askari
general insurance co. ltd.

# SECURING YOU IS IN OUR DNA

ANNUAL REPORT '17

# FINANCIAL HIGHLIGHTS

## Written Premium (including Takaful contributions)

**Rs. 2,766 Million**

(2016: Rs.2,350 Million)

10%

### Investments

2017 Rs. 1,643M

2016 Rs. 1,498M

22%

### Underwriting Profit

2017 Rs. 449M

2016 Rs. 369M

07%

### Profit After Tax

2017 Rs. 254M

2016 Rs. 237M

04%

### Earnings Per Share

2017 Rs. 4.06

2016 Rs. 3.89

09%

### Shareholder's Equity

2017 Rs. 1,510M

2016 Rs. 1,385M

# CONTENTS



# CORPORATE INFORMATION

***Chairman***
Lt Gen Najib Ullah Khan (Retd)

***President & Chief Executive***
Mr. Abdul Waheed

***Board of Directors***
Maj Gen Akhtar Iqbal (Retd)
Maj Gen Imtiaz Hussain Sherazi (Retd)
Brig M. Aslam Khan (Retd)
Malik Riffat Mehmood
Mr. Abdul Hai Mahmood Bhaimia
Mr. M. Munir Malik
Mr. Imran Iqbal

***Chief Financial Officer***
Mr. Suleman Khalid

***Company Secretary***
Mr. Faizan Zafar

***Head of Internal Audit***
Mr. Ahmed Asif Jah

***Executive, Risk Management & Compliance Committee***

| | |
|---|---|
| Maj Gen Akhtar Iqbal (Retd) | (Chairman) |
| Maj Gen Imtiaz Hussain Sherazi (Retd) | (Member) |
| Brig M. Aslam Khan (Retd) | (Member) |
| Mr. Abdul Waheed | (Member) |

***Audit Committee***

| | |
|---|---|
| Mr. M. Munir Malik | (Chairman) |
| Brig M. Aslam Khan (Retd) | (Member) |
| Malik Riffat Mehmood | (Member) |

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

| | |
|---|---|
| Mr. Imran Iqbal | (Chairman) |
| Brig M. Aslam Khan (Retd) | (Member) |
| Mr. Abdul Waheed | (Member) |

***Underwriting, Reinsurance & Coinsurance Committee***

| | |
|---|---|
| Maj Gen Akhtar Iqbal (Retd) | (Chairman) |
| Mr. Abdul Waheed | (Member) |
| Mrs. Samina Khan | (Member) |
| Mr. Sohail Khalid | (Member) |

***Claims Settlement Committee***

| | |
|---|---|
| Malik Riffat Mehmood | (Chairman) |
| Mr. Abdul Waheed | (Member) |
| Mr. Athar Alam | (Member) |

***Investment Committee***

| | |
|---|---|
| Malik Riffat Mehmood | (Chairman) |
| Mr. M. Munir Malik | (Member) |
| Mr. Abdul Waheed | (Member) |
| Mr. Suleman Khalid | (Member) |
| Mr. Shahid Qayyum | (Member) |

***External Auditors***
KPMG Taseer Hadi & Co.
Chartered Accountants
Islamabad

***Shariah Compliance Auditors***
S. M. Suhail & Co.
Chartered Accountants
Islamabad

***Shariah Advisor***
Mufti Ehsan Waquar

***Legal Advisors***
Hassan Kaunain Nafees

***Bankers***
Askari Bank Ltd.
Habib Bank Ltd.
The Bank of Punjab
Bank Alfalah Ltd.
Summit Bank Ltd.
NRSP Micro Finance Bank Ltd.
Silk Bank Ltd.
Faysal Bank Ltd.
Bank Al Habib Ltd.
Meezan Bank Ltd
The Bank of Khyber
JS Bank Ltd.
Zarai Taraqiyati Bank Ltd.
Sindh Bank Ltd.
Punjab Co-operative Provincial Bank Ltd.

***Registrar & Share Transfer Office***
THK Associates (Private) Limited
1st Floor, 40-C, Block-6, P.E.C.H.S.,
Karachi 75400, Pakistan.
PABX: +92 (021) 111-000-322
Direct: +92 (021) 34168270
Fax: +92 (021) 34168271

***Registered Office/Head Office***
3rd Floor, AWT Plaza, The Mall,
Rawalpindi, Pakistan
Ph: +92-51-9028101-2
Fax: +92-51-9272424
Email: info@agico.com.pk

# OUR BOARD OF DIRECTORS

**Lt Gen Najib Ullah Khan (Retd)**
Chairman

**Maj Gen Akhtar Iqbal (Retd)**

**Maj Gen Imtiaz Hussain Sherazi (Retd)**

**Brig. M. Aslam Khan (Retd)**

**Malik Riffat Mehmood**

**Mr. Abdul Hai Mahmood Bhaimia**

**Mr. M. Munir Malik**

**Mr. Imran Iqbal**

# OUR VISION

The vision of askari general insurance company limited is to be amongst the leading insurance companies of the country with the clear perception of upholding the principles of corporate governance and making agico a profitable and growth oriented insurance company while creating insurance awareness and culture.

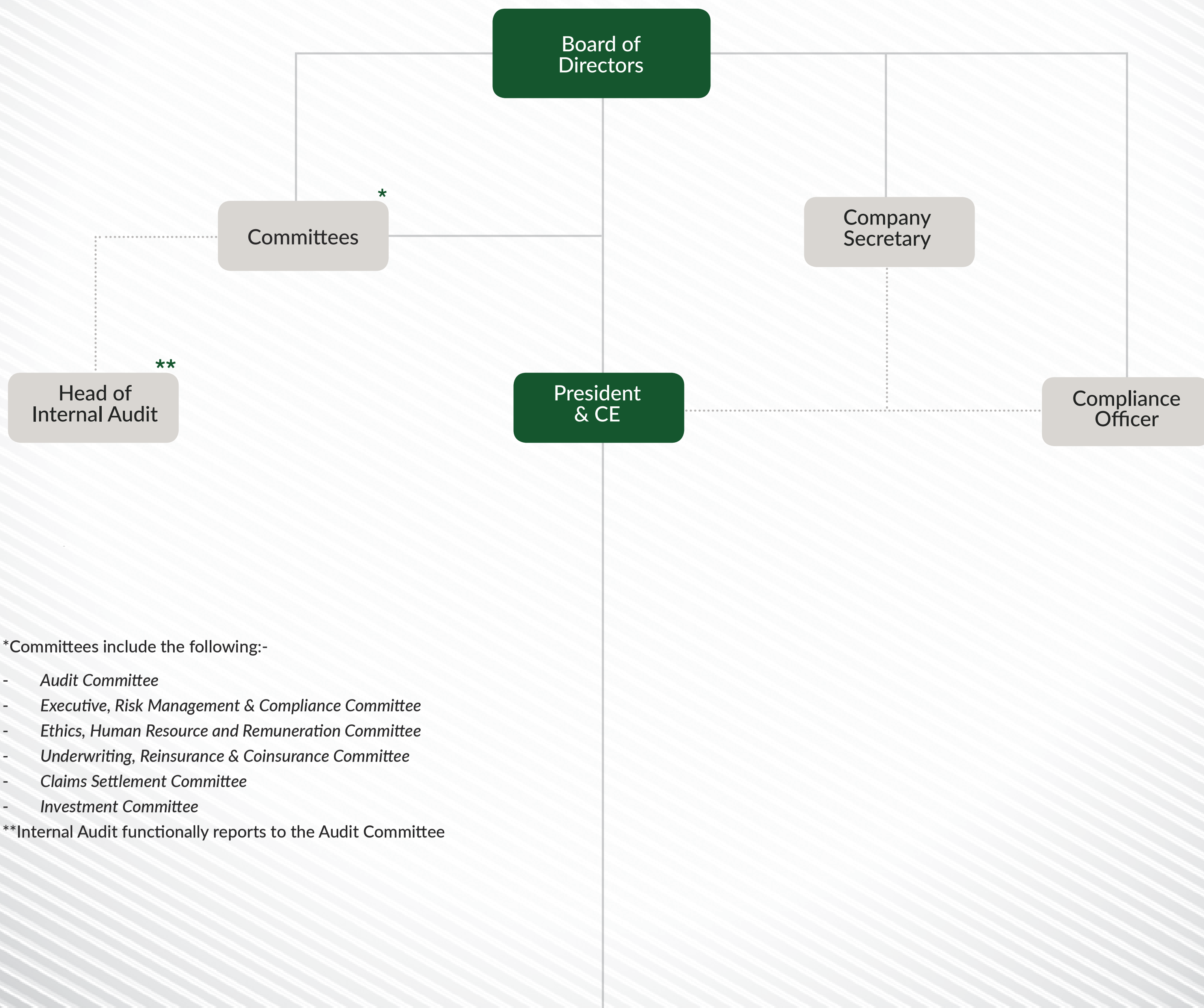
# OUR MISSION

To become a leading insurance company by providing client friendly services through highly motivated team of dedicated professionals and ensuring progressive return to the shareholders.

# OUR SMART PRODUCTS


2018

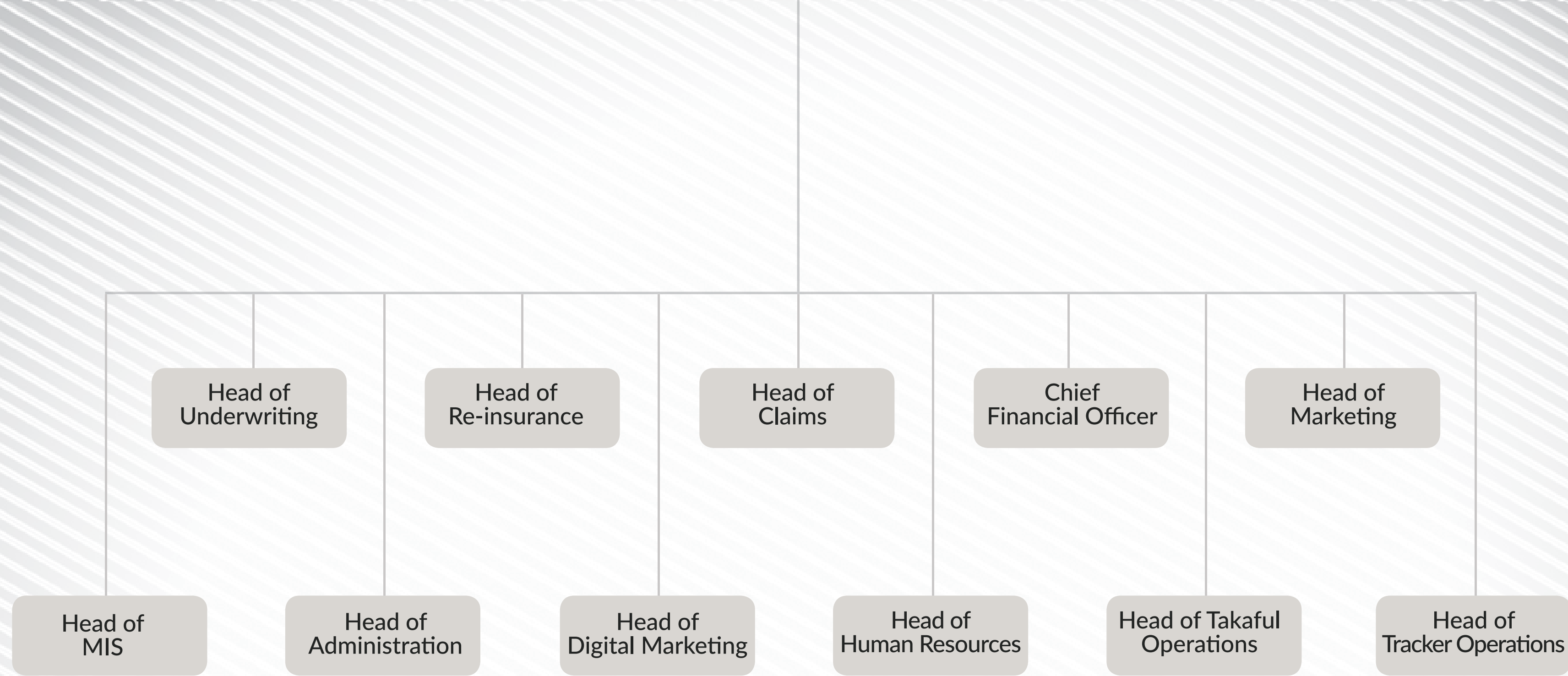
# ORGANIZATIONAL STRUCTURE




*Committees include the following:-

- *Audit Committee*
- *Executive, Risk Management & Compliance Committee*
- *Ethics, Human Resource and Remuneration Committee*
- *Underwriting, Reinsurance & Coinsurance Committee*
- *Claims Settlement Committee*
- *Investment Committee*

**Internal Audit functionally reports to the Audit Committee


Head of Underwriting
Head of Re-insurance
Head of Claims
Chief Financial Officer
Head of Marketing
Head of MIS
Head of Administration
Head of Digital Marketing
Head of Human Resources
Head of Takaful Operations
Head of Tracker Operations

# OUR MANAGEMENT

***Rana Shahbaz Ahmed***
Head of Marketing

***Mr. Suleman Khalid***
Chief Financial Officer

***Mr. Sohail Khalid***
Head of Reinsurance

***Mrs. Samina Khan***
Head of Underwriting

***Mr. Fawad Asif Rana***
Head of HR

***Col Ayub Aezad (Retd)***
Head of Administration

***Mr. Athar Alam***
Head of Claims

***Mr. Imran Abid Bukhari***
Head of Takaful Operations

***Mr. Mustafa Salman Pasha***
Business Head -
Defense Institutions

***Mr. Anwar Ahmed Malik***
Compliance Officer/
Head of Grievance Function

***Mr. Jamshed Jadoon***
Head of Tracker Services

***Mr. Ashraf Malik***
Head of Legal Affairs

***Mr. Ahmed Asif Jah***
Head of Internal Audit

***Mr. Faizan Zafar***
Company Secretary

***Mr. Jibran Ghani***
Head of Digital Marketing

***Mr. Touqeer Hussain***
Head of MIS

# PRESIDENT'S MESSAGE

At askari general insurance company limited, we have a trusted brand supported by a growing distribution network, committed team and a clear sense of direction. With these elements of success in place, our position in the local insurance industry is stronger than ever as we look forward to play an active part in its growth.

Our success shone through the numbers, as the Company achieved Gross Premium Written of Rs. 2.77 billion (including Takaful contribution of Rs. 183 million), which was 18% higher than the previous year. The Company's profit from operations increased by 22% in spite of tax expense growing by 32%. Profit after taxes, well supplemented by profit of Rs. 24 million from Takaful Operations, grew by 7%.

Fulfilling its commitment towards esteemed shareholders, your Company distributed cash dividends of Rs. 117 million along with Bonus shares worth Rs. 82 million during 2017.

Your Company increased its efforts for reaching out to new clients across multiple digital channels. Our in-house experts developed android-based applications related to Health claims management and Tracker services, offering a number of value added services to our clients.

I am delighted with the efforts of our management towards achieving the growth we have experienced this year. I would like to take this opportunity to thank our valuable clientele and business partners for the support extended in 2017.

Mr. Abdul Waheed
President & Chief Executive

# NOTICE OF 23RD ANNUAL GENERAL MEETING

It is our pleasure to announce the holding of 23rd Annual General Meeting of askari general insurance company limited (the Company) as follows:

**Date & Time:**
Thursday, 26th April, 2018 at 11:00 a.m.

**Venue:**
Blue Lagoon Complex (off the Mall), Masood Akhtar Road, Rawalpindi Cantt.

***Agenda***

**Ordinary Business:**

1. To confirm minutes of the 22nd Annual General Meeting held on 26th April, 2017.
2. To consider, approve and adopt the Financial Statements of the Company together with Chairman's Review, Directors' Report and Auditors' Report thereon for the year ended 31st December, 2017.
3. To consider and approve payment of final cash dividend of 15% (Rs. 1.50 per share of Rs. 10 each) for the year ended 31st December, 2017 as recommended by the Directors of the Company.
4. To appoint auditors for the year 2018 and to fix their remuneration.

**Special Business:**

5. To consider and, if thought fit, pass the following resolution as Special Resolution with or without modification to amend the Articles of Association of the Company to bring the Articles in conformity with the Companies Act, 2017:

   **Resolved that**, subject to obtaining the requisite approvals, Articles of Association of the Company be and are hereby amended as follows:

- In Article 1, the words "Companies Ordinance, 1984" be replaced with the words "Companies Act, 2017".
- In Article 2(a), the words "Ordinance" and "Companies Ordinance, 1984" be replaced with the words "Act" and "Companies Act, 2017"
- In Article 2(d), the definition clause of "The Directors" be substituted as follows:

  "The Directors" mean the directors of the Company appointed from time to time pursuant to these Articles and the provisions of the Listed Companies (Code of Corporate Governance) Regulations, 2017, as amended, substituted or altered from time to time, and shall include alternate Directors."
- In Article 2(h), the words "section 2(1)(36) of the Ordinance" be replaced with words "section 2(1)(66) of the Act".
- The existing Article 2(i) shall be substituted as follows:
- "Chief Executive or Managing Director" means the Chief Executive or Managing Director appointed from time to time by the Company pursuant to these Articles."
- In Article 2(j), the definition clause of "Member" shall be removed.
- In Article 2(l), the words "section 147 of the Ordinance" be replaced with words "section 119 of the Act".
- In Article 5, the following be added after the existing text:

  "The Board shall, as regard any allotment of shares, duly comply with such provisions of Sections 67 to 70 of the Act as may be applicable and also comply with all the Rules and Regulations of the Pakistan Stock Exchange Limited as may be applicable unless any of the Rules and Regulations are inconsistent with the provisions of Act."
- In Article 6, the word "Ordinance" be replaced with word "Act"
- In Article 8, the word "Ordinance" be replaced with word "Act"
- In Article 15, the format of instrument of transfer be replaced with following:

*“I_______of_______being a_______National (hereinafter called the “Transferor”), in consideration of the sum of Rs______(Rupees______) paid to me by____________s/o_________ a National (hereinafter called The "Transferee") do hereby transfer to the Transferee_________Ordinary share(s) numbered _________in the undertaking called ASKARI GENERAL INSURANCE COMPANY LIMITED to hold the same unto the said Transferee, his (or her) executors administrators and assigns subject to the several conditions on which I held the same immediately before the execution hereof, and I, the Transferee, do hereby agree to take the said share(s) subject to the said conditions aforesaid.*

| | |
|---|---|
| ___________________________ | ___________________________ |
| *Signature of Transferor* | *Signature of Transferee* |
| *Full name, Father's/Husband's Name* | *Full name, Father's/Husband's Name* |
| *CNIC number (in case of foreigner, passport number)* | *CNIC number (in case of foreigner, passport number)* |
| *Nationality* | *Nationality* |
| *Occupation and usual Residential Address* | *Occupation and usual Residential Address* |
| | *Cell number and Landline nos.* |
| *Witness 1* | *Witness 2* |
| __________________ *Date:* | __________________ *Date:* |
| *Signature* | *Signature* |
| *Name, CNIC, Full* | *Name, CNIC, Full* |
| *Address___________________________* | *Address___________________________* |

## *Bank Account Details of Transferee for Payment of Cash Dividend*

*It is requested that all my cash dividend amounts declared by the company, may be credited into the following bank account:*

- *Title of Bank Account*
- *International Bank Account Number (IBAN)*
- *Bank's Name*
- *Branch Name and Address*

*It is stated that the above mentioned information is correct and that I will intimate the changes in the abovementioned information to the company and the concerned Share Registrar as soon as these occur.*

__________________ *Signature of the Transferee(s)”*

- In Article 17, the following words be added after the existing text:

"provided that the Commission may, on application of the Company, extend such period for a further period of fifteen days"

- In Article 25, the words "ordinary resolution" be replaced with words "special resolution" and words "section 92 of the Ordinance" be replaced with words "section 85 of the Act"

- The existing Article 27 be and is hereby replaced as follows:

"The Board may from time to time borrow any money for purposes of the company from the member or from any other persons, firms, companies, corporations, institutions, or banks, or directors may themselves lend any money to the Company. The borrowing powers of the Company shall be in accordance with the provisions set out in Section 30 of the Act."

- The existing Article 30 be and is hereby replaced as follows:

Any bonds, debentures or other securities may be issued at a discount, premium or otherwise with any special privileges as to redemption, surrender, drawing, convertibility into shares, attending and voting at General Meeting of the Company, appointment of Directors and otherwise, provided that debentures with the right to vote or convertible into shares shall not be issued unless authorized by a Special Resolution of the General Meeting of Shareholders.

- In Article 32, the words "Companies Ordinance" be replaced with word "Act"

- The existing Article 33 be substituted as follows:

"A general meeting, to be called annual general meeting, shall be held according to provisions of section 132 of the Act. All general meetings other than annual general meetings shall be called extraordinary general meetings."

- In Article 34, the words "section 159 of the Ordinance" be replaced with words "section 133 of the Act"

- In Article 39, the following shall replace existing text:

"At least ten members entitled to vote and present in person or through video-link, holding or representing not less than thirty percent (30%) of the issued capital of the company for the time being either of their own account or as proxies shall be a quorum for a general Meeting and no business shall be transacted at any general meeting unless the quorum requisite is present at the commencement of the business."

- In Article 43, following shall replace the existing text:

"At any General Meeting an ordinary resolution put to the vote of the Meeting shall be decided by an affirmative vote of Members present in person or through video-link or through postal ballot or by proxy and holding or representing not less than fifty one percent  of the issued capital of the Company for the time being. Said vote shall be made on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by at least five Members present in person or by proxy, or by the Chairman of the Meeting, or by any member or members present in person or by proxy and holding or representing not less than one-tenth of the issued capital carrying voting rights, and unless a poll is so demanded, a declaration by the Chairman that a resolution has been carried or carried unanimously or by a particular majority or lost and an entry to that effect in the books of the proceedings of the Company, shall be conclusive evidence of the fact without further proof of the number or proportion of the votes recorded in favour of or against such resolution."

- The existing Article 44 shall be replaced as follows:

"If a poll is demanded as aforesaid, on matter other than those specified in Article 45, it shall be taken in such manner and at such time and place as the Chairman of the meeting directs, but not later than fourteen days from the day on which it is demanded, and the results of the poll shall be deemed to be resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn."

- In Article 51, the words "section 162 of the Ordinance" be replaced with words "section 138 of the Act".
- After existing Article 51, the following new Article 51(a) be inserted:

"The Company shall comply with the mandatory e-voting/postal ballot requirements made under the Regulations issued by the Securities & Exchange Commission of Pakistan (SECP) relating to e-voting / postal ballot (including any statutory modification thereof), as amended from time to time and in the case of e-voting, both members and non-members can be appointed as proxy. The members opting for e-voting shall be required to communicate their intention to opt for e-voting and demand for poll for resolutions through an instrument of e-voting to the Company according to the regulations issued by SECP. The Company shall arrange for e-voting if it receives demand for poll from such number of members as prescribed in regulations issued by SECP."

- The existing Article 55 be amended as follows:

"An instrument of proxy may be in the following form, or, in any other form which the Directors, shall approve.

**ASKARI GENERAL INSURANCE COMPANY LIMITED**

"I__________of__________in the district of__________, being a member of Askari General Insurance Company Limited, holder of ___________share(s) as per Register Folio no. __________ hereby appoint as my proxy to vote for me and on my behalf at the Annual/Extra-Ordinary (as the case may be) General Meeting of the Company to be held on the___ day of___ and at any adjournment thereof.

- After existing Article 55, the following new Article 55(a) be inserted:

"An Instrument of proxy in relation to e-voting shall be in the following form:

"I__________of__________in the district of__________, being a member of Askari General Insurance Company Limited, holder of __________ share(s) as per Register Folio no.__________ hereby opt for e-voting through Intermediary and hereby give consent to the appointment of Execution Officer __________ as proxy and will exercise e-voting at the Annual/Extra-Ordinary (as the case may be) General Meeting of the Company to be held on the day of and at any adjournment thereof, as per regulations issued by the Securities and Exchange Commission of Pakistan and hereby demand for poll for resolutions. My secured email address is __________, please send login details, password and electronic signature through email."

- In Article 67, the word "Ordinance" be replaced with words "Act/Listed Companies (Code of Corporate Governance) Regulations, 2017."
- In Article 75, the following shall replace the existing text:

"A director shall ipso facto cease to hold office if—

- he becomes ineligible to be appointed as a director on any one or more of the grounds enumerated in section 153 of the Act;
- he absents himself from three consecutive meetings of the board without seeking leave of absence;
- he or any firm of which he is a partner or any private company of which he is a director—
- without the sanction of the company in general meeting accepts or holds any office of profit under the company other than that of chief executive or a legal or technical adviser; or

- accepts a loan or guarantee from the company in contravention of section 182 of the Act;

- he acts in contravention of section 205 of the Act; or
- he resigns his office by notice in writing to the Company. The appointment of an alternate Director will constitute leave of absence from the Board to the Director for whom such alternate is appointed during such Director's absence;
- he is removed before expiration of period of office under section 163 of the Act or by a special resolution passed by the Company at a General Meeting, provided he is not a nominee Director appointed under section 165 of the Act; or
- he fails to obtain within two months after his appointment, or at any time thereafter cease to hold the share qualification, if any, necessary for his appointment."
- In Article 77, the following shall replace the existing text:

Subject to the provisions of Section 183(2)(f), 205, 207 and 209 of the Act, and Regulation 16 of the Listed Companies (Code of Corporate Governance) Regulations, 2017 (as amended or substituted from time to time), the Directors shall not be disqualified from contracting with the Company either as vendor, purchaser or otherwise. Nor shall any such contract or arrangement entered into by or on behalf of the Company with any Company or partnership or in which any Director shall be a member or otherwise interested be avoided, nor shall any Director so contacting or being such member or so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established, provided that the nature of their or his interest must be disclosed by them or him at the meeting of the Directors at which the contract or arrangement is determined, if the interest then exists, or in any other case at the first meeting of the Directors after the acquisition of the interest. Provided nevertheless that no Director shall vote on such contract or arrangement in which he is so interested as aforesaid, and if he do so vote, his vote shall not be counted, but he shall be entitled to be present at the meeting during the transaction of the business in relation to which he is precluded from voting although he shall not be reckoned for the purpose of ascertaining whether there be a quorum of Directors present. This provision shall not apply to any contract by or on behalf of the Company to give to the Directors or any of them an indemnity against any loss which they or any of them may suffer by reason of becoming or being sureties for the Company. A general notice that any Director is a director or a member of any specified Company, or is a partner of any specified firm and is to be regarded as interested in any subsequent transactions be sufficient disclosure under this Article, and after such general notice it shall not be necessary to give any special notice relating to any particular transaction with such firm or Company. Any such general notice shall expire at the end of financial year in which it is given but may be renewed for further period of one financial year in which it will otherwise expire. No such general notice, and no renewal thereof shall be of effect unless either it is given at the meeting of Directors or the Director concerned takes reasonable steps to ensure that it is brought up and read at first at the first meeting of the Directors after it is given.

- In Article 82, the words "section 191 of the Ordinance" be replaced with words "section 163 of the Act"
- The existing Article 84 be replaced as follows:

"A meeting of the Board for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretion by or under these Articles vested in or exercisable by the Board generally. At least four

Directors, present personally or through video link or any other audio visual means, shall constitute a quorum."

- After existing Article 95, the following new Article 95(a) be inserted:

"(a). Subject to Section 242 of the Act, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders.

(b). The Company shall comply with the requirements of Section 244 of the Act regarding unclaimed dividends.

(c). When a dividend has been declared it shall not be lawful for the Directors or Company to forfeit, withhold or defer its payment and the Chief Executive of the Company shall be responsible to make the payment in the manner provided in Section 243 within 15 working days of the declaration."

- The existing Article 99 be replaced as follows:

"Once at least in every year, the Directors shall lay before the Company in General Meeting a balance sheet and profit and loss account, both made up in accordance with the Act and to a date as specified in section 223 of the Act. Every such balance sheet shall be accompanied by Auditors' certificate and the Directors' report, in accordance with the provisions of the Act in that behalf."

- In Article 101, the word "Ordinance" be replaced with word "Act"

- The existing Article 102(a) be replaced as follows:

"A notice may be given by the Company to any Member or Director either personally or by sending it to him by First Class mail postage prepaid or registered post, at his registered address, or if he has no registered address in Pakistan, to the address supplied to the Company for the giving of notices to him, or through electronic means or in any other manner as may be specified by the Commission."

- In Article 108, the word "Ordinance" be replaced with word "Act"

- In Article 110, the words "section 488 of the Ordinance" be replaced with words "section 492 of the Act"

Further resolved that "the Company Secretary be and is hereby authorized to take or cause to be taken any and all actions necessary and incidental for the purposes of altering the Articles of Association of the Company and make necessary filings and complete legal formalities as may be required to implement the aforesaid resolution".

**Other Business**

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

By order of the Board

Faizan

Rawalpindi
04 April 2018

Faizan Zafar
Company Secretary

**Notes:**

1. **Statement under Section 134(3) of the Companies Act, 2017 with respect to special business in Agenda 6:**

The proposed changes to the Articles of Association (Articles) of the Company have been proposed due to promulgation of the Companies Act, 2017 (Act). These changes necessary to bring the Articles in conformity with the Act.

The Directors have no personal interest.

2. The Share Transfer Books of the Company will remain closed from April 17, 2018 to April 26, 2018 (both days inclusive). Transfers received at our Registrars, Messrs. THK Associates (Pvt.) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi at the close of business on April 16, 2018 will be treated in time.

3. Members of the Company are requested to immediately notify the change in address if any, and ask for consolidation of folio number, provided the member holds more than one folio, to our registrar Messrs. THK Associates (Pvt.) Limited.

4. A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote for him/her. No person shall act as proxy, who is not a member of the Company except that Government of Pakistan/Corporate entity may appoint a person who is not a member of the Company. If the member is corporate entity (other than Government of Pakistan) its common seal should be affixed on the instrument.

5. A member shall not be entitled to appoint more than one proxy to attend any one meeting. If any member appoints more than one proxy for any one meeting and more than one instruments of proxy are deposited with the company, all such instruments of proxy shall be rendered invalid. The instrument appointing a proxy duly completed, together with Power of Attorney or Board Resolution, if any, under which it is signed or a notarially certified copy thereof, should be deposited with the Company Secretary, askari general insurance company limited, 3rd Floor, AWT Plaza, The Mall, Rawalpindi, not later than 48 hours before the time of holding the meeting.

6. **Consent for Video Conference Facility**

The Securities and Exchange Commission of Pakistan (SECP), vide Circular No. 10 of 2014 dated May 21, 2014 and through section 134 of the Companies Act 2017, allowed the members facility of video-link for attending the meeting. Members can avail video conference facility for this Annual General Meeting, at Lahore and Karachi, provided the Company receives consent from the members holding in aggregate 10% or more shareholding, residing at above mentioned locations, at least 7 days prior to date of the meeting.

Subject to the fulfillment of the above conditions, members shall be informed of the venue, 5 days before the date of the General Meeting along with complete information necessary to access the facility.

In this regard, please send a duly signed request as per following format at the registered address of the Company 7 days before holding of General Meeting.

I / We, ________________ of_____________ being a member of askari general insurance company limited, holder of ______ Ordinary Share(s) as per Registered Folio No. ______ hereby opt for video conference facility at _________.

7. **Deduction of Withholding Tax on the Amount of Dividend**

Please further note that under Section 150 of the Income Tax Ordinance, 2001 and pursuant to Finance Act, 2017, withholding tax on dividend income will be deducted as follows:

| | |
|---|---|
| For filers of Income Tax returns | 15% |
| For non-filers of Income Tax returns | 20% |

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 20%, all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL by the close of business on April 16, 2018, otherwise tax on their cash dividend will be deducted @ 20% instead of 15%.

8. **Requirement of valid tax exemption certificate for claiming exemption from withholding tax:**

   As per FBR circulars C. No. 1(29) WHT/2006 dated 30 June 2010 and C. No. 1(43) DG (WHT) /2008 – Vol. II – 66417-R dated 12 May 2015, the valid exemption certificate is mandatory to claim exemption of withholding tax u/s 150 of the Income Tax Ordinance 2001 (tax on dividend amount) where the statutory exemption under clause 47B of part IV of Second Schedule is available. The shareholders, who fall in the category mentioned in the above clause and want to avail the above mentioned exemption, must provide valid Tax Exemption Certificate to our Share Registrar by April 16, 2018 otherwise tax will be deducted on dividend as per applicable rates.

9. **Taxation for Joint Shareholders**

   In order to ensure that holders of shares held in joint names or joint accounts are treated individually as filers or non-filers, all such shareholders are requested to provide shareholding proportions of principal shareholder and joint holder(s) in respect of shares held by them to our Share Registrar, on the address mentioned at end of notice, in writing before close of business on April 16, 2018, otherwise it will be assumed that the shares are equally held by principal shareholder and joint holder(s), as per format given below.

| Name of Principal Shareholder/Joint Holders | Shareholding proportions (%) | CNIC No. (copy to be attached) | Signature |
|---|---|---|---|
| | | | |
| | | | |
| | | | |

**10. ELECTRONIC DIVIDEND MANDATE**

Under section 242 of Companies Act, 2017, it is mandatory for all listed Companies to pay cash dividend to its shareholders only through electronic mode directly in to the bank account designated by the entitled shareholders. In order to receive dividend directly into their respective bank account, shareholders are requested (if not already provided) to fill in Bank Mandate Form for Electronic Credit of Cash Dividend produced below and also on the Company's website and send it duly signed along with a copy of CNIC to the Share Registrar of the Company, THK Associates (Pvt.) Ltd., 40-C, Block 6, P.E.C.H.S, Karachi, Pakistan, in case of physical shares. In case shares are held in CDC, electronic dividend mandate form must be directly submitted to shareholder's brokers / participant / CDC account services. In case of non-receipt of information, the Company will be obliged to withhold payment of dividend to such shareholders.

| Shareholder's Detail | |
|---|---|
| Name of Company | |
| Name of shareholder | |
| Folio No./CDC Participants ID A/c No. | |
| CNIC No/NTN | |
| Passport No. (in case of foreign shareholder) | |
| Cell Number & Land Line Number | |
| Email Address (Mandatory) | |

| Shareholder's Bank Detail | |
|---|---|
| Title of Bank Account (Mandatory) | |
| International Bank Account Number (IBAN) - Mandatory (24 Digits) | |

| | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **P** | **K** | | | | | | | | | | | | | | | | | | | | | | |

| | |
|---|---|
| Bank's Name | |
| Branch Name and Address | |

11. **Circulation of annual reports through CD/ DVD/USB:**

The Company obtained approval of shareholders in the 22nd Annual General Meeting, held on 26 April 2017, for circulation of future annual reports through CD/DVD/USB. Therefore, the annual reports for year ended 31 December 2017 have been circulated to all the shareholders in the form of CD.

Any member requiring printed copy of Annual Report 2017 may send a request using a Standard Request Form placed on Company website.

12. **Conversion of Physical Shares into Book-Entry Form:**

The Shareholders having physical shares may open CDC sub-account with any of the brokers or Investor Account directly with the Central Depository Company (CDC) of Pakistan Limited to have their physical shares converted into electronic form. This will facilitate them in many ways including safe custody and timely sale of shares. Additionally, Section 72 of the Companies Act, 2017 (Act) requires that after the commencement of the Act from a date notified by the Securities and Exchange Commission of Pakistan (SECP), a company having share capital, shall have shares in electronic form only. Every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by SECP, within a period not exceeding four years from the commencement of the Act.

Special notes to the shareholders:

**A. FOR ATTENDING THE MEETING:**

i. In case of individuals, the account holder or sub-account holder whose registration details are uploaded as per the Regulations shall authenticate his/ her original valid Computerized National Identity Card (CNIC) or the original Passport at the time of attending the meeting.

ii. The shareholders registered on CDC are also requested to bring their particulars, I.D numbers and account numbers in CDS.

iii. 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 meeting.

**B. FOR APPOINTMENT OF PROXIES:**

i. In case of individuals, the account holder or sub-account holder and / or the persons whose registration details are uploaded as per the Regulations shall submit the proxy form as per requirement notified by the Company.

ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv. The proxy shall produce his / her original CNIC or original passport at the time of the meeting.

v. In case of corporate entity being a Member, the Board of Directors' resolution / power of attorney with specimen signature of the nominee / attorney shall have to be submitted (unless it has been provided earlier) along with the proxy form to the Company.

**C. Submission of CNIC (Mandatory)**

The SECP vide its SRO 779 (I)/2011 dated August 18, 2011, SRO 831(I)/2012 dated July 5, 2012 and SRO 19(I)/2014 dated January 10, 2014 has made it mandatory that the dividend warrants should bear the CNIC of the registered member or authorized person except in the case of minor(s) and corporate members. Therefore, individual members/their authorized representatives are requested, if they have not already done so, to provide an attested copy of their valid CNICs to the Share Registrar at their earliest to avoid any inconvenience. The corporate entities are requested to provide their NTNs to our Share Registrars, THK Associates (Pvt.) Ltd. on the address mentioned at end of this notice.

D. **Electronic transmission of financial statements and notices**

Pursuant to Notification vide SRO 787 (I) / 2014 dated September 08, 2014, the SECP has directed all companies to facilitate their members receiving annual financial statements and notice of annual general meeting through electronic mail system (E-mail). The Company is pleased to offer this facility to our valued members who desire to receive annual financial statements and notices through email in future.

In this regards, those members who wish to avail this facility are hereby requested to convey their consent via email on a standard request form which is available at the Company's website.

Please ensure that your email account has sufficient rights and space available to receive such email attachments that may be greater than 1 MB in size. It shall be the responsibility of member(s) to timely communicate to the share registrar any change in his/her registered email address at the address of Company's Shares Registrar mentioned at end of this notice.

**Contact Information:**

For any query/problem/information, the investors may contact the company and/or the Share Registrar at the following:

Company Representative

**Mr. Faizan Zafar**

**Company Secretary**

051-9028119, 051-9270080

faizan.zafar@agico.com.pk

Shares Registrar

**THK Associates (Private) Limited**

1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi 75400, Pakistan.

+92 (021) 111-000-322

# CHAIRMAN'S REVIEW

Dear Shareholders,

It is my honor to be serving as the Chairman of Board of Directors of askari general insurance company limited (the Company). I would like to begin by expressing my gratitude towards our esteemed shareholders for entrusting me with guiding direction of the Company. I would also like to acknowledge the efforts of our Board for steering the Company towards consistently qualitative and quantitative growth in recent years.

The growth of the Finance and Insurance industry is linked with economic growth. The sector witnessed a significant growth of 10.77% this year and its share in the Country's GDP was 3.37 %. However, insurance penetration remained quite low in line with the past trend.

Your Company continued achieving new milestones in 2017 as it underwrote its highest-ever Gross Premium of Rs. 2.77 billion. Our strategy has been to secure diversified profitable mix which translated in the Motor and Accident & Health segments generating 33% and 32% of the total Gross Premium Written respectively, as against historical trend of the Motor segment dominating the business mix. Considerable growth in profits, with support from Window Takaful Operations, continued this year as well in spite of lower returns from the stock market. The Company increased its focus towards reaching out to new clients through digital channels and held live educational sessions, engaging experts from various fields, to educate the public and raise awareness for improving quality of their lives.

In acknowledgment of the confidence and trust shown towards us by our esteemed shareholders, your Company has been making an effort to distribute dividends regularly. Since 2016, Rs. 175 million have been distributed in the form of cash dividend, out of which Rs. 117 million were paid in 2017. Additionally, 15% bonus shares worth Rs. 82 million were also disbursed in the same year.

