk	-note 30.3.3

30.3.1 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	
	2015	2014	2015	2014
Fire	63%	62%	32%	31%
Marine	24%	22%	21%	14%
Motor	3%	3%	15%	11%
Health	5%	7%	28%	41%
Others including Miscellaneous	5%	6%	4%	3%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

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

	Gross premium written		Net premium written	
	2015	2014	2015	2014
Fire	29%	29%	6%	7%
Marine	6%	6%	2%	2%
Motor	27%	26%	48%	46%
Health	20%	20%	37%	41%
Others including Miscellaneous	18%	19%	6%	5%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

30.3.2 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 characterised under a number of specific headings, such as:

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

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

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

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 contributes to form the overall estimate. Large claims impacting each relevant business class are generally assessed separately, being measured at the face value of the surveyor's estimates.

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

Sensitivity analysis

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

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

	Underwriting result		Shareholders' Equity	
	2015	2014	2015	2014
	(Rupees in thousand)			
Fire	1,329	4,997	1,312	3,348
Marine	784	455	533	305
Motor	14,848	12,735	10,097	8,532
Health	24,955	22,515	16,969	15,085
Others including Miscellaneous	414	380	282	255
	<u>42,930</u>	<u>41,082</u>	<u>29,193</u>	<u>27,525</u>

Claims development tables

The following table shows the development of fire 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 2015.

	Accident year					Total
	2011	2012	2013	2014	2015	
	(Rupees in thousand)					
Estimated of ultimate claim cost						
At the end of accident year with IBNR	203,636	736,572	219,715	348,937	247,449	1,757,309
One year later	147,542	533,793	169,641	307,276	-	1,158,252
Two years later	138,431	518,939	151,656	-	-	809,026
Three years later	126,379	516,178	-	-	-	642,557
Four years later	132,737	-	-	-	-	132,737
Five years later	-	-	-	-	-	-
Six years later	-	-	-	-	-	-
Seven years later	-	-	-	-	-	-
Eight years later	-	-	-	-	-	-
Estimated of cumulative claims	132,737	516,178	151,656	307,276	247,449	1,355,296
Cumulative payments to date	(131,142)	(487,215)	(136,237)	(196,638)	(78,369)	(1,031,385)
Liability recognised	1,595	28,963	13,419	110,638	169,286	323,901

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

	Gross claim expense		Net claim expense	
	2015	2014	2015	2014
Fire	17%	30%	4%	12%
Marine	8%	3%	2%	1%
Motor	23%	21%	35%	31%
Health	39%	36%	58%	56%
Others including Miscellaneous	13%	10%	1%	1%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2015

30.3.3 Reinsurance risk

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

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

31. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 29 February 2016 by the Board of Directors of the Company.



Chairman



Director



Director



Principal Officer and
Chief Executive

Notice of 10th Annual General Meeting

Notice is hereby given that 10th Annual General Meeting of the Shareholders of Alfalah Insurance Company Limited (the "Company") will be held on April _____, 2016 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 4th Extra Ordinary General Meeting held on September 30, 2015.
2. To receive, consider and adopt the Annual Audited Financial Statements of the Company together with the Directors' and Auditors' report thereon for the year ended December 31, 2015.
3. To appoint auditors for the year ending December 31, 2016 and to fix their remuneration.
4. To transact any other business with the permission of the Chair.

Date: April _____, 2016
Lahore

By order of the Board
Adnan Waheed
Company Secretary

Notes

- 1) The Share Transfer Books of the Company will be closed from April ____, 2016 to April ____, 2016 both days inclusive.
- 2) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another person as a proxy to attend and vote instead of him/her.
- 3) Every proxy shall be appointed in writing under the hand of the appointer or by an agent duly authorized under a Power of Attorney or if such appointer is a company or corporation under the Common Seal of the company or corporation or the hand of its Attorney who may be the appointer.
- 4) The instrument of proxy in order to be effective must reach the Company's registered address at 5-Saint Mary Park, Gulberg III, Lahore not less than 48 hours before the time for holding of the Meeting.
- 5) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.
- 6) The signature on the instrument of proxy must conform to the specimen signature recorded with the Company.
- 7) The proxy shall produce his/her original NIC or original passport at the time of the Meeting.
- 8) Shareholders are requested to notify change in their address, if any, to the Company Secretary.

FORM OF PROXY

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

"I/We _____ being a member of ALFALAH INSURANCE COMPANY LIMITED hereby appoint Mr./Mrs. _____ of _____ or failing him Mr./Mrs. _____ of _____ as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of ALFALAH INSURANCE COMPANY LIMITED to be held on April __, 2016 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 _____ 2016

-
.....
-
.....

Signature:

Name:

Holder of Ordinary Shares

WITNESSES:

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

Alfalalah Insurance Network

Head Office:

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