Our general insurance sector offers significant lucrative organic potential that is yet to be utilized. Consistent macroeconomic growth, improving disposable income levels, rise of a greater middle-class and very low penetration, all point towards insurance industry growth in the long term. However, we must remain alert to the effects of financial and cultural barriers which have prevented insurance industry growth in the past. We consider ourselves to be well equipped to be an active contributor towards growth of general insurance industry in years to come.

In the end, I would like to commend the management for its efforts in achieving wonderful results in 2017 and foresee a bright future for the Company.

| | |
|---|---|
| Lt Gen Najib Ullah Khan (Retd) | Rawalpindi |
| Chairman | March 8, 2018 |

# چیئرمین کا جائزہ

محترم حصص کنندگان،

عسکری جنرل انشورنس کمپنی لمیٹڈ کے بورڈ آف ڈائریکٹرز کے چیئرمین کے طور پر کام کرنا میرے لیے اعزاز کی بات ہے۔ میں اپنے حصص کنندگان کے لیے شکر گذاری کے کلمات کے ساتھ ابتدا کرنا چاہوں گا جنہوں نے کمپنی کی فراہم کردہ ہدایت کے ساتھ میرا ساتھ دیا۔ میں اپنے بورڈ کی کوششوں کا بھی اعتراف کرنا چاہوں گا جس نے حالیہ برسوں میں مسلسل معیاری اور مقداری ترقی کی طرف کمپنی کو لانے کے لیے خوب جدوجہد کی۔

فنانس اور انشورنس کی صنعت کی ترقی اقتصادی ترقی کے ساتھ منسلک ہے۔ اس شعبے نے اس سال 10.77 فیصد کی اہم ترقی کا مشاہدہ کیا اور ملک کے جی ڈی پی میں اس کا حصہ 3.37 فیصد تھا۔ تاہم، گزشتہ رجحانات کے مقابلے میں اس سال انشورنس کی رسائی بہت کم رہی۔

آپ کی کمپنی نے 2017ء میں مسلسل نئے سنگ میلوں کو حاصل کیا، کیونکہ اس نے اب تک کے سب سے اعلی مجموعی پریمیم 2.77 بلین روپے کی ذمہ نویسی کی۔ ہماری حکمتِ عملی متنوع منافع بخش مکس کو محفوظ کرنا ہے جو کہ موٹر گاڑیوں کے شعبہ اور حادثاتی و نقصِ صحت کے شعبہ میں مجموعی مکتوبہ پریمیم کے کل میں سے بالترتیب 33 فیصد اور 32 فیصد ہے، جیسا کہ موٹر گاڑیوں کے شعبہ کے تاریخی رجحان کے برخلاف جو کہ کاروباری مکس پر اثر انداز ہوتا ہے۔ نافذ ۃ التکافل عمل کاری کی حمایت کے ساتھ، اسٹاک مارکیٹ سے کم ریٹرن کے باوجود اس سال بھی منافع میں نمایاں اضافہ جاری رہا۔ کمپنی نے ڈیجیٹل چینلز کے ذریعہ نئے گاہکوں تک پہنچنے کی طرف اپنی توجہ پہلے سے زیادہ کردی اور مختلف شعبہ جات کے ماہرین کی مدد سے لائیو تعلیمی پروگرام کیے تاکہ عوام کو تعلیم دی جائے اور ان کی جانوں کے معیار کو بہتر بنانے کے لئے ان کے شعور کو بلند کیا جائے۔

ہمارے معزز حصص کنندگان کی طرف سے ہمارے لیے جو اعتماد اور بھروسہ ہے اس کے اعتراف میں، آپ کی کمپنی نے باقاعدگی سے ڈیویڈنڈز (منافع) تقسیم کرنے کی کوشش کی ہے۔ سال 2016ء سے، 175 ملین روپے نقد ڈیویڈنڈ کی شکل میں تقسیم کیے گئے ہیں، جن میں سے 117 ملین سال 2017ء میں ادا کئے گئے۔ اس کے علاوہ، سال 2017ء میں 82 بلین روپے کی مالیت کے 15 فیصد بونس حصص بھی تقسیم کیے گئے۔

ہمارا عمومی انشورنس کا شعبہ نمایاں منافع بخش نامیاتی صلاحیت پیش کرتا ہے جو ابھی تک قابلِ استعمال ہے۔ مسلسل اقتصادی ترقی، ڈسپوزایبل آمدنی کے لیولز میں بہتری، زیادہ سے زیادہ درمیانی طبقے اور بہت کم رسائی میں اضافہ، یہ سب چیزیں طویل عرصے میں انشورنس کی صنعت کی ترقی کی طرف اشارہ کرتی ہیں۔ تاہم، ہمیں ان مالی اور ثقافتی رکاوٹوں کے اثرات کے بارے میں باخبر رہنا چاہیے جنہوں نے ماضی میں انشورنس کی صنعت میں ترقی کی روک تھام کی ہے۔ ہم خود کو جنرل انشورنس کی صنعت کی ترقی کے لیے ایک فعال شراکت دار بننے کے لئے آنے والے سالوں میں اچھی طرح سے لیس کرنے کے بارے میں غور کرتے ہیں۔

آخر میں، میں مینجمنٹ کی تعریف کرنا چاہتا ہوں جنہوں نے سال 2017ء میں شاندار نتائج حاصل کرنے کے لیے اپنی پوری کوشش کی اور میں کمپنی کے لیے ایک روشن مستقبل کی پیش گوئی کرتا ہوں۔

لیفٹیننٹ جنرل نجیب اللہ خان (ر)
**چیئرمین ـ بورڈ آف ڈائریکٹرز**

راولپنڈی
8 مارچ 2018ء

# DIRECTORS' REPORT

It is an honor for the directors of askari general insurance company limited (the Company) to present its 23rd Annual Report, together with the audited financial statements for the year ended 31 December 2017 and Auditors' Report thereon.

### *Macro-Economic Synopsis*

The Country's economy continued its growth momentum for the fourth consecutive year with GDP growth of 5.3% in FY 2017, well above the 4.5% growth achieved last year. The prime contributors towards GDP growth were Services and Manufacturing sectors which achieved growth rates of 6.0% and 5.3% respectively.

The Finance & Insurance sector achieved growth of 10.8% during FY 2017, primarily due to CPEC related projects. However, the Insurance Penetration i.e. the ratio of premium underwritten in a particular year to the GDP, remained less than 1% in Pakistan and continued to be dominated by the life insurance industry.

### *AGICO in 2017*

This year proved to be yet another exciting one for the Company as it underwrote highest-ever Gross Premium of Rs. 2.77 billion (inclusive of Rs. 183 million of Takaful contribution) - an increase of 18% over the last year. The investments portfolio grew by almost 10% whereas net profits after tax and Earnings Per Share grew by 7% and 4% respectively. The Company continued registering profitability in all classes of business with the Motor class of business leading the contribution towards underwriting profits, accounting for almost 50% of total underwriting profits.

### *Key Highlights*

The Company made significant internal improvements and had to deal with new laws & regulations during 2017. Highlights of those were as follows:

### *Credit Rating*

Your Company's Insurer Financial Strength Rating of "AA-" was reaffirmed by JCR-VIS credit rating agency with stable future outlook.

### *Companies Act, 2017*

In May 2017, the Securities & Exchange Commission of Pakistan implemented the Companies Act, 2017 (Act) which replaced the Companies Ordinance, 1984. The new Act introduced significant changes to the governance structure within the Country to bring the governance laws in line with the international best practices. The Company has already complied with the key requirements applicable.

### *Insurance Rules 2017 and Insurance Accounting Regulations 2017*

The Securities and Exchange Commission of Pakistan (SECP) has been working towards improving the insurance framework and consolidating various rules and regulations governing insurance activities in Pakistan. In continuation of its efforts, the SECP introduced the Insurance Rules, 2017 (Rules) and Insurance Accounting Regulations, 2017 (Regulations). The aim of these Rules and Regulations was to:

- Harmonize local accounting standards with the International Financial Reporting Standards and International Accounting Standards;
- Compile and consolidate the existing sets of insurance rules; and
- Bring substantial reforms in the insurance sector.

The Company was exempted by the SECP from complying with the requirements of these Rules and Regulations for the period ended 31 December 2017.

### *Adjacent Product Innovation*

We believe that business value can be delivered quickly by focusing on adjacent product innovation. Adjacent innovation means offering existing products through digital channels or creating new digital products for existing markets. Taking on this route allowed us to make existing products more tailored and client-focused while it also awarded us the opportunity to sell products in new ways to a wider client base.

Under above-mentioned strategy, we increased our efforts towards building our brand across multiple digital channels. Our in-house experts developed android-based Health Claims Management application that allows clients to instantly lodge claims and track their status, leading to availability of up-to-date information in a convenient manner. An android-based Tracker application "AskTrack" was also developed which provides facilities such as real-time tracking of the insured's vehicle, option to self-start/stop vehicle engine and generate various reports based on historical data gathered from the vehicle.

We conducted radio programs, live Facebook sessions and infomercials, with experts from the fields of Medicine and Insurance offering valuable insights to the public regarding insurance and the benefits it offers. Our digital marketing experts reformed the way our Facebook page was being managed, allowing it to be ranked among the most visited Facebook pages in general insurance industry in 2017.

### *Awards*

In recognition of your Company's continuing commitment to excellence, developing best business & cultural practices and formulating innovative strategies aimed at facilitating its client base, Mr. Abdul Waheed, President & Chief Executive, was awarded "Leadership Award 2017" at the 16th CEO Summit Asia, organized by the CEO Club.

### *Election of Directors*

The directors of your Company were elected at the Annual General Meeting held on 26 April 2017 for a term of three years.

### *Performance Review*

The key performance indicators of the Company are summarized below:

| | Rupees in million (unless specified otherwise) | |
|---|---|---|
| | **2017** | **2016** |
| Gross premium written (including Takaful) | 2,766 | 2,350 |
| Net premium revenue | 1,356 | 1,255 |
| Net Claims | (622) | (645) |
| Underwriting results | 449 | 369 |
| Investment & other income | 101 | 137 |
| Profit before tax – Window Takaful Operations (OPF) | 24 | 5.5 |
| Profit before tax – General Insurance Operations | 341 | 315 |
| Profit after tax | 254 | 237 |
| Earnings Per Share (Rs.) | 4.06 | 3.89 |

***The segment wise performance analysis for each class of business is as follows:***

**Gross Premium Written**

**Rs. 407M**

**Underwriting Profit**

**Rs. 65M**

**Loss ratio**

**39%**

### *Fire & Property Damage*

This segment contributed 16% to our total business underwritten in 2017 with gross premium underwritten of Rs. 407 m (2016: Rs. 300 m).

In 2017, the underwriting profit decreased to Rs. 65 m as compared to Rs. 74 m last year, primarily due to increase in net claims expense. Consequently, loss ratio (net claims as % of net premium revenue) also increased from 21% last year to 39% in 2017. The increase in premium ceded to the reinsurers to 85% in 2017 from 79% last year was in line with the reinsurance arrangements.

Gross Premium Written

Rs. 181M

Underwriting Profit

Rs. 38M

Loss ratio

40%

## *Marine, Aviation & Transport*

The contribution of this segment was 7% towards our total portfolio with gross premium written of Rs. 181 m (2016: Rs. 151 m).

The underwriting profit from this segment in the 2017 was Rs. 38 m (2016: Rs. 43 m). Loss ratio increased to 40% in 2017 as compared to 19% last year, primarily due to intimation of a few high-value claims. The premium ceded to the reinsurers mostly followed last year's trend as it stood at 60% (2016: 59%).

## *Motor*

Motor segment was the best performing segment as it secured business of Rs. 857 m in 2017 (2016: Rs. 810 m), which translated to a share of 33% of the total business portfolio. It remained the top contributor towards underwriting profits with 49% of the total underwriting profit for 2017, amounting to Rs. 222 m (2016: Rs. 186 m). Loss ratio decreased to 41% this year from 47% last year due to reduction in theft cases, resulting from improved law and order situation and installation of trackers in Company-insured vehicles and effective claims management.

Gross Premium Written

Rs. 857M

Underwriting Profit

Rs. 222M

Loss ratio

41%

Gross Premium Written

Rs. 830M

Underwriting Profit

Rs. 21M

Loss ratio

79%

### *Accident & Health*

This segment was the second highest contributor towards Company's business in 2017 at Rs. 830 m (2016: Rs. 421 m) which was 32% of the total portfolio. This was a result of the Company's strategy to diversify its portfolio. Effective claims management played key part in reducing loss ratio to 79% this year from 84% in 2016. The segment earned a profit of Rs. 21 m (2016: Rs. 28 m). The decrease in profit was mainly due to reduced Commission Income. The ratio of premium ceded to reinsurers increased to 27% in 2017 as compared to 23% last year, resulting from reinsurance arrangement with AXA.

### *Miscellaneous*

This segment comprises of engineering insurance, bond insurance, crop insurance, travel insurance etc.
It contributed 12% towards our underwritten business in 2017 with a premium of Rs. 307 m (2016: Rs. 568 m). It contributed Rs. 103 m towards profitability in 2017 (2016: Rs. 37 m) as the Company focused on securing low-volume projects with high profitability instead of underwriting larger projects with lesser profit margins. The loss ratio for this segment was 13 % this year as compared to 31% last year while the cession in 2017 stood at 57% as compared to 85% in 2016, in line with the strategy mentioned above.

Rs.

Gross Premium Written

Rs. 307M

Underwriting Profit

Rs. 103M

Loss ratio

13%

## *Investment and other Income*

The Country's capital markets were greatly impacted by ongoing political and economic uncertainty. This reflected in Investment and other income for 2017, which decreased to Rs. 101 m from Rs. 137 m last year. Company's exposure to equity was 18% of total investment portfolio, while majority investments were made in fixed-income securities.

## *Re-Insurance*

The Company enjoys long-standing business relationships with internationally renowned Re-Insurers such as SCOR Re, XL Catlin, Trust Re, Korean Re, Luaban Re and Hannover Re. Moreover, AXA provides reinsurance services in relation to Accident & Health segment of the Company. We have also engaged highly reputed international Reinsurance brokers including AON Benfield Asia, Al Futtaim Willis, MIB, NASCO France, Afro Asian, CSP and J.B. Boda. Locally, we have reinsurance agreement with Pakistan Reinsurance Company Limited.

## *Window Takaful Operations*

Window Takaful Operations (WTO) have been continuously adding volume and profitability towards business of the Company and we expect this trend to continue in the coming years as well.

The written contribution from WTO during 2017 was Rs. 183 m (2016: Rs. 100 m) while net contribution revenue was Rs. 117 m (2016: Rs. 37 m). The profit from Operator's Fund for the year was Rs. 24 m (2016: Rs. 5.5 m).

## *Proposed Disbursement of Cash Dividend*

The Board of Directors of the Company, in their meeting held on 8 March 2018, recommended distribution of 15% final cash dividend for the year ended 31 December 2017. This is in addition to 10% interim cash dividend relating to half year ended 30 June 2017.

## *Auditors*

### External Auditors

KPMG Taseer Hadi & Co. Chartered Accountants audited the financial statements for the year 2017. The Board of Directors recommends reappointment of KPMG Taseer Hadi & Co. Chartered Accountants as auditors of the Company for the next financial year ending 31 December 2018.

### Shariah Compliance Auditors

The Board of Directors has also recommended reappointment of S.M. Suhail & Co. Chartered Accountants as Shariah Compliance Auditors of the company, as required under Takaful Rules 2012, for the next financial year ending 31 December 2018.

## *Corporate and Financial Reporting Framework*

### Statement of Directors Responsibilities

In compliance with the Corporate and Financial Reporting Framework of the Code of Corporate Governance, the Directors confirm the following:

- The financial statements, together with the notes forming an integral part of these statements prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgment.
- Approved Accounting Standards, as applicable in Pakistan, have been followed in preparation of these financial statements and any departures therefrom have been adequately disclosed and explained.
- The system of internal controls is sound in design and has been effectively implemented

and monitored throughout the year. Internal controls and their implementation are reviewed continuously by the Internal Audit department and any weakness in controls is timely addressed.

- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Code of Corporate Governance as detailed in the listing regulations.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 31 December 2017, except as disclosed in the financial statements. All such dues primarily related to the dues of last month of the financial year 2017 and were subsequently deposited in Government treasury in time.
- The related party transactions are approved or ratified by the Audit Committee and the Board of Directors.

### *Board Performance Evaluation*

The Company's Board of Directors undergoes a self-evaluation exercise each year against a set of parameters. This evaluation is performed primarily to assist the Board in evaluating its quality of governance as it enables the Board members to perform their roles and responsibilities more effectively towards progress of your Company. This self-evaluation is carried out under an evaluation methodology based on certain parameters.

The evaluation exercise addresses areas of critical importance which include, but are not limited to, the following:

- Basic composition of the Board of Directors;
- Assessment of overall roles and responsibilities of the Board members;
- Effectiveness and efficiency of the operation of the Board and its Committees; and
- Trainings and upgradation of knowledge & skills of directors;

The result of the Board's self-assessment of its overall performance was satisfactory against the set criteria.

**Key Financial Data**

Key operational and financial data for the last 6 years is annexed at page 76 of the Annual Report.

### *Value of investments in Provident Fund and Gratuity Fund*

The value of investments in provident fund and gratuity fund, on the basis of audited accounts, as at 31 December 2017 was:

| Name of Fund | 2017 | 2016 |
|---|---|---|
| | Rupees in Millions | |
| Employees' Provident Fund | **75** | 68 |
| Employees' Gratuity Fund | **77** | 76 |

### *Board Meetings*

Six meetings of the Board of Directors were held during 2017. Attendance by each of the director was as follows:

| Name of Director | Meetings Attended |
|---|---|
| Lt Gen Khalid Rabbani (Retd) | 6 |
| Maj Gen Syed Taqi Naseer Rizvi (Retd) | 6 |
| Maj Gen Hamid Mahmud (Retd) | 6 |
| Brig M. Aslam Khan (Retd) | 6 |
| Malik Riffat Mehmood | 3 |
| Abdul Hai Mahmood Bhaimia | 6 |
| M. Munir Malik | 2 |
| Imran Iqbal | 2 |

The Board granted leave of absence to those directors who could not attend the Board Meetings.

### *Pattern of Shareholding*

The pattern of shareholding is given at page 182 of this report. There was no trading in shares of the Company by the Directors, Chief Executive Officer, Chief Financial officer, Company Secretary and their spouses and minor children.

### *Statement on Risk Management and Internal Controls*

The statement on Risk Management and Internal Controls is given at page 50.

### *Principal Risks and Uncertainties Facing the Company*

The information relating to principal risks and uncertainties faced by the Company is given at page 55 of this report.

### *Board Committees*

During the year, the Audit Committee held four meetings whereas Human Resource & Remuneration Committee held three meetings. The composition of the Board Committees and their terms of reference are given at page 63.

Further, the Company has four sub committees of the Board which cover the core areas of business; these are Underwriting, Reinsurance & Coinsurance Committee, Claims Settlement Committee, Executive, Risk Management & Compliance Committee and Investment Committee. The names of members and the terms of references of these committees are given at page 63.

### *Future Expectations*

GDP growth is forecasted to be 5.5 % in FY 2017-18, and reach at an average 5.9% a year over the medium term on the back of continued robust domestic consumption, rising investments, and a recovery in exports.

The key risks facing our economy would arise from increasing contingent liabilities related to CPEC-related infrastructure projects, political uncertainty and weak tax revenues.

Insurance industry will continue benefiting from CPEC related initiatives while insurance penetration within the economy to remain low. Takaful Companies and Window Takaful Operators have the opportunity to reach out and educate a large client base regarding Shariah-compliant products, which can significantly help in adding volume and increasing profitability of the Insurance industry.

### *Acknowledgements*

The Directors would like to thank the regulatory authorities, banks and financial institutions, Re-Insurers and credit rating companies for their guidance and valued support. We also thank our shareholders for posing their trust and confidence in the Company. Finally, we place on record our appreciation for the commitment and hard work of our employees towards the growth of the Company.

For and on behalf of the Board

Abdul Waheed
President & Chief Executive

Lt Gen Najib Ullah Khan (Retd)
Chairman – Board of Directors

Rawalpindi
8 March 2018

## اظہارِ تشکر:

ریگولیٹری حکام، بینکوں و مالیاتی اداروں، ری انشورنس اور کریڈٹ ریٹنگ کمپنیوں کی طرف سے فراہم کردہ ہدایت اور قابلِ قدر حمایت کی بدولت ڈائریکٹر حضرات ان کا شکریہ ادا کرنا چاہیں گے۔ کمپنی پر بھروسہ اور اعتماد ظاہر کرنے کی بدولت ہم اپنے حصص یافتگان کا بھی شکریہ ادا کرتے ہیں۔ آخر میں، کمپنی کی ترقی کے خاطر کام کرنے والے ہمارے ملازمین کی وابستگی اور محنت کے لئے ہم اپنے تعریفی کلمات ریکارڈ میں رکھتے ہیں۔

**بورڈ کی جگہ اور بورڈ کی نیابت سے:**

**جناب عبدالوحید**

صدر و چیف ایگزیکٹو

**لیفٹیننٹ جنرل نجیب اللہ خان (ر)**

چیئرمین ۔ بورڈ آف ڈائریکٹرز

راولپنڈی

8 مارچ 2018ء

**رسک مینجمنٹ اور داخلی کنٹرولز کے حوالے سے بیان:**

رسک مینجمنٹ اور داخلی کنٹرولز کے حوالے سے بیان اس رپورٹ کے صفحے 50 پر دیا گیا ہے۔

**کمپنی کو درپیش بڑے خطرات وخدشات:**

کمپنی کو درپیش بڑے خطرات وخدشات کے متعلق معلومات اس رپورٹ کے صفحے 55 پر دی گئی ہے۔

**بورڈ کمیٹیاں:**

سال کے دوران، آڈٹ کمیٹی کے چار اجلاس منعقد ہوئے جب کہ انسانی وسائل اور معاوضاتی کمیٹی کے تین اجلاس منعقد ہوئے۔ بورڈ کمیٹیوں کی ساخت اور ان کے ریفرنس کی شرائط صفحہ 63 پر دی گئی ہیں۔

اس کے علاوہ، کمپنی میں بورڈ کی چار ذیلی کمیٹیاں ہیں جو کہ کاروبار کے اہم علاقوں کا احاطہ کرتی ہیں؛ یہ کمیٹیاں ) ۱ (ہامیداری، ری انشورنس اور باہمی انشورنس کی کمیٹی، ) ۲ (دعوے کی سیٹلمنٹ کمیٹی، ) ۳ (ایگزیکٹو، رسک مینجمنٹ اینڈ کمپلائنس کمیٹی اور ) ۴ (انویسٹمنٹ کمیٹی ہیں۔ ارکان اور ان کمیٹیوں کے حوالہ کی شرائط صفحہ 63 پر دی گئی ہے۔

**مستقبل کی توقعات:**

مالی سال 2017-18ء میں جی ڈی پی (GDP) کی 5.5 فیصد ترقی تک کی پیش گوئی کی گئی ہے، اور مسلسل مضبوط گھریلو کھپت، بڑھتی ہوئی سرمایہ کاری اور برآمدات میں بحالی کی شرح، درمیانے درجے کی مدت میں اوسطاً 5.9 فیصد سالانہ تک پہنچتی ہے۔

سی پیک سے متعلقہ بنیادی ڈھانچے کے منصوبوں، سیاسی غیر یقینی صورتحال اور کمزور ٹیکس آمدنی سے متعلقہ اجتماعی ذمہ داریوں میں اضافے سے ہماری معیشت کو درپیش اہم خطرات میں بھی اضافہ ہوتا ہے۔

انشورنس انڈسٹری سی پیک سے متعلقہ ابتدائی اقدامات سے فائدہ اٹھائے گی جبکہ معیشت کے اندر انشورنس کی رسائی کم رہتی ہے۔ تکافل کمپنیز اور نافذ العمل تکافل آپریٹرز شریعت سے موافق مصنوعات کے بارے میں ایک بڑے کلائنٹ بیس تک پہنچنے اور اسے تعلیم دینے کا موقع حاصل کرتے ہیں، جو انشورنس انڈسٹری کے حجم اور فائدہ کو بڑھانے میں بہت اہمیت رکھتا ہے۔

## پراویڈنٹ فنڈ اور گریجویٹی فنڈ میں سرمایہ کاری کی قدر و قیمت:

آڈٹ اکاؤنٹس کی بنیاد پر، پراویڈنٹ فنڈ اور گریجویٹی فنڈ میں سرمایہ کاری کی قدر و قیمت 31 دسمبر 2017ء تک درج ذیل تھی:

| فنڈ کا نام | 2017ء | 2016ء |
|---|---|---|
| | روپے ملین میں | |
| ایمپلائز پراویڈنٹ فنڈ | 75 | 68 |
| ایمپلائز گریجویٹی فنڈ | 77 | 76 |

## بورڈ کے اجلاس:

سال 2017ء کے دوران بورڈ آف ڈائریکٹرز کے چھ اجلاس منعقد ہوئے۔ ہر ڈائریکٹر کی حاضری درج ذیل رہی:

| منتظم کا نام | شرکت کردہ اجلاس کی تعداد |
|---|---|
| لیفٹیننٹ جنرل خالد ربانی (ر) | 6 |
| میجر جنرل سید تقی نصیر رضوی (ر) | 6 |
| میجر جنرل حامد محمود (ر) | 6 |
| بریگیڈیر محمد اسلم خان (ر) | 6 |
| ملک رفعت محمود | 3 |
| عبدالحئی محمود بھائی میا | 6 |
| محمد منیر ملک | 2 |
| عمران اقبال | 2 |

بورڈ نے ان منتظمین کو رخصت دی تھی جو بورڈ کے اجلاس میں شرکت نہیں کر سکتے تھے۔

## شیئر ہولڈنگ کا طریقہ کار:

شیئر ہولڈنگ کا طریقہ کار اس رپورٹ کے صفحے 182 پر دیا گیا ہے۔ ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر، کمپنی سیکریٹری اور ان کی بیویوں اور نابالغ بچوں کی طرف سے کمپنی کے حصص میں کوئی ٹریڈنگ نہیں ہوئی۔

# منتظمین کی رپورٹ

☆ ان مالی بیانات کی تیاری میں اکاؤنٹنگ کے منظور شدہ معیارات، جو کہ پاکستان میں قابلِ عمل ہیں، کی پیروی کی گئی ہے اور ہر چیز کی مناسب طور پر وضاحت کی گئی ہے۔

☆ اندرونی کنٹرول کا نظام ڈیزائن میں مستحکم ہے، اسے مؤثر طریقے سے لاگو کیا گیا ہے اور سال بھر اس کی نگرانی کی گئی ہے۔ اندرونی کنٹرول اور ان کے نفاذ کا انٹرنل آڈٹ ڈپارٹمنٹ کی طرف سے مسلسل جائزہ لیا گیا ہے اور کنٹرولز میں کسی بھی کمزوری کو بروقت دور کیا گیا ہے۔

☆ حالیہ تشویش کے طور پر جاری رکھنے کے لئے کمپنی کی صلاحیت پر کوئی قابل ذکر شکوک وشبہات نہیں ہیں۔

☆ کارپوریٹ گورننس کے کوڈ کے بہترین طریقوں سے کوئی بھی چیز منحرف نہیں ہے جو کہ لسٹنگ ریگولیشنز میں تفصیلاً بیان کیے گئے ہیں۔

☆ ٹیکس، فرائض، لیویز اور الزامات کے اکاؤنٹ پر کوئی قانونی ادائیگی نہیں ہے جو کہ 31 دسمبر 2017ء تک واجب الادا ہیں سوائے ان ادائیگیوں کے جن کا انکشاف مالی بیانات میں کر دیا گیا ہے۔ ایسے تمام واجبات بنیادی طور پر مالی سال 2017ء کے آخری مہینے کے واجبات سے متعلق ہیں اور نتیجتاً یہ بروقت حکومتی خزانے میں جمع ہو گئے تھے۔

☆ متعلقہ پارٹی کی لین دین کی منظوری اور توثیق آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز کی طرف سے کی جاتی ہے۔

## بورڈ کی کارکردگی کا اندازہ:

کمپنی کا بورڈ آف ڈائریکٹرز کچھ پیرامیٹرز کے برخلاف ہر سال خود تشخیصی مشق سے گزرتا ہے۔ بنیادی طور پر گورننس کے معیار کا جائزہ لینے میں بورڈ کی مدد کرنے کے لئے یہ تشخیص کی جاتی ہے اور یہ بورڈ کے ارکان کو اس قابل بنا دیتی ہے کہ وہ آپ کی کمپنی کی ترقی کے لیے اپنے کردار اور ذمہ داریوں کو زیادہ مؤثر طریقے سے سرانجام دیں۔ یہ خود تشخیصی عمل مخصوص پیرامیٹرز پر مبنی ایک تشخیصی طریقہ کار کے تحت کیا جاتا ہے۔

تشخیصی مشق انتہائی اہمیت کے ایریا کا احاطہ کرتی ہے جس میں درج ذیل ایریا بھی شامل ہیں:

☆ بورڈ آف ڈائریکٹرز کی بنیادی ساخت؛

☆ بورڈ کے ممبران کی اجمالی ذمہ داریوں اور کردار کی تشخیص؛

☆ بورڈ اور اس کی کمیٹیوں کی کاروائی کی کارکردگی اور تاثیر؛ نیز

☆ منتظمین کی مہارات اور علم کی اپ گریڈیشن اور ٹریننگ؛

قائم کردہ معیار کے لحاظ سے بورڈ کی مجموعی کارکردگی کی خود تشخیصی تسلی بخش تھی۔

## کلیدی مالیاتی ڈیٹا:

گزشتہ 6 سال کے لئے کلیدی آپریشنل اور مالیاتی ڈیٹا سالانہ رپورٹ کے صفحہ 76 پر شامل کر دیا گیا ہے۔

## نقد ڈیوڈنڈ کے مجوزہ اخراجات

کمپنی کے بورڈ آف ڈائریکٹرز نے 8 مارچ 2018ء کو منعقد ہونے والے اجلاس میں، 31 دسمبر 2017ء کو ختم ہونے والے سال کے لئے 15 فیصد حتمی نقد ڈیوڈنڈ کی تقسیم کے لیے سفارش کی ہے۔ یہ 30 جون 2017ء کے آخر میں ختم ہونے والے نصف سال سے متعلق 10 فیصد عبوری نقد ڈیوڈنڈ کے علاوہ ہے۔

## محاسب

### خارجی محاسب

''KPMG Taseer Hadi & Co. Chartered Accountants'' نے سال 2017ء کے مالی بیانات کا محاسبہ کیا۔ بورڈ آف ڈائریکٹرز نے 31 دسمبر 2018ء کو ختم ہونے والے آئندہ مالی سال کے لیے ''KPMG Taseer Hadi & Co. Chartered Accountants'' کو کمپنی کے آڈیٹرز کے طور پر دوبارہ تعینات کرنے کی سفارش کرتا ہے۔

### شریعت تعمیل آڈیٹرز:

بورڈ آف ڈائریکٹرز 31 دسمبر 2018ء کو ختم ہونے والے آئندہ مالی سال کے لیے ''S.M. Suhail & Co. Chartered Accountants'' کو کمپنی کے شریعت تعمیل آڈیٹرز کے طور پر دوبارہ تعینات کرنے کی بھی سفارش کرتا ہے، جیسا کہ تکافل رولز 2012 کے تحت مطلوب ہے۔

## کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

### منتظمین کی ذمہ داریوں کا بیان:

کارپوریٹ گورننس کے کوڈ کے کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک کی تعمیل میں، منتظمین درج ذیل کی تصدیق کرتے ہیں:

- ☆ کمپنی کی انتظامیہ کی طرف سے مالیاتی بیانات بشمول ان نقاط کے جو کہ ان بیانات کا ایک لازمی حصہ ہیں، کمپنیز آرڈیننس 1984 اور انشورنس آرڈیننس 2000 کے مطابق تیار کیا گیا ہے؛ اور یہ بیانات کمپنی کی حالت، اس کی کاروائیوں کے نتائج، نقد رقم کے بہاؤ اور ایکوئٹی (حصص کی مقررہ قیمت) میں تبدیلیوں کے نتائج کو منصفانہ طریقے سے پیش کرتے ہیں۔
- ☆ کمپنی کے اکاؤنٹس کی مناسب کتابوں کو برقرار رکھا جا چکا ہے۔
- ☆ ان مالی بیانات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو مسلسل لاگو کر دیا گیا ہے اور اکاؤنٹنگ اندازہ جات کی بنیاد معقول اور منصفانہ فیصلہ پر رکھی گئی ہے۔

**متفرق کاروبار:**

اس شعبہ میں انجینئرنگ انشورنس، بانڈ انشورنس، فصلی انشورنس، ٹریول انشورنس وغیرہ شامل ہیں۔ اس نے 307 ملین روپے (2016ء میں 568 ملین روپے) کے پریمیم کے ساتھ سال 2017ء میں ہمارے ذمہ نویسی کاروبار میں 12 فیصد حصہ ڈالا۔ اس نے 2017ء کے منافع میں 103 ملین روپے (جو کہ 2016ء میں 37 ملین روپے تھا) کا حصہ ڈالا۔ کیوں کہ کمپنی نے کم منافع بخش بڑے منصوبوں کی بجائے زیادہ منافع دینے والے کم قیمتی منصوبہ جات حاصل کرنے پر توجہ مرکوز کی۔ اس شعبہ کے لئے نقصان کا تناسب گزشتہ سال 31 فیصد کے مقابلے میں اس سال 13 فیصد تھا، جب کہ 2017ء میں منتقلی 57 فیصد رہی جو کہ 2016ء میں 85 فیصد تھی، اور یہ مذکورہ بالا حکمتِ عملی کے مطابق ہے۔

**سرمایہ کاری اور دیگر آمدنی:**

ملک کی بڑی مارکیٹیں حالیہ سیاسی اور اقتصادی غیر یقینی صورتحال سے بہت متاثر ہوئیں۔ اس بات کی عکاسی سال 2017 کی سرمایہ کاری اور دیگر آمدنی سے ہوئی جو کہ گزشتہ سال 137 ملین روپے سے اس سال 101 ملین روپے تک کم ہوگئی۔ ایکوئٹی (حصص کی مقررہ قیمت) پر کمپنی کا ظہور مجموعی پورٹ فولیو میں 18 فیصد تھا، جبکہ زیادہ سے زیادہ سرمایہ کاری فکسڈ انکم سیکورٹی میں لگائی گئی تھی۔

**مکرر ذمہ نویسی:**

کمپنی، بین الاقوامی شہرت یافتہ مکرر ذمہ نویسی جیسا کہ ''SCOR Re''، ''XL Catlin''، ''Trust Re''، ''Korean Re''، ''Luaban Re'' اور ''Hannover Re'' کے ساتھ درینہ کاروباری تعلقات سے لطف اندوز ہوتی ہے۔ ''AXA'' کمپنی، کمپنی کے حادثاتی اور نقصِ صحت کے شعبہ کو مکرر ذمہ نویسی کی خدمات مہیا کرتی ہے۔

ہم ''AON Benfield Asia''، ''Al Futtaim Willis''، ''MIB''، ''NASCO France''، ''Afro Asian''، ''CSP'' اور ''J.B. Boda'' سمیت بین الاقوامی شہرت یافتہ مکرر بیمہ کار بروکرز کے ساتھ بھی مصروفِ عمل ہیں۔ مقامی طور پر، ہمارا ''پاکستان ری انشورنس کمپنی لمیٹڈ (PRCL)'' کے ساتھ ری انشورنس ایگریمنٹ ہے۔

**نافذۃ التکافل عمل کاری**

نافذۃ التکافل عمل کاری (WTO) کمپنی کے کاروبار میں مسلسل حجم اور منافع شامل کرتا رہا ہے اور ہم امید کرتے ہیں کہ یہ رجحان آنے والے سال میں جاری رہے گا۔

سال 2017ء کے دوران نافذۃ التکافل عمل کاری (WTO) کی طرف سے مکتوبہ شراکت 183 ملین روپے تھی (جو کہ 2016ء میں 100 ملین روپے تھی) جب کہ نیٹ شراکت آمدنی 117 ملین روپے تھی (جو کہ 2016ء میں 37 ملین روپے تھی)۔ اس سال کے لئے آپریٹر فنڈ سے 24 ملین کا منافع ہوا (جو کہ 2016ء میں 5.5 ملین تھا)۔

**آتشزدگی اور املاک کے نقصان:**

اس شعبہ نے 407 ملین روپے کی مجموعی ذمہ نویسی پریمیم کے ساتھ (جو کہ سال 2016ء میں 300 ملین روپے تھی) سال 2017ء میں ہمارے ذمہ نویسی مجموعی کاروبار میں 16 فیصد حصہ ڈالا۔

بنیادی طور پر نیٹ مطالبہ جاتی اخراجات کی وجہ سے، سال 2017ء میں ذمہ نویسی منافع کم ہو کر 65 ملین روپے رہ گیا جو کہ گزشتہ سال 2016ء میں 74 ملین روپے تھا۔ اس کے نتیجہ میں نقصان کا تناسب (نیٹ پریمیم آمدنی کے فیصدی کے طور پر خالص مطالبہ جات) سال 2017ء میں 39 فیصد تک بڑھ گیا جو کہ گزشتہ سال 21 فیصد تک تھا۔ 2017ء میں مکرر بیمہ کاری کی طرف پریمیم میں 85 فیصد اضافہ ہوا جو کہ گذشتہ سال 79 فیصد تھا اور یہ اضافہ کمپنی کے ری انشورنس ایگریمنٹ کے مطابق تھا۔

**برّی، بحری اور فضائی مواصلات:**

181 ملین (سال 2016ء میں 151 ملین) کے مجموعی درج شدہ ذمہ نویسی کے ساتھ اس شعبہ کی شراکت سال 2017ء میں ہمارے پورٹ فولیو میں 7 فیصد تھی۔

سال 2017ء میں اس شعبہ سے درج شدہ منافع 38 ملین (سال 2016ء میں 43 ملین) روپے تھا۔ نقصان کے تناسب میں گزشتہ سال 19 فیصد کے مقابلے میں اس سال 2017ء میں 40 فیصد تک اضافہ ہوا اور اس کی وجہ بنیادی طور پر چند بڑی رقوم کا دعویٰ بنا۔ مکرر ذمہ نویسی بیشتر طور پر گزشتہ سال والے رجحان ہی کے مطابق رہی یعنی یہ 60 فیصد (سال 2016ء میں 59 فیصد تھی) رہی۔

**موٹر گاڑیاں:**

موٹر گاڑیوں کا شعبہ بہترین کارکردگی کا مظاہرہ کرنے والا شعبہ تھا کیوں کہ اس نے 2017ء میں 857 ملین روپے کا کاروبار محفوظ کیا (جو کہ 2016ء میں 810 ملین روپے تھا)، جو کہ مجموعی کاروباری پورٹ فولیو میں 33 فیصد کا حصہ ہے۔ یہ شرح ذمہ نویسی منافع کے لیے ٹاپ لیول کی شراکت دار رہی جس میں 2017 کے مجموعی شرح منافع کا 49 فیصد حصہ تھا، جس کی قیمت 222 ملین روپے بنتی ہے (جو کہ سال 2016ء میں 186 ملین روپے تھی)۔

نقصان کا تناسب گزشتہ سال 47 فیصد تھا جو کہ اس سال 41 فیصد رہ گیا اور اس کی وجہ چوری کے معاملات میں کمی کا واقع ہونا ہے، جو کہ نظم وضوابط کی بہتر صورتحال، کمپنی کی بیمہ شدہ گاڑیاں میں ٹریکرز کی تنصیب اور مؤثر دعوی کے انتظامات کے نتیجے میں ممکن ہوا۔

**حادثات ونقصِ صحت:**

حادثات ونقصِ صحت پورٹ فولیو نے 830 ملین روپے (جو کہ 2016ء میں 421 ملین روپے تھا) کا حصہ ڈالا یعنی 2017ء میں کمپنی کے کاروباری پورٹ فولیو میں 32 فیصد حصہ ڈالا۔ جس کی بنیادی وجہ چند ایک بڑی رقوم والے گاہکوں کا اضافہ بنا۔ اس شعبہ نے 21 ملین (سال 2016ء میں =28 ملین روپے) روپے کا منافع کمایا۔ منافع میں کمی بنیادی طور پر کمیشن آمدنی کم کرنے کی وجہ سے تھی۔ مؤثر دعووں کے انتظام نے نقصان کے تناسب میں گزشتہ سال 84 فیصد سے اس سال 79 فیصد تک کی نمایاں کمی لانے میں اہم کردار ادا کیا۔ مکرر ذمہ نویسی کا تناسب 2017ء میں 27 فیصد تک بڑھ گیا جو کہ 2016ء میں 23 فیصد تھا اور ایسا بنیادی طور پر AXA کے ساتھ مکرر بیمہ کاری کا نتیجہ میں ہوا۔

# منتظمین کی رپورٹ

جس سے ہمارا پیج 2017ء میں جنرل انشورنس کی صنعت میں سب سے زیادہ دیکھے جانے والے فیس بک صفحات میں درجہ بندی حاصل کر گیا۔

**انعامات**

بہترین کاروبار اور ثقافتی طریقوں کو فروغ دینے، کلائنٹ بیس کو سہولت فراہم کرنے کے لئے جدید حکمت عملی تیار کرنے اور عمدگی کی طرف آپ کی کمپنی کے مستقل عزم کے اعتراف میں صدر و چیف ایگزیکٹو جناب عبدالوحید صاحب کو ''سی ای او کلب'' کے زیرِ اہتمام منعقد ہونے والے ''سولہویں سی ای او سربراہی اجلاس ایشیا'' میں ''لیڈرشپ ایوارڈ 2017ء'' سے نوازا گیا۔

**ڈائریکٹر کا انتخاب**

آپ کی کمپنی کے ڈائریکٹرز 26 اپریل 2017ء کو منعقد ہونے والے سالانہ جنرل اجلاس میں تین سال کی مدت کے لیے منتخب کیے گئے۔

**کارکردگی کا جائزہ**

کمپنی کی کارکردگی کے کلیدی اشاریہ کا ذیل میں خلاصہ پیش کیا گیا ہے:

**روپے ملین میں (الا یہ کہ ان کو مخصوص کر دیا جائے)**

| | 2017ء | 2016ء |
|---|---|---|
| مجموعی مکتوبہ پریمیم (بشمول تکافل) | 2,766 | 2,350 |
| خالص پریمیم آمدنی | 1,356 | 1,255 |
| خالص دعوے | (622) | (645) |
| ذمہ نویسی کے نتائج | 449 | 369 |
| سرمایہ کاری اور دیگر آمدنی | 101 | 137 |
| ٹیکس سے قبل منافع نافذ العمل تکافل عمل کاری | 24 | 5.5 |
| ٹیکس سے قبل منافع۔ جنرل انشورنس آپریشنز | 341 | 315 |
| ٹیکس کے بعد منافع | 254 | 237 |
| فی حصص آمدنی (روپے میں) | 4.06 | 3.89 |

**شعبہ جاتی کارکردگی کا تجزیہ**

کاروبار کے ہر شعبہ کے لئے شعبہ جاتی کارکردگی کا تجزیہ مندرجہ ذیل ہے:

لی۔ نئے قانون نے حکومتی قوانین کو بین الاقوامی بہترین طریقوں کے مطابق لانے کے لئے ملک کے اندر گورننس سٹرکچر میں اہم تبدیلیاں متعارف کرائیں۔ کمپنی نے پہلے ہی سے قابلِ اطلاق اہم ضروریات کے مطابق عمل کیا ہے۔

## انشورنس قوانین 2017ء اور انشورنس اکاؤنٹنگ قواعد 2017ء

''سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP)'' انشورنس فریم ورک کو بہتر بنانے اور پاکستان میں انشورنس کی سرگرمیوں کو سنبھالنے کے مختلف قوانین اور قواعد کو بہتر بنانے کے لئے کام کر رہا ہے۔ اپنی کوششوں کے تسلسل میں، ''سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP)'' نے انشورنس قوانین، 2017 (قوانین وضوابط) اور انشورنس اکاؤنٹنگ قواعد، 2017 (ریگولیشنز) متعارف کرائے۔ ان قواعد وضوابط کا مقصد یہ تھا کہ:

- بین الاقوامی مالیاتی رپورٹنگ معیار اور بین الاقوامی اکاؤنٹنگ معیار کے ساتھ مقامی اکاؤنٹنگ معیار کو ہم آہنگ کرنا۔
- انشورنس قوانین کے موجودہ سیٹ مرتب اور متحد کرنا؛ اور
- انشورنس سیکٹر میں کافی اصلاحات لانا۔

''سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP)'' کی طرف سے کمپنی کو 31 دسمبر 2017ء کو ختم ہونے والے دورانیہ کے لئے ان قواعد وضوابط کی ضروریات کی تعمیل کرنے سے استثناء دیا گیا۔

## مصنوعات کی زبردست جدت

ہم یقین رکھتے ہیں کہ مصنوعات کی زبردست جدت پر توجہ مرکوز کرنے سے کاروباری اقدار فوری فراہم کی جاسکتی ہیں۔ زبردست جدت کا مطلب ڈیجیٹل چینلز کے ذریعہ موجودہ مصنوعات کی پیشکش کرنا یا موجودہ مارکیٹوں کے لئے نئی ڈیجیٹل مصنوعات بنانا ہے۔ اس راستے پر جانے سے ہم نے موجودہ مصنوعات کو زیادہ موزوں اور گاہکوں کی توجہ کا مرکز بنایا ہے جب کہ اس سے ہمیں یہ موقع بھی ملا ہے کہ ہم یہ مصنوعات زیادہ سے زیادہ گاہکوں کو نئے طریقوں سے فروخت کر سکیں۔

مندرجہ بالا حکمت عملی کے تحت، ہم نے اپنے گاہکوں کے لئے ایک مسلسل اور بولڈ تجربہ چالو کرتے ہوئے کئی ڈیجیٹل چینلز میں اپنے برانڈ کی تعمیر کے لئے اپنی کوششوں میں اضافہ کیا۔ ہمارے داخلی ماہرین نے 'Android-based ہیلتھ کلیمز مینجمنٹ ایپلی کیشن' تیار کی ہے جو گاہکوں کو اپنے دعویٰ جات فوری طور پر پیش کرنے اور ان کی حیثیت کو ٹریک کرنے کی اجازت دیتی ہے، یہ ایپلی کیشن آسان طریقے سے اپ ڈیٹ معلومات کی دستیابی کا باعث بنتی ہے۔ 'AskTrack'' نام کی ایک 'Android-based ٹریکر ایپلی کیشن'' بھی تیار کی گئی تھی جس سے بہت سی سہولیات ملتی ہیں جیسا کہ بیمہ شدہ اشخاص کی گاڑی کی رئیل- ٹائم ٹریکنگ کرنا، گاڑی انجن کو سیلف سٹارٹ/ سٹاپ کرنے کا اختیار حاصل کرنا اور گاڑی سے جمع کردہ تاریخی اعداد وشمار کے مطابق مختلف رپورٹس تیار کرنا۔

ہم نے انشورنس اور اس کے پیش کردہ فوائد کے بارے میں عوام کو قیمتی بصیرت مہیا کرنے کے لیے میڈیسن اور انشورنس کے شعبوں کے ماہرین کے ساتھ ریڈیو پروگرام، فیس بک سیشنز اور معلوماتی ٹی وی پروگرامز کیے ہیں۔ ہمارے ڈیجیٹل مارکیٹنگ ماہرین نے ہمارے فیس بک پیج کو اس طریقہ سے منظم کیا،

# منتظمین کی رپورٹ

''عسکری جنرل انشورنس کمپنی لمیٹڈ ( کمپنی) کے منتظمین کے لیے یہ اعزاز ہے کہ وہ اپنی تیسویں سالانہ رپورٹ پیش کر رہے ہیں، اس رپورٹ کے ساتھ 31 دسمبر 2017ء کو ختم ہونے والے سال کے محاسبہ شدہ مالی بیانات اور محاسبین کی رپورٹ بھی ہے۔

**خلاصہ برائے میکرو اکنامک**

ملک کی معیشت نے چوتھے سال کے لئے بھی اپنی ترقی کی رفتار کو تسلسل کے ساتھ جاری رکھا، مالی سال 2017ء میں حقیقی جی ڈی پی ( مجموعی ملکی پیداوار ) 4.7 فیصد تک بڑھ گئی جو کہ گزشتہ سال حاصل ہونے والے 4.5 فیصد اضافہ سے بھی زیادہ ہے۔ جی ڈی پی ( مجموعی ملکی پیداوار ) کی ترقی کے لئے اہم شراکت دار مینوفیکچررز اور سروسز شعبہ جات تھے جن کو بالترتیب 5.3 فیصد اور 6.0 فیصد کی شرح حاصل ہوئی۔

بنیادی طور پر چین پاکستان اقتصادی راہداری (CPEC) سے متعلقہ منصوبوں کی وجہ سے، مالیاتی اور انشورنس کے شعبہ نے مالی سال 2017ء کے دوران 10.8 فیصد کی ترقی حاصل کی۔ تاہم، انشورنس کا نمو یعنی ایک مخصوص سال میں جی ڈی پی ( مجموعی ملکی پیداوار ) کے ذمہ نویسی پریمیم کا تناسب، پاکستان میں 1 فیصد سے کم رہا اور لائف انشورنس کے شعبہ میں اس کا غلبہ جاری رہا۔

**۲۰۱۷ میں کمپنی کی کارکردگی**

کمپنی کے لیے یہ سال بھی ایک دلچسپ سال ثابت ہوا کیوں کہ اس سال کمپنی نے 2.77 بلین (بشمول تکافل شراکت کے 183 ملین ) کی ریکارڈ ساز مجموعی بیمہ کاری کی جو کہ گزشتہ سال کے مقابلے میں 18 فیصد کا اضافہ ہے۔ سرمایہ کاری کے پورٹ فولیو میں تقریباً 10 فیصد اضافہ ہوا، جبکہ ٹیکس کے بعد خالص منافع اور فی حصہ آمدنی بالترتیب 7 فیصد اور 4 فیصد بڑھ گئی۔ کمپنی نے کاروبار کے تمام طبقات میں منافعتی طور پر رجسٹریشن کو جاری رکھا جس میں کاروباری موٹر کلاس نے ذمہ نویسی منافع میں اہم حصہ لیا جو کہ مجموعی ذمہ نویسی منافع کا تقریباً 50 فیصد تھا۔

**کلیدی جھلکیاں**

کمپنی سال 2017ء میں چند نمایاں داخلی بہتریاں لے کر آئی اور اسے اس سال نئے قوانین اور قواعد وضوابط سے بھی نمٹنا پڑا۔ سال 2017ء کی چند اہم جھلکیاں درج ذیل ہیں:

**کریڈٹ ریٹنگ**

JCR-VIS کریڈٹ ریٹنگ ایجنسی کی طرف سے آپ کی کمپنی کی مستحکم مستقبل کے نقطہ نظر کے ساتھ ''ڈبل A مائنس'' (-AA) درجہ بندی کو برقرار رکھا گیا۔

**کمپنیز ایکٹ، 2017ء**

مئی 2017ء میں، ''سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان'' نے کمپنیز ایکٹ، 2017ء (ایکٹ) نافذ کیا جس نے کمپنیز آرڈیننس 1984ء کی جگہ لے

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

**Board Responsibilities**

The Board of Directors ("the Board") of askari general insurance company limited (Company) recognizes the importance of maintaining a good system of risk management and internal controls to safeguard investment of shareholders and assets of the Company. The Board acknowledges its overall responsibility for reviewing the adequacy and integrity of the Company's system of risk management and internal controls, identifying principal risks and establishing an appropriate control environment and framework to manage risks and evaluating the Company's operational effectiveness and efficiency.

The Board has thoroughly reviewed the adequacy and effectiveness of the system of risk management and internal controls of the Company. It acknowledges the fact that owing to inherent limitations, the systems for this purpose can only manage rather than eliminate risk of business failure. Therefore, these systems cannot provide absolute assurance against material misstatements or losses and the effectiveness of an internal control system may vary over time.

**System of Risk Management**

The Board also acknowledges that all areas of the Company's activities involve some degree of risks and appreciates that effective risk management is part of best business management practices aimed at successfully achieving the Company's goals and objectives. Operationally, the respective key management staff is responsible for managing the risks of their departments. Any significant risks facing the Company are highlighted at appropriate level of hierarchy to ensure such risks are closely monitored and appropriately addressed. The abovementioned practices culminate into an on-going process used to identify, evaluate and manage significant risks that affect the achievement of the Company's goals & objectives.

**System of Internal Control**

The key measures implemented in the Company are as follows :-

- A well-defined organizational structure with well-defined responsibility matrix that sets out the authority delegated to the members of management;
- Documented policies and procedures for all significant processes;
- A management reporting system to facilitate the collection, processing, monitoring and dissemination of critical information for management review and decision;
- Performance reports such as quarterly financial reviews, business development and other corporate matters are regularly provided to the Directors for discussion and deliberations at meetings of the Board;
- Review of quarterly and annual financial results by the Audit Committee;
- Regular meetings by the management team to discuss and review reports and business developments and to resolve key operations and managements issues; and
- Reviewing adequacy and effectiveness of the system of internal control, with the assistance of the internal audit function.

**Internal Audit Function**

The Company has an in-house internal audit function that constantly reviews the adequacy and integrity of the internal control systems of the Company.

The functions of the internal audit are as follows:-

i. Perform audit work in accordance with the pre-approved internal audit plan;

ii. Carry out review of the system of internal controls of the Company;

iii. Review and comment on the effectiveness and adequacy of the existing control policies and procedures;

iv. Provide recommendations, if any, for the improvement of the control policies and procedures; and

v. Review and comment on the implementation status of the recommendations by the internal audit function.

The internal audit function reports directly to the Audit Committee. The internal audit reports are submitted to the Audit Committee who reviews and deliberates on the findings before making the necessary recommendations to the Board to strengthen its system of internal control and policies.

**Conclusion**

The Board has utmost assurance that the Company's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Company.

The Board reiterates its commitment towards operating a sound system of internal controls and effective risk management practices throughout the Company. It is the view of the Board that the system of internal controls is adequate, considering the size of the Company's operations and functions; and that there was no breakdown or weaknesses in the system of internal control that may result in a significant loss to the Company for the year ended 31 December 2017. The Board will remain vigilant and continue implementing the necessary measures to improve and strengthen the Company's system of risk management and internal controls to adapt to the ever changing and challenging business environment.

☆ داخلی آڈٹ فنکشن کی مدد سے، داخلی کنٹرول کے نظام کی موزونیت اور مؤثریت کا جائزہ لینا۔

## داخلی آڈٹ فنکشن

کمپنی کے پاس ایک داخلی آڈٹ فنکشن ہے جو کمپنی کی داخلی کنٹرول کے نظام کی موزونیت اور سالمیت کا تسلسل سے جائزہ لیتا ہے۔

داخلی آڈٹ کے افعال مندرجہ ذیل ہیں:-

i۔ پہلے سے منظور شدہ داخلی آڈٹ منصوبہ کے مطابق آڈٹ کے کام سرانجام دینا؛
ii۔ کمپنی کے داخلی کنٹرول کے نظام کا جائزہ لینے کی کوشش کرنا؛
iii۔ موجودہ کنٹرول کی پالیسیوں اور طریقہ کار کی مؤثر اور مناسب نظر ثانی اور اس پر تبصرہ؛
iv۔ کنٹرول پالیسیوں اور طریقہ کاروں کی بہتری کے لئے سفارشات مہیا کرنا، اگر کوئی ہے تو؛ اور
v۔ داخلی آڈٹ فنکشن کی سفارشات کی نفاذ کی حیثیت پر نظر ثانی اور تبصرہ کرنا۔

داخلی آڈٹ فنکشن براہِ راست آڈٹ کمیٹی کو رپورٹ کرتا ہے۔ داخلی آڈٹ رپورٹس آڈٹ کمیٹی کو پیش کی جاتی ہے جو، داخلی کنٹرول اور پالیسیوں کے نظام کو مضبوط کرنے کے لئے بورڈ کو ضروری سفارشات کرنے سے پہلے، نتائج پر نظر ثانی کرتا ہے۔

## نتیجہ

بورڈ نے انتہائی یقین دہانی کی ہے کہ کمپنی کے "رسک مینجمنٹ اینڈ انٹرنل کنٹرول سسٹم" پر بنیاد رکھتے ہوئے کمپنی کے "رسک مینجمنٹ اینڈ انٹرنل کنٹرول سسٹمز" تمام مادی پہلوؤں میں موزوں اور موثر انداز میں کام کر رہے ہیں۔

بورڈ نے کمپنی بھر میں داخلی کنٹرول اور مؤثر خطرے کے انتظام کے طریقوں کی کے موثر نظام کو چلانے کے لئے اپنی عزم کا اعادہ کیا ہے۔ کمپنی کے آپریشن اور افعال کے سائز پر غور کرتے ہوئے، یہ بورڈ کا نقطہ نظر ہے کہ اندرونی کنٹرول کا نظام مناسب ہے؛ اور یہ کہ داخلی کنٹرول کے نظام میں کوئی ایسی خرابی یا کمزوری نہیں تھی جو 31 دسمبر 2017ء کو ختم ہونے والے سال کے لئے کمپنی میں اہم نقصان کا باعث بن سکتی تھی۔ بورڈ محتاط رہے گا اور کمپنی کے "رسک مینجمنٹ اینڈ انٹرنل کنٹرول سسٹم" کو بہتر بنانے اور مضبوط کرنے کے لیے، کبھی بھی بدلنے والے اور مشکل کاروباری ماحول کے مطابق، ضروری اقدامات پر عملدرآمد جاری رکھے گا۔

# رسک مینجمنٹ اینڈ انٹرنل کنٹرول پر بیان

## بورڈ کی ذمہ داریاں

عسکری جنرل انشورنس کمپنی لمیٹڈ (کمپنی) کا بورڈ آف ڈائریکٹرز (دی بورڈ) کمپنی کے اثاثوں اور حصے داروں کی سرمایہ کاری کو محفوظ کرنے کے لئے "رسک مینجمنٹ اینڈ انٹرنل کنٹرول" کے اچھے نظام کو برقرار رکھنے کی اہمیت کو تسلیم کرتا ہے۔ بورڈ، بڑے خدشات کی پہچان کرتے ہوئے نیز خدشات کو قابو کرنے، کمپنی کے آپریشنل اثر ورسوخ اور کارکردگی کا اندازہ کرنے اور مناسب کنٹرول والا ماحول کا انتظامی ڈھانچہ بناتے ہوئے، کمپنی کے "رسک مینجمنٹ اینڈ انٹرنل کنٹرول" کی شناخت اور موزونیت کو مدنظر رکھنے کے لئے اپنی مجموعی ذمہ داری کو تسلیم کرنے کا اعتراف کرتا ہے۔

بورڈ نے کمپنی کے "رسک مینجمنٹ اینڈ انٹرنل کنٹرول" کے نظام کی موزونیت اور مؤثریت کا اچھی طرح سے جائزہ لیا ہے۔ بورڈ اس حقیقت کا اعتراف کرتا ہے کہ معتدل حدود کی وجہ سے، اس مقصد کے نظام کاروباری ناکامی کے خطرے کو ختم کرنے کے بجائے صرف اسے منظم کرسکتے ہیں۔ لہذا، یہ نظام مواد کی غلطی بیانیوں یا نقصانات کے خلاف مطمئن یقین دہانی نہیں فراہم کرسکتا اور ایک اندرونی کنٹرول کے نظام کی تاثیر وقتاً فوقتاً مختلف ہوتی ہے۔

## رسک مینجمنٹ کا نظام

بورڈ یہ بھی اعتراف کرتا ہے کہ کمپنی کی سرگرمیوں کے تمام شعبہ جات میں کسی حد تک خدشہ شامل ہوتا ہے اور بورڈ یہ تعریف کرتا ہے کہ مؤثر رسک مینجمنٹ بہترین کاروباری مینجمنٹ کے طریقوں کا حصہ ہے جن کا مقصد کمپنی کے اغراض ومقاصد کو کامیابی سے حاصل کرنا ہے۔ عملی طور پر، متعلقہ کلیدی مینجمنٹ اسٹاف اپنے اپنے شعبہ جات کے خدشات کا انتظام کرنے کا خود ذمہ دار ہے۔ کمپنی کو درپیش کسی بھی اہم خطرے کے متعلق تنظیمی ڈھانچے کے متعلقہ مناسب افراد کو باخبر کیا جائے تاکہ ان خدشات کی قریب سے نگرانی کی جائے اور مناسب طریقے سے ان کو حل کیا جائے۔

مندرجہ بالا طریقوں سے اُن اہم خدشات کی شناخت کرنے، ان کی تشخیص کرنے اور ان کو قابو کرنے کے لیے استعمال کردہ حالیہ طریقہ کار میں اضافہ ہوتا ہے جو خدشات کمپنیوں کے اہداف اور مقاصد کی کامیابی کو متاثر کرتے ہیں۔

## داخلی کنٹرول کا نظام

کمپنی میں لاگو اہم اقدامات مندرجہ ذیل ہیں:-

- ☆ بالکل واضح قابلِ ادا میٹرکس کے ساتھ ایک بالکل واضح تنظیمی ڈھانچہ جو مینجمنٹ کے اراکین کو تفویض کردہ اختیار مقرر کرتا ہے؛
- ☆ تمام اہم عمل کاریوں کے لئے دستاویزی پالیسیاں اور طریقہ کار؛
- ☆ انتظامی جائزے اور فیصلے کے لئے اہم تنقیدی معلومات کو جمع کرنا، اس کی پروسیسنگ کرنا، اس کی نگرانی کرنا اور اس کو پھیلانے کے عمل کو سہل بنانے کے لیے مینجمنٹ رپورٹنگ سسٹم
- ☆ کارکردگی کی رپورٹیں جیسا کہ سہ ماہی مالیاتی جائزے، کاروباری ترقی اور دیگر کارپوریٹ سے متعلقہ معاملات بورڈ کے اجلاسوں میں بحث ومباحثہ اور غور وفکر کے لیے باقاعدگی سے ڈائریکٹرز کو فراہم کی جاتی ہیں؛
- ☆ آڈٹ کمیٹی کی طرف سے سہ ماہی اور سالانہ مالیاتی نتائج کا جائزہ؛
- ☆ رپورٹوں اور کاروباری ترقی پر تبادلہ خیال کرنے اور اہم عمل کاریوں اور انتظامی مسائل کو حل کرنے کے لئے انتظامی ٹیم کی طرف سے باقاعدگی سے اجلاس؛ اور

# PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

**Strategic Risks**

Strategic risks are the result of Company's strategic objectives and business strategy decisions. The Company's Board of Directors have established an Executive, Risk Management & Compliance Committee through which it actively supervises the management of these risks and creates mitigating strategies wherever required.

**Business Risks**

These risks are associated with the commercial essence of an entity. Common examples are reduced market share, amendments to product-pricing regulations or other regulatory changes undermining the organization's profitability are a few examples of these risks affecting the Company.

**Operational Risks**

These include risk of adverse change in the value of capital resources resulting from operational events such as inadequacy or failure of internal systems, personnel, procedures or controls etc.

**Financial Risks**

The Company's activities exposes it to a variety of financial risks. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. The Company consistently manages

# PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

its exposure to financial risk without any material change from previous year in the manner described in notes below. The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing the Company's risk management policies. These risks are divided into following categories:

**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 credit exposures by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of counterparties.

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The management monitors and limits the Company's exposure to credit risk through monitoring of client's exposure and maintaining conservative estimates of provisions for doubtful assets, if required. The management believes 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 sectors.

The Company has diversified portfolio of investment to mitigate the risk. The major credit risk exposure relates to held to maturity investment which are placed with Government of Pakistan and a financial institution as mentioned in note 14.2 to the financial statements. The Company has also maintained a provision against certain certificates of investments as disclosed in note 14.2 to the financial statements.

**2. 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 variable such as interest / mark up rate, foreign exchange rate and equity prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The market risks associated with the Company's business activities are as follows:

**a. Interest / Mark up Rate Risk**

Interest / mark-up rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market interest / mark up rates. The Company invests in securities and has deposits that are subject to interest / mark up rates risk. The Company limits interest / mark up rate risk by monitoring changes in interest / mark up rates in the currencies in which its cash and investments are denominated. The Company's financial liabilities are not exposed to interest / mark up rate risk.

**b. Foreign currency risk**

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

**c. 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. For further details relating to Price Risk, please refer note no. 32 to the financial statements.

**3. Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. Liquidity requirements are monitored by management to ensure that adequate funds are available to meet any obligations as they arise. To guard against risk, the Company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities.

For further information relating to Liquidity Risks facing the Company , please refer to note no. 32 to the financial statements.

**Key Sources of Estimating Uncertainty**

The preparation of financial statements requires management and the Board of Directors to make estimates and judgments that impact reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingencies. The estimates and associated assumptions are based on historical experience and various other factors that the management and the Board believe to be reasonable under the prevailing conditions. The results of these estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.
The key areas of estimating uncertainty, which may have a significant effect on the amounts recognized in the financial statements, are discussed below:

**Provision for unearned premiums**

The unearned premium reserve is the unexpired portion of the premium which relates to business in force at the balance sheet date. Calculation of unearned premiums is performed by applying 1/24th method as specified in the Securities and Exchange Commission (Insurance) Rules, 2002.

**Premium deficiency reserve (liability adequacy test)**

The Company maintains a provision in respect of premium deficiency for the class of business where the unearned premium liability is inadequate 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 in profit and loss account for the year, if any.

**Provision for outstanding claims (including IBNR)**

A liability for outstanding claims (including IBNR) is recognized in respect of all claims incurred up to the balance sheet date that is measured at the undiscounted value of expected future payments. An actuary carries out the valuation of IBNR claims based on guidelines issued by the Securities and Exchange Commission of Pakistan.

**Employees' retirement benefits**

The Company operates defined benefit pension fund and defined benefit gratuity fund for its employees. The accounting of these benefits is performed in accordance with International Accounting Standard (IAS) 19 – Employee Benefits.

**Deferred taxation**

Deferred tax asset or liability is recognized using the balance sheet liability method for all temporary differences between the amounts attributed to assets and liabilities for financial reporting and taxation purposes. The amount of deferred tax recognized is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date.

**Impairment in value of investments**

All impairment losses are recognized in the profit and loss account. Provisions for impairment are reviewed at each balance sheet date and are adjusted to reflect the current best estimates. Changes in the provisions are recognized as income or expense in the profit and loss account.

**Investment properties**

Investment Property is accounted for under cost model in accordance with approved International Accounting Standard (IAS) 40, "Investment Property" and S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan. Valuation of investment properties are also carried out by independent valuers having relevant professional qualifications.

**Useful lives of fixed assets**

The assets' residual values, useful lives and method for depreciation are reviewed at each financial year end and adjusted if impact on depreciation is significant.

**Premium due but unpaid and Amounts due from other insurers/reinsurers**

The Company reviews its premium due but unpaid and amounts due from other insurers / reinsurers portfolio to assess their recoverability and provision required there-against. While assessing this requirement, various factors including the delinquency and financial position of the counter party are considered.

ہوئے معطل ٹیکس اثاثہ یا واجبات کو تسلیم کیا جاتا ہے۔ شناخت شدہ معطل ٹیکس کی رقم کی بنیاد، بیلنس شیٹ ڈیٹ میں نافذ کردہ ٹیکس کی شرح کا استعمال کرتے ہوئے، اثاثوں اور واجبات کی رقم کی وصولی یا تصفیہ کے متوقع طریقہ کار پر ہے۔

### سرمایہ کاری کی قیمت میں نقصان

منافع اور نقصان کے اکاؤنٹ میں تمام نقصانات کو تسلیم کیا جاتا ہے۔ ہر بیلنس شیٹ ڈیٹ میں نقصان کی شرائط کا جائزہ لیا جاتا ہے اور موجودہ بہترین تخمینوں کی عکاسی کرنے کے لئے اسے ایڈجسٹ کیا جاتا ہے۔ شرائط میں تبدیلی کو منافع اور نقصان کے اکاؤنٹ میں آمدنی یا اخراج کے طور پر تسلیم کیا جاتا ہے۔

### سرمایہ کاری کی جائیداد

سرمایہ کاری کی جائیداد کو، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی طرف سے جاری کردہ S.R.O 938، "سرمایہ کاری پراپرٹی" اور منظور شدہ بین الاقوامی اکاؤنٹنگ سٹینڈرڈ (آئی اے ایس) 40 کے مطابق لاگت ماڈل کے تحت شمار کیا جاتا ہے۔ سرمایہ کاری پراپرٹی کی تشخیص بھی خود مختار قابلِ قدر اشخاص کی طرف سے کی جاتے ہیں جو متعلقہ پیشہ ورانہ اہلیت رکھتے ہوں۔

### فکسڈ اثاثوں کا مفید بقاء

اثاثے کے باقی رہنے والے اقدار، مفید بقاء اور استحصال کے طریقہ کار کی ہر مالی سال کے اختتام پر نظر ثانی کی جاتی ہیں اور اگر قیمتوں میں اضافہ بہت نمایاں ہو تو انہیں ایڈجسٹ کیا جاتا ہے۔

### پریمیم واجبات لیکن دیگر بیمہ کاروں/مکرر ذمہ نویسوں کی طرف سے غیر اداشدہ اور قابلِ ادا رقوم

کمپنی اپنے اُن پریمیم واجبات جو کہ ابھی تک بیمہ کاروں/مکرر ذمہ نویسوں کے پورٹ فولیو کی طرف سے غیر اداشدہ اور قابلِ ادا ہیں، ان کا جائزہ لیتی ہے تا کہ ان کی بحالی اور مطلوبہ فراہمی کے لئے رسائی حاصل کرے۔ اس تقاضے کا اندازہ کرتے ہوئے، ہم منصب پارٹی کی ڈیلانسٹی اور مالی پوزیشن سمیت کئی عوامل شامل ہیں۔

## غیر یقینی صورتحال کا تخمینہ کرنے کے اہم ذرائع

مالی بیانات کی تیاری کے لیے اس چیز کی ضرورت ہوتی ہے کہ بورڈ آف ڈائریکٹرز ایسے تخمینے اور فیصلے کرے جو کہ اثاثہ جات، واجبات، آمدنیوں اور اخراجات اور متعلقہ افواہوں کے بارے میں اطلاع کی مقدار پر اثر انداز ہوں۔

تخمینہ جات اور منسلک مفروضات تاریخی تجربے اور دیگر متعدد عوامل پر مبنی ہیں جن کے بارے میں انتظامیہ اور بورڈ کا یہ خیال ہے کہ یہ موجودہ حالات کے تحت مناسب ہیں۔ ان تخمینوں اور مفروضوں کے نتائج اُن اثاثوں اور واجبات کے اقدار کے بارے میں فیصلہ کرنے کے لئے بنیاد بناتے ہیں جو کہ دوسرے ذرائع سے آسانی سے ظاہر نہیں ہوتے ہیں۔

مختلف نتائج یا حالات کے تحت اصل نتائج ان تخمینوں سے مختلف ہو سکتے ہیں۔ غیر یقینی تخمینہ کی اہم وجوہات، جس کا مالی بیانات میں تسلیم کردہ مقداروں پر ایک اہم اثر ہو سکتا ہے، کے بارے میں ذیل میں تبادلہ خیال کیا گیا ہے:

## غیر موصول شدہ پریمیم کے لئے فراہمی

غیر موصول شدہ پریمیم ریزرو، بیلنس شیٹ ڈیٹ میں مذکور کاروبار سے متعلق پریمیم کا غیر متوقع حصہ ہے۔ "سیکورٹیز اینڈ ایکسچینج کمیشن (انشورنس) کے قوانین، 2002ء" میں بیان کردہ طریقہ کار کے 1/24 ویں حصے کو لاگو کرنے سے غیر موصول کردہ پریمیموں کا حساب لگایا جاتا ہے۔

## پریمیم کی کمی والی آمدن (واجبات جانچنے کا ٹیسٹ)

کمپنی، کاروبار کی کلاس کے لئے پریمیم کی کمی کے سلسلے میں شرط کو برقرار رکھتی ہے جہاں، مکرر بیمہ کاری کے بعد، مستقبل کے متوقع واجبات کو پورا کرنے کے لئے غیر موصول پریمیم واجبات نا قابل اعتماد ہے، ایسے دعویٰ جات اور دیگر اضافی اخراجات میں سے جن کے بارے میں یہ توقع ہے کہ یہ بیلنس شیٹ ڈیٹ میں کاروبار کی اس کلاس میں غیر متوقع پالیسی کے حوالے سے بیلنس شیٹ ڈیٹ کے بعد خرچ ہوں گے۔ پریمیم کمی کی آمدن میں تحریک، بوقتِ ضرورت، سال کے لئے منافع اور نقصان کے اکاؤنٹ میں خرچ کے طور پر ریکارڈ کی گئی ہے۔

## بقایا جاتی رقوم کے دعویٰ کے لئے شرط (IBNR سمیت)

بقایا جاتی رقوم کے دعویٰ (بشمول آئی بی این آر) کی ذمہ داری ان تمام دعووں کے سلسلے میں تسلیم کی جاتی ہے جو اس بیلنس شیٹ ڈیٹ تک خرچ ہوئے جس کی متوقع مستقبل کی ادائیگیوں کے غیر رعایتی اقدار تک پیمائش ہوئی۔ آئی بی این آر کے اُن دعویٰ جات کی تشخیص عمل میں لائی گئی جو دعویٰ جات اُن ہدایات پر مبنی تھے جو "سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان" نے جاری کیں۔

## ملازمین کے ریٹائرمنٹ فوائد

کمپنی اپنے ملازموں کے لئے مقررہ بینی فٹ پنشن فنڈ اور مقررہ بینی فٹ گریجوئٹی فنڈ چلاتی ہے۔ ان فوائد کی اکاؤنٹنگ "بین الاقوامی اکاؤنٹنگ سٹینڈرڈ (آئی اے ایس) - 19 ملازمین فوائد" کے مطابق کی جاتی ہے۔

## معطل ٹیکس

مالیاتی رپورٹنگ اور ٹیکس کے مقاصد کے لئے اثاثوں اور واجبات کی منسوب کردہ رقوم کے درمیان تمام عارضی اختلافات کے لئے بیلنس شیٹ واجبات کا طریقہ استعمال کرتے

برقرار رکھی ہے جیسا کہ مالیاتی بیانات کے ملاحظہ نمبر 2.14 میں انکشاف کیا ہے۔

### ☆ مارکیٹ رسک

مارکیٹ رسک ایسا خطرہ ہے کہ جس میں مارکیٹ کے متغیرات جیسا کہ سود/ منافع کی شرح، غیر ملکی کرنسی کی شرح اور ایکوئٹی کی قیمتوں وغیرہ میں تبدیلی کے نتیجے میں مالی وسائل کی منصفانہ قیمت یا مستقبل کے نقد بہاؤ میں کمی بیشی ہوجائے گی۔ اصل مقصد قابلِ قبول پیرامیٹرز کے اندر رہتے ہوئے مارکیٹ رسک سے نمٹنے کا انتظام کرنا اور اسے کنٹرول کرنا ہے، جبکہ واپسی کو بہتر بنانا مقصود ہو۔ کمپنی کی کاروباری سرگرمیوں کے ساتھ منسلک مارکیٹ رسک مندرجہ ذیل ہیں:

### اے) سود/ منافع کی شرح کا رسک

سود/ منافع کی شرح کا رسک ایسا خطرہ ہے کہ جس میں مارکیٹ سود/ منافع کی شرح میں تبدیلی کے نتیجے میں مالی وسائل کی منصفانہ قیمت یا مستقبل کے نقد بہاؤ میں کمی بیشی ہوجائے گی۔ کمپنی سیکیورٹیز میں سرمایہ کاری کرتا ہے اور اس کے پاس رقوم ہیں جس میں سود/ منافع کی شرح کا رسک موجود ہے۔

کمپنی اس کرنسی میں سود/ منافع کی شرح میں تبدیلی کو مدنظر رکھتے ہوئے سود/ منافع کی شرح کے رسک کو محدود کرتی ہے جس کرنسی میں کمپنی کے نقد رقوم اور سرمایہ کاری کی نشان زدگی کی گئی ہوتی ہے۔

### بی) غیر ملکی کرنسی رسک

غیر ملکی کرنسی رسک ایسا خطرہ ہے جس میں غیر ملکی کرنسی کی شرح میں تبدیلیوں کی وجہ سے مالی وسائل کی منصفانہ قیمت یا مستقبل کے نقد بہاؤ میں تبدیلی آجائے گی۔ اس وقت کمپنی مادی طور پر کرنسی رسک میں مبتلا نہیں ہے کیونکہ زیادہ تر لین دین پاکستانی روپوں میں کیا جاتا ہے۔

### سی) قیمتوں کا رسک

قیمتوں کا رسک ایسا خطرہ ہے کہ جس میں مارکیٹ کی قیمتوں) سود/ منافع کی شرح کے رسک یا کرنسی رسک کے علاوہ( میں تبدیلی کی وجہ سے مالیاتی وسائل کی منصفانہ قیمت میں کمی بیشی واقع ہوگی، چاہے ان تبدیلیوں کی وجہ انفرادی مالیاتی وسائل یا اس کے اجراء کنندہ کے ساتھ مخصوص عوامل ہوں، یا مارکیٹ میں تجارت کیے جانے والے تمام یا ایک جیسے مالیاتی وسائل پر اثر انداز ہونے والے عوامل ہوں۔ قیمتوں کے رسک سے متعلق مزید تفصیلات مالیاتی بیانات کے ملاحظہ نمبر 32.4 میں مذکور ہیں۔

### ☆ لیکویڈیٹی رسک (مائع جاتی خطرات)

لیکویڈیٹی رسک ایسا خطرہ ہے جس میں کمپنی اپنے پر لاگو ہونے والے مالی واجبات کو پورا کرنے میں کامیاب نہیں ہوسکے گی۔ متوقع لیکویڈیٹی رسک مینجمنٹ کا مطلب مناسب نقد رقم اور مارکیٹنگ سیکیورٹیز کو برقرار رکھنا ہے۔ انتظامیہ، لیکویڈیٹی کی ضروریات کی نگرانی کرتی ہے تاکہ اس بات کو یقینی بنایا جاسکے کہ کسی بھی درپیش ذمہ داری کو پورا کرنے کے لئے مناسب فنڈز موجود ہیں۔ خطرے سے بچنے کے لئے، کمپنی نے لیکویڈیٹی ذہن میں رکھنے کے ساتھ نقد، نقد مساوات اور مارکیٹنگ سیکیورٹیز کے صحت مند توازن کو برقرار رکھتے ہوئے فنڈنگ وسائل اور اثاثہ جات کو مختلف جگہوں پر لگایا ہے۔

کمپنی کو درپیش لیکویڈیٹی خطرات سے متعلق مزید تفصیلات مالیاتی بیانات کے ملاحظہ نمبر 32.4 میں مذکور ہیں۔

# کمپنی کو درپیش بڑے خطرات اور غیر یقینی صورتحال

### اسٹریٹجک رسک

اسٹریٹجک رسک کمپنی کے اسٹریٹجک مقاصد اور کاروباری حکمت عملی کے فیصلے کا نتیجہ ہیں۔ کمپنی کے بورڈ آف ڈائریکٹرز نے ایک "ایگزیکٹو، رسک مینجمنٹ اینڈ کمپلائنس کمیٹی" قائم کردی ہے جس کے ذریعہ یہ کمپنی ان خطرات کے انتظام کی مؤثر طریقے سے نگرانی کرتی ہے اور جہاں بھی ضروری ہو یہ کمپنی ان خطرات کو کم کرنے کے لیے حکمت عملی بناتی ہے۔

### کاروباری رسک

یہ خطرات کسی ادارے کے تجارتی جزو سے منسلک ہوتے ہیں۔ کمپنی کو متاثر کرنے والے ان خطرات کی چند مثالوں میں مارکٹ شیئر کی کمی، مصنوعات کی قیمتوں کا تعین کرنے والے قواعد وضوابط میں ترمیم یا کمپنی کے منافع کو کم کرنے والی دیگر ریگولیٹری تبدیلیاں بہت عام مثالیں ہیں۔

### آپریشنل رسک

ان میں آپریشنل واقعات کے نتیجے میں کیپٹل وسائل کی قدر میں منفی تبدیلی کا خطرہ شامل ہوتا ہے جیسا کہ اندرونی نظام، اہلکار حضرات، طریقہ کار یا کنٹرول وغیرہ کا ناکافی ہونا یا ان چیزوں کی ناکامی۔

### مالیاتی رسک

کمپنی کی سرگرمیاں مختلف مالیاتی خطرات سے نمٹنے کے لئے ظہور میں آتی ہیں۔ کمپنی کا مجموعی رسک مینجمنٹ پروگرام مالیاتی مارکیٹوں کی غیر متوقع صلاحیت پر توجہ مرکوز کرتا ہے اور مالی کارکردگی پر ممکنہ منفی اثرات کو کم کرنے کی کوشش کرتا ہے۔ کمپنی درج ذیل اہم ملاحظات میں بیان کردہ طریقہ سے پچھلے سال کی نسبت اس سال بھی کسی چیز کی تبدیلی کے بغیر مالیاتی خطرے کے ظہور کا تسلسل سے انتظام کررہی ہے۔ بورڈ آف ڈائریکٹرز پر کمپنی کے رسک مینجمنٹ فریم ورک کے قیام اور اس کی نگرانی کی مجموعی ذمہ داری ہے۔ کمپنی کی رسک مینجمنٹ پالیسیوں کی بہتری کے لئے بھی بورڈ ہی ذمہ دار ہے۔ یہ خطرات مندرجہ ذیل اقسام میں تقسیم کیے گئے ہیں:

☆ **کریڈٹ رسک (قرض کا خطرہ)**

کریڈٹ رسک ایسا خطرہ ہے جو اس امکان سے پیدا ہوتا ہے کہ ایک مالی آلہ پر ایک پارٹی اپنی ذمہ داری کو ہٹانے میں ناکام ہو جائے اور دوسری پارٹی کو مالی نقصان پہنچادے۔ کمپنی، مختلف صنعتوں میں بہت سی ہم منصب پارٹیوں کے ساتھ لین دین کا آغاز کرتے ہوئے اور ہم منصب پارٹیوں کے کریڈٹ کی اہلیت کا جائزہ لیتے ہوئے کریڈٹ کے ظہور کی نگرانی کے ذریعے کریڈٹ رسک کنٹرول کرنے کی کوشش کرتی ہے۔

کریڈٹ رسک کا ارتکاز اس وقت ہوتا ہے جب کئی ہم منصب پارٹیاں ایک ہی قسم کی کاروباری سرگرمیاں کرتی ہیں۔ اس کے نتیجے میں، معاشی، سیاسی یا دیگر حالات میں کوئی بھی تبدیلی اسی طریقے سے ان کے معاہدے کو پورا کرنے کی صلاحیت پر اثر انداز ہوگی۔ مینجمنٹ، اگر ضرورت پڑے تو کلائنٹ کی پوشیدہ حقیقت کی نگرانی اور مشکوک اثاثہ جات کے لئے اشیاء کے روایتی تخمینوں کو برقرار رکھنے کے ذریعے، کمپنی کو کریڈٹ رسک میں پڑنے سے روکتی ہے یا اس خطرے کو کم کردیتی ہے۔ مینجمنٹ کا خیال ہے کہ کریڈٹ رسک پر بہت زیادہ توجہ مرکوز کرنے کی ضرورت نہیں ہے کیونکہ کمپنی کے مالی اثاثہ جات مالیاتی لحاظ سے مضبوط اداروں میں ہے جو ادارے مختلف صنعتی شعبہ جات کا احاطہ کیے ہوئے ہیں۔

خطرے کو کم کرنے کے لئے کمپنی کے پاس سرمایہ کاری کا ایک متنوع پورٹ فولیو ہے۔ اہم کریڈٹ رسک کے واقع ہونے کا تعلق اس میچورٹی سرمایہ کاری کے ساتھ ہے جو حکومتِ پاکستان اور مالیاتی ادارے کے ساتھ رکھی جاتی ہے جیسا کہ مالیاتی بیانات کے ملاحظہ نمبر 14......2 میں مذکور ہے۔ کمپنی نے سرمایہ کاری کے بعض ٹرم سرٹیفکیٹ کے خلاف ایک شق بھی

# BOARD COMMITTEES

The company has four committees at the board level. These committees meet on quarterly basis to review the company's performance, which strengthens its governance framework.

The terms of reference and composition of these committees are given below:

**Executive, Risk Management and Compliance Committee**

The terms of reference of this committee include the following:

a. Oversee the activities of the risk management function / department;
b. Monitoring the compliance function and the insurer's risk profile in respect of compliance with the laws applicable to it as well as the internal policies and procedures.
c. Supervise and monitor matters reported using the insurer's whistle blowing or other confidential mechanisms for employees and others to report compliance concerns or potential breaches, violations or frauds.
d. Approve all investments over Rs. 10 million and review progress of investments.
e. Review yearly budget and recommend its approval to the Board.
f. Review monthly performance of the Company.
g. Review and approve claim payments over Rs. 1 million.
h. Review legal suits filed by or against the Company.
i. Consider any other matter related to the performance and operations of the Company.

The Committee comprises of four members, including the Chairman of this committee, three of whom are non-executive directors. Following is the composition of this committee:

| Name | Status in Committee |
|---|---|
| Maj Gen Akhtar Iqbal (Retd) | Chairman |
| Maj Gen Imtiaz Hussain Sherazi (Retd) | Member |
| Brig M. Aslam Khan (Retd) | Member |
| Mr. Abdul Waheed | Member |

**Audit Committee**

The terms of reference of this committee include the following:

- determination of appropriate measures to safeguard the Company's assets;
- review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
  - major judgmental areas;
  - significant adjustments resulting from the audit;
  - the going concern assumption;
  - any changes in accounting policies and practices;
  - compliance with applicable accounting standards;
  - compliance with listing regulations and other statutory and regulatory requirements; and
  - significant related party transactions.
- review of preliminary announcements of results prior to publication;
- facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- review of management letter issued by external auditors and management's response thereto;
- ensuring coordination between the internal and external auditors of the Company;
- review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
- consideration of major findings of internal investigations and management's response thereto;
- review of arrangement for staff and management to report to Audit Committee in

confidence concerns, if any, about actual or potential inaproprieties in financial and other matters and recommend instituting remedial and mitigating measures.

- ascertaining that the internal control systems including financial and operational controls, accounting systems and the reporting structure are adequate and effective;
- review of the Company's statement on internal control systems prior to endorsement by the Board of Directors;
- determination of compliance with relevant statutory requirements;
- monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
- consideration of any other issue or matter as may be assigned by the Board of Directors.

The Committee comprises of three members, including the Chairman of this committee, all of whom are non-executive directors. Following is the composition of this committee:

| Name | Status in Committee |
|---|---|
| Mr. M. Munir Malik | Chairman |
| Malik Riffat Mehmood | Member |
| Brig M. Aslam Khan (Retd) | Member |

**Ethics, Human Resource & Remuneration Committee**

The terms of reference of this committee include the following:

a. recommending human resource management policies to the board;

b. recommending to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;

c. recommending to the board the selection, evaluation, compensation (including retirement benefits) of CFO, Company Secretary and Head of Internal Audit; and

d. consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO.

e. proposing a remuneration approach and related policies for the insurer covering the remuneration policy, remuneration governance and structure (including approval policy for the level and composition of compensation), and the components of compensation (such as the amount of fixed remuneration, shares or options, other variable remuneration, pension rights, redundancy pay and other forms of compensation and benefits, as well as the performance criteria and their application);

f. reviewing and making recommendations to the Board of Directors regarding the specific remuneration of the Board members, the Chief Executive Officer, Chief Financial Officer, Company Secretary, Compliance Officer and Head of Internal Audit.

The committee comprises of three members including the Chairman of this Committee, out of which one is independent and one is a non-executive director. Following is the composition of this committee:

| Name | Status in Committee |
|---|---|
| Mr. Imran Iqbal | Chairman |
| Brig M. Aslam Khan (Retd) | Member |
| Mr. Abdul Waheed | Member |

Furthermore, the Company has three sub-committees of the Board, which cover the core areas of business. These committees meet on regular basis and are headed by non-executive directors. The functions and composition of the committees are given below:

**Underwriting, Reinsurance & Coinsurance Committee**

The Underwriting, Reinsurance & Coinsurance Committee formulates the under writing policy of the Company. It sets out the criteria for assessing various types of insurance risks and determines the premium policy of different insurance covers. It regularly reviews the underwriting and premium policies of the Company with due regard to relevant factors such as business portfolio and the market development.

This committee also ensures that adequate reinsurance arrangements are made for the Company. It peruses the proposed reinsurances arrangements prior to their execution, reviews the arrangements from time to time and subject to the consent of the participating reinsures, makes appropriate adjustments to those arrangements in the light of the market development. It also assesses the effectiveness of the reinsurance programme for the future reference

Following is the composition of this committee:

| Name of Member | Status in Committee |
|---|---|
| Maj Gen Akhtar Iqbal (Retd) | Chairman |
| Mr. Abdul Waheed | Member |
| Mrs. Samina Khan | Member |
| Mr. Sohail Khalid | Member |

**Claims Settlement Committee**

This committee devises the claims settling policy of the Company. It oversees the claims position of the Company and ensures that adequate claims reserves are made. It pays particular attention to significant claims cases or events, which give rise to a series of claims. The Claims Settlement Committee determines the circumstances under which the claims disputes be brought to its attention and decide how to deal with such claims disputes. It also oversees the implementation of the measures for combating fraudulent claims cases.

Following is the composition of this committee:

| Name | Status in Committee |
|---|---|
| Malik Riffat Mehmood | Chairman |
| Mr. Abdul Waheed | Member |
| Mr. Athar Alam | Member |

**Investment Committee**

The Investment Committee is responsible for framing the investment policy for the Company and ensuring that the overall investment portfolio is managed in line with the approved investment policy. The functions of the committee are outlined below:

- Reviewing overall investment portfolio and investments and encashments made during the period under consideration;
- Reviewing the investment income generated in comparison with budgeted targets during the period under consideration;
- Reviewing and recommending the annual investment budget for the Board's approval;
- Assessing the macroeconomic and microeconomic factors for the foreseeable future and to issue guidance for further investments/disinvestments, restructuring of investment portfolio and reallocation of funds etc. so as to make timely decisions to maximize profits (or reduce possible losses), within the parameters of prudent and sound investment operations;
- Assessing the performance benchmarks for the investment portfolio;
- To ensure that the investment decisions are in synchronization with overall business strategy and investment policy of the Company; and
- To recommend changes in the investment policy guidelines, as and when considered necessary, to the Board of Directors.

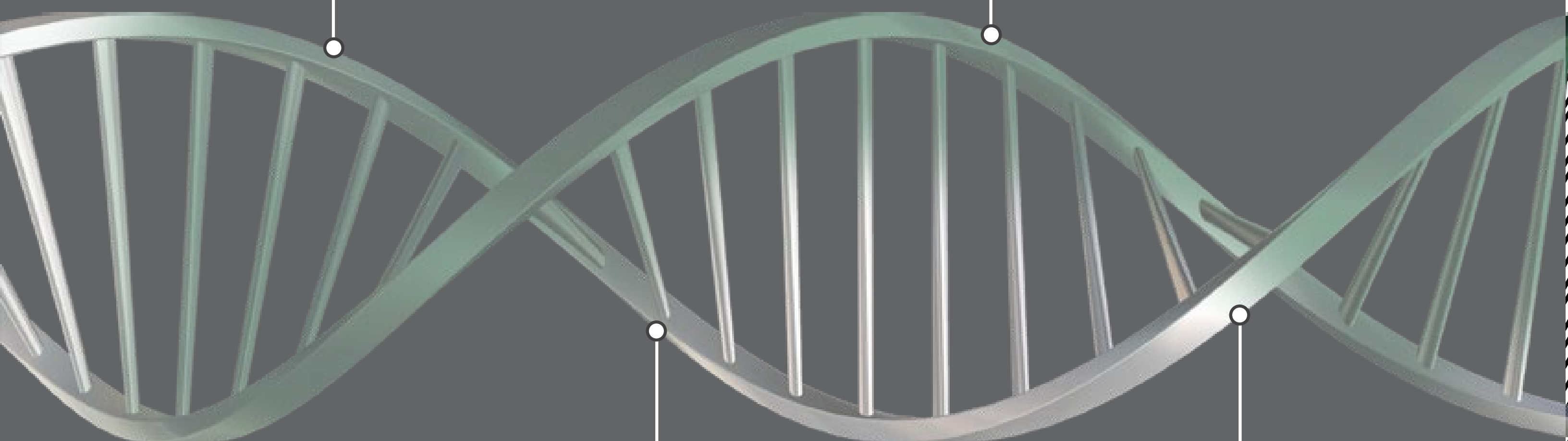
Following is the composition of this committee:

| Name | Status in Committee |
|---|---|
| Malik Riffat Mehmood | Chairman |
| Mr. M. Munir Malik | Member |
| Mr. Abdul Waheed | Member |
| Mr. Suleman Khalid | Member |
| Mr. Shahid Qayyum | Member |

# FINANCIAL CALENDAR

**Announcement of First Quarter 2017 results**
April 24, 2017

**Announcement of Half Year 2017 results**
August 25, 2017



**Dispatch of Final Cash Dividend Warrants and Bonus Shares**
May 25, 2017

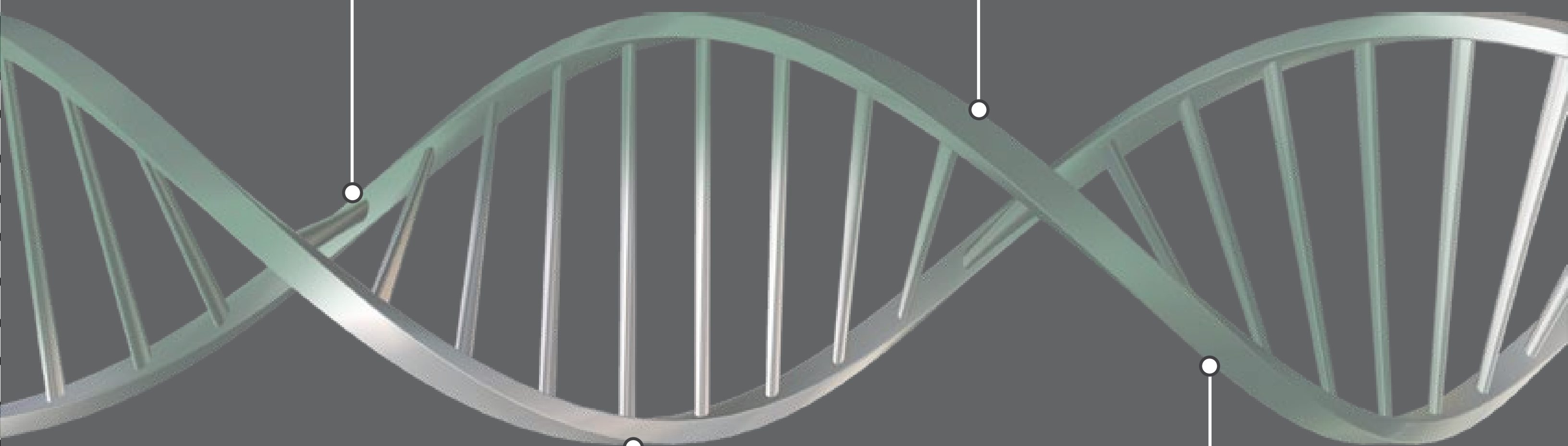
**Announcement of Third Quarter 2017 results**
October 25, 2017

**Dispatch of Interim Cash Dividend Warrants**

October 25, 2017

**Issuance of Annual Report 2017**

April 04, 2018



**Announcement of Annual 2017 Results**

March 08, 2018

**23rd Annual General Meeting**

April 26, 2018

# FINANCIAL ANALYSIS

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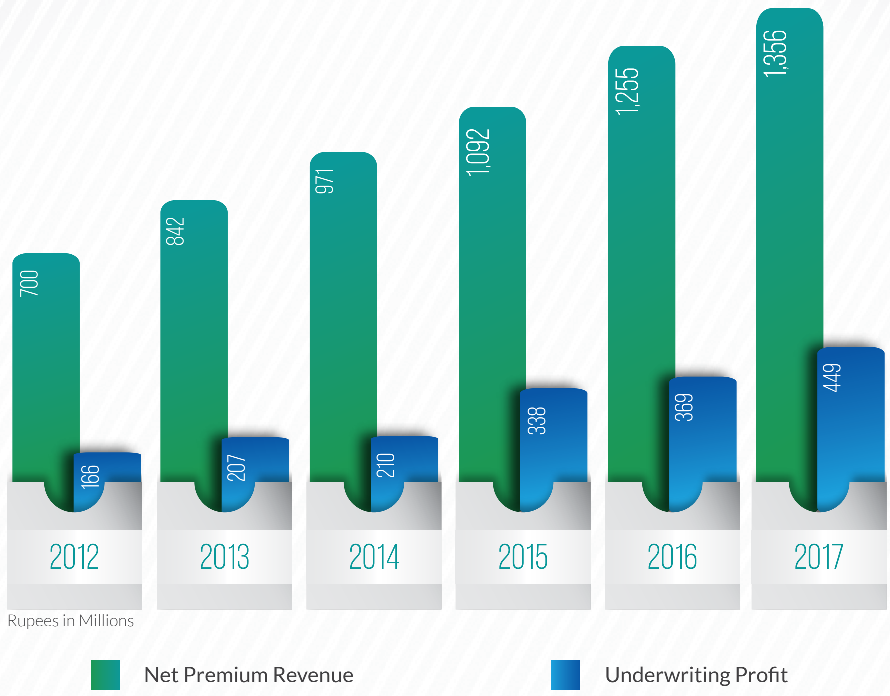
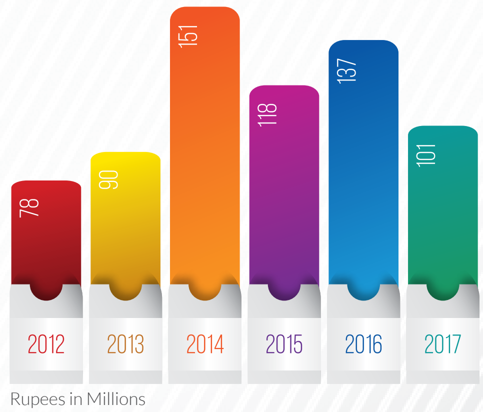
# PERFORMANCE AT A GLANCE





Gross Premium Written

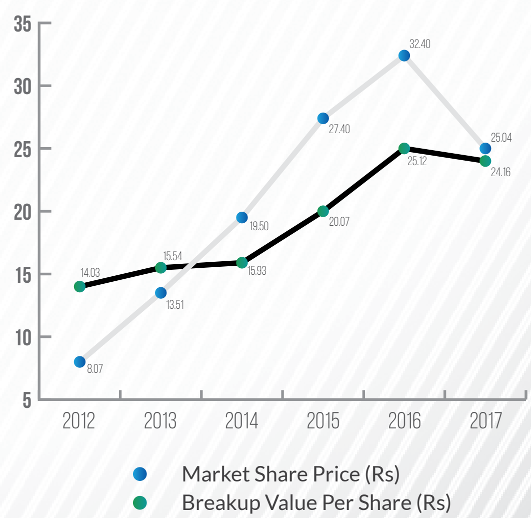



Investment and Other Income

# PERFORMANCE AT A GLANCE



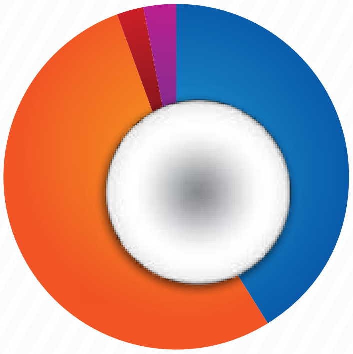
Profit After Tax



# GRAPHICAL ANALYSIS OF BALANCE SHEET

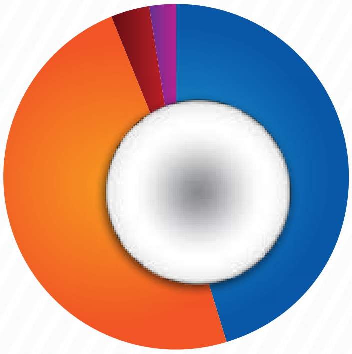
## ASSETS

### 2017



- 41.39% Earning Assets
- 53.00% Current Assets - others
- 02.65% Fixed Assets
- 02.96% Others

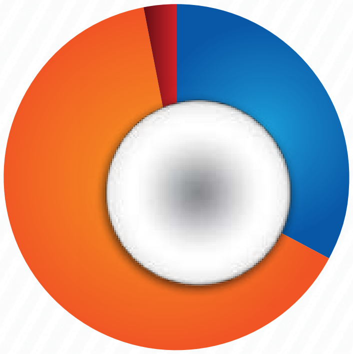
### 2016



- 45.47% Earning Assets
- 48.51% Current Assets - others
- 03.59% Fixed Assets
- 02.43% Others

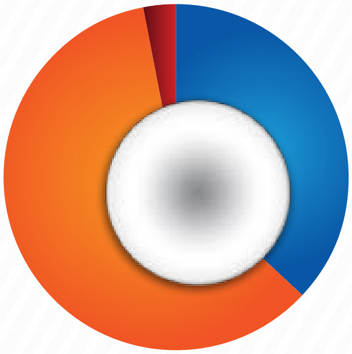
## SHAREHOLDERS' EQUITY & LIABILITIES

### 2017



- 33.29% Share Capital & Reserves
- 63.93% Current Liabilities
- 02.78% Non-Current Liabilities

### 2016

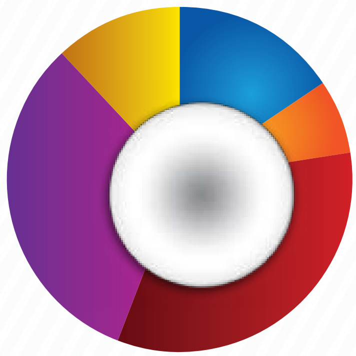


- 37.17% Share Capital & Reserves
- 59.78% Current Liabilities
- 03.05% Non-Current Liabilities

# GRAPHICAL ANALYSIS OF PROFIT & LOSS

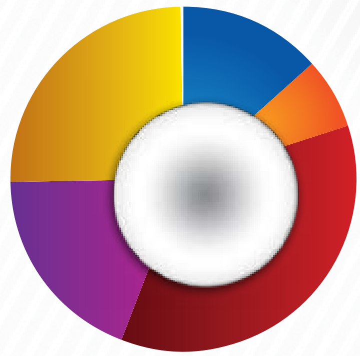
## GROSS PREMIUM WRITTEN BUSINESS WISE

### 2017



- 15.77% Fire and property damage
- 07.02% Marine, aviation and transport
- 33.19% Motor
- 32.14% Accident and health
- 11.88% Miscellaneous

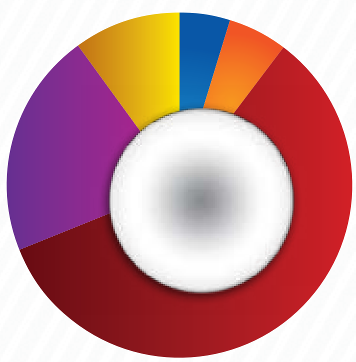
### 2016



- 13.34% Fire and property damage
- 06.72% Marine, aviation and transport
- 35.99% Motor
- 18.72% Accident and health
- 25.23% Miscellaneous

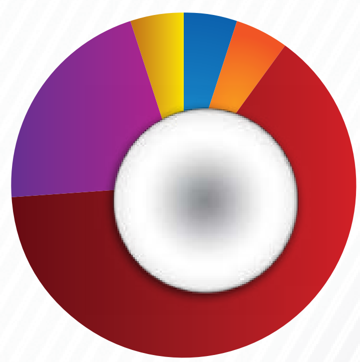
## NET PREMIUM REVENUE BUSINESS WISE

### 2017



- 05.05% Fire and property damage
- 05.30% Marine, aviation and transport
- 59.09% Motor
- 20.83% Accident and health
- 09.73% Miscellaneous

### 2016



- 05.24% Fire and property damage
- 04.87% Marine, aviation and transport
- 63.94% Motor
- 20.87% Accident and health
- 05.08% Miscellaneous

# Statement of Value Added

*For the year ended 31 December 2017*

| | 2017 | 2016 |
|---|---|---|
| | Rupees '000 | |
| **Wealth Generated** | | |
| Net Premium Revenue | 1,356,189 | 1,255,230 |
| Commission from reinsurer | 166,941 | 177,469 |
| Investment income and profit on bank deposits | 93,802 | 127,446 |
| Rental income | 4,518 | 3,652 |
| Other income | (7,518) | 8,465 |
| Gain on Takaful | 23,755 | 5,543 |
| | 1,637,687 | 1,577,805 |
| **Less:** | | |
| Claims, commission and expenses (excluding employees remuneration, depreciation and other taxes) | 887,394 | 900,383 |
| **Net wealth generated** | 750,293 | 677,422 |
| **Wealth distribution:** | | |
| Employees' remuneration | 338,195 | 303,486 |
| Government taxes (includes income tax, WWF and other taxes) | 110,907 | 84,016 |
| Finance cost | 5,056 | 4,017 |
| | 454,158 | 391,519 |
| **Distribution** | | |
| Cash Dividend | 116,891 | 58,252 |
| Stock Dividend | 81,552 | 38,834 |
| | 198,443 | 97,086 |
| **Retained in business:** | | |
| Depreciation and amortization | 52,920 | 46,943 |
| Earnings | 44,772 | 141,874 |
| | 97,692 | 188,817 |
| **Total Wealth Distributed** | 750,293 | 677,422 |

# Financial Statement Analysis - Vertical

| | 2017 | | 2016 | | 2015 | | 2014 | | 2013 | | 2012 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance Sheet** | **Rupees '000** | **%** | Rupees '000 | % | Rupees '000 | % | Rupees '000 | % | Rupees '000 | % | Rupees '000 | % |
| Cash and Bank Deposits | 191,755 | 4.23 | 151,902 | 4.08 | 115,264 | 4.06 | 133,969 | 5.36 | 119,602 | 5.34 | 483,242 | 21.73 |
| Loans to Employees | 801 | 0.02 | 1,344 | 0.04 | 1,488 | 0.05 | 1,586 | 0.06 | 1,111 | 0.05 | 1,736 | 0.08 |
| Investments | 1,643,014 | 36.21 | 1,498,227 | 40.20 | 1,157,928 | 40.75 | 1,014,304 | 40.61 | 864,102 | 38.61 | 605,034 | 27.20 |
| Investment Property | 43,121 | 0.95 | 44,431 | 1.19 | 45,741 | 1.61 | 47,051 | 1.88 | 48,361 | 2.16 | 49,671 | 2.23 |
| Deferred Taxation | 12,989 | 0.29 | 11,174 | 0.30 | 11,232 | 0.40 | 3,942 | 0.16 | 7,190 | 0.32 | 4,595 | 0.21 |
| Current Assets | 2,404,616 | 53.00 | 1,807,718 | 48.51 | 1,360,156 | 47.86 | 1,247,777 | 49.95 | 1,130,506 | 50.51 | 1,003,037 | 45.10 |
| Fixed Assets- Tangible and Intangible | 120,400 | 2.65 | 133,732 | 3.59 | 99,524 | 3.50 | 49,321 | 1.97 | 67,123 | 3.00 | 76,699 | 3.45 |
| Total Assets from Window Takaful Operations - Operators' Fund (OPF) | 120,437 | 2.65 | 78,051 | 2.09 | 50,368 | 1.77 | - | - | - | - | - | - |
| **Total Assets** | 4,537,133 | 100.00 | 3,726,579 | 100.00 | 2,841,701 | 100.00 | 2,497,950 | 100.00 | 2,237,995 | 100.00 | 2,224,014 | 100.00 |
| Share Holders' Equity | 1,510,290 | 33.29 | 1,385,173 | 37.17 | 975,777 | 34.34 | 779,535 | 31.21 | 618,475 | 27.64 | 502,897 | 22.61 |
| Underwriting Provisions | 2,045,241 | 45.08 | 1,651,460 | 44.32 | 1,412,067 | 49.69 | 1,344,770 | 53.83 | 1,307,779 | 58.44 | 1,084,383 | 48.76 |
| Staff Retirement Benefits | 23,717 | 0.52 | 25,381 | 0.68 | 19,737 | 0.69 | 15,132 | 0.61 | 11,081 | 0.50 | 9,916 | 0.45 |
| Creditors and Accruals | 816,665 | 18.00 | 541,795 | 14.54 | 381,616 | 13.43 | 343,744 | 13.76 | 281,639 | 12.58 | 617,859 | 27.78 |
| Finance Lease Liability | 63,770 | 1.41 | 70,655 | 1.90 | 31,474 | 1.11 | - | - | - | - | - | - |
| Other Liabilities | 34,359 | 0.76 | 27,655 | 0.74 | 18,710 | 0.66 | 14,769 | 0.59 | 19,021 | 0.85 | 8,959 | 0.40 |
| Total Liabilities from Window Takaful Operations - OPF | 43,091 | 0.950 | 24,460 | 0.656 | 2,320 | 0.08 | - | - | - | - | - | - |
| **Total Equity and Liabilities** | 4,537,133 | 100.00 | 3,726,579 | 100.00 | 2,841,701 | 100.00 | 2,497,950 | 100.00 | 2,237,995 | 100.00 | 2,224,014 | 100.00 |
| **Profit & Loss Account** | | | | | | | | | | | | |
| Net Premium Revenue | 1,356,189 | 100.00 | 1,255,230 | 100.00 | 1,091,884 | 100.00 | 971,450 | 100.00 | 841,925 | 100.00 | 699,947 | 100.00 |
| Net Claims | 622,365 | 45.89 | 644,502 | 51.35 | 537,792 | 49.25 | 561,424 | 57.79 | 464,838 | 55.21 | 372,934 | 53.28 |
| Expenses | 331,567 | 24.45 | 290,239 | 23.12 | 271,148 | 24.83 | 260,299 | 26.79 | 220,939 | 26.24 | 194,921 | 27.85 |
| Net Commission | 46,999 | 3.47 | 48,722 | 3.88 | 54,965 | 5.03 | 60,074 | 6.18 | 50,616 | 6.01 | 33,715 | 4.82 |
| Investment Income including Rental & Bank Deposits Returns | 98,320 | 7.25 | 131,098 | 10.44 | 113,325 | 10.38 | 136,925 | 14.09 | 75,528 | 8.97 | 64,826 | 9.26 |
| Other Income | 2,957 | 0.22 | 6,310 | 0.50 | 4,552 | 0.42 | 13,608 | 1.40 | 14,446 | 1.72 | 13,280 | 1.90 |
| Finance Cost | 5,056 | 0.37 | 4,017 | 0.32 | 983 | 0.09 | - | - | - | - | - | - |
| General and Administration Expenses | 204,735 | 15.10 | 187,629 | 14.95 | 177,935 | 16.30 | 158,118 | 16.28 | 147,103 | 17.47 | 157,521 | 22.50 |
| Impairment in Value of Available for Sale Securities | 4,463 | 0.33 | 2,322 | 0.18 | 4,251 | 0.39 | - | - | - | - | - | - |
| Profit Before Window Takaful Operations and Tax | 340,742 | 25.12 | 314,973 | 25.09 | 276,868 | 25.36 | 202,217 | 20.82 | 149,636 | 17.77 | 86,393 | 12.34 |
| Profit / (loss) from Window Takaful Operations - OPF | 23,755 | 1.75 | 5,543 | 0.44 | (1,952) | (0.18) | - | - | - | - | - | - |
| Taxation - net | 110,807 | 8.17 | 83,711 | 6.67 | 76,408 | 7.00 | 38,802 | 3.99 | 30,571 | 3.63 | 12,107 | 1.73 |
| **Profit After Tax** | 253,690 | 18.71 | 236,805 | 18.87 | 198,508 | 18.18 | 163,415 | 16.82 | 119,065 | 14.14 | 74,286 | 10.61 |

# Financial Statements Analysis - Horizontal

| | Rupees '000 | | | | | | % increase / (decrease) over preceeding year | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2017** | 2016 | 2015 | 2014 | 2013 | 2012 | **2017** | 2016 | 2015 | 2014 | 2013 | 2012 |
| **Balance Sheet** | | | | | | | | | | | | |
| Cash and Bank Deposits | 191,755 | 151,902 | 115,264 | 133,969 | 119,602 | 483,242 | 26.24 | 31.79 | (13.96) | 12.01 | (75.25) | 43.08 |
| Loans to Employees | 801 | 1,344 | 1,488 | 1,586 | 1,111 | 1,736 | (40.40) | (9.68) | (6.18) | 42.75 | (36.00) | (44.88) |
| Investments | 1,643,014 | 1,498,227 | 1,157,928 | 1,014,304 | 864,102 | 605,034 | 9.66 | 29.39 | 14.16 | 17.38 | 42.82 | 9.97 |
| Investment Property | 43,121 | 44,431 | 45,741 | 47,051 | 48,361 | 49,671 | (2.95) | (2.86) | (2.78) | (2.71) | (2.64) | (2.51) |
| Deferred Taxation | 12,989 | 11,174 | 11,232 | 3,942 | 7,190 | 4,595 | 16.24 | (0.52) | 184.93 | (45.17) | 56.47 | 274.23 |
| Current Assets | 2,404,616 | 1,807,718 | 1,360,156 | 1,247,777 | 1,130,506 | 1,003,037 | 33.02 | 32.91 | 9.01 | 10.37 | 12.71 | 0.70 |
| Fixed Assets- Tangible and Intangible | 120,400 | 133,732 | 99,524 | 49,321 | 67,123 | 76,699 | (9.97) | 34.37 | 101.79 | (26.52) | (12.49) | 0.72 |
| Total Assets from Window Takaful Operations - OPF | 120,437 | 78,051 | 50,368 | - | - | - | 54.31 | 54.96 | 100.00 | - | - | - |
| **Total Assets** | 4,537,133 | 3,726,579 | 2,841,701 | 2,497,950 | 2,237,995 | 2,224,014 | 21.75 | 31.14 | 13.76 | 11.62 | 0.63 | 6.26 |
| Share Holders' Equity | 1,510,290 | 1,385,173 | 975,777 | 779,535 | 618,475 | 502,897 | 9.03 | 41.96 | 25.17 | 26.04 | 22.98 | 36.85 |
| Underwriting Provisions | 2,045,241 | 1,651,460 | 1,412,067 | 1,344,770 | 1,307,779 | 1,084,383 | 23.84 | 16.95 | 5.00 | 2.83 | 20.60 | (2.72) |
| Staff Retirement Benefits | 23,717 | 25,381 | 19,737 | 15,132 | 11,081 | 9,916 | (6.56) | 28.60 | 30.43 | 36.56 | 11.75 | 32.04 |
| Creditors and Accruals | 816,665 | 541,795 | 381,616 | 343,744 | 281,639 | 617,859 | 50.73 | 41.97 | 11.02 | 22.05 | (54.42) | (3.24) |
| Finance Lease Liability | 63,770 | 70,655 | 31,474 | - | - | - | (9.74) | 124.49 | 100.00 | - | - | - |
| Other Liabilities | 34,359 | 27,655 | 18,710 | 14,769 | 19,021 | 8,959 | 24.24 | 47.81 | 26.68 | (22.35) | 112.31 | 55.70 |
| Total Liabilities from Window Takaful Operations - OPF | 43,091 | 24,460 | 2,320 | - | - | - | 76.17 | 954.31 | 100.00 | - | - | - |
| **Total Equity and Liabilities** | 4,537,133 | 3,726,579 | 2,841,701 | 2,497,950 | 2,237,995 | 2,224,014 | 21.75 | 31.14 | 13.76 | 11.62 | 0.63 | 6.26 |
| **Profit & Loss Account** | | | | | | | | | | | | |
| Net Premium Revenue | 1,356,189 | 1,255,230 | 1,091,884 | 971,450 | 841,925 | 699,947 | 8.04 | 14.96 | 12.40 | 15.38 | 20.28 | (1.03) |
| Net Claims | 622,365 | 644,502 | 537,792 | 561,424 | 464,838 | 372,934 | (3.43) | 19.84 | (4.21) | 20.78 | 24.64 | (15.04) |
| Expenses | 331,567 | 290,239 | 271,148 | 260,299 | 220,939 | 194,921 | 14.24 | 7.04 | 4.17 | 17.81 | 13.35 | 18.48 |
| Net Commission | 46,999 | 48,722 | 54,965 | 60,074 | 50,616 | 33,715 | (3.54) | (11.36) | (8.50) | 18.69 | 50.13 | 113.08 |
| Investment Income including Rental & Bank Deposits Returns | 98,320 | 131,098 | 113,325 | 136,925 | 75,528 | 64,826 | (25.00) | 15.68 | (17.24) | 81.29 | 16.51 | 0.42 |
| Other Income | 2,957 | 6,310 | 4,552 | 13,608 | 14,446 | 13,280 | (53.14) | 38.62 | (66.55) | (5.80) | 8.78 | 48.91 |
| Finance Cost | 5,056 | 4,017 | 983 | - | - | - | 25.87 | 308.65 | 100.00 | - | - | - |
| General and Administration Expenses | 204,735 | 187,629 | 177,935 | 158,118 | 147,103 | 157,521 | 9.12 | 5.45 | 12.53 | 7.49 | (6.61) | 9.46 |
| Impairment in Value of Available for Sale Securities | 4,463 | 2,322 | 4,251 | - | - | - | 92.20 | (45.38) | 100.00 | - | - | - |
| Profit Before Window Takaful Operations and Tax | 340,742 | 314,973 | 276,868 | 202,217 | 149,636 | 86,393 | 8.18 | 13.76 | 36.92 | 35.14 | 73.20 | 47.94 |
| Profit / (loss) from Window Takaful Operations - OPF | 23,755 | 5,543 | (1,952) | - | - | - | 328.56 | (383.97) | 100.00 | - | - | - |
| Taxation - net | 110,807 | 83,711 | 76,408 | 38,802 | 30,571 | 12,107 | 32.37 | 9.56 | 96.92 | 26.92 | 152.51 | 127.48 |
| **Profit After Tax** | 253,690 | 236,805 | 198,508 | 163,415 | 119,065 | 74,286 | 7.13 | 19.29 | 21.47 | 37.25 | 60.28 | 37.99 |

# A Glimpse of Six Years Performance

| | Rupees '000 | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| **Financial Position** | | | | | | |
| Paid Up Share Capital | 625,234 | 543,682 | 388,344 | 388,344 | 388,344 | 323,620 |
| Retained Profits | 693,895 | 650,330 | 512,775 | 316,533 | 155,474 | 104,619 |
| Reserves | 191,161 | 191,161 | 74,658 | 74,658 | 74,658 | 74,658 |
| Share Holders' Equity | 1,510,290 | 1,385,173 | 975,777 | 779,535 | 618,475 | 502,897 |
| Underwriting Reserve | 1,538,596 | 1,160,228 | 986,731 | 895,426 | 926,428 | 767,175 |
| Investments | 1,643,014 | 1,498,227 | 1,157,928 | 1,014,304 | 864,102 | 605,034 |
| Investment Property | 43,121 | 44,431 | 45,741 | 47,051 | 48,361 | 49,671 |
| Fixed Assets - Tangible and Intangible | 120,400 | 133,732 | 99,524 | 49,321 | 67,123 | 76,690 |
| Total Assets | 4,537,133 | 3,726,579 | 2,849,689 | 2,497,950 | 2,237,995 | 2,224,014 |
| Market Share Price (Rs.) | 25.04 | 40.74 | 32.40 | 27.40 | 19.50 | 13.51 |
| Breakup Value Per Share (Rs.) | 24.16 | 25.48 | 25.13 | 20.07 | 15.93 | 15.54 |
| **Financial Performance** | | | | | | |
| Gross Premiums Written | 2,583,234 | 2,249,946 | 2,005,056 | 1,719,458 | 1,605,033 | 1,413,554 |
| Net Premium Revenue | 1,356,189 | 1,255,230 | 1,091,884 | 971,450 | 841,925 | 699,947 |
| Net Claims | 622,365 | 644,502 | 537,792 | 561,424 | 464,838 | 372,934 |
| Underwriting Income | 449,256 | 369,211 | 337,909 | 209,802 | 206,764 | 165,808 |
| Management Expenses | 331,567 | 290,239 | 271,148 | 260,299 | 220,939 | 194,921 |
| Administration Expenses | 204,735 | 187,629 | 177,935 | 158,118 | 147,103 | 156,506 |
| Investment and Other Income | 101,277 | 137,408 | 117,877 | 150,533 | 89,975 | 78,106 |
| Finance Cost | 5,056 | 4,017 | 983 | - | - | - |
| Profit Before Window Takaful Operations and Tax | 340,742 | 314,973 | 276,868 | 202,217 | 149,636 | 86,393 |
| Profit / (loss) from Window Takaful Operations - OPF | 23,755 | 5,543 | (1,952) | - | - | - |
| Profit After Tax | 253,690 | 236,805 | 198,508 | 163,415 | 119,065 | 74,286 |
| Dividend | 20% | 15% | - | - | - | - |
| Bonus Shares | 15% | 10% | - | - | - | 20% |
| Earning Per Share (Rs.) (Restated) | 4.06 | 3.89 | 3.26 | 2.68 | 1.95 | 1.22 |
| **Cash Flows Summary** | | | | | | |
| Operating Activities | 257,472 | 123,594 | 120,099 | 28,955 | (169,060) | 435,940 |
| Investing Activities | (75,044) | (227,053) | (137,800) | (14,587) | (194,579) | (83,264) |
| Financing Activities | (142,575) | 140,097 | (14,645) | - | - | - |
| Cash & Cash Equivalents at the year end | 191,755 | 151,902 | 115,264 | 133,969 | 119,602 | 483,242 |

# Financial Ratios

| | | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|---|
| **Profitability** | | | | | | | |
| Profit Before Tax / Gross Premium | % | 14.11 | 14.25 | 13.71 | 11.76 | 9.32 | 6.11 |
| Profit Before Tax / Net Premium | % | 26.88 | 25.53 | 25.18 | 20.82 | 17.77 | 12.34 |
| Profit After Tax / Gross Premium | % | 9.82 | 10.52 | 9.90 | 9.50 | 7.42 | 5.26 |
| Profit After Tax / Net Premium | % | 18.71 | 18.87 | 18.18 | 16.82 | 14.14 | 10.61 |
| Underwriting Result / Gross Premium | % | 17.39 | 16.41 | 16.85 | 12.20 | 12.88 | 11.73 |
| Underwriting Result / Net Premium | % | 33.13 | 29.41 | 30.95 | 21.60 | 24.56 | 23.69 |
| Profit Before Tax / Total Income | % | 23.85 | 22.15 | 21.77 | 17.11 | 15.23 | 10.64 |
| Profit After Tax / Total Income | % | 16.60 | 16.37 | 15.72 | 13.82 | 12.12 | 9.15 |
| Combined ratio | % | 65.94 | 74.79 | 73.41 | 75.38 | 73.75 | 75.36 |
| Net Claims / Net Premium | % | 45.89 | 51.35 | 49.25 | 57.79 | 55.21 | 53.28 |
| Management Expense / Net Premium | % | 24.45 | 23.12 | 24.83 | 26.79 | 26.24 | 27.85 |
| **Return to Share Holders** | | | | | | | |
| Return on Equity - PAT | % | 18.31 | 24.27 | 25.46 | 26.42 | 23.68 | 17.19 |
| Earning Growth | % | 7.13 | 19.29 | 21.47 | 37.25 | 60.28 | 13.53 |
| Return on Assets (Book value) | % | 5.59 | 6.35 | 6.97 | 6.54 | 5.32 | 3.34 |
| Earning Per Share | Rs. | 4.06 | 3.89 | 3.26 | 2.68 | 1.95 | 1.22 |
| Breakup Value Per Share | Rs. | 24.16 | 25.48 | 25.13 | 20.07 | 15.93 | 15.54 |
| Market Share Price | Rs. | 25.04 | 40.74 | 32.40 | 27.40 | 19.50 | 13.51 |
| **Performance / Liquidity** | | | | | | | |
| Current Ratio | Times | 1.70 | 1.45 | 1.34 | 1.34 | 1.22 | 1.15 |
| Cash / Current Liabilities | Times | 0.08 | 0.07 | 0.06 | 0.08 | 0.07 | 0.28 |
| Total Assets Turnover | Times | 0.57 | 0.60 | 0.70 | 0.69 | 0.72 | 0.64 |
| Fixed Assets Turnover | Times | 21.46 | 16.82 | 20.15 | 34.86 | 23.91 | 18.43 |
| Total Liabilities / Equity | Times | 2.00 | 1.69 | 1.92 | 2.20 | 2.62 | 3.42 |
| Paid-up Capital / Total Assets | % | 13.78 | 14.59 | 13.63 | 15.55 | 17.35 | 14.55 |
| Earning Assets / Total Assets | % | 41.39 | 45.47 | 46.28 | 47.85 | 46.12 | 51.17 |
| Equity / Total Assets | % | 33.29 | 37.17 | 34.24 | 31.21 | 27.64 | 22.61 |
| Cash Flow from Operations / Sales | % | 9.97 | 5.49 | 5.99 | 1.68 | (10.53) | 30.84 |


LAW
COMPLIANCE
POLICIES
STANDARDS


# STATEMENT & REPORTS

## CONTENTS

# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

*Name of the company:* *Askari General Insurance Company Limited*

*For The Year Ended:* *31 December 2017*

This statement is being presented in compliance with the Code of Corporate Governance for Insurers, 2016 (CCG 2016) and the Code of Corporate Governance 2012 (CCG 2012).

AGICO has applied the principles contained in CCG 2012 and CCG 2016 in the following manner:

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

| Category | Names |
|---|---|
| Independent Directors | Mr. M. Munir Malik |
| | Mr. Imran Iqbal |
| Executive Directors | Mr. Abdul Waheed – President & Chief Executive |
| Non-Executive Directors | Lt Gen Najib Ullah Khan (Retd) |
| | Maj Gen Akhtar Iqbal (Retd) |
| | Maj Gen Imtiaz Hussain Sherazi (Retd) |
| | Brig M. Aslam Khan (Retd) |
| | Mr. Abdul Hai Mahmood Bhaimia |
| | Malik Riffat Mehmood |

   All independent directors meet the criteria of independence as laid down under the CCG 2012 and CCG 2016.

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

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

4. No casual vacancies occurred on the Board during 2017.

5. The Company has prepared a Code of Conduct, which has been disseminated among all the directors and employees of the insurer.

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

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

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

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

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

11. The Board has put in place a mechanism for an annual evaluation of the board's own performance as required under the CCG 2012.

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

13. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG 2012 and the CCG 2016 and fully describes the salient matters required to be disclosed.

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

15. The directors Chief Executive Officer and other executives do not hold any interest in the shares of the insurer other than disclosed in the pattern of shareholding.

16. The Company has complied with all the corporate and financial reporting requirements of the CCG 2012 and the CCG 2016.

17. The Board has formed the following Management Committees under the CCG 2016:

**Underwriting, Reinsurance & Coinsurance Committee:**

| Name of the Member | Category |
|---|---|
| Maj Gen Akhtar Iqbal (Retd) | Chairman |
| Mr. Abdul Waheed | Member |
| Mrs. Samina Khan | Member |
| Mr. Sohail Khalid | Member |

**Claims Settlement Committee:**

| Name of the Member | Category |
|---|---|
| Malik Riffat Mehmood | Chairman |
| Mr. Abdul Waheed | Member |
| Mr. Athar Alam | Member |

**Executive, Risk Management & Compliance Committee:**

| Name of the Member | Category |
|---|---|
| Maj Gen Akhtar Iqbal (Retd) | Chairman |
| Maj Gen Imtiaz Hussain Sherazi (Retd) | Member |
| Brig M. Aslam Khan (Retd) | Member |
| Mr. Abdul Waheed | Member |

18. The Board has formed the following Board Committees under CCG 2012/CCG 2016:

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

| Name of the Member | Category |
|---|---|
| Mr. Imran Iqbal | Chairman |
| Brig M. Aslam Khan (Retd) | Member |
| Mr. Abdul Waheed | Member |

**Investment Committee:**

| Name of the Member | Category |
|---|---|
| Malik Riffat Mehmood | Chairman |
| Mr. M. Munir Malik | Member |
| Mr. Abdul Waheed | Member |
| Mr. Suleman Khalid | Member |
| Mr. Shahid Qayyum | Member |

19. The board has formed an Audit Committee. It comprises of three (3) members, of whom one is independent director and two are non-executive director. The chairman of the Committee is an independent director. The composition of the Audit Committee is as follows:

**Audit Committee:**

| Name of Member | Category |
|---|---|
| Mr. M. Munir Malik | Chairman |
| Brig M. Aslam Khan (Retd) | Member |
| Malik Riffat Mehmood | Member |

20. The meeting of the Committees, except Ethics, Human Resources and Remuneration Committee, were held at least once every quarter prior to approval of interim and final results of the insurer and as required by the CCG 2012 and CCG 2016. The terms of references of the Committees have been formed and advised to the Committees for compliance.

21. The Board has set up an effective internal audit function.

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

| Name of Persons | Designation |
|---|---|
| Mr. Abdul Waheed | Chief Executive Officer |
| Mr. Suleman Khalid | Chief Financial Officer |
| Mrs. Samina Khan | Head of Underwriting |
| Mr. Ather Alam | Head of Claims |
| Mr. Sohail Khalid | Head of Reinsurance |
| Mr. Khalid Qayyum | Head of Risk Management |
| Mr. Anwar Ahmed Malik | Compliance Officer/Head of Grievance Function |
| Mr. Faizan Zafar | Company Secretary |
| Mr. Ahmed Asif Jah | Head of Internal Audit |

23. The Statutory auditors of the insurer have been appointed from the panel of auditors approved by the Commission in terms of Section-148 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partner of the firm, their spouses and minor children do not hold shares of the insurer and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidance on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

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

25. All related party transactions entered during the year were on arm's length basis and these have been placed before the Audit Committee and the Board of Directors. These transactions are duly reviewed and approved by the Audit committee and Board of Directors along with pricing method.

# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

26. The Board ensures that the investment policy of the Company has been drawn up in accordance with the provisions of the CCG 2016.

27. The Board ensures that the risk management system of the Company is in place as per requirements of the CCG 2016.

28. The Board has set up a risk management function/department, which carries out its tasks as covered under the CCG 2016.

29. The Board ensures that as part of the risk management system, the Company obtains rating from JCR-VIS which is being used by its risk management function/department and the respective Committee as a risk monitoring tool. The rating assigned by JCR-VIS on 27 December 2017 was "AA-" (Double A Minus) with stable outlook.

30. The Board has set up a grievance department/function, which fully complies with the requirements of the CCG 2016.

31. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

32. Material/price sensitive information has been disseminated among all market participants at once through the Stock Exchange.

33. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

34. The Company has not obtained any exemptions from the Securities & Exchange Commission of Pakistan in respect of any of the requirements of the CCG 2016.

35. We confirm that all other material principles contained in the CCG 2012 and CCG 2016 have been complied with.

**By Order of the Board**

**Abdul Waheed**
**President & Chief Executive**

**Lt Gen Najib Ullah Khan (Retd)**
**Chairman of the Board**

**March 08, 2018**

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# REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance for Insurers, 2016 and Code of Corporate Governance, 2012 as mentioned in the regulation No. 5.19.24 of the Rule Book of Pakistan Stock Exchange (''PSX'') (combined called 'the Code') as prepared by the Board of Directors (''the Board'') of askari general insurance company limited (''the Company'') for the year ended December 31,2017 to comply with the requirements of Listing Regulations of PSX where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's Compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2017.

KPMG Taseer Hadi & Co.

Date: 8 March 2018
Islamabad

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement partner:
Inam Kakra

S.M. SUHAIL & CO.
Chartered Accountants

Islamabad Office
Suite No. 361-C, St. 33, F-11/2,
Islamabad, Pakistan.
Phone: +92-51-2211577-8
E-mail: info.islamabad@ smsco.pk
URL: www.smsco.pk

# INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS AND SHARIAH ADVISOR IN RESPECT OF COMPLIANCE WITH PRESCRIBED TAKAFUL RULES, 2012, AND SHARIAH RULES AND PRINCIPLES DETERMINED BY THE SHARIAH ADVISOR

We have perfromed an independent assurance engagement - Shariah Compliance Audit - of Window Takaful operations of Askari General Insurance Company Limited (the Company) to ensure that the Company has complied with the prescribed Takaful Rules, 2012, and Shariah Rules and Principles determined by the Shariah Advisor of the Company, during the year from January 01, to December 31, 2017.

## 2. Management's Responsibility for Shariah Compliance

It is the responsibility of the Company's management to ensure that the financial arrangements, contracts, products and transactions entered into by the Company and Askari General Insurance Company limited, Window Takaful Operations, with other financial institutions and stakeholders are, in substance and in their legal form, in compliance with the requirements of Shariah Rules and Principles as prescribed in the Takaful Rules, 2012, and determined by the Shariah Advisor.

## 3. Our Responsibility

3.1 Our responsibility in connection with this engagement is to express an opinion, based on the procedures, performed on a sample basis, whether these financial arrangements, contracts, products and transactions are in compliance with the requirements of the Shariah Rules and Principles, as determined by the Company's Shariah Advisor and prescribed in the Takaful Rules, 2012.

3.2 The procedures selected by us for the engagement were based on our judgement, including the assessment of the risks of material non-compliance with the said Shariah Rules and Principles. In making those risk assessments, we considered such internal control procedures as were relevant to the Company's compliance with the Shariah Rules and Principles. our engagement, however, is not intended to express opinion on the effectiveness of the Company's internal controls for purposes of compliance with the Shariah Rules and Principles.

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

1014,Uni Centre, 1.1. Chundrigar Road, Karachi, Pakistan.
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: 021-3241-4163
Fax : 021-3241-6288
E-mail : sms@Smsco.pk mfsandco@Cyber.net.pk
URL : www.smsco.pk

S.M. SUHAIL & CO.
Chartered Accountants

3.4 During the course of our assignment, we came across certain matters that have been brought to the attention of the Shariah Advisor and the management of the Company entailing certain Shariah issues. Based on discussion with management and Shariah Advisor, it is reasonably concluded that these matters have no adverse Shariah compliance affect. In addition, interpretation and conclusion of the Shariah Advisor of the Company is considered final for the purpose of interpretation of the Shariah matters mentioned in the Takaful Rules, 2012.

## 4. Framework for the Engagement

We have conducted our engagement in accordance with International Standard for Assurance Engagements 3000 (ISAE 3000) issued by the International Auditing and Assurance Standards Advisor of the International Federation of Accountants. This Standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance regarding the subject-matter, i.e., the Company's compliance with the Shariah Rules and Principles, as determined by the Shariah Advisor and prescribed in the Takaful Rules, 2012.

## 5. Our Opinion

In our opinion, based on the sample selected, the financial arrangements, contracts, products and transactions entered into by the Company and the Askari General Insurance Company limited, Window Takaful operations, as the case may be, during the year from January 01, 2017, to December 31, 2017, are in compliance with the requirements of the Shariah Rules and Principles as determined by the Shariah Advisor and prescribed in the Takaful Rules, 2012, in all material respects.

S.M. Suhail & Co.

S.M. Suhail & Co.
Chartered Accountants
Islamabad

Our Ref: SMS-ISLA-0462018
Date: March 01, 2018

Window Takaful Operations

## *Shariah Advisor Report to the Board of Directors.*

***For the year ended 31 December 2017***

As Shariah Advisor of Askari General Insurance-Window Takaful operation, I have carefully reviewed all the product documents including policies, agreement, Surplus distribution mechanism. I have found them according with Shariah principles. I conform that transaction and activities of window Takaful Operation during the year comply with the Shariah principles and guidelines.

We hope Askari Window Takaful Operation to continue training programs in the coming year.

According to my information, Askari Window Takaful Operation has complied with the Shariah principles in every aspect of practical implementation.

E.W.

Mufti Ehsan Waquar Ahmad

Shariah Advisor
Askari General Insurance Company Ltd.
Window Takaful Operation
March 06, 2018

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# AUDITORS' REPORT TO THE MEMBERS of askari general insurance company limited

We have audited the annexed financial statements comprising of:

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

of askari general insurance company limited ("the Company") as at 31 December 2017 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 of 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 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 account 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 indicated in note 5 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 2017 and of the profit, its cash flows 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. zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of the Ordinance.

KPMG Taseer Hadi & Co.

Date: 8 March 2018
Islamabad

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement partner:
Inam Kakra

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# AUDITORS' REPORT TO THE MEMBERS of askari general insurance company limited – Window Takaful Operations

We have audited the annexed financial statements comprising of:

i. balance sheet;
ii. profit and loss account / statement of comprehensive income;
iii. statement of changes in fund;
iv. statement of cash flows;
v. statement of contributions;
vi. statement of claims;
vii. statement of expenses of operator's fund;
viii. statement of expenses of participants' takaful fund; and
ix. statement of investment income

of askari general insurance company limited – Window Takaful Operations ("the Operator") as at 31 December 2017 together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Operator'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 of 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 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 account have been kept by the Operator 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 Operator and are further in accordance with accounting policies consistently applied;

c. the financial statements together with the notes thereon present fairly, in all material respects, the state of the Operator's affairs as at 31 December 2017 and of the profit, its comprehensive income, its cash flows 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. no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

KPMG Taseer Hadi & Co.

Date: 8 March 2018
Islamabad

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement partner:
Inam Kakra

# FINANCIAL STATEMENTS

## CONTENTS

# Balance Sheet

*As at 31 December 2017*

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | Rupees '000 | |
| **SHARE CAPITAL AND RESERVES** | | | |
| **Authorized share capital** | | | |
| 100,000,000 (2016: 100,000,000) ordinary shares of Rs. 10 each | | 1,000,000 | 1,000,000 |
| Paid up share capital | 6 | 625,234 | 543,682 |
| Retained earnings | | 693,895 | 650,330 |
| Reserves | | 191,161 | 191,161 |
| | | 1,510,290 | 1,385,173 |
| **LIABILITIES** | | | |
| **Underwriting Provisions** | | | |
| Provision for outstanding claims (including IBNR) | | 416,296 | 419,120 |
| Provision for unearned premium | | 1,538,596 | 1,160,228 |
| Commission income unearned | | 90,349 | 72,112 |
| | | 2,045,241 | 1,651,460 |
| **Deferred Liability** | | | |
| Staff compensated absences | 7 | 23,717 | 25,381 |
| **Creditors and Accruals** | | | |
| Premium received in advance | | 31,083 | 23,103 |
| Amounts due to other insurers / reinsurers | | 569,317 | 340,346 |
| Accrued expenses | | 35,107 | 22,794 |
| Taxation - Provision less payments | | 6,733 | - |
| Other creditors and accruals | 8 | 174,425 | 155,552 |
| | | 816,665 | 541,795 |
| **Borrowing** | | | |
| Liabilities against assets subject to finance lease - secured | 9 | 63,770 | 70,655 |
| **Other Liabilities** | | | |
| Unclaimed dividend | | 2,298 | 1,237 |
| Others | 10 | 32,061 | 26,418 |
| | | 34,359 | 27,655 |
| **TOTAL LIABILITIES** | | 2,983,752 | 2,316,946 |
| **Total liabilities from Window Takaful Operations - Operator's Fund (OPF)** | 36 | 43,091 | 24,460 |
| **TOTAL EQUITY AND LIABILITIES** | | 4,537,133 | 3,726,579 |
| **CONTINGENCIES AND COMMITMENTS** | 11 | | |

The annexed notes 1 to 37 form an integral part of these financial statements.

Suleman Khalid
Chief Financial Officer

Abdul Waheed
President & Chief Executive

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | Rupees '000 | |
| **ASSETS** | | | |
| **Cash and Bank Deposits** | | | |
| Cash and cash equivalents | 12 | 1,342 | 1,220 |
| Current and other accounts | 13 | 190,413 | 150,682 |
| Total Cash and Bank | | 191,755 | 151,902 |
| **Advances to Employees** | 14 | 801 | 1,344 |
| **Investments** | 15 | 1,643,014 | 1,498,227 |
| **Investment Property** | 16 | 43,121 | 44,431 |
| **Deferred Taxation** | 17 | 12,989 | 11,174 |
| **Current Assets - Others** | | | |
| Premium due but unpaid - unsecured, considered good | 18 | 1,112,206 | 604,333 |
| Amounts due from other insurers / reinsurers - unsecured, considered good | 19 | 373,458 | 331,494 |
| Salvage recoveries accrued | | 14,568 | 15,603 |
| Accrued investment income | | 3,383 | 3,349 |
| Reinsurance recoveries against outstanding claims - unsecured, considered good | | 184,417 | 206,705 |
| Taxation - Payments less provision | | - | 9,415 |
| Deferred commission expense | | 70,218 | 59,193 |
| Prepayments | 20 | 582,140 | 547,443 |
| Sundry receivables | 21 | 64,226 | 30,183 |
| | | 2,404,616 | 1,807,718 |
| **Fixed Assets** | 22 | | |
| Furniture and fixtures | | 9,191 | 4,421 |
| Computer and office equipment | | 9,504 | 11,945 |
| Motor vehicles | | 87,370 | 93,461 |
| Tracking devices | | 10,816 | 21,173 |
| Leasehold improvements | | 532 | 1,027 |
| Software license | | 211 | 275 |
| Capital work in progress | | 2,776 | 1,430 |
| | | 120,400 | 133,732 |
| **Total assets from Window Takaful Operations - OPF** | 36 | 120,437 | 78,051 |
| **TOTAL ASSETS** | | 4,537,133 | 3,726,579 |

Maj Gen Akhtar Iqbal (Retd)
Director

Lt Gen Najib Ullah Khan (Retd)
Chairman

# Profit and Loss Account / Statement of Comprehensive Income

*For the year ended 31 December 2017*

| | Note | Fire and Property Damage | Marine, Aviation and Transport | Motor | Accident and Health | Miscellaneous | 2017 Aggregate | 2016 Aggregate |
|---|---|---|---|---|---|---|---|---|
| | | Rupees '000 | | | | | | |
| **Revenue Account** | | | | | | | | |
| Net premium revenue | 23 | 68,506 | 71,841 | 801,396 | 282,527 | 131,919 | 1,356,189 | 1,255,230 |
| Net claims | | (27,001) | (28,495) | (325,399) | (223,986) | (17,484) | (622,365) | (644,502) |
| Expenses | 24 | (14,655) | (15,369) | (212,878) | (60,442) | (28,223) | (331,567) | (290,239) |
| Net commission | | 38,478 | 10,103 | (41,414) | 22,737 | 17,095 | 46,999 | 48,722 |
| **Underwriting Results** | | 65,328 | 38,080 | 221,705 | 20,836 | 103,307 | 449,256 | 369,211 |
| **Other Income and Expenses** | | | | | | | | |
| Investment income | | | | | | | 87,829 | 122,238 |
| Rental income | | | | | | | 4,518 | 3,652 |
| Other income | 25 | | | | | | 2,957 | 6,310 |
| Profit on bank deposits | | | | | | | 5,973 | 5,208 |
| Finance cost | | | | | | | (5,056) | (4,017) |
| General and administration expenses | 26 | | | | | | (204,735) | (187,629) |
| | | | | | | | (108,514) | (54,238) |
| **Profit Before Tax from General Insurance Operations** | | | | | | | 340,742 | 314,973 |
| **Profit Before Tax from Window Takaful Operations - OPF** | 27 | | | | | | 23,755 | 5,543 |
| **Profit Before Tax** | | | | | | | 364,497 | 320,516 |
| Provision for taxation | 28 | | | | | | (110,807) | (83,711) |
| **Profit After Tax** | | | | | | | 253,690 | 236,805 |
| **Other Comprehensive Income for the year** | | | | | | | | |
| Items that will not be reclassified subsequently to profit and loss account | | | | | | | | |
| Effect of remeasurement of staff retirement benefit plan | | | | | | | (14,965) | 3,123 |
| Tax effect on experience adjustments | | | | | | | 4,490 | (968) |
| **Other Comprehensive Income for the year** | | | | | | | (10,475) | 2,155 |
| **Total Comprehensive Income for the year** | | | | | | | 243,215 | 238,960 |
| **Profit and Loss Appropriation Account** | | | | | | | | |
| Balance at commencement of the year | | | | | | | 650,330 | 512,775 |
| Total comprehensive income for the year | | | | | | | 243,215 | 238,960 |
| Issuance of bonus shares | | | | | | | (81,552) | (38,834) |
| Final cash dividend 2016: Rupee 1 per share (2015: Rs. 1.5 per share) | | | | | | | (54,368) | (58,252) |
| Interim cash dividend 2017: Rupee 1 per share (2016: nil) | | | | | | | (62,523) | - |
| Equity transaction costs | | | | | | | (1,207) | (4,319) |
| **Balance of Unappropriated Profit at end of the year** | | | | | | | 693,895 | 650,330 |
| | | | | | | | | (Restated) |
| **Earning Per Share - basic and diluted** | 29 | | | | | | 4.06 | 3.89 |

The annexed notes 1 to 37 form an integral part of these financial statements.

Suleman Khalid
Chief Financial Officer

Abdul Waheed
President & Chief Executive

Maj Gen Akhtar Iqbal (Retd)
Director

Lt Gen Najib Ullah Khan (Retd)
Chairman

# Statement of Cash Flows

*For the year ended 31 December 2017*

| | 2017 | 2016 |
|---|---|---|
| | Rupees '000 | |
| **OPERATING CASH FLOWS:** | | |
| **a) Underwriting activities:** | | |
| Premium received | 2,059,504 | 2,161,588 |
| Reinsurance premium paid | (414,799) | (506,293) |
| Claims paid | (1,005,118) | (1,045,253) |
| Reinsurance and other recoveries received | 232,072 | 108,215 |
| Commission paid | (142,590) | (146,710) |
| Commission received | 107,713 | 62,930 |
| Other underwriting payments (management expenses) | (310,998) | (259,218) |
| Net cash flows generated from underwriting activities | 525,784 | 375,259 |
| **b) Other operating activities:** | | |
| Income tax paid | (91,985) | (98,388) |
| General management expenses paid | (172,717) | (164,946) |
| Other operating (payments) / receipts | (4,153) | 11,525 |
| Advances to employees | 543 | 144 |
| Net cash used in other operating activities | (268,312) | (251,665) |
| **Total cash flow generated from all operating activities** | 257,472 | 123,594 |
| **INVESTING ACTIVITIES:** | | |
| Profit / return received | 20,220 | 10,924 |
| Dividends received | 9,689 | 23,548 |
| Payments for investments | (2,434,281) | (1,832,674) |
| Proceeds from disposal of investments | 2,353,358 | 1,584,586 |
| Fixed capital expenditure | (24,682) | (14,138) |
| Proceeds from disposal of fixed assets | 652 | 699 |
| **Total cash used in investing activities** | (75,044) | (227,055) |
| **FINANCING ACTIVITIES:** | | |
| Financial charges | (5,056) | (4,017) |
| Repayment of obligation under finance lease | (20,482) | (26,749) |
| Dividend paid | (115,830) | (57,824) |
| Equity transactions costs paid | (1,207) | (4,319) |
| Cash received from issue of right share | - | 233,008 |
| **Total cash (used in) / generated from financing activities** | (142,575) | 140,099 |
| **Net cash generated from all activities** | 39,853 | 36,638 |
| **Cash at beginning of the year** | 151,902 | 115,264 |
| **Cash at end of the year** | 191,755 | 151,902 |

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President & Chief Executive

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Director

Lt Gen Najib Ullah Khan (Retd)
Chairman

# Statement of Cash Flows

*For the year ended 31 December 2017*

| RECONCILIATION TO PROFIT AND LOSS ACCOUNT: | 2017 | 2016 |
|---|---|---|
| | Rupees '000 | |
| Operating cash flows | 257,472 | 123,594 |
| Depreciation expense | (52,920) | (46,943) |
| Financial charges | (5,056) | (4,017) |
| Gain on disposal of fixed assets | 652 | 472 |
| Increase in assets other than cash | 828,177 | 670,497 |
| Increase in liabilities other than running finance | (871,779) | (654,464) |
| Unrealized gain on investments, Held for trading | 14,920 | 22,708 |
| Reversal of provision against doubtful debts | 1,983 | - |
| Provision against amounts due from other insurers / reinsurers | (3,574) | - |
| (Provision) for / reversal of diminution in value of AFS investments | (4,463) | 2,322 |
| Dividend income | 9,689 | 23,548 |
| Investment income | 21,789 | 44,608 |
| Profit on bank deposits | 5,973 | 5,208 |
| Income tax provision | (110,807) | (83,711) |
| Gain on trading | 45,894 | 29,052 |
| Tax paid | 91,985 | 98,388 |
| **Profit After Taxation from General Insurance Operations** | 229,935 | 231,262 |
| **Profit from Window Takaful Operations - OPF** | 23,755 | 5,543 |
| **Profit after taxation** | 253,690 | 236,805 |

**Definition of cash :**

Cash comprises of cash in hand, bank balances, stamps in hand and short term placements with banks which are readily convertible to cash in hand and which are used in the cash management function on a day-to-day basis.

| Cash for the purpose of the statement of cash flows consists of: | 2017 | 2016 |
|---|---|---|
| | Rupees '000 | |
| **Cash and cash equivalents** | | |
| Cash in hand | 960 | 969 |
| Stamps in hand | 382 | 251 |
| | 1,342 | 1,220 |
| **Current and other accounts** | | |
| On current accounts | 43,232 | 13,578 |
| On deposit accounts | 147,181 | 137,104 |
| | 190,413 | 150,682 |
| **Total** | 191,755 | 151,902 |

The annexed notes 1 to 37 form an integral part of these financial statements.

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# Statement of Changes in Equity

*For the year ended 31 December 2017*

| | Share capital | Reserves | | | Total reserves | Total equity |
|---|---|---|---|---|---|---|
| | Issued, subscribed and paid up | Capital reserve | Revenue reserve | | | |
| | | Share premium | General reserve | Retained earnings | | |
| | Rupees '000 | | | | | |
| Balance as at 01 January 2016 | 388,344 | 4,657 | 70,000 | 512,775 | 587,432 | 975,776 |
| **Total Comprehensive Income for the year** | | | | | | |
| Profit for the year | - | - | - | 236,805 | 236,805 | 236,805 |
| Other comprehensive income for the year | - | - | - | 2,155 | 2,155 | 2,155 |
| Total comprehensive income for the year | - | - | - | 238,960 | 238,960 | 238,960 |
| **Changes in Owners' Equity** | | | | | | |
| Issuance of bonus shares | 38,834 | - | - | (38,834) | (38,834) | - |
| Cash dividend (Rs.1.5 per share) | - | - | - | (58,252) | (58,252) | (58,252) |
| Right shares issued (Rs.10 per share) | 116,504 | - | - | - | - | 116,504 |
| Premuim on issue of right shares (Rs.10 per share) | - | 116,504 | - | - | 116,504 | 116,504 |
| Equity transaction costs | - | - | - | (4,319) | (4,319) | (4,319) |
| | 155,338 | 116,504 | - | (101,405) | 15,099 | 170,437 |
| Balance as at 31 December 2016 | 543,682 | 121,161 | 70,000 | 650,330 | 841,491 | 1,385,173 |
| Balance as at 01 January 2017 | 543,682 | 121,161 | 70,000 | 650,330 | 841,491 | 1,385,173 |
| **Total Comprehensive Income for the year** | | | | | | |
| Profit for the year | - | - | - | 253,690 | 253,690 | 253,690 |
| Other comprehensive income for the year | - | - | - | (10,475) | (10,475) | (10,475) |
| Total comprehensive income for the year | - | - | - | 243,215 | 243,215 | 243,215 |
| **Changes in Owners' Equity** | | | | | | |
| Issuance of bonus shares | 81,552 | - | - | (81,552) | (81,552) | - |
| Final cash dividend 2016: Rupee 1 per share | - | - | - | (54,368) | (54,368) | (54,368) |
| Interim cash dividend 2017: Rupee 1 per share | - | - | - | (62,523) | (62,523) | (62,523) |
| Equity transaction costs | - | - | - | (1,207) | (1,207) | (1,207) |
| | 81,552 | - | - | (199,650) | (199,650) | (118,098) |
| **Balance as at 31 December 2017** | 625,234 | 121,161 | 70,000 | 693,895 | 885,056 | 1,510,290 |

**The annexed notes 1 to 37 form an integral part of these financial statements.**

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# Statement of Premiums

*For the year ended 31 December 2017*

**Business underwritten inside Pakistan**

| | Premiums written | Unearned premium reserve | | Premiums earned | Reinsurance ceded | Prepaid reinsurance premium ceded | | Reinsurance expense | 2017 Net premium revenue | 2016 Net premium revenue |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Opening | Closing | | | Opening | Closing | | | |
| | Rupees '000 | | | | | | | | | |
| **Class of Business** | | | | | | | | | | |
| **Direct and Facultative** | | | | | | | | | | |
| Fire and property damage | 407,279 | 152,035 | 226,664 | 332,650 | 344,203 | 122,600 | 202,659 | 264,144 | 68,506 | 65,723 |
| Marine, aviation and transport | 181,216 | 37,437 | 35,189 | 183,464 | 110,313 | 23,193 | 21,883 | 111,623 | 71,841 | 61,157 |
| Motor | 857,317 | 368,873 | 412,661 | 813,529 | 18,779 | 7,169 | 13,815 | 12,133 | 801,396 | 802,591 |
| Accident and health | 830,325 | 252,748 | 638,656 | 444,417 | 229,447 | 80,295 | 147,852 | 161,890 | 282,527 | 261,993 |
| Miscellaneous | 307,097 | 349,135 | 225,426 | 430,806 | 174,322 | 304,490 | 179,925 | 298,887 | 131,919 | 63,766 |
| **Grand total** | 2,583,234 | 1,160,228 | 1,538,596 | 2,204,866 | 877,064 | 537,747 | 566,134 | 848,677 | 1,356,189 | 1,255,230 |

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# Statement of Claims

*For the year ended 31 December 2017*

**Business underwritten inside Pakistan**

| | Claims paid | Outstanding claims Opening | Outstanding claims Closing | Claims expense | Reinsurance and other recoveries received | Reinsurance and other recoveries in respect of outstanding claims Opening | Reinsurance and other recoveries in respect of outstanding claims Closing | Reinsurance and other recoveries revenue | **2017 Net claims expense** | 2016 Net claims expense |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rupees '000 | | | | | | | | | |
| **Class of Business** | | | | | | | | | | |
| **Direct and Facultative** | | | | | | | | | | |
| Fire and property damage | 87,223 | 54,118 | 67,473 | 100,578 | 72,521 | 48,269 | 49,325 | 73,577 | 27,001 | 14,098 |
| Marine, aviation and transport | 31,404 | 20,593 | 53,851 | 64,662 | 20,186 | 13,706 | 29,687 | 36,167 | 28,495 | 11,733 |
| Motor | 372,368 | 165,264 | 136,637 | 343,741 | 23,436 | 12,327 | 7,233 | 18,342 | 325,399 | 378,643 |
| Accident and health | 338,869 | 60,478 | 70,624 | 349,015 | 125,530 | 26,936 | 26,435 | 125,029 | 223,986 | 220,409 |
| Miscellaneous | 175,254 | 118,667 | 87,711 | 144,298 | 160,544 | 105,467 | 71,737 | 126,814 | 17,484 | 19,619 |
| **Grand total** | 1,005,118 | 419,120 | 416,296 | 1,002,294 | 402,217 | 206,705 | 184,417 | 379,929 | 622,365 | 644,502 |

The annexed notes 1 to 37 form an integral part of these financial statements.

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Chairman

# Statement of Expenses

*For the year ended 31 December 2017*

| Business underwritten inside Pakistan | Commission Paid or payable | Deferred commission | | Net commission expense | Other management expenses | Underwriting expenses | Commission from reinsurers* | **2017 Net underwriting expense** | 2016 Net underwriting expense |
|---|---|---|---|---|---|---|---|---|---|
| | | Opening | Closing | | | | | | |
| | Rupees '000 | | | | | | | | |
| **Class of Business** | | | | | | | | | |
| **Direct and Facultative** | | | | | | | | | |
| Fire and property damage | 41,049 | 20,912 | 23,605 | 38,356 | 14,655 | 53,011 | 76,834 | (23,823) | (22,699) |
| Marine, aviation and transport | 25,995 | 3,486 | 3,482 | 25,999 | 15,369 | 41,368 | 36,102 | 5,266 | 6,095 |
| Motor | 41,979 | 24,140 | 24,290 | 41,829 | 212,878 | 254,707 | 415 | 254,292 | 237,936 |
| Accident and health | 7,882 | 3,931 | 8,730 | 3,083 | 60,442 | 63,525 | 25,820 | 37,705 | 13,522 |
| Miscellaneous | 14,062 | 6,724 | 10,111 | 10,675 | 28,223 | 38,898 | 27,770 | 11,128 | 6,663 |
| **Grand total** | 130,967 | 59,193 | 70,218 | 119,942 | 331,567 | 451,509 | 166,941 | 284,568 | 241,517 |

* Commission from reinsurers is arrived at after taking the impact of opening and closing unearned commission.

The annexed notes 1 to 37 form an integral part of these financial statements.

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Director

Lt Gen Najib Ullah Khan (Retd)
Chairman

# Statement of Investment Income

*For the year ended 31 December 2017*

| | 2017 | 2016 |
|---|---|---|
| | Rupees '000 | |
| **Income from trading investments** | | |
| Gain on trading | 45,894 | 29,052 |
| Dividend income | 2 | 9,713 |
| | 45,896 | 38,765 |
| **Income from non-trading investments** | | |
| Return on government securities | 5,554 | 5,211 |
| Return on other fixed income securities | 8,726 | 1,263 |
| | 14,280 | 6,474 |
| **Available for sale investments** | | |
| Dividend income | 9,687 | 13,835 |
| Gain on sale of investments | 7,509 | 38,134 |
| | 17,196 | 51,969 |
| **Unrealized profit on re-measurement of investments held for trading** | 14,920 | 22,708 |
| **(Provision) for / Reversal of diminution in available for sale investments** | (4,463) | 2,322 |
| **Net investment income** | 87,829 | 122,238 |

The annexed notes 1 to 37 form an integral part of these financial statements.

Suleman Khalid
Chief Financial Officer

Abdul Waheed
President & Chief Executive

Maj Gen Akhtar Iqbal (Retd)
Director

Lt Gen Najib Ullah Khan (Retd)
Chairman

# Notes to the Financial Statements
*For the year ended 31 December 2017*

## 1 THE COMPANY AND ITS BUSINESS

askari general insurance company limited ("the Company") was incorporated under the Companies Ordinance, 1984 as a public limited company on 12 April 1995. The Company is engaged in non-life insurance business comprising of fire, marine, motor, health and miscellaneous. The Company commenced its commercial operations on 15 October 1995. Shares of the Company are quoted on Pakistan Stock Exchange Limited. The registered office and principal place of business of the Company is located at AWT Plaza, Rawalpindi. The Company has 19 branches in Pakistan. The Company is a subsidiary of Army Welfare Trust.

## 2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the format prescribed under Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002], vide S.R.O. 938 dated 12 December 2002.

In addition, the Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 23 of 2017 has clarified that the companies whose financial year including quarterly and other interim period closes on or before 31 December 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The requirement of Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017, however, this will have no impact on the Company's financial statements.

SECP has granted exemption to the Company to prepare its financial statements for the year ended December 31, 2017 under the requirements of new Insurance Rules, 2017, as notified by SECP vide S.R.O 89(i)/2017 dated 9 February 2017.

## 3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance,1984, the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 shall prevail.

The Securities and Exchange Commission of Pakistan (SECP) has allowed the insurance companies to defer the application of International Accounting Standard – 39 (IAS-39) "Financial Instruments: Recognition and Measurement" in respect of valuation of 'available-for-sale investments'. Accordingly, the requirements of IAS-39, to the extent allowed by SECP as aforesaid, have not been considered in the preparation of these financial statements.

## 4 BASIS OF MEASUREMENT

These financial statements have been prepared on the historical cost convention except for certain financial instruments which are stated at their fair values and obligation under certain employee retirement benefit funds including staff compensated absences which are measured at their present values as determined under the provisions of IAS-19, "Employee Benefits". Figures have been rounded off to the nearest rupee in thousands.

**4.1 Use of estimates and judgments**

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable to insurance companies in Pakistan requires management to make judgments/ estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These judgments/estimates and assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from their estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

In particular, the matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed below:

**a) Income tax**

In making the estimates for income taxes currently payable by the Company, the management takes into account current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Company's future taxable profits are taken into account.

**b) Fixed assets, depreciation and amortisation**

In making estimates of the depreciation / amortisation method, the management uses depreciation / amortisation rate which reflects the pattern in which economic benefits are expected to be consumed by the Company. These rates are reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the depreciation / amortisation rates would be changed to reflect the change in pattern. Further, the assets residual values are reviewed and adjusted if appropriate, at each financial year end.

**c) Outstanding claims including incurred but not reported (IBNR)**

The liability for IBNR is computed through Chain Ladder Method (Development technique) in light of the guidelines issued by Insurance Division of SECP vide its Circular 9 of 2016 dated March 09, 2016 for estimation of IBNR claims reserve, the liability for IBNR for all classes of business is based on actuary recommendation. Any significant change in assumption used event may affect the management's judgment which could affect the provision made for IBNR. Reinsurance recoveries against outstanding claims and salvage recoveries are recognized as an asset and are measured at the amount expected to be received.

**d) Premium deficiency reserves**

The Company carries out an analysis of loss / combined ratios for the expired year, such ratio being calculated after taking into account the relevant IBNR provision for the determination of premium deficiency reserve for each class of business.

**e) Defined benefit plan**

Defined benefit plan is provided to eligible employees of the Company. Calculations in this respect require assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration, the expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

**f) Impairment**

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Provisions for impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

**g) Provision against premiums due but unpaid and amounts due from other insurers / reinsurers**

The Company reviews its premium due but unpaid and amounts due from other insurers / reinsurers portfolio to assess their recoverability and provision required there-against. While assessing this requirement, various factors including the delinquency and financial position of the counter party are considered.

**h) Classification of investments**

In classifying investments as "held-for-trading" the Company has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements.

In classifying investments as "held-to-maturity" the Company has determined financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Company evaluates its intention and ability to hold such investments to maturity.

The investments which are not classified as held for trading or held to maturity are classified as available for sale.

**i) Allocation of management expenses**

Management expenses which are not specifically related to a class of business are allocated on all classes of business based on their respective net premium share in the total net premiums of the Company.

**j) Provisions**

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past event and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

**k) Fair value of investments**

The fair value of held for trading and available for sale investments is determined by reference to their quoted closing repurchase price at the reporting date. Any change in the estimate might affect carrying amounts of investments held for trading with corresponding effect in profit and loss account. Fair value of held to maturity instruments is determined with reference to general interest rates prevailing in the market. Fair value of available for sale and held to maturity investments is determined for disclosure purpose only.

**4.2 Functional and presentation currency**

These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

**4.3 New accounting standards and IFRIC interpretations that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 January 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' -effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term ICnterests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.
- Amendment to IFRS 4 'Insurance Contracts'- Applying IFRS 9 'Financial Instruments' with IFRS 4 (effective for annual periods beginning on or after 1 July 2018). The amendment address issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from 1 July 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. The Company is currently in the process of analyzing the potential impact of changes required in the policies on adoption of the standard.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
  - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

  The above amendments are not likely to have an impact on Company's financial statements.

## 5 SIGNIFICANT ACCOUNTING POLICIES

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

Securities and Exchange Commission of Pakistan through its circular No 29 of 2016 dated 5 September 2016, encouraged all listed companies to provide certain voluntary disclosures including bifurcation of certain balance sheet and profit and loss items between conventional and islamic mode. Since the requirement to present these disclosures is voluntary, the Company has opted out from presenting these disclosures in these financial statements.

**5.1 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 and accident; and
- Miscellaneous.

These contracts are normally one year insurance contracts except marine and miscellaneous classes. Normally all marine insurance contracts are of three months period. In miscellaneous class, some engineering insurance contracts are of more than one year period, whereas, normally travel insurance contracts and few bond insurance contracts in miscellaneous class expire within one month time.

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, travel, personal accident, etc. are provided to individual customers, whereas, insurance contracts of fire and property, marine, aviation and transport, accident and health and other commercial line products are provided to commercial organizations.

Fire and property 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.

Liability insurance contracts protect the insured against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events.

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

**Reinsurance contracts**

Those insurance contracts that are issued by one insurer (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant are reinsurance contracts. The Company enters into reinsurance contracts with both foreign and local reinsurers.

**5.1.1 Premium and receivable under insurance contracts**

Premium written under all insurance policies is recognized as income over the period of insurance from the date of issuance of policy to its expiry, after taking into account the unearned portion of premiums. Amount is recorded as premium written at the time the policy is written. Where the pattern of incidence of risk varies over the year of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk. The portion of premium written relating to the unexpired year of coverage is recognized as unearned premium by the Company. The unearned premium is calculated by applying 1/24 method as specified in the SEC (Insurance) Rules, 2002.

Premium income includes administrative surcharge that represents documentation charges recovered by the Company from policy holders in respect of policies issued. Administrative surcharge is recognised as premium income at the time of issuance of policy.

Receivable under insurance contracts are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and that impairment loss is recognised in the profit and loss account.

**5.1.2 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 year as the related premiums for the direct or accepted reinsurance business being reinsured. Reinsurance premium is recognised as expense after taking into account the proportion of deferred premium expense which is calculated using pattern similar to calculation of premium income for the same policy. The deferred portion of premium expense is recognised as prepayment.

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

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

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

Pakistan Reinsurance Company Limited (PRCL) retrocession business is booked on the basis of PRCL statements pertaining to the previous years.

**5.1.3 Claim expense including provision for outstanding claims including Incurred But Not Reported**

The Company recognizes 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 claims except as otherwise expressly indicated in an insurance contract. The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for liability in respect of unpaid reported claims as at 31 December 2017 is made on the basis of individual case estimates by using Chain Ladder Method (Development technique) on the basis of recommendation by an independent actuary under the guidelines issued by Insurance Division of SECP vide its Circular 9 of 2016 dated March 09, 2016 for estimation of IBNR claims reserve, which were effective from 01 July 2016.

| | IBNR | |
|---|---|---|
| **Class of business** | **Gross** | **Net** |
| | **Rupees '000** | |
| Fire and property damage | 4,872 | 2,846 |
| Marine, aviation and transport | 5,910 | 4,204 |
| Motor | 48,525 | 42,194 |
| Accident and health | 68,667 | 43,292 |
| Miscellaneous | 27,564 | 2,371 |
| | 155,538 | 94,907 |

### 5.1.4 Reinsurance recoveries against claims

Claims recoveries receivable from the reinsurers are recognized as an asset at the same time as the claims which give rise to the right of recovery are recognized as a liability and are measured at the amount expected to be received in accordance with respective reinsurance arrangements.

### 5.1.5 Commission

Commission expense incurred on issuance of policies is deferred and recognized as asset and is recognized in the profit and loss account as an expense in accordance with pattern of recognition of premium revenue. Commission and other forms of revenue (apart from recoveries) from reinsurers are deferred and recognized as liability and recognized in the profit and loss account as revenue in accordance with the pattern of recognition of the reinsurance premium. Profit / commission, if any, under the terms of reinsurance arrangements, is recognized when the Company's right to receive the same is established.

### 5.1.6 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 in profit and loss account for the year. Income is recognised to the extent of reversal of deficit previously recognised, if any.

For this purpose, loss ratios for each class are estimated based on historical claim development for all classes except Accident and health which is determined on the basis of actuarial recommendations. 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:

| | **2017** | 2016 |
|---|---|---|
| - Fire and property damage; | 31 % | 26 % |
| - Marine, aviation and transport; | 34 % | 34 % |
| - Motor; | 43 % | 47 % |
| - Accident and health; and | 79 % | 85 % |
| - Miscellaneous. | 29 % | 38 % |

Based on an analysis of combined operating ratio for the expired year of each reportable segment, the 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 from 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.

**5.2 Provision for unearned premium and prepaid reinsurance premium ceded**

In accordance with the requirements of Insurance Rules 2002, provision for unearned premium is calculated by applying 1/24th method. Unearned portion of premium is recognized as liability.

The deferred portion of reinsurance premium is recognised as reinsurance premium ceded using 1/24th method.

**5.3 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 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 and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

**5.4 Fixed assets**

**Owned - tangible**

These are stated at cost less accumulated depreciation and impairment losses, if any, except for capital work in progress which is stated at cost less impairment losses, if any. Depreciation is charged on depreciable amount over the estimated useful life. Depreciation is charged on monthly basis where full month depreciation is charged in the month of addition and no depreciation is charged in the month of disposal.

Effective from January 1, 2017 the entity changed the useful life of its fixtures and furnitures from 10 years to 5 years to better reflect the pattern of consumption of the expected benefits from these assets. This had the effect of increasing the depreciation expense for the year ended December 31, 2017 by Rs. 1.56 million (previously Rs. 1.20 million per year, now Rs. 2.77 million per year). Depreciation for each of the next 4 years is expected to be similarly affected by this change in accounting estimate.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the 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 the profit and loss account in the year 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 recognized as an income or expense.

**Owned - intangible**

Software development cost are only capitalized to the extent that future economic benefits are expected to flow to the entity. Intangible assets with finite useful lives are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged on the amortizable amount over the useful life of the asset by applying straight line method. Intangible assets with indefinite useful lives are stated at cost less impairment losses, if any.

**Leased - tangible**

Assets held under finance leases are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the leases less financial charges allocated to future periods are shown as a liability.

The financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

Depreciation on leased assets is charged by allocating their depreciable amount over the estimated useful lives or the lease term of the assets, which ever is shorter, from the month these are available for use, while on disposals, depreciation is charged up to the month in which the assets are disposed off.

**5.5 Financial instruments**

**5.5.1 Non-derivative financial assets**

These are initially recognised on the date that they are originated i.e. on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. Investments are recognised on settlement date.

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

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

**a) Held to maturity**

Investments with fixed maturity, where the management has both the intent and ability to hold to maturity, are classified as held to maturity. Subsequent to initial recognition, these investments are measured at amortised cost, less provision for impairment in value, if any. Amortised cost is calculated taking into account effective interest rate method. Profit on held to maturity instruments is recognized on a time proportion basis taking into account the effective yield on investments.

**b) Investments at fair value through profit and loss - Held for trading**

These financial assets are acquired principally for the purpose of generating profit from short-term fluctuation in prices or are part of a portfolio for which there is a recent actual pattern of short-term profit taking. Subsequent to initial recognition these are measured at fair value by reference to quoted market prices with the resulting gain or loss is included in net profit or loss for the year in which it arises.

**c) Available for sale**

Available for sale investments are those non-derivative investments that are designated as available for sale or are not classified in any other category. These are primarily those investments that are intended to be held for an undefined 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, quoted investments are stated at 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 S.R.O 938 issued by the Securities and Exchange Commission of Pakistan on 12 December 2002. Had the Company adopted IAS 39 "Financial Instruments: Recognition and Measurement " the investments available for sale as of 31 December 2017 would have been lower by Rs. 36.19 million (2016: higher by Rs. 26.31 million) with the corresponding increase in equity by the same amount. The Company's available for sale investments represent investment in mutual funds and shares of listed companies. Investment in the units of these funds is valued at their respective redemption/ repurchase price and investment in listed shares are valued at the prices quoted on stock exchange.

**d) Loans and receivables**

Loans and receivables comprise cash and bank deposits, advances to employees, premium due but unpaid, amounts due from other insurers / reinsurers, reinsurance recoveries against outstanding claims and sundry receivables.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash and bank balances, stamps in hand and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

**All other loans and receivables**

These are stated initially at the fair value, subsequent to initial recognition these are stated at their fair value as reduced by appropriate provision for impairment. Known impaired receivables are written off, while receivables considered doubtful of recovery are fully provided for.

The allowance for doubtful accounts is based on the Company's assessment of the collectability of counterparty accounts. The Company regularly reviews its debts and receivables that remain outstanding past their applicable payment terms and establishes allowance and potential write-offs by considering factors such as historical experience, credit quality, age of the accounts receivable balances, and current economic conditions that may affect a customer's ability to pay.

**5.5.2 Non-derivative financial liabilities**

The Company initially recognises non derivative financial liabilities on the date that they are originated or the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

These financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Non derivative financial liabilities comprise amounts due from other insurers / reinsurers, unclaimed dividend, other payables and other creditors and accruals.

**5.5.3 Offsetting of financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**5.6 Investment property**

Investment Property is accounted for under cost model in accordance with approved International Accounting Standard (IAS) 40, "Investment Property" and S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan.

Depreciation is charged on depreciable amount on straight line basis over its estimated useful life at the rate of 2.5% per annum.

Subsequent capital expenditures on existing properties and gains or losses on disposals are accounted for in the same manner as tangible fixed assets.

**5.7 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 include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalized during the current year for such years.

**Deferred taxation**

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax bases and carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences unused tax losses and tax credits can be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the profit and loss account, except in the case of items credited or charged to other comprehensive income or equity in which case it is included in other comprehensive income or equity.

**5.8 Employees' retirement benefits**

**a) Defined benefit plan**

The Company operates a funded gratuity scheme covering all eligible employees completing the minimum qualifying year of service as specified by the scheme. The assets of the funded plan are held independently in a separate fund. Provision for gratuity is made to cover obligations under the scheme in accordance with the actuarial recommendations. The latest actuarial valuation was carried out as at 31 December 2017.

Actuarial valuation was carried out using the Projected Unit Credit Method based on the following significant assumptions:

| | **2017** | 2016 |
|---|---|---|
| Discount rate | 9% per annum | 8% per annum |
| Expected return on plan assets | 9% per annum | 8% per annum |
| Expected rate of increase in salary | 9% per annum | 8% per annum |
| Average expected remaining working life time of the employee | 10.35 years | 9 years |
| Mortality rate | SLIC 2001 - 2005 | SLIC 2001 - 2005 |

The Company recognizes the actuarial gains or losses in other comprehensive income in the year in which they arise.

**b) Defined contribution plan**

The Company operates a recognized staff provident fund as a defined contribution plan for all eligible employees. Equal monthly contributions are made both by the Company and the employees to the fund at the rate of 8.33% of basic salary. The Company's contribution is charged to income during the year.

**c) Compensated absences**

Provisions for compensated absences is recognised annually to cover the obligation for compensated absences and charged to profit and loss account. The provision is determined using the projected unit credit method.

The latest actuarial valuation was carried out as at 31 December 2017 based on the following significant assumptions:

| | **2017** | 2016 |
|---|---|---|
| Discount rate | 9% per annum | 8% per annum |
| Expected rate of increase in salary | 9% per annum | 8% per annum |
| Average number of leaves accumulated per annum | 9 days | 9 days |
| Mortality rate | SLIC 2001 - 2005 with 1 year setback | SLIC 2001 - 2005 with 1 year setback |

**5.9 Management expenses**

Management expenses have been allocated to various classes of business on equitable basis. Expenses not allocable to underwriting business are charged under general and administrative business.

**5.10 Earnings per share**

The Company presents basic and diluted earnings per share (EPS) data for its ordinary share. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of dilutive potential ordinary shares.

**5.11 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 provided to Strategy Committee and Board of Directors which 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. The Company has following business segments:

Fire insurance segment provides insurance cover against damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and impact.

Marine insurance segment provides coverage against cargo risk, war risk and damages occurring in inland transit.

Motor insurance provides comprehensive vehicle coverage and indemnity against third party loss.

Accident and health provides inpatient and outpatient medical coverage.

Miscellaneous insurance provides cover against burglary, loss of cash in safe and cash in transit, personal accident, money, engineering losses and other coverage.

Investment and income taxes are managed on an overall basis and are therefore, not allocated to any segment. Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amount of certain assets pertaining to two or more segments have been allocated to segments on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

**5.12 Foreign currency transactions**

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All exchange differences are routed through profit and loss account.

**5.13 Finance income**

Finance income comprises interest income on funds invested, dividend income, exchange gain and changes in the fair value of financial assets at fair value through profit or loss - held for trading. Income on bank deposits is accrued on a time proportion basis using effective rate of interest. Income on investments is recognized on time proportion basis taking into account the effective yield of such securities. Dividend income on equity investments is recognized when the right to receive the payment is established. Foreign currency gains and losses are reported on a net basis.

**5.14 Impairment**

**a) Non-derivative financial assets**

All financial assets are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers and economic conditions that correlate with defaults or the disappearance of an active market for a security.

The Company considers evidence of impairment for financial assets measured at amortised cost at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in as allowance against financial asset measured at amortized cost. Interest on the impaired asset is recognized only to the extent it is considered recoverable. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**b) Non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**5.15 Distribution and appropriations**

Cash dividends declared, bonus shares issued and other reserves' appropriations are recognized in the year in which these announcements or appropriations are made.

**6 PAID UP SHARE CAPITAL**

| 2017 | 2016 | | 2017 | 2016 |
|---|---|---|---|---|
| — Number of shares — | | | Rupees '000 | |
| | | Ordinary shares of Rs. 10 each issued as: | | |
| 24,358,699 | 24,358,699 | - fully paid cash shares | 243,587 | 243,587 |
| 38,164,688 | 30,009,465 | - fully paid bonus shares | 381,647 | 300,095 |
| 62,523,387 | 54,368,164 | | 625,234 | 543,682 |

**6.1** Army Welfare Trust (AWT) and directors holds 37,041,491 (2016: 32,174,395) and 478,240 (2016: 16,055) ordinary shares of the Company respectively at the year end.

| | | Note | 2017 | 2016 |
|---|---|---|---|---|
| | | | Rupees '000 | |
| **7** | **STAFF COMPENSATED ABSENCES** | 7.1 | 23,717 | 25,381 |
| **7.1** | Movement in liability | | | |
| | Balance at beginning of the year | | 25,381 | 19,737 |
| | Charge for the year | 7.1.1 | 1,229 | 7,202 |
| | Benefits paid | | (2,893) | (1,558) |
| | Balance at end of the year | | 23,717 | 25,381 |
| **7.1.1** | **Charge for the year** | | | |
| | Current service cost | | 2,651 | 2,501 |
| | Interest cost | | 1,799 | 2,995 |
| | Actuarial loss on experience adjustment | | (3,221) | 1,706 |
| | | | 1,229 | 7,202 |
| **8** | **OTHER CREDITORS AND ACCRUALS** | | | |
| | Agents' commission payable | | 59,490 | 68,977 |
| | Security deposit against bond insurance | | 58,184 | 53,223 |
| | Payable to staff gratuity fund | 8.1 | 17,271 | 6,976 |
| | Tax deducted at source | | 7,748 | 3,290 |
| | Federal excise duty / Federal insurance fee | | 31,732 | 23,086 |
| | | | 174,425 | 155,552 |
| **8.1** | **Payable to staff gratuity fund** | | | |
| **8.1.1** | **Amount recognized in the balance sheet** | | | |
| | Present value of defined benefit obligation | 8.1.3 | 90,207 | 79,885 |
| | Benefits due but not paid during the year | | 4,381 | 3,173 |
| | | | 94,588 | 83,058 |
| | Fair value of plan assets | 8.1.4 | (77,317) | (76,082) |
| | Net liability at end of the year | | 17,271 | 6,976 |

| | | Note | 2017 | 2016 |
|---|---|---|---|---|
| | | | Rupees '000 | |
| **8.1.2** | **Movement in liability recognized in balance sheet** | | | |
| | Balance at beginning of the year | | 6,976 | 11,744 |
| | Expense for the year | 8.1.5 | 8,623 | 8,462 |
| | Actuarial loss / (gain) recognized in other comprehensive income | | 14,966 | (3,123) |
| | | | 30,565 | 17,083 |
| | Contributions to the fund during the year | | (13,294) | (10,107) |
| | Balance at end of the year | | 17,271 | 6,976 |
| **8.1.3** | **Reconciliation of the present value of defined benefits obligation** | | | |
| | Present value of obligations as at beginning of the year | | 79,885 | 68,982 |
| | Current service cost | | 8,851 | 8,163 |
| | Interest cost | | 6,104 | 5,980 |
| | Benefits paid | | (7,162) | (4,783) |
| | Benefits due but not paid | | (1,340) | (273) |
| | Actuarial loss | | 3,869 | 1,816 |
| | Present value of obligations as at end of the year | | 90,207 | 79,885 |
| **8.1.4** | **Movement in the fair value of plan assets** | | | |
| | Fair value of plan assets as at beginning of the year | | 76,082 | 60,462 |
| | Interest income on plan assets | | 6,332 | 5,681 |
| | Contribution to the fund | | 13,294 | 10,107 |
| | Benefits paid | | (7,294) | (5,107) |
| | Actuarial gain | | (11,097) | 4,939 |
| | Fair value of plan assets as at end of the year | | 77,317 | 76,082 |
| **8.1.5** | **Expense for the year** | | | |
| | Current service cost | | 8,851 | 8,163 |
| | Interest cost | | 6,104 | 5,980 |
| | Interest income on plan assets | | (6,332) | (5,681) |
| | Expense for the year | | 8,623 | 8,462 |

**8.1.6** The estimated charge to profit and loss account for the defined benefit plan for the year ending 31 December 2018 is Rs. 10.80 million.

**8.1.7 Composition of fair value of plan assets**

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | **Fair value Rupees'000** | **Percentage %** | Fair value Rupees'000 | Percentage % |
| Debt instruments | 15,948 | 21% | 15,948 | 21% |
| Cash and bank balances | 11,609 | 15% | 3,549 | 5% |
| Mutual funds | 49,760 | 64% | 56,585 | 74% |
| Fair value of plan assets | 77,317 | 100% | 76,082 | 100% |

8.1.8 **Comparison of present value of defined obligation, fair value of plan assets and surplus / (deficit) of gratuity fund for the five years:**

| | **2017** | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| | **Rupees '000** | | | | |
| Present value of defined benefit obligation | 90,207 | 79,885 | 68,982 | 53,344 | 41,751 |
| Fair value of plan assets | (77,317) | (76,082) | (60,462) | (49,246) | (39,414) |
| Deficit | 12,890 | 3,803 | 8,520 | 4,098 | 2,337 |
| Effect of remeasurement: | | | | | |
| - Actuarial loss on experience adjustment on obligation | 3,869 | 1,816 | 4,186 | 4,028 | 4,521 |
| - Actuarial (loss)/gain on interest income on plan assets | (11,097) | 4,939 | 855 | 511 | (967) |

**8.1.9 Sensitivity Analysis**

The calculation of the defined benefit obligation is sensitive to the assumption used. The following table summarizes the impact on the defined benefit obligation at the end of the reporting period as a result of a change in the respective assumptions by one percent.

| | **(Increase) / decrease in Defined Benefit Obligation** | | | |
|---|---|---|---|---|
| | **2017** | | 2016 | |
| | **Rupees '000** | | | |
| | 1% increase | 1% decrease | 1% increase | 1% decrease |
| Discount rate | 82,815 | 101,429 | 73,515 | 87,206 |
| Future salary growth | 101,429 | 82,398 | 87,296 | 73,312 |

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit obligation recognized within the statement of financial position.

**8.1.10 Expected maturity analysis of staff gratuity fund is as follows:**

| | **2017** | 2016 |
|---|---|---|
| | **Rupees '000** | |
| Within one year | 4,662 | 6,452 |
| Between one to two years | 6,595 | 6,774 |
| Between two to five years | 20,245 | 25,091 |
| Over five year | 82,908 | 436,789 |

**8.1.11 Significant Actuarial Assumption**

The following significant assumptions have been used for valuation of this scheme:

| | **2017** | 2016 |
|---|---|---|
| | **per annum** | |
| a) Expected rate of increase in salary level | 9% | 8% |
| b) Discount rate | 9% | 8% |

**8.1.12 Risks**

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk, final salary risk, asset volatility, withdrawal and market (investment) risk.

| | | Note | 2017 | 2016 |
|---|---|---|---|---|
| | | | Rupees '000 | |
| **9** | **LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - secured** | | | |
| | Present value of minimum lease payments | 9.1 | 63,770 | 70,655 |
| **9.1** | **Present value of minimum lease payments** | | | |
| | Not later than 1 year | | 18,813 | 16,274 |
| | Later than 1 year and not later than 5 years | | 44,957 | 54,381 |
| | | | 63,770 | 70,655 |
| **9.2** | **Minimum lease payments** | | | |
| | Not later than 1 year | | 22,617 | 20,541 |
| | Later than 1 year and not later than 5 years | | 49,400 | 60,957 |
| | | | 72,017 | 81,498 |
| | Future finance charges on finance lease | | (8,247) | (10,843) |
| | Present value of finance lease liability | | 63,770 | 70,655 |

**9.3** The above represents finance lease entered into with different banks for motor vehicles. The liability has a term of five years.

| | | Note | 2017 | 2016 |
|---|---|---|---|---|
| | | | Rupees '000 | |
| **10** | **OTHERS** | | | |
| | Fund received against leased vehicle | 10.1 | 11,030 | 7,570 |
| | Fund received against vehicle Ijarah | 10.1 | 1,275 | 619 |
| | Others | | 19,756 | 18,229 |
| | | | 32,061 | 26,418 |
| **10.1** | **Funds received from executives** | | | |
| | Funds received against leased vehicles | | 8,118 | 2,154 |
| | Fund received against vehicle Ijarah | | 1,275 | 619 |
| | | | 9,393 | 2,773 |

## 11 CONTINGENCIES AND COMMITMENTS

**Contingencies**

Tax assessments for Assessment Years 1996-1997 to 1999-2000 were finalized by the tax authorities mainly by curtailing management expenses and thereby raising demands aggregating to Rs. 6.6 million. On appeals filed by the Company, these assessments were set aside by the Income Tax Appellate Tribunal (ITAT). The Company has filed reference applications to the High Court on question of admissibility of management expenses for the Assessment Years 1996-1997 to 1999-2000. The management firmly believes that the matter will be resolved in favor of the Company.

The Company is contesting legal case in various courts of laws filed by or against the Company. The management of the Company is confident that no material liability will arise out these cases and they will have no impact on the financial statements of the Company.

**Commitments**

The Companies commitment under Ijarah arrangement with Meezan Bank Limited is Rs 16.5 million (2016: Rs 9.7 million ). The contracts have a term of five years.

| | | Note | 2017 | 2016 |
|---|---|---|---|---|
| | | | Rupees '000 | |
| **11.1** | **Future Minimum Ujrah (lease) payments are as under:** | | | |
| | Not later than 1 year | | 4,239 | 1,444 |
| | Later than 1 year and not later than 5 years | | 12,238 | 8,266 |
| | | | 16,477 | 9,710 |
| **11.2** | Ijarah payments recognized in expense during the year | | 4,567 | 1,264 |
| **12** | **CASH AND CASH EQUIVALENTS** | | | |
| | Cash in hand | | 960 | 969 |
| | Stamps in hand | | 382 | 251 |
| | | | 1,342 | 1,220 |
| **13** | **CURRENT AND OTHER ACCOUNTS** | | | |
| | Cash at bank: | | | |
| | Current accounts | | 43,232 | 13,578 |
| | Deposit accounts | | | |
| | - local currency | 13.1 | 147,181 | 137,104 |
| | | | 190,413 | 150,682 |

**13.1** These carry an annual effective markup rate ranging from 2.4% to 5.25% (2016 : 3.5% to 7.5%).

**14 ADVANCES TO EMPLOYEES**

These represents short term interest free advances given in accordance with terms of employment. These are secured and considered good. The maximum amount due from executives at the end of any month during the year was Rs. 840 thousand (2016: Rs. 1.81 million) and outstanding balance at 31 December 2017 was Rs. nil (2016: Rs. 0.17 million).

| | | Note | 2017 | 2016 |
|---|---|---|---|---|
| | | | Rupees '000 | |
| **15** | **INVESTMENTS** | | | |
| | Held to maturity | 15.1 | 146,710 | 70,091 |
| | Loans and receivable | 15.2 | 351,859 | 16,483 |
| | Fair value through profit and loss - held for trading | 15.3 | 846,891 | 1,073,175 |
| | Available for sale | 15.4 | 297,554 | 338,478 |
| | | | 1,643,014 | 1,498,227 |
| **15.1** | **Held to maturity** | | | |
| | Government securities | 15.1.1 | 71,710 | 70,091 |
| | Term finance certificates | 15.1.2 | 75,000 | - |
| | | | 146,710 | 70,091 |
| **15.1.1** | **Government securities** | | | |
| | Pakistan Investment Bonds (PIBs) | 15.1.1.1 | 64,914 | 70,091 |
| | Treasury Bills | 15.1.1.2 | 6,796 | - |
| | | | 71,710 | 70,091 |

**15.1.1.1** PIBs are placed as statutory deposit with State Bank of Pakistan in accordance with the requirements of clause (a) of sub section 2 of section 29 of Insurance Ordinance, 2000. These carry interest at effective rate ranging from 5.63% to 12.54% per annum (2016: 5.63% to 12.54% per annum) and will mature by 21 April 2019 (2016: 21 April 2019). Market value of PIBs carried at amortised cost amounts to Rs. 65.51 million (2016: Rs.72.90 million).

**15.1.1.2** Treasury bills carry interest at effective rate 6.01% per annum (2016: nil per annum) and will mature by 24 May 2018.

**15.1.2 Term Finance Certificates**

| Number of certificates | | Face value per share/unit | Investee name | Carrying value / market value | |
|---|---|---|---|---|---|
| **2017** | 2016 | **Rupees** | | **2017** | 2016 |
| | | | | **Rupees '000** | |
| 15,000 | - | 5,000 | Bank Al Habib | 75,000 | - |

Term finance certificates have face value of Rs. 5,000 per certificate, carry interest rate ranging from six month KIBOR plus 1.50% (ask side) per annum and will be redeemed by 2028 and call option after 5 year. The market value of term finance certificates are determined as per rates quoted by Mutual Fund Association of Pakistan on 31 December 2017.

| | | | |
|---|---|---|---|
| | | **2017** | 2016 |
| | | **Rupees '000** | |
| **15.2 Loans and receivables** | | | |
| Certificate of Investments (COIs) | 15.2.1 | 17,257 | 32,701 |
| Provision for impairment of COIs | | (16,218) | (16,218) |
| | | 1,039 | 16,483 |
| Term deposit receipt | 15.2.2 | 350,820 | - |
| | | 351,859 | 16,483 |

**15.2.1** These carry interest at effective rate ranging from 6% to 6.75% per annum (2016: 6% to 9% per annum) having maturity for a period of one year (2016: up to one year).The Company has created a provision against certain COIs. Other COIs are placed with a financial institution having long term and short term credit rating AA+ and A1+ respectively.

**15.2.2 Term Deposit Receipt**

| Certificate number | | Period | Investee name | Rate | Carrying value / market value | |
|---|---|---|---|---|---|---|
| **2017** | 2016 | | | | **2017** | 2016 |
| | | | | | **Rupees '000** | |
| 1061046 | - | 90 days | JS Bank Limited | 6.55% | 115,000 | - |
| 1065531 | - | 31 days | JS Bank Limited | 6.40% | 81,515 | - |
| 1071974 | - | 31 days | JS Bank Limited | 6.50% | 154,305 | - |
| | | | | | 350,820 | - |

**15.3 Fair value through profit and loss - held for trading: Investment in shares / units - quoted**

| Number of shares / units 2017 | 2016 | Face value per share / unit Rupees | Investee name | Carrying value / market value 2017 | 2016 |
|---|---|---|---|---|---|
| | | | | Rupees '000 | |
| | | | **Open-Ended Mutual Funds** | | |
| - | 9,593,885 | 10 | ABL Government Securities Fund | - | 98,105 |
| 5,808,581 | - | 10 | ABL Islamic Income Fund | 60,298 | - |
| - | 106,790 | 500 | Alfalah GHP Cash Fund | - | 54,287 |
| - | 937,654 | 50 | Alfalah GHP Income Multiplier Fund | - | 51,047 |
| - | 2,766,604 | 50 | AKD Aggressive Income Fund | - | 147,415 |
| 1,537,071 | 487,626 | 100 | Askari High Yield Scheme | 159,372 | 50,850 |
| - | 997,420 | 100 | Faysal Margin Trading Fund | - | 102,704 |
| 480,123 | - | 100 | JS Cash Fund | 50,019 | - |
| 1,429,411 | 1,608,421 | 50 | JS Income Fund | 140,711 | 160,134 |
| 516,068 | - | 10 | NAFA Income Fund | 5,169 | - |
| 13,792,007 | 11,407,968 | 10 | NAFA Income Opportunity Fund | 151,195 | 126,155 |
| - | 201,787 | 50 | Pakistan Income Enhancement Fund | - | 10,923 |
| - | 776,143 | 100 | HBL Gov. Sec. (PICIC Income Fund) | - | 83,577 |
| 1,501,661 | - | 100 | PIML Income Fund | 162,345 | - |
| - | 379,372 | 100 | UBL Income Opportunity Fund | - | 42,673 |
| 313 | - | 100 | UBL Money Market Fund | 32 | - |
| 1,362,859 | 1,634,958 | 100 | UBL Growth and Income Fund | 117,750 | 143,662 |
| | | | **Non Life Insurance** | | |
| - | 39,500 | 10 | Pak Reinsurance Company Limited | - | 1,643 |
| | | | | 846,891 | 1,073,175 |

**15.4 Available for sale**

**Investments in units / shares - quoted**

| Number of shares / units 2017 | 2016 | Face value per share / unit Rupees | Investee name | Carrying value / market value 2017 | 2016 |
|---|---|---|---|---|---|
| | | | | Rupees '000 | |
| | | | **Open-End Mutual Funds** | | |
| 29,721 | 27,275 | 100 | Dawood Income Fund | 2,112 | 1,919 |
| - | 170,940 | 100 | JS Large Capital Fund | - | 25,000 |
| 2,670,080 | 2,209,669 | 10 | ABL Stock Fund | 45,473 | 40,982 |
| - | 243,129 | 50 | AKD Opportunity Fund | - | 25,000 |
| 456,488 | - | 100 | HBL Stock Fund | 55,503 | - |
| 100,000 | - | 10 | Alfalah GHP Islamic Value Fund | 10,000 | - |
| 387,821 | 373,913 | 50 | Alfalah GHP Alpha Fund | 32,771 | 27,370 |
| 91,475 | 82,270 | 100 | Alfalah GHP Stock Fund | 14,351 | 11,183 |
| 327,955 | - | 50 | UBL Stock Advantage Fund | 25,000 | - |
| 241,540 | 279,033 | 50 | MCB Pakistan Stock Market Fund | 25,000 | 26,232 |
| - | 1,174,719 | 10 | NAFA Stock Fund | - | 20,218 |
| - | 113,112 | 100 | JS Growth Fund | - | 25,000 |
| 206,167 | 177,626 | 100 | Lakson Equity Fund | 26,990 | 20,934 |
| 157,998 | - | 100 | Lakson Asset Allocation Dev Mkt Fund | 20,000 | - |

**Investments in units / shares - quoted**

| Number of shares / units 2017 | Number of shares / units 2016 | Face value per share / unit Rupees | Investee name | Carrying value / market value 2017 (Rupees '000) | Carrying value / market value 2016 (Rupees '000) |
|---|---|---|---|---|---|
| 36,396 | 36,395 | 10 | First Dawood Mutual Fund | 220 | 220 |
| | | | **Automobile and Parts** | | |
| 1,000 | - | 10 | Indus Motor Company Limited | 1,694 | - |
| 7,300 | - | 10 | Ghandara Industries Limited | 6,365 | - |
| | | | **Chemicals** | | |
| 30,000 | 55,000 | 10 | Engro Corporations Limited | 9,799 | 17,106 |
| - | 50,000 | 10 | Dawood Hercules Chemicals Ltd | - | 7,374 |
| - | 11,000 | 10 | Biafo Industries Limited | - | 2,660 |
| | | | **Cement** | | |
| - | 15,000 | 10 | Bestway Cement Limited | - | 4,199 |
| - | 30,000 | 10 | Kohat Cement Company Limited | - | 7,855 |
| - | 3,500 | 10 | Lucky Cement | - | 2,940 |
| 44,700 | 30,000 | 10 | Maple Leaf Cement Limited | 5,083 | 3,592 |
| 25,000 | - | 10 | D. G. Khan Cement Company Limited | 5,377 | - |
| | | | **Pharmaceutical** | | |
| 285 | - | 10 | Searle Pakistan Limited | 86 | - |
| | | | **Food Producers** | | |
| - | 100,000 | 10 | Fauji Foods Limited | - | 9,537 |
| | | | **Fertilizers** | | |
| - | 100,000 | 10 | Engro Fertilizers Limited | - | 7,015 |
| - | 130,000 | 10 | Fauji Fertilizers Company Limited | - | 14,229 |
| 225,000 | 60,000 | 10 | Fauji Fertilizers Bin Qasim Limited | 9,629 | 3,190 |
| | | | **Oil and Gas** | | |
| - | 20,000 | 10 | Oil and Gas Development | - | 2,814 |
| 8,000 | - | 10 | Pakistan Oil Fields Limited | 4,867 | - |
| - | 20,000 | 10 | Pakistan Petroleum Limited | - | 4,366 |
| - | 20,000 | 10 | Pakistan State Oil Company Limited | - | 8,221 |
| - | 15,000 | 10 | Hascol Petroleum Limited | - | 5,023 |
| - | 100,000 | 10 | Sui Southern Gas Limited | - | 4,124 |
| 2,500 | - | 10 | Mari Petroleum Company Limited | 3,627 | - |
| | | | **General Insurance** | | |
| - | 41,000 | 10 | IGI Insurance Limited | - | 9,311 |
| | | | **Cable & Electrical Goods** | | |
| - | 40,000 | 10 | Pak Electron Ltd | - | 2,794 |
| | | **Carrying value** | | 303,947 | 340,408 |
| | | **Provision for diminution in market value** | | (6,393) | (1,930) |
| | | **Carrying value** | | 297,554 | 338,478 |
| | | **Market value** | | 261,360 | 364,783 |

## 16 INVESTMENT PROPERTY

This represents the carrying amount of two offices in ISE Towers, classified as investment property based on the management's intention to hold the property for earning rentals and / or capital appreciation.

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | Rupees '000 | |
| Cost | | 52,400 | 52,400 |
| Depreciation | | | |
| Balance at beginning of the year | | (7,969) | (6,659) |
| Depreciation for the year | 16.2 | (1,310) | (1,310) |
| Balance at end of the year | | (9,279) | (7,969) |
| Carrying value | | 43,121 | 44,431 |

**16.1** The market value of the investment property as on 31 December 2017 is Rs. 86.46 million (2016: Rs. 85.15 million) as per valuation carried out by an independent valuer. Useful life of the investment property is estimated to be 40 years.

**16.2** The amount of depreciation has been allocated to general and administration expenses.

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | Rupees '000 | |
| **17 DEFERRED TAXATION** | | | |
| Deferred tax asset in respect of: | | | |
| - Provision for impairment in loans and receivable investments | | 4,196 | 2,857 |
| - Provision against premium due but unpaid | | 4,601 | 5,196 |
| - Provision against amounts due from other insurers/reinsurers | | 4,192 | 3,121 |
| | | 12,989 | 11,174 |
| **18 PREMIUM DUE BUT UNPAID, - unsecured, considered good** | | | |
| Considered good | 18.1 | 1,112,206 | 604,333 |
| Considered doubtful | | 15,337 | 17,320 |
| | | 1,127,543 | 621,653 |
| Provision against doubtful balance | | (15,337) | (17,320) |
| | | 1,112,206 | 604,333 |

**18.1** This includes premium amounting to Rs. 153 thousand (2016: Rs. 177 thousand) and Rs. 86.94 million (2016: Rs. 87.15 million) receivable from the Parent and associated undertakings respectively, the movement of which are follows:

| | 2017 | 2016 |
|---|---|---|
| **Receivable from parent:** | Rupees '000 | |
| Balance at beginning of the year | 177 | 5,401 |
| Insurance premium written (including government levies, administrative surcharge and policies stamps) | 7,156 | 7,097 |
| Premium received during the year | (7,180) | (12,321) |
| Balance at end of the year | 153 | 177 |
| **Receivable from associated undertakings:** | | |
| Balance at beginning of the year | 87,146 | 55,048 |
| Insurance premium written (including government levies, administrative surcharge and policies stamps) | 127,409 | 111,055 |
| Premium received during the year | (127,614) | (78,957) |
| Balance at end of the year | 86,941 | 87,146 |

| | | 2017 | 2016 |
|---|---|---|---|
| | | Rupees '000 | |
| **18.2** | **Provision for doubtful balances** | | |
| | Balance at beginning of the year | 17,320 | 17,320 |
| | Provision reversed during the year | (1,983) | - |
| | Balance at end of the year | 15,337 | 17,320 |
| **18.3** | **Age analysis of amounts receivable for related parties:** | | |
| | **Receivable from parent:** | | |
| | Up to 1 year | 150 | 172 |
| | 1 to 2 years | 3 | 5 |
| | | 153 | 177 |
| | **Receivable from associated undertakings:** | | |
| | Up to 1 year | 77,332 | 69,281 |
| | 1 to 2 years | 9,005 | 17,349 |
| | 2 to 3 years | 604 | 516 |
| | | 86,941 | 87,146 |
| **19** | **AMOUNTS DUE FROM OTHER INSURERS / REINSURERS - unsecured, considered good** | | |
| | Considered good | 373,458 | 331,494 |
| | Considered doubtful | 13,976 | 10,402 |
| | | 387,434 | 341,896 |
| | Provision against doubtful balance | (13,976) | (10,402) |
| | | 373,458 | 331,494 |
| **19.1** | **Provision against doubtful balance** | | |
| | Balance at beginning of the year | 10,402 | 10,402 |
| | Provision made during the year | 3,574 | - |
| | Balance at end of the year | 13,976 | 10,402 |
| **20** | **PREPAYMENTS** | | |
| | Prepaid reinsurance premium ceded | 566,134 | 537,747 |
| | Others | 16,006 | 9,696 |
| | | 582,140 | 547,443 |
| **21** | **SUNDRY RECEIVABLES** | | |
| | Security deposits | 8,559 | 8,985 |
| | Advances to suppliers - unsecured, considered good | 891 | 508 |
| | Receivable against sale of laptops | 2,143 | 3,071 |
| | Deposit against vehicles Ijarah | 3,773 | 3,918 |
| | Receivable from brokerage firms | 29,855 | 428 |
| | Other receivables - unsecured, considered good | 19,005 | 13,273 |
| | | 64,226 | 30,183 |

# Notes to the Financial Statements

*For the year ended 31 December 2017*

## 22 FIXED ASSETS

| | Tangible | | | | | | Intangible | | |
|---|---|---|---|---|---|---|---|---|---|
| | Furniture and fixtures | Computers and office equipment | Motor vehicles (Owned) | Motor vehicles (Leased) | Tracking devices | Leasehold improvements | Software license | Capital work in progress | Total |
| **COST** | | | | | Rupees '000 | | | | |
| As at 01 January 2016 | 17,947 | 51,172 | 10,970 | 45,115 | 98,003 | 14,425 | 10,376 | 4,336 | 252,344 |
| Additions during the year | 578 | 8,636 | 2,342 | 65,930 | - | 1,108 | 197 | 1,284 | 80,075 |
| Disposals | (745) | (1,675) | (712) | - | - | (175) | - | - | (3,307) |
| Transfers / adjustments | - | - | - | - | 4,190 | - | - | (4,190) | - |
| As at 31 December 2016 | 17,780 | 58,133 | 12,600 | 111,045 | 102,193 | 15,358 | 10,573 | 1,430 | 329,112 |
| **Additions during the year** | 7,541 | 4,576 | 6,554 | 13,597 | - | - | 93 | 6,016 | 38,377 |
| **Disposals** | (341) | (2,519) | (310) | - | - | - | (5,527) | - | (8,697) |
| **Transfers / adjustments** | - | - | - | - | 4,670 | - | - | (4,670) | - |
| **As at 31 December 2017** | 24,980 | 60,190 | 18,844 | 124,642 | 106,863 | 15,358 | 5,139 | 2,776 | 358,792 |
| **Depreciation and amortisation** | | | | | | | | | |
| As at 01 January 2016 | 12,412 | 42,884 | 5,857 | 4,878 | 63,537 | 14,100 | 9,152 | - | 152,820 |
| Charge for the year | 1,501 | 4,979 | 2,028 | 18,090 | 17,483 | 406 | 1,146 | - | 45,633 |
| Depreciation on disposals | (553) | (1,675) | (670) | - | - | (175) | - | - | (3,073) |
| As at 31 December 2016 | 13,360 | 46,188 | 7,215 | 22,968 | 81,020 | 14,331 | 10,298 | - | 195,380 |
| **Charge for the year** | 2,770 | 6,917 | 2,206 | 24,037 | 15,027 | 495 | 158 | - | 51,610 |
| **Depreciation on disposals** | (341) | (2,419) | (310) | - | - | - | (5,528) | - | (8,598) |
| **As at 31 December 2017** | 15,789 | 50,686 | 9,111 | 47,005 | 96,047 | 14,826 | 4,928 | - | 238,392 |
| **Carrying value as at:** | | | | | | | | | |
| - 31 December 2016 | 4,420 | 11,945 | 5,385 | 88,077 | 21,173 | 1,027 | 275 | 1,430 | 133,732 |
| **- 31 December 2017** | 9,191 | 9,504 | 9,733 | 77,637 | 10,816 | 532 | 211 | 2,776 | 120,400 |
| **Useful life (years)** | 5 | 3 | 5 | 5 | 3 | 3 | 5 | | |

| | | Note | 2017 | 2016 |
|---|---|---|---|---|
| | | | Rupees '000 | |
| **22.1** | **Depreciation and amortization is allocated as follows:** | | | |
| | Management expenses | 23 | 38,917 | 35,847 |
| | General and administration expenses | 25 | 14,003 | 11,096 |
| | | | 52,920 | 46,943 |

**22.2 Details of disposals of fixed assets during the year**

| Particulars of assets / buyers | Cost | Accumulated depreciation | Book value | Sale proceeds | Gain/ (Loss) on sale |
|---|---|---|---|---|---|
| **2017** | Rupees '000 | | | | |
| **Vehicles** | | | | | |
| Hassan Baig | 71 | 71 | - | 10 | 10 |
| Sher Baz Khan | 69 | 69 | - | 14 | 14 |
| Safdar Iqbal | 89 | 89 | - | 265 | 265 |
| **Equipment** | | | | | |
| Micro Tek | 235 | 235 | - | 16 | 16 |
| Saiem Enterprises | 288 | 288 | - | 28 | 28 |
| A.S Enterprises | 80 | 80 | - | 10 | 10 |
| Aggregate value of other items with individual book value not exceeding Rs. 50,000 | 7,865 | 7,766 | 99 | 408 | 309 |
| **2017 - Total** | 8,697 | 8,598 | 99 | 751 | 652 |
| 2016 - Total | 3,307 | 3,073 | 234 | 706 | 472 |

**22.2.1** The above assets were disposed of via auction

| | | Note | 2017 | 2016 |
|---|---|---|---|---|
| | | | Rupees '000 | |
| **23** | **NET PREMIUM REVENUE** | | | |
| | Premium revenue (net of reinsurance) | | 1,310,974 | 1,211,273 |
| | Administrative surcharge | 23.1 | 45,215 | 43,957 |
| | | | 1,356,189 | 1,255,230 |
| **23.1** | **Net premium revenue includes administrative surcharge as under:** | | | |
| | Fire and property damage | | 5,657 | 5,626 |
| | Marine, aviation and transport | | 5,427 | 4,815 |
| | Motor | | 29,679 | 29,179 |
| | Accident and health | | 725 | 575 |
| | Miscellaneous | | 3,727 | 3,762 |
| | | | 45,215 | 43,957 |

| | | Note | 2017 | 2016 |
|---|---|---|---|---|
| | | | Rupees '000 | |
| **24** | **MANAGEMENT EXPENSES** | | | |
| | Salaries and other benefits | 24.1 | 210,183 | 179,825 |
| | Rent | | 25,548 | 26,619 |
| | Communication | | 9,443 | 9,144 |
| | Tracker devices | | 13,223 | 8,535 |
| | Monitoring of trackers | | 10,021 | 8,689 |
| | Printing and stationery | | 1,318 | 1,493 |
| | Traveling and entertainment | | 3,739 | 3,078 |
| | Depreciation and amortization | | 38,917 | 35,847 |
| | Repair and maintenance | | 6,052 | 4,889 |
| | Utilities | | 7,885 | 7,954 |
| | Advertisement | | 227 | 300 |
| | Inspection | | 1,147 | 995 |
| | Bank charges | | 205 | 315 |
| | Vehicle Ijarah rentals | | 1,265 | 239 |
| | Miscellaneous | | 2,395 | 2,317 |
| | | | 331,568 | 290,239 |

**24.1** This includes charges for defined benefit plans, staff compensated absences and defined contribution plans amounting to Rs. 4.92 million (2016: Rs. 4.82 million) , Rs. 679 thousand (2016: Rs. 4.11 million) and Rs. 5.22 million (2016: Rs.4.77 million) respectively.

| | | Note | 2017 | 2016 |
|---|---|---|---|---|
| | | | Rupees '000 | |
| **25** | **OTHER INCOME - net** | | | |
| | Gain on disposal of fixed assets | | 652 | 472 |
| | Reversal of provision for Workers' Welfare Fund | | - | 2,753 |
| | Miscellaneous | | 2,305 | 3,085 |
| | | | 2,957 | 6,310 |
| **26** | **GENERAL AND ADMINISTRATION EXPENSES** | | | |
| | Salaries and other benefits | 26.1 | 128,012 | 123,661 |
| | Rent | | 15,490 | 15,425 |
| | Communication | | 2,725 | 3,373 |
| | Printing and stationery | | 4,117 | 5,405 |
| | Traveling and entertainment | | 4,273 | 2,678 |
| | Depreciation and amortization | | 14,003 | 11,096 |
| | Repair and maintenance | | 5,599 | 5,796 |
| | Legal and professional | | 3,719 | 3,083 |
| | Subscription | | 5,730 | 5,228 |
| | Utilities | | 3,371 | 3,503 |
| | Advertisement | | 2,347 | 3,237 |
| | Auditor's remuneration | 26.2 | 2,180 | 1,118 |
| | Bank charges | | 533 | 478 |
| | Reversal of provision against premium due but unpaid | | (1,983) | - |
| | Provision against amounts due from other insurers / reinsurers | | 3,574 | - |
| | Vehicle Ijarah rentals | | 3,302 | 1,025 |
| | Miscellaneous | | 7,743 | 2,522 |
| | | | 204,735 | 187,628 |

**26.1** This includes charges for defined benefit plans, staff compensated absences and defined contribution plans amounting to Rs. 3.71 million (2016: Rs. 3.64 million), Rs. 550 thousand (2016: Rs. 3.09 million) and Rs. 4.10 million (2016: Rs. 3.75 million) respectively.

| | | **2017** | 2016 |
|---|---|---|---|
| | | **Rupees '000** | |
| **26.2** | **Auditor's remuneration** | | |
| | Audit fee | 539 | 444 |
| | Half yearly review | 315 | 331 |
| | Special purpose review | 300 | - |
| | Other certifications | 900 | 175 |
| | Tax advisory services | 126 | 168 |
| | | 2,180 | 1,118 |
| **27** | **GENERAL TAKAFUL OPERATIONS - OPF** | | |
| | Wakala fee | 54,110 | 18,365 |
| | Management expenses | (14,396) | (6,706) |
| | Commission expenses | (12,311) | (4,048) |
| | Modarib's share of PTF investment income | - | 134 |
| | Investment income | 5,744 | 3,533 |
| | Other expenses | (9,392) | (5,735) |
| | Profit from general takaful operations | 23,755 | 5,543 |
| **28** | **PROVISION FOR TAXATION** | | |
| **28.1** | **Taxation charged to profit and loss account** | | |
| | Current tax | 112,623 | 63,096 |
| | Deferred tax | (1,816) | (513) |
| | | 110,807 | 62,583 |

**28.2** **Relationship between tax expense and accounting profit**

| | **2017** | 2016 | **2017** | 2016 |
|---|---|---|---|---|
| | **Effective tax rate - %** | | **Rupees'000** | |
| Profit for the year before taxation | | | 364,497 | 320,516 |
| Tax at the applicable rate | 30.00 | 31.00 | 109,349 | 99,360 |
| Effect of items that are not considered in determining taxable income - net | 0.37 | (3.59) | 1,336 | (11,500) |
| Effect of amounts chargeable to tax at reduced rate | 0.00 | (1.15) | - | (3,670) |
| Effect of change in tax rate | 0.03 | (0.15) | 122 | (479) |
| | 30.40 | 26.12 | 110,807 | 83,711 |

**28.3** **Taxation charged to other comprehensive income**

| | **2017** | 2016 |
|---|---|---|
| Current Tax (Loss)/Income | (4,490) | 968 |

**28.4** Tax returns for the Tax Years 2012 to 2017 were assessed in terms of section 120 of the income Tax Ordinance 2001 however the tax authorities are empowered to amend the assessment within five years (05) years from the end of the financial year in which the Commissioner has issued or treated to have issued the assessment order.

**28.5** The Board of Directors in their meeting held on 8 March 2018 has proposed cash dividend for the year ended 31 December 2017 (refer note 37.2) which complies with requirements of section 5A of Income Tax Ordinance, 2001. Accordingly no provision for tax on undistributed reserves has been recognized in these financial statements.

| | | 2017 | 2016 (Restated) |
|---|---|---|---|
| **29** | **EARNINGS PER SHARE - BASIC AND DILUTED** | | |
| | Profit after tax (Rupees '000) | 253,690 | 236,805 |
| | Weighted average number of shares | 62,523,387 | 60,917,902 |
| | Earnings per share (Rupees) | 4.06 | 3.89 |

**29.1** No figure for diluted earnings per share has been presented as the Company has not issued any instrument which would have an impact on earnings per share when exercised. The restatement is due to issuance of 8,155,224 bonus shares.

## 30 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of directors, major shareholders, key management personnel, entities under common control, entities with common directors and employees retirement benefit funds. Army Welfare Trust ("AWT") holds significant portion of the Company's equity, therefore all subsidiaries and associated undertakings of AWT are related parties of the Company.

The amounts due from associated undertakings are disclosed in note 18 to the financial statements. Remuration to cheif executive, directors and executives under the terms of their employment are disclosed in note 31 to the financial statements. Transactions with related parties during the year are as follows:

| | 2017 | 2016 |
|---|---|---|
| | Rupees '000 | |
| **Transactions with parent:** | | |
| Insurance premium written (including government levies administrative surcharge and policies stamps) | 7,156 | 7,097 |
| Premium received during the year | (7,180) | (12,321) |
| Insurance claims paid | 1,893 | 9,036 |
| Rent paid | 19,737 | 17,614 |
| Right shares issued | - | 69,047 |
| Share premium received | - | 69,047 |
| Bonus shares issued | 48,571 | 22,993 |
| Dividend Paid | 59,669 | 34,473 |
| **Transactions with associated undertakings:** | | |
| Insurance premium written (including government levies administrative surcharge and policies stamps) | 127,409 | 111,055 |
| Premium received during the year | (127,614) | (78,957) |
| Insurance claims paid | 10,899 | 7,420 |
| Contribution to staff retirement benefit funds | 27,269 | 27,141 |

## 31 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

**31.1** The aggregate amounts charged in these financial statements for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company are as follows:

| | 2017 | | |
|---|---|---|---|
| | Chief Executive | Directors | Executives |
| | Rupees '000 | | |
| Remuneration and bonus | 13,904 | - | 73,764 |
| Housing and utilities | 5,147 | - | 21,357 |
| Provident fund | 780 | - | 2,949 |
| Meeting fee | - | 1,050 | - |
| | 19,831 | 1,050 | 98,070 |
| No of person(s) | 1 | 8 | 54 |

| | 2016 | | |
|---|---|---|---|
| | Chief Executive | Directors | Executives |
| | Rupees '000 | | |
| Remuneration and bonus | 12,332 | - | 56,412 |
| Housing and utilities | 4,679 | - | 15,561 |
| Provident fund | 709 | - | 2,307 |
| Meeting fee | - | 550 | - |
| | 17,720 | 550 | 74,280 |
| No of person(s) | 1 | 8 | 39 |

**31.2** The Chief Executive and Executives are also provided with the Company's maintained car. They are also entitled to gratuity and leave encashment for which the provision is determined by the actuary.

## 32 MANAGEMENT OF FINANCIAL AND INSURANCE RISK

### 32.1 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 overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. The Company consistently manages its exposure to financial risk without any material change from previous year in the manner described in notes below.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing the Company's risk management policies.

### i) 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 credit exposures by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of counterparties.

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The management monitors and limits the Company's exposure to credit risk through monitoring of client's exposure and maintaining conservative estimates of provisions for doubtful assets, if required. The management believes 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 sectors.

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

| | 2017 | 2016 |
|---|---|---|
| | Rupees '000 | |
| Bank deposits | 190,413 | 150,682 |
| Investments | 498,569 | 86,574 |
| Advances to employees | 801 | 1,344 |
| Premium due but unpaid | 1,112,206 | 604,333 |
| Amounts due from other insurers/reinsurers | 373,458 | 331,494 |
| Accrued investment income | 3,383 | 3,349 |
| Reinsurance recoveries against outstanding claims | 184,417 | 206,705 |
| Sundry receivables | 64,226 | 30,183 |
| | 2,427,473 | 1,414,664 |

The Company does not hold any collateral against the above balances. Provision against receivable is written off when the Company expects that it cannot recover the balance due. Except as already provided for in these financial statements, past due balances were not impaired as they relate to a number of policy holders and other insurers/reinsurers for whom there is no recent history of default. The age analysis of gross receivables is as follows:

| | Premium due but unpaid | Amount due from other insurers/ reinsurers | Reinsurance recoveries against outstanding claims | Sundry receivables | 2017 Aggregate | 2016 Aggregate |
|---|---|---|---|---|---|---|
| | Rupees '000 | | | | | |
| Up to 1 year | 1,014,192 | 351,780 | 114,810 | 64,226 | 1,545,008 | 663,290 |
| 1-2 years | 99,083 | 21,678 | 21,483 | - | 142,245 | 82,323 |
| 2-3 years | 7,551 | 2,957 | 23,156 | - | 33,664 | 32,484 |
| Over 3 years | 6,717 | 11,019 | 24,968 | - | 42,703 | 90,278 |
| | 1,127,543 | 387,434 | 184,417 | 64,226 | 1,763,620 | 868,375 |

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

| Rating Financial institution | Rating | | Rating agency | 2017 | 2016 |
|---|---|---|---|---|---|
| | Short term | Long term | | Rupees '000 | |
| Askari Bank Limited | AA+ | A1+ | PACRA | 172,472 | 142,347 |
| Summit Bank Limited | A- | A-1 | JCR-VIS | 950 | 924 |
| Habib Bank Limited | AAA | A-1+ | JCR-VIS | 1,828 | 851 |
| Faysal Bank Limited | AA | A1+ | PACRA | 1,939 | 537 |
| Soneri Bank Limited | AA- | A1+ | PACRA | - | - |
| Silk Bank Limited | A- | A-2 | JCR-VIS | 91 | 4 |
| Bank Al Falah Limited | AA | A1+ | PACRA | 1,311 | 301 |
| Bank Islami Pakistan Limited | A+ | A1 | PACRA | - | - |
| Bank Al-Habib Limited | AA+ | A1+ | PACRA | 173 | 55 |
| Meezan Bank Limited | AA | A-1+ | JCR-VIS | 573 | 649 |
| The Bank of Punjab Limited | AA | A1+ | PACRA | 742 | 1 |
| NRSP Microfinance Bank Limited | A | | PACRA | 782 | 5,013 |
| JS Bank Limited | AA- | A1+ | PACRA | 590 | - |
| Sindh Bank Limited | AA | A-1+ | JCR-VIS | 1 | - |
| Bank Of Khyber Limited | A | A1 | PACRA | 495 | - |
| PPCBL | Exempted | Exempted | Not Applicable | 3,815 | - |
| Zarai Taraqiyati Bank Limited | AAA | A-1+ | JCR-VIS | 4,652 | - |
| | | | | 190,414 | 150,682 |

**b)** Sector wise analysis of gross premiums due but unpaid is as follows:

| | **2017** | 2016 |
|---|---|---|
| | **Rupees '000** | |
| Agriculture | 11,298 | 9,906 |
| Construction Companies | 3,229 | 3,601 |
| Development | 46,281 | 28,132 |
| Education | 38,548 | 21,426 |
| Engineering | 7,258 | 9,955 |
| Financial Services | 35,557 | 17,694 |
| Logistics | 3,626 | 3,319 |
| Miscellaneous | 204,002 | 192,816 |
| Other Manufacturing | 16,395 | 11,960 |
| Other Services | 306,595 | 245,842 |
| Pharmaceuticals | 6,027 | 3,819 |
| Poultry Industry | 61 | 160 |
| Sugar Industry | 635 | 38,677 |
| Telecommunication | 419,601 | 6,816 |
| Textile And Composites | 26,779 | 27,766 |
| Travel & Tourism Development | 1,651 | - |
| | 1,127,543 | 621,889 |

**c)** The credit quality of amounts due from other insurers/reinsurers and reinsurance recoveries against outstanding claims can be assessed with reference to external credit rating as follows:

| | **2017** | | | 2016 |
|---|---|---|---|---|
| **Rating** | **Amount due from other insurers/ reinsurers** | **Reinsurance recoveries against outstanding claims** | **Aggregate** | Aggregate |
| | **Rupees '000** | | | |
| A or above | 381,206 | 184,394 | 565,600 | 542,623 |
| Others | 6,228 | 23 | 6,251 | 5,978 |
| | 387,434 | 184,417 | 571,851 | 548,601 |

**d)** The Company has diversified portfolio of investment to mitigate the risk. The major credit risk exposure relates to held to maturity investment which are placed with Government of Pakistan and a financial institution as mentioned in note 15.2 to the financial statements. The Company has also maintained a provision against certain certificates of investments as disclosed in note 15.2 to the financial statements.

**ii) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. Liquidity requirements are monitored by management to ensure that adequate funds are available to meet any obligations as they arise. To guard against risk, the Company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities.

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

| | 2017 | | | |
|---|---|---|---|---|
| | **Carrying amount** | **Contractual cash flows** | **Up to one year** | **More than one year** |
| | **Rupees '000** | | | |
| Provision for outstanding claims (including IBNR) | 416,296 | 416,296 | 416,296 | - |
| Amounts due to other insurers/reinsurers | 569,317 | 569,317 | 569,317 | - |
| Accrued expenses | 35,107 | 35,107 | 35,107 | - |
| Other creditors and accruals | 174,425 | 174,425 | 174,425 | - |
| Unclaimed dividend | 2,298 | 2,298 | 2,298 | - |
| Liabilities against assets subject to finance lease | 72,017 | 72,017 | 22,617 | 49,400 |
| Other liabilities | 32,061 | 32,061 | 32,061 | - |
| | 1,301,521 | 1,301,521 | 1,252,121 | 49,400 |

| | 2016 | | | |
|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | Up to one year | More than one year |
| | Rupees '000 | | | |
| Provision for outstanding claims (including IBNR) | 419,120 | 419,120 | 419,120 | - |
| Amounts due to other insurers/reinsurers | 340,346 | 340,346 | 340,346 | - |
| Accrued expenses | 22,794 | 22,794 | 22,794 | - |
| Other creditors and accruals | 155,552 | 155,552 | 155,552 | - |
| Unclaimed dividend | 1,237 | 1,237 | 1,237 | - |
| Liabilities against assets subject to finance lease | 81,498 | 81,498 | 20,541 | 60,957 |
| Other liabilities | 26,418 | 26,418 | 26,418 | - |
| | 1,046,965 | 1,046,965 | 986,008 | 60,957 |

**iii) Market risk**

**a)** 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 variable such as interest/mark up rate, foreign exchange rate and equity prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The market risks associated with the Company's business activities are interest/mark up rate risk and price risk.

**Interest/mark up rate risk**

Interest/mark-up rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market interest/mark up rates. The Company invests in securities and has deposits that are subject to interest/mark up rates risk. The Company limits interest/mark up rate risk by monitoring changes in interest/mark up rates in the currencies in which its cash and investments are denominated. The Company's financial liabilities are not exposed to interest/mark up rate risk. At the balance sheet date exposure to interest bearing financial assets is as follows:

| | 2017 | 2016 | 2017 | 2016 |
|---|---|---|---|---|
| | Effective interest rate (%) | | Carrying amounts | |
| | | Rupees '000 | | |
| Fixed rate financial assets | | | | |
| Deposit accounts | 2.4% to 5.25% | 0.25% to 5% | 147,181 | 137,104 |
| Investments | 5.63% to 12.54% | 6.5% to 12.5% | 498,569 | 86,574 |
| | | | 645,750 | 223,678 |

**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 the 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 decreased/increased profit for the year by Nil (2016: Rs. Nil).

It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. The analysis assumes that all other variables remain constant. Actual results might differ from those reflected above.

**b) Foreign currency risk**

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

**c) 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. The Company is exposed to price risk since it has investments in quoted securities amounting to Rs. 1,144.45 million (2016: Rs. 1,412.86 million) at the balance sheet date out of which Rs. 846.89 million (2016: Rs. 1,073.18 million) are carried at fair value. The Company manages price risk by monitoring exposure in quoted securities and implementing the strict discipline in internal risk management and investment policies.

The carrying value of investments are based on quoted market prices as of the balance sheet date except for investments held to maturity securities which are measured at their amortized cost, investment in associates which are carried under equity method and 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 Securities and Exchange Commission of Pakistan (SECP).

Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

**Sensitivity analysis**

A 10% increase/(decrease) in market prices of held for trading investments at the year end, would have increased/(decreased) profit before tax by Rs. 84.69 million (2016: Rs. 107.32 million).

**iv) 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 available for sale and held to maturity investments whose fair values are determined for disclosure purpose only and have been disclosed in their respective notes to these financial statements.

The basis for determining the fair values is as follows:

**Fair value hierarchy**

The table below analysis financial instruments carried at fair value, by valuation method. The different levels are defined as below:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at the balance sheet date, the Company's investments in fair value through profit or loss of Rs. 846.89 million (2016: Rs. 1,073.18 million) are carried in the financial statements at their fair values. The fair values for these investments have been determined using the valuation method as described in fair value hierarchy level 1. Fair value of available for sale investments, determined for disclosure purpose only are also determined using the valuation method as described in fair value hierarchy level 1. Fair value of government securities determined for disclosure purpose only are determined using the valuation method as described in fair value hierarchy level 2.

**Determination of fair values**

Fair values have been determined for measurement/or disclosure purpose based on the following methods:

Investment in fair value through profit and loss account - held for trading

The fair value of held for trading investment is determined by reference to their closing repurchase price/ price quoted on the stock exchange at the reporting date.

**Available for sale investment**

The fair value of available for sale investment is determined by reference to their closing repurchase price/ price quoted on the stock exchange at the reporting date. The fair value is determined for disclosure purposes.

**Held to maturity investment**

Fair value for held to maturity investment is estimated as the present values of future cash flows, discounted at the market rate of interest at the reporting date. The fair values are determined for disclosure purposes.

**Non-derivatives financial assets and liabilities**

The fair value is estimated based on the present values of future cash flows, discounted at the market rate of interest at the reporting date. However, since these assets and liabilities are due to be settled within one year, their fair values approximate their carrying values.

**v) Capital management**

The Company's objectives when managing capital are 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 of its business. The management closely monitors the return on capital along with the level of distributions to ordinary shareholders. The Company is compliant with the minimum capital requirement under the Insurance Ordinance 2000.

SECP under S.R.O.828 (I) 2015 dated 18th August 2015 has prescribed the following minimum paid up capital requirement for all non life insurers:

| | 30 June | 31 December |
|---|---|---|
| | Rupees '000 | |
| Year 2015 | - | 300,000 |
| Year 2016 | 350,000 | 400,000 |
| Year 2017 | 450,000 | 500,000 |

The Company has adopted a policy of profit capitalization to meet the regulatory requirements for minimum paid up capital and where required call further capital. There was no change in the Company's approach towards capital management during the year.

**32.2 Insurance risk**

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The principal risk that the Company faces under its insurance contracts is that the actual claims exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random, and the actual number and amount of claims will vary from year to year from the level established.

Based on past experience, management is of the view that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome is. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

**(a) Frequency and severity of claims**

Political, environmental, economical and climatic changes give rise to more frequent and severe extreme events (for example, fire, theft, steal, riot and strike, explosion, earthquake, atmospheric damage, hurricanes, typhoons, river flooding, electric fluctuation, terrorism, war risk, damages occurring in inland transit, burglary, loss of cash in safe and cash in transit, travel and personal accident, money losses , engineering losses and other events) and their consequences (for example subsidence claims). For certain contracts, the Company has also limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year.

Insurance contracts which are divided into direct and facultative arrangements are further subdivided into five segments: fire, marine, motor, accident and health and miscellaneous The insurance risk arising from these contracts is concentrated in the territories in which the Company operates, and there is a balance between commercial and personal properties/assets in the overall portfolio of insured properties/assets. The Company underwrites insurance contract in Pakistan.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. The Company has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation). The claims payments are limited to the extent of sum insured on occurrence of the insured event.

The Company has entered into reinsurance cover/arrangements with local and foreign reinsurers having good credit rating by reputable rating agencies, to reduce its exposure to risks and resulting claims. Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional facultative reinsurance arrangements are in place to protect the net account in case of a major catastrophe. The effect of such reinsurance arrangements is that the Company recovers the share of claims from reinsurers thereby reducing its exposure to risk. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional reinsurance arrangements, any loss over and above the said limit would be recovered under non-proportional treaty which is very much in line with the risk management philosophy of the Company. In compliance of the regulatory requirement, the reinsurance agreements are duly submitted with Securities and Exchange Commission of Pakistan on an annual basis.

The Company has claims department dealing with the mitigation of risks surrounding claims incurred whether reported or not. This department investigates and settles all claims based on surveyor's report/ assessment. The unsettled claims are reviewed individually on a periodic basis and adjusted to reflect the latest information on the underlying facts, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

**(b) Sources of uncertainty in the estimation of future claim payments**

Claims reported and otherwise are analyzed separately. The development of large losses/catastrophes is analyzed separately. The shorter settlement year for claims allows the Company to achieve a higher degree of certainty about the estimated cost of claims including IBNR. However, the longer time needed to assess the emergence of a subsidence claim makes the estimation process more uncertain for these claims.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value, reinsurance and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome may be different from the original liability established. The liability comprises amount in relations to unpaid reported claims, claims incurred but not reported (IBNR), expected claims settlement costs and a provision for unexpired risks at the end of the reporting year.

Liability in respect of outstanding claims is based on the best estimate of the claims intimated or assessed. In calculating the estimated cost of unpaid claims (both reported and not), the Company estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a prior financial years in relation to such claims) and an estimate based upon actual claims experience using predetermined basis where greater weight is given to actual claims experience as time passes.

In estimating the liability for the cost of reported claims not yet paid, the Company considers any information available from surveyor's assessment and information on the cost of settling claims with similar characteristics in previous years. Claims are assessed on a case-by-case basis separately.

| Particulars | Total amount | Age-wise Breakup | | | | |
|---|---|---|---|---|---|---|
| | | 1 to 6 months | 7 to 12 months | 13 to 24 months | 25 to 36 months | Beyond 36 months |
| | Rupees '000 | | | | | |
| Claims not encashed | 46,990 | 40,310 | 1,186 | 2,264 | 3,229 | - |

**(c) Sensitivity analysis**

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

| | Profit before tax | | Shareholders' equity | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | Rupees '000 | | | |
| **10% increase in loss** | | | | |
| Fire and property damage | (1,815) | (585) | (1,271) | (404) |
| Marine aviation and transport | (2,416) | (689) | (1,691) | (475) |
| Motor | (12,940) | (15,294) | (9,058) | (10,553) |
| Health | (4,419) | (3,354) | (3,093) | (2,314) |
| Miscellaneous | (1,597) | (1,320) | (1,118) | (911) |
| | (23,187) | (21,242) | (16,231) | (14,657) |

A 10% decrease would have had equal but opposite effect on the profit and loss account and shareholders' equity.

**(d) Concentration of insurance risk**

A concentration of risk may also arise from a single insurance contract issued to a particular type of policyholder, within a geographical location or to types of commercial business. The Company minimizes its exposure to significant losses by obtaining reinsurance from a number of reinsurers, who are dispersed over several geographical regions.

To optimize benefits from the principle of average and law of large numbers, geographical spread of risk is of extreme importance. There are a number of parameters which are significant in assessing the accumulation of risks with reference to the geographical location, the most important of which is risk survey. The concentration of risk by type of contracts is summarized below by reference to liabilities.

| | Gross sum insured | Reinsurance | Net |
|---|---|---|---|
| | Rupees '000 | | |
| **2017** | | | |
| Fire and property | 551,051,919 | 466,796,081 | 84,255,838 |
| Marine, aviation and transport | 441,973,987 | 263,027,307 | 178,946,680 |
| Motor | 41,526,506 | 942,652 | 40,583,854 |
| Miscellaneous | 167,835,063 | 99,112,949 | 68,722,114 |
| | 1,202,387,475 | 829,878,989 | 372,508,486 |
| 2016 | | | |
| Fire and property | 249,990,765 | 217,908,041 | 32,082,724 |
| Marine, aviation and transport | 163,773,630 | 87,498,087 | 76,275,543 |
| Motor | 37,070,223 | 748,819 | 36,321,404 |
| Miscellaneous | 243,473,785 | 221,370,579 | 22,103,206 |
| | 694,308,403 | 527,525,526 | 166,782,877 |

The Company's class wise major risk exposure is as follows:

| | Maximum Gross Risk Exposure | |
|---|---|---|
| | **2017** | 2016 |
| | Rupees '000 | |
| Fire and property | 36,002,828 | 12,127,500 |
| Marine, aviation and transport | 169,036,875 | 14,000,000 |
| Motor | 39,200 | 34,000 |
| Liability | 397,500 | 530,000 |
| Miscellaneous | 1,638,000 | 148,654,427 |

**(e) Claims Development Table**

The following table shows the development of fire claims over a year of time. The disclosure goes back to the year when the earliest material claim arose for which there is still uncertainty about the amount and timing of i.e. claims payments. For other classes of business, the uncertainty about the amount and timings of claims payment is usually resolved within a year. In accordance with the guidelines issued by the Securities and Exchange Commission of Pakistan vide Circular No. 4/2010 dated 23 January 2010, the claims where uncertainty about the amount and timings of claims payment is usually resolved within a year are not disclosed in the below table.

**Analysis on gross basis**

| Accident Year | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Rupees '000 | | | | | | | | | | |
| **Estimate of Ultimate Claim Cost** | | | | | | | | | | | |
| At the end of accident year | 123,448 | 72,270 | 59,098 | 74,829 | 77,874 | 80,795 | 41,226 | 40,106 | 87,779 | 101,657 | 759,082 |
| One year later | 115,950 | 76,356 | 49,985 | 82,599 | 65,391 | 75,292 | 60,209 | 48,943 | 93,844 | | 668,569 |
| Two years later | 116,568 | 73,494 | 49,325 | 81,855 | 66,609 | 75,296 | 61,383 | 48,391 | | | 572,921 |
| Three years later | 115,875 | 73,717 | 49,118 | 81,855 | 68,150 | 76,159 | 68,388 | | | | 533,262 |
| Four years later | 116,510 | 73,785 | 49,018 | 81,811 | 67,943 | 76,167 | | | | | 465,234 |
| Five years later | 116,429 | 73,762 | 48,943 | 81,870 | 68,236 | | | | | | 389,240 |
| Six years later | 116,429 | 74,658 | 49,579 | 81,877 | | | | | | | 322,543 |
| Seven years later | 116,429 | 74,658 | 49,579 | | | | | | | | 240,666 |
| Eight years later | 116,480 | 74,658 | | | | | | | | | 191,138 |
| Nine years later | 116,480 | | | | | | | | | | 116,480 |
| Estimate of cumulative claim | 116,480 | 74,658 | 49,579 | 81,877 | 68,236 | 76,167 | 68,388 | 48,391 | 93,844 | 101,657 | 779,277 |
| Cumulative payments to date | 101,075 | 74,631 | 48,940 | 81,774 | 67,939 | 75,978 | 59,216 | 46,660 | 88,816 | 66,775 | 711,804 |
| **Liability recognised at the reporting date** | 15,405 | 27 | 639 | 103 | 297 | 189 | 9,172 | 1,731 | 5,028 | 34,882 | 67,473 |

## 33 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| | 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Held-for-trading | Available-for sale | Held-to-maturity | Loans and receivables | Other financial liabilities | Total | Level 1 |
| | Rupees '000 | | | | | | |
| **Financial assets measured at fair value** | | | | | | | |
| Investment at fair value through profit and loss | 846,891 | - | - | - | - | 846,891 | 846,891 |
| **Financial assets not measured at fair value** | | | | | | | |
| Cash and bank deposits* | - | - | - | 191,755 | - | 191,755 | - |
| Loans to employees | - | - | - | 801 | - | 801 | - |
| Investments | | | | | | | |
| - Government securities | - | - | 146,710 | - | - | 146,710 | - |
| - Certificates of Investment (COIs) | - | - | - | 351,859 | - | 351,859 | - |
| - Quoted equity securities / mutual funds | - | 297,554 | - | - | - | 297,554 | - |
| Premiums due but unpaid* | - | - | - | 1,112,206 | - | 1,112,206 | - |
| Amounts due from other insurers / reinsurers* | - | - | - | 373,458 | - | 373,458 | - |
| Salvage recoveries accrued* | - | - | - | 14,568 | - | 14,568 | - |
| Accrued investment income* | - | - | - | 3,383 | - | 3,383 | - |
| Reinsurance recoveries against outstanding claims* | - | - | - | 184,417 | - | 184,417 | - |
| Sundry receivables* | - | - | - | 64,226 | - | 64,226 | - |
| Total assets of Window Takaful Operations - OPF | - | - | - | 120,437 | - | 120,437 | - |
| **Financial liabilities not measured at fair value** | | | | | | | |
| Provision for outstanding claims (including IBNR)* | - | - | - | - | 416,296 | 416,296 | - |
| Amounts due to other insurers / reinsurers* | - | - | - | - | 569,317 | 569,317 | - |
| Accrued expenses* | - | - | - | - | 35,107 | 35,107 | - |
| Other creditors and accruals* | - | - | - | - | 174,425 | 174,425 | - |
| Deposits and other payables* | - | - | - | - | 32,061 | 32,061 | - |
| Unclaimed dividend* | - | - | - | - | 2,298 | 2,298 | - |
| Total liabilities of Window Takaful Operations - OPF | - | - | - | - | 43,091 | 43,091 | - |
| | 846,891 | 297,554 | 146,710 | 2,417,110 | 1,272,595 | 4,980,860 | 846,891 |

| | 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Held-for-trading | Available-for sale | Held-to-maturity | Loans and receivables | Other financial liabilities | Total | Level 1 |
| | Rupees '000 | | | | | | |
| **Financial assets measured at fair value** | | | | | | | |
| Investment at fair value through profit and loss | 1,073,175 | - | - | - | - | 1,073,175 | 1,073,175 |
| **Financial assets not measured at fair value** | | | | | | | |
| Cash and bank deposits* | - | - | - | 151,902 | - | 151,902 | - |
| Loans to employees | - | - | - | 1,344 | - | 1,344 | - |
| Investments | | | | | | | |
| - Government securities | - | - | 70,091 | - | - | 70,091 | - |
| - Certificates of Investment (COIs) | - | - | - | 16,483 | - | 16,483 | - |
| - Quoted equity securities / mutual funds | - | 338,478 | - | - | - | 338,478 | - |
| Premiums due but unpaid* | - | - | - | 604,333 | - | 604,333 | - |
| Amounts due from other insurers / reinsurers* | - | - | - | 331,494 | - | 331,494 | - |
| Salvage recoveries accrued* | - | - | - | 15,603 | - | 15,603 | - |
| Accrued investment income* | - | - | - | 3,349 | - | 3,349 | - |
| Reinsurance recoveries against outstanding claims* | - | - | - | 206,705 | - | 206,705 | - |
| Sundry receivables* | - | - | - | 30,183 | - | 30,183 | - |
| Total assets of Window Takaful Operations - OPF | - | - | - | 78,051 | - | 78,051 | - |
| **Financial liabilities not measured at fair value** | | | | | | | |
| Provision for outstanding claims (including IBNR)* | - | - | - | - | 419,120 | 419,120 | - |
| Amounts due to other insurers / reinsurers* | - | - | - | - | 340,346 | 340,346 | - |
| Accrued expenses* | - | - | - | - | 22,794 | 22,794 | - |
| Other creditors and accruals* | - | - | - | - | 155,552 | 155,552 | - |
| Deposits and other payables* | - | - | - | - | 26,418 | 26,418 | - |
| Unclaimed dividend* | - | - | - | - | 1,237 | 1,237 | - |
| Total liabilities of Window Takaful Operations -OPF | - | - | - | - | 24,460 | 24,460 | - |
| | 1,073,175 | 338,478 | 70,091 | 1,439,447 | 989,927 | 3,911,118 | 1,073,175 |

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

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair values estimates.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

# Notes to the Financial Statements

*For the year ended 31 December 2017*

## 34 SEGMENT REPORTING

Business class wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirements of Insurance Ordinance, 2000 and SEC (Insurance) Rules 2002. The following table presents estimated information regarding certain assets and liabilities of the segments as at 31 December 2017 and 2016, unallocated capital expenditure and non-cash expenses during the year then ended.

| | Fire and property damage | | Marine, aviation and transport | | Motor | | Accident and Health | | Miscellaneous | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| | Rupees '000 | | | | | | | | | | | |
| Corporate Segment assets - Conventional | 355,981 | 246,965 | 178,733 | 115,975 | 1,490,186 | 1,208,726 | 1,064,324 | 546,203 | 1,003,737 | 895,392 | 4,092,961 | 3,013,261 |
| Corporate Segment assets - Takaful OPF | 4,414 | 3,572 | 1,355 | 1,132 | 20,074 | 16,105 | 664 | - | 578 | 125 | 27,085 | 20,934 |
| Corporate unallocated assets - Conventional | | | | | | | | | | | 323,735 | 635,267 |
| Corporate unallocated assets - Takaful OPF | | | | | | | | | | | 93,352 | 57,117 |
| Consolidated total assets | | | | | | | | | | | 4,537,133 | 3,726,579 |
| Corporate Segment liabilities - Conventional | 365,521 | 259,746 | 131,064 | 86,817 | 958,435 | 826,082 | 876,859 | 421,295 | 463,168 | 566,254 | 2,795,047 | 2,160,194 |
| Corporate Segment liabilities - Takaful OPF | 4,611 | 3,053 | 764 | 312 | 30,305 | 18,397 | 2,140 | - | 1,641 | 974 | 39,461 | 22,736 |
| Corporate unallocated Segment liabilities - Conventional | | | | | | | | | | | 188,705 | 156,752 |
| Corporate unallocated Segment liabilities - Takaful OPF | | | | | | | | | | | 3,630 | 1,724 |
| Consolidated total liabilities | | | | | | | | | | | 3,026,843 | 2,341,406 |
| Capital expenditure | 1,703 | 9,532 | 1,786 | 4,708 | 24,588 | 53,487 | 7,022 | 12,942 | 3,279 | 8,055 | 38,378 | 88,725 |
| Depreciation and amortisation - Conventional | 1,207 | 1,788 | 1,266 | 883 | 29,144 | 21,243 | 4,977 | 2,428 | 2,324 | 1,511 | 38,918 | 27,853 |
| Capital expenditures - Takaful OPF | 32 | 30 | 13 | 14 | 194 | 193 | 5 | - | 6 | 1 | 250 | 238 |
| Depreciation and amortisation - Takaful OPF | 1 | - | 1 | - | 8 | 1 | - | - | - | - | 10 | 1 |
| Unallocated depreciation and amortisation - Conventional | | | | | | | | | | | 14,003 | 11,096 |
| Unallocated depreciation and amortisation - Takaful OPF | | | | | | | | | | | 78 | 12 |

# Notes to the Financial Statements
*For the year ended 31 December 2017*

| | | 2017 | 2016 |
|---|---|---|---|
| | | Rupees '000 | |
| **35** | **PROVIDENT FUND** | | |
| | Size of the fund - total assets | 74,684 | 67,909 |
| | Percentage of investment made (based on fair value) | 82% | 74% |
| | Fair value of investments | 61,349 | 50,230 |

**35.1** The cost of above investments amounted to Rs. 46.14 million (2016: Rs. 46.14 million).

**35.2 The break-up of fair value of investments is:**

| | 2017 | 2016 | 2017 | 2016 |
|---|---|---|---|---|
| | Percentage | | Rupees '000 | |
| Pakistan Stock Market Fund | 17% | 23% | 10,397 | 11,640 |
| Pakistan Investment Bond | 58% | 71% | 35,851 | 35,578 |
| NIT Islamic Equity Fund | 4% | 6% | 2,345 | 3,012 |
| Askari High Yield | 21% | 0% | 12,755 | - |
| | 100% | 100% | 61,348 | 50,230 |

**35.3** The investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and rules formulated for this purpose.

| | | 2017 | 2016 |
|---|---|---|---|
| | | Rupees '000 | |
| **36** | **WINDOW TAKAFUL OPERATIONS - OPF** | | |
| | **Assets:** | | |
| | Cash and bank deposits | 36,568 | 10,084 |
| | Investments | 52,559 | 43,036 |
| | Current assets - others | 30,928 | 24,669 |
| | Fixed assets | 382 | 262 |
| | **Total assets** | 120,437 | 78,051 |
| | **Total liabilities - current** | 43,091 | 24,460 |
| | **Profit from Window Takaful Operations - OPF** | 23,755 | 5,543 |

Details of total assets, total liabilities and segment disclosure of window takaful operations are stated in the annexed financial statements.

**37 GENERAL**

**37.1 Number of employees**

Total number of employees at the end of the year were 418 (2016: 407). Average number of employees during the year were 413 (2016: 407).

**37.2 Subsequent event**

The Board of Directors of the Company in the meeting held on 8 March 2018 have proposed a final dividend of Rupees 1.50 per share.

**37.3 Date of approval**

These financial statements have been authorized for issue by the Board of Directors of the Company on 8 March 2018.

Suleman Khalid
Chief Financial Officer

Abdul Waheed
President & Chief Executive

Maj Gen Akhtar Iqbal (Retd)
Director

Lt Gen Najib Ullah Khan (Retd)
Chairman

# Window Takaful Operations

## Financial Statements

For the year ended 31 December 2017

askari general insurance co. ltd. - *Window Takaful Operations*

# Balance Sheet

*As at 31 December 2017*

| | Note | 2017 Operator's Fund | 2017 Participants' Takaful Fund | 2017 Aggregate | 2016 Aggregate |
|---|---|---|---|---|---|
| | | Rupees '000 | | | |
| **Operator's Fund** | | | | | |
| Statutory Fund | | 50,000 | - | 50,000 | 50,000 |
| Accumulated profit | | 27,346 | - | 27,346 | 3,591 |
| | | 77,346 | - | 77,346 | 53,591 |
| **Waqf/Participants' Takaful Fund** | | | | | |
| Cede money | | - | 1,000 | 1,000 | 1,000 |
| Accumulated surplus | | - | 15,528 | 15,528 | 2,612 |
| | | - | 16,528 | 16,528 | 3,612 |
| **Underwriting Provisions** | | | | | |
| Provision for outstanding claims (including IBNR) | | - | 41,065 | 41,065 | 21,530 |
| Provision for unearned contribution | | - | 94,196 | 94,196 | 55,248 |
| Unearned retakaful rebate | | - | 2,473 | 2,473 | 2,049 |
| Total underwriting provisions | | - | 137,734 | 137,734 | 78,827 |
| **Creditors and Accruals** | | | | | |
| Contribution received in advance | | - | 639 | 639 | 1,912 |
| Amounts due to other takaful / retakaful operator | | - | 5,748 | 5,748 | 13,108 |
| Unearned wakala fees | | 36,407 | - | 36,407 | 21,446 |
| Wakala fees payable | | - | 20,048 | 20,048 | 16,538 |
| Mudarib fees payable | | - | 69 | 69 | 69 |
| Other creditors and accruals | 4 | 4,826 | 2,254 | 7,080 | 4,215 |
| | | 41,233 | 28,758 | 69,991 | 57,288 |
| **Other Liabilities** | | | | | |
| Others | | 1,858 | - | 1,858 | 1,034 |
| **TOTAL LIABILITIES** | | 43,091 | 166,492 | 209,583 | 137,149 |
| **TOTAL EQUITY AND LIABILITIES** | | 120,437 | 183,020 | 303,457 | 194,352 |
| **COMMITMENTS** | 5 | | | | |

The annexed notes 1 to 19 form an integral part of these financial statements.

Suleman Khalid
Chief Financial Officer

Abdul Waheed
President & Chief Executive

| | Note | 2017 Operator's Fund | 2017 Participants' Takaful Fund | 2017 Aggregate | 2016 Aggregate |
|---|---|---|---|---|---|
| | | Rupees '000 | | | |
| **Cash and Bank Deposits** | | | | | |
| Cash and cash equivalents | 6 | - | 235 | 235 | 171 |
| Current and other accounts | 7 | 36,568 | 48,712 | 85,280 | 22,587 |
| Total Cash and Bank | | 36,568 | 48,947 | 85,515 | 22,758 |
| Advances to employees | | 200 | - | 200 | 38 |
| Investments | 8 | 52,559 | 30,273 | 82,832 | 83,036 |
| **Current Assets - Others** | | | | | |
| Contribution due but unpaid - unsecured, considered good | 9 | - | 20,650 | 20,650 | 14,940 |
| Amount due from other Takaful & Retakaful Operators | | - | 14,859 | 14,859 | 8,593 |
| Deferred commission expense | | 7,037 | - | 7,037 | 4,396 |
| Retakaful recoveries against outstanding claims | | - | 17,701 | 17,701 | 6,904 |
| Wakala fees receivable | | 20,048 | - | 20,048 | 16,538 |
| Mudarib fees receivable | | 69 | - | 69 | 69 |
| Deferred Wakala fees | | - | 36,407 | 36,407 | 21,446 |
| Tax deducted at source | | 1,226 | | 1,226 | 703 |
| Prepayments | 10 | - | 14,018 | 14,018 | 11,760 |
| Sundry receivables | 11 | 2,348 | 165 | 2,513 | 2,909 |
| | | 30,728 | 103,800 | 134,528 | 88,258 |
| **Fixed Assets** | 12 | | | | |
| Furniture and fixtures | | 255 | - | 255 | 30 |
| Computer and office equipment | | 127 | - | 127 | 232 |
| | | 382 | - | 382 | 262 |
| **TOTAL ASSETS** | | 120,437 | 183,020 | 303,457 | 194,352 |

Maj Gen Akhtar Iqbal (Retd)
Director

Lt Gen Najib Ullah Khan (Retd)
Chairman

askari general insurance co. ltd. - *Window Takaful Operations*

# Profit and Loss Account / Statement of Comprehensive Income

*For the year ended 31 December 2017*

| | Note | Fire and Property Damage | Marine, Aviation and Transport | Motor | Accident and Health | Miscellaneous | 2017 Aggregate | 2016 Aggregate |
|---|---|---|---|---|---|---|---|---|
| | | Rupees '000 | | | | | | |
| **PTF Revenue Account** | | | | | | | | |
| Net contribution revenue | | 5,686 | 4,642 | 100,439 | 5,534 | 919 | 117,220 | 36,842 |
| Wakala expense | | (6,928) | (2,716) | (41,980) | (1,134) | (1,352) | (54,110) | (18,365) |
| Net claims | | (3,766) | (1,830) | (38,240) | (9,382) | (686) | (53,904) | (17,983) |
| Retakaful rebate | | 3,380 | 1,049 | 261 | - | 404 | 5,094 | 1,994 |
| **Underwriting Results** | | (1,628) | 1,145 | 20,480 | (4,982) | (715) | 14,300 | 2,488 |
| Investment income | | | | | | | (1,384) | 537 |
| Modarib's share | | | | | | | - | (134) |
| | | | | | | | (1,384) | 403 |
| **Surplus for the year** | | | | | | | 12,916 | 2,891 |
| **OPF Revenue Account** | | | | | | | | |
| Wakala fee | | 6,928 | 2,716 | 41,980 | 1,134 | 1,352 | 54,110 | 18,365 |
| Management expenses | 13 | (698) | (570) | (12,335) | (680) | (113) | (14,396) | (6,706) |
| Commission expense | | (3,614) | (1,699) | (6,749) | (148) | (101) | (12,311) | (4,048) |
| | | 2,616 | 447 | 22,896 | 306 | 1,138 | 27,403 | 7,611 |
| Modarib's share of PTF investment income | | | | | | | - | 134 |
| Investment income | | | | | | | 5,744 | 3,533 |
| Other income | | | | | | | 206 | - |
| General and administration expenses | 14 | | | | | | (9,598) | (5,735) |
| | | | | | | | (3,648) | (2,068) |
| **Profit for the year** | | | | | | | 23,755 | 5,543 |
| Other comprehensive income | | | | | | | - | - |
| Total comprehensive income for the year | | | | | | | 23,755 | 5,543 |

The annexed notes 1 to 19 form an integral part of these financial statements.

Suleman Khalid
Chief Financial Officer

Abdul Waheed
President & Chief Executive

Maj Gen Akhtar Iqbal (Retd)
Director

Lt Gen Najib Ullah Khan (Retd)
Chairman

askari general insurance co. ltd. - *Window Takaful Operations*

# Statement of Cash Flows

*For the year ended 31 December 2017*

| | 2017 | 2016 |
|---|---|---|
| | Rupees '000 | |
| **OPERATING CASH FLOWS** | | |
| **a) Underwriting activities:** | | |
| Takaful/underwriting activities | | |
| Contribution received | 169,115 | 82,482 |
| Re-takaful Contribution paid | (27,701) | (8,876) |
| Claims paid | (57,959) | (4,996) |
| Re-takaful and other recoveries received | 4,142 | 549 |
| Commission paid | (12,749) | (6,638) |
| Re-takaful rebate received | 5,693 | 967 |
| Management expenses | (12,526) | (6,670) |
| **Net cash flows generated from underwriting activities** | 68,015 | 56,818 |
| **b) Other operating activities:** | | |
| Income tax paid | (524) | (703) |
| General management expenses paid | (8,707) | (5,699) |
| Net operating receipts | 1,396 | 1,679 |
| Advances to employees | (162) | (38) |
| **Net cash used in other operating activities** | (7,997) | (4,761) |
| **Total cash flows generated from all operating activities** | 60,018 | 52,057 |
| **INVESTMENT ACTIVITIES:** | | |
| Profit / return received | 2,009 | 846 |
| Dividends received | 2,047 | 2,085 |
| Payment for investments | (25,296) | (42,800) |
| Proceeds from desposal of investments | 25,802 | 1,162 |
| Fixed capital expenditure | (250) | (240) |
| Proceeds from desposal of fixed assets | 43 | - |
| **Total cash flows generated from/(used in) investing activities** | 4,355 | (38,947) |
| **FINANCING ACTIVITIES:** | | |
| Payment against Ijarah | (1,616) | (1,269) |
| **Total cash used in financing activities** | (1,616) | (1,269) |
| **Net cash generated from all activities** | 62,757 | 11,841 |
| **Cash at beginning of the year** | 22,758 | 10,917 |
| **Cash at end of the year** | 85,515 | 22,758 |

The annexed notes 1 to 19 form an integral part of these financial statements.

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Chairman

# Statement of Cash Flows

*For the year ended 31 December 2017*

| | **2017** | 2016 |
|---|---|---|
| | **Rupees '000** | |
| **Reconciliation to Profit and Loss Account:** | | |
| Operating cash flows | 60,018 | 52,057 |
| Depreciation expense | (88) | (13) |
| Increase in assets other than cash | 45,909 | 77,242 |
| Decrease in liabilities other than running finance | (72,436) | (124,356) |
| Unrealized gain/(loss) on investments held for trading | 1,134 | (23) |
| Dividend income | 2,048 | 2,085 |
| Investment income | 6,327 | 1,163 |
| Profit on bank deposits | 2,009 | 845 |
| Tax paid | 524 | 703 |
| Deposit against Ijarah | (1,616) | (1,269) |
| Provision for diminution in value of AFS investments | (7,158) | - |
| **Profit after taxation** | 36,671 | 8,434 |
| **Attributed to** | | |
| Operator's Fund | 23,755 | 5,543 |
| Participants' Takaful Fund | 12,916 | 2,891 |
| | 36,671 | 8,434 |

**Definition of cash :**

Cash comprises of cash in hand, bank balances, stamp in hand and short term placements with banks which are readily convertible to cash in hand and which are used in the cash management function on a day-to-day basis.

**Cash for the purpose of the statement of cash flows consists of:**

| | **2017** | 2016 |
|---|---|---|
| | **Rupees '000** | |
| Cash and cash equivalents | 235 | 171 |
| Current and other accounts | 85,280 | 22,587 |
| | 85,515 | 22,758 |

The annexed notes 1 to 19 form an integral part of these financial statements.

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askari general insurance co. ltd. - *Window Takaful Operations*

# Statement of Changes in Funds

*For the year ended 31 December 2017*

| | Operator's Fund | | |
|---|---|---|---|
| | **Statutory Fund** | **Accumulated Profit** | **Total** |
| | | **Rupees '000** | |
| Balance as at 01 January 2016 | 50,000 | (1,952) | 48,048 |
| **Total comprehensive income for the year** | | | |
| Profit for the year | - | 5,543 | 5,543 |
| **Balance as at 31 December 2016** | 50,000 | 3,591 | 53,591 |
| Balance as at 01 January 2017 | 50,000 | 3,591 | 53,591 |
| **Total comprehensive income for the year** | | | |
| Profit for the year | | 23,755 | 23,755 |
| **Balance as at 31 December 2017** | 50,000 | 27,346 | 77,346 |

| | Participants' Takaful Fund | | |
|---|---|---|---|
| | **Cede Money** | **Accumulated Surplus** | **Total** |
| | | **Rupees '000** | |
| Balance as at 01 January 2016 | 1,000 | (279) | 721 |
| Surplus for the year | - | 2,891 | 2,891 |
| **Balance as at 31 December 2016** | 1,000 | 2,612 | 3,612 |
| Balance as at 01 January 2017 | 1,000 | 2,612 | 3,612 |
| Surplus for the year | - | 12,916 | 12,916 |
| **Balance as at 31 December 2017** | 1,000 | 15,528 | 16,528 |

The annexed notes 1 to 19 form an integral part of these financial statements.

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# Statement of Contribution

*For the year ended 31 December 2017*

**Business underwritten inside Pakistan**

| Class of Business | Contribution written | Unearned Contribution reserve | | **Contribution earned** | Retakaful ceded | Prepaid retakaful Contribution ceded | | **Retakaful expense** | **2017 Net contribution revenue** | **2016 Net contribution revenue** |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Opening | Closing | | | Opening | Closing | | | |
| | Rupees '000 | | | | | | | | | |
| **Direct and facultative** | | | | | | | | | | |
| Fire and property damage | 26,425 | 8,696 | 13,234 | 21,887 | 16,841 | 7,019 | 7,659 | 16,201 | 5,686 | 190 |
| Marine, aviation and transport | 9,811 | 787 | 1,745 | 8,853 | 4,932 | 493 | 1,214 | 4,211 | 4,642 | 1,657 |
| Motor | 127,206 | 43,069 | 66,266 | 104,009 | 4,095 | 1,829 | 2,354 | 3,570 | 100,439 | 34,902 |
| Accident and health | 14,486 | - | 8,952 | 5,534 | - | - | - | - | 5,534 | - |
| Miscellaneous | 5,074 | 2,696 | 3,999 | 3,771 | 3,240 | 2,403 | 2,791 | 2,852 | 919 | 93 |
| Grand total | 183,002 | 55,248 | 94,196 | 144,054 | 29,108 | 11,744 | 14,018 | 26,834 | 117,220 | 36,842 |

The annexed notes 1 to 19 form an integral part of these financial statements.

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# Statement of Claims

*For the year ended 31 December 2017*

**Business underwritten inside Pakistan**

| Class of business | Claims paid | Outstanding claims Opening | Outstanding claims Closing | **Claims expense** | Retakaful and other recoveries received | Retakaful and other recoveries in respect of outstanding claims Opening | Retakaful and other recoveries in respect of outstanding claims Closing | **Retakaful and other recoveries revenue** | **2017 Net claims expense** | **2016 Net claims expense** |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rupees '000 | | | | | | | | | |
| **Direct and facultative** | | | | | | | | | | |
| Fire and property damage | 5,562 | 3,981 | 7,219 | 8,800 | 3,149 | 3,868 | 5,753 | 5,034 | 3,766 | 388 |
| Marine, aviation and transport | 2,994 | 3,210 | 3,309 | 3,093 | 1,522 | 1,789 | 1,530 | 1,263 | 1,830 | 2,065 |
| Motor | 42,888 | 14,202 | 24,833 | 53,519 | 7,810 | 1,116 | 8,585 | 15,279 | 38,240 | 15,439 |
| Accident and health | 6,072 | - | 3,310 | 9,382 | - | - | - | - | 9,382 | - |
| Miscellaneous | 443 | 137 | 2,394 | 2,700 | 312 | 131 | 1,833 | 2,014 | 686 | 91 |
| Grand total | 57,959 | 21,530 | 41,065 | 77,494 | 12,793 | 6,904 | 17,701 | 23,590 | 53,904 | 17,983 |

The annexed notes 1 to 19 form an integral part of these financial statements.

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# Statement of Expenses - PTF

*For the year ended 31 December 2017*

**Business underwritten inside Pakistan**

| Class of Business | Gross wakala fee | Deferred wakala fee Opening | Deferred wakala fee Closing | **Net expense** | PTF Direct expenses | Retakaful Rebate Income | Unearned retakaful rebate Opening | Unearned retakaful rebate Closing | **Rebate from retakaful operators** | **2017 Net PTF expenses** | 2016 Net PTF expenses |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Rupees '000 | | | | | | | | | | |
| **Direct and facultative** | | | | | | | | | | | |
| Fire and property damage | 8,260 | 2,888 | 4,220 | 6,928 | - | 3,692 | 1,408 | 1,720 | 3,380 | 3,548 | 925 |
| Marine, aviation and transport | 3,091 | 236 | 611 | 2,716 | - | 1,228 | 124 | 303 | 1,049 | 1,667 | 588 |
| Motor | 52,560 | 17,355 | 27,935 | 41,980 | - | 266 | 138 | 143 | 261 | 41,719 | 14,794 |
| Accident and health | 3,210 | - | 2,076 | 1,134 | - | - | - | - | - | 1,134 | - |
| Miscellaneous | 1,950 | 967 | 1,565 | 1,352 | - | 332 | 379 | 307 | 404 | 948 | 64 |
| Grand total | 69,071 | 21,446 | 36,407 | 54,110 | - | 5,518 | 2,049 | 2,473 | 5,094 | 49,016 | 16,371 |

The annexed notes 1 to 19 form an integral part of these financial statements.

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askari general insurance co. ltd. - *Window Takaful Operations*

# Statement of Expenses - OPF

*For the year ended 31 December 2017*

**Business underwritten inside Pakistan**

| Class of Business | Commission Paid or payable | Deferred commission | | **Net commission expense** | **Other management expenses** | **2017 Net OPF expenses** | 2016 Net OPF expenses |
|---|---|---|---|---|---|---|---|
| | | Opening | Closing | | | | |
| | | | | **Rupees '000** | | | |
| **Direct and facultative** | | | | | | | |
| Fire and property damage | 3,999 | 1,462 | 1,847 | 3,614 | 698 | 4,312 | 1,109 |
| Marine, aviation and transport | 1,892 | 156 | 349 | 1,699 | 570 | 2,269 | 1,004 |
| Motor | 8,521 | 2,748 | 4,520 | 6,749 | 12,335 | 19,084 | 8,603 |
| Accident and health | 392 | - | 244 | 148 | 680 | 828 | - |
| Miscellaneous | 148 | 30 | 77 | 101 | 113 | 214 | 38 |
| Grand total | 14,952 | 4,396 | 7,037 | 12,311 | 14,396 | 26,707 | 10,754 |

The annexed notes 1 to 19 form an integral part of these financial statements.

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Chairman

# Statement of Investment Income

*For the year ended 31 December 2017*

| | **2017** | 2016 |
|---|---|---|
| | **Rupees '000** | |
| **Participants' Takaful Fund (PTF)** | | |
| **Profit on Bank deposits** | 924 | 537 |
| **Income from trading investments** | | |
| Gain on trading | 624 | - |
| **Income from available for sale investments** | | |
| Gain on sale of investments | 2,269 | - |
| Dividend income | 1,506 | - |
| | 3,775 | - |
| **Unrealized profit on re-measurement of investments held for trading** | 451 | - |
| **Provision for diminution in value of available for sale investments** | (7,158) | - |
| | (1,384) | 537 |
| Modarib's fee | - | (134) |
| **Net investment income** | (1,384) | 403 |
| **Operator's Fund** | | |
| **Profit on bank deposits** | 1,085 | 308 |
| **Income from trading investments** | | |
| Gain on trading | 413 | 374 |
| Dividend income | 542 | 1,657 |
| | 955 | 2,031 |
| **Income from available for sale investments** | | |
| Gain on sale of investments | 3,021 | 789 |
| Dividend income | - | 428 |
| | 3,021 | 1,217 |
| **Unrealized profit/(loss) on re-measurement of investments held for trading** | 683 | (23) |
| **Net investment income** | 5,744 | 3,533 |

The annexed notes 1 to 19 form an integral part of these financial statements.

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Chief Financial Officer

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Maj Gen Akhtar Iqbal (Retd)
Director

Lt Gen Najib Ullah Khan (Retd)
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# Notes to the Financial Statements

*For the year ended 31 December 2017*

## 1 STATUS AND NATURE OF BUSINESS

askari general insurance company limited ("the Operator") has been allowed to undertake Window Takaful Operations (WTO) on 10 August, 2015 by Securities and Exchange Commission of Pakistan under SECP Takaful Rules 2012 to carry on General Window Takaful Operations in Pakistan.

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

## 2 BASIS OF PREPARATION

These financial statements have been prepared in line with the format issued by SECP through SEC (Insurance) Rules, 2002, and SECP circular no 25 of 2015 dated 9 July 2015.

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

### 2.1 Statement of compliance

These financial statements of the WTO have been prepared in accordance with the requirements of accounting standards as applicable in Pakistan. Approved accounting standards which comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance,1984, the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002. and SECP Takaful Rules, 2012. In case where requirements differ, the provisions of directives of the Companies Ordinance, 1984, Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002 and SECP Takaful Rules, 2012 shall prevail.

The Securities and Exchange Commission of Pakistan (SECP) has allowed the insurance companies to defer the application of International Accounting Standard - 39 (IAS - 39) " Financial Instruments: Recognition and Measurement" in respect of valuation of ' available-for-sale investments'. Accordingly, the requirements of IAS-39, to the extent allowed by SECP as aforesaid, have not been considered in the preparation of these financial statements.

### 2.2 Basis of measurement

This financial information has been prepared under the historical cost basis.

### 2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the Operator's functional and presentation currency. All financial information presented in Pak Rupees has been rounded to the nearest thousand.

### 2.4 Significant Accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The judgments, estimates and assumptions are based on historical experience, current trends and various other factors that are believed to reasonable under the circumstances, the results of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate revised if the revision effects only that period or in the revison and future periods if the revision affects both current an future periods.

In particular, the matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

| | | Note |
|---|---|---|
| - | Provision for unearned contribution | 3.3 |
| - | Contribution deficiency reserve | 3.4 |
| - | Provision for outstanding claims (including IBNR) | 3.6 |
| - | Useful lives of fixed assets | 11 |

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Takaful contracts

Takaful contracts are those contracts where the Participants' Takaful Fund (PTF) has accepted significant Takaful risk from another party (the participants) by agreeing to compensate the participants if a specified uncertain future event adversely affects the policyholders.

Once a contract has been classified as a Takaful contract, it remains a Takaful contract for the remainder of its lifetime, even if the Takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

The Operator underwrites non-life takaful contracts that can be categorised into Fire and Property Damage, Marine, Aviation and Transport, Motor, health and accident and Miscellaneous contracts. Contracts may be concluded for a fixed term of one year, for less than one year and in some cases for more than one year. However, most of the contracts are for twelve months duration. Takaful contracts entered into by the Operator under which the contract holder is another Takaful Operator(inwards retakaful) of a facultative nature are included within the individual category of takaful contracts, other than those which fall under Treaty. The takaful risk involved in these contracts is similar to the contracts undertaken by the Operator as takaful operator.

Fire and Property takaful contracts mainly compensate the customers for damage suffered to their property. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the covered properties in their business activities (business interruption cover).

Marine, Aviation and Transport class of business provides coverage against loss and damage to goods in transit by any means of conveyance, physical loss or damage to aircraft, ships, and liabilities to third parties and passengers arising from their use.

Motor takaful covers physical loss or damage to the vehicle and liabilities to third parties as provided under the requirements of the Motor Vehicle Ordinance, 1965.

All other takaful contracts like cash in hand, cash in transit, personal accident, infidelity, public liabilities, crop, livestock, travel, bankers and other financial institutions packages, product liabilities, professional indemnity, workers compensation etc. are included under Miscellaneous takaful cover.

### 3.2 Contribution

For all the takaful contracts, Contributions received/ receivable under a takaful policy are recognized as written at the time of issuance of policy. Where Contribution for a policy are payable in installments, full Contribution for the duration of the policy is recognised as written at the inception of the policy and related assets set up for Contribution receivable at a later date. Contributions are stated gross of commission payable to intermediaries and exclusive of taxes and duties levied on Contributions.

### 3.3 Provision for unearned Contribution

The unearned Contribution reserve is the unexpired portion of the Contribution including administrative surcharge which relates to business in force at the balance sheet date. Unearned Contribution have been calculated by applying 1/24th method as specified in the SEC (Insurance) Rules, 2002.

**3.4 Contribution deficiency reserve (liability adequacy test)**

At each balance sheet date, liability adequacy tests are performed separately for each class of business to ensure the adequacy of the unearned contribution liability for that class. It is performed by comparing the expected future liability, after retakaful, from claims and other expenses, including retakaful expense, wakala and other underwriting expenses, expected to be incurred after balance sheet date in respect of policies in force at balance sheet date with the carrying amount of unearned contribution liability. Any deficiency is recognised by establishing a provision (contribution deficiency reserve) to meet the deficit.

No provision has been made as the unearned contribution reserve for each class of business as at the balance sheet date is adequate to meet the expected future liability, after retakaful, from claims and other expenses, including retakaful expenses, wakala and other underwriting expenses, expected to be incurred after balance sheet date in respect of takaful contracts in force at balance sheet date.

The expected ultimate net claim ratios for the unexpired periods of policies in force at balance sheet date for each class of business is as follows:

| | **2017** | 2016 |
|---|---|---|
| Fire and property damage | 30% | 26% |
| Marine, aviation and transport | 32% | 34% |
| Motor | 43% | 47% |
| Miscellaneous | 28% | 38% |

**3.5 Claims**

Claims are charged to PTF income as incurred based on estimated liability for compensation owed under the takaful contracts. It includes 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.

**3.6 Outstanding claims including incurred but not reported (IBNR)**

The liability for IBNR is computed through Chain Ladder Method (Development technique) in light of the guidelines issued by Insurance Division of SECP vide its Circular 9 of 2016 dated March 09, 2016 for estimation of IBNR claims reserve, the liability for IBNR for all classes of business is based on actuary recommendation. Any significant change in assumption used event may affect the management's judgment which could affect the provision made for IBNR. Reinsurance recoveries against outstanding claims and salvage recoveries are recognized as an asset and are measured at the amount expected to be received.

**3.7 Retakaful contracts**

Retakaful Contribution is recognised as an expense at the time the retakaful is ceded. Rebate from retakaful is recognised in accordance with the policy of recognising contribution revenue.

Retakaful assets represent balances due from retakaful operators and retakaful recoveries against outstanding claims. Retakaful liabilities represent balances due to retakaful operators and are primarily retakaful contribution payable for retakaful contracts and are recognised at the same time when retakaful Contribution are recognised as an expense.

**3.8 Commission**

**3.8.1 Commission expense**

Commission expense incurred in obtaining and recording policies is deferred and recognised as an expense in accordance with pattern of recognition of contribution revenue by applying 1/24th method.

**3.8.2 Rebate from retakaful operators**

Rebate from retakaful operators is deferred and recognised as revenue in accordance with the pattern of recognition of retakaful contribution to which it relates.

**3.9 Wakala fees**

The Operator manages the general takaful operations for the participants and charges wakala fee against these services. Percentage of wakala fee charged, during the year on gross contribution written, against each class of business was revised during the year and the fee charged in respective periods was as follows:

| | Jan - Sep | Oct - Dec |
|---|---|---|
| Fire and property damage | 30% | 35% |
| Marine, aviation and transport | 30% | 35% |
| Motor | 40% | 45% |
| Accident and health | 20% | 25% |
| Miscellaneous | 35% | 40% |

Wakala fee is recognised on the same basis on which the related revenue is recognised. Unexpired portion of wakala fee is recognised as an asset of OPF and a liability of PTF.

**3.10 Revenue recognition**

3.10.1 **Participants' Takaful Fund (PTF)**

**3.10.1.1 Contribution**

The revenue recognition policy for Contribution is given under note 3.2

**3.10.1.2 Rebate from retakaful operators**

The revenue recogniton policy for rebate from retakaful operators is given under note 3.7

**3.10.2 Operator's Fund (OPF)**

The revenue recognition policy for wakala fee is given under note 3.9

**3.10.3 PTF/OPF**

**3.10.3.1 Investment Income**

Return on investments, profit on profit and loss sharing accounts and bank deposits are recognised on accrual basis.

**3.11 Provisions**

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

**3.12 Fixed assets**

**3.12.1 Tangible**

These are stated at cost less accumulated depreciation and impairment losses, if any, except for capital work in progress which is stated at cost less impairment losses, if any. Depreciation is charged on depreciable amount over the estimated useful life.

Effecting from January 1, 2017 the entity changed the useful life of its fixtures and furnitures from 10 years to 5 years to better reflect the pattern of consumption of the expected benefits from these assets. This had the effect of increasing the depreciation expense for the year ended December 31, 2017 by Rs. 17,873 (previously Rs. 12,432 per year, now Rs. 30,305 per year). Depreciation for each of the next 4 years is expected to be similarly affected by this change in accounting estimate.

Depreciation is charged on monthly basis where full depreciation is charged in the month of addition and no depreciation is charged in the month of disposal.

Subsequent costs are included in the asset's carrying amount or recognised 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 the profit and loss account in the year 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.

**3.13 Financial instruments**

**3.13.1 Non-derivative financial assets**

These are initially recognised on the date that they are originated i.e. on the trade date, which is the date that the WTO becomes a party to the contractual provisions of the instrument. Investments are recognised on settlement date.

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

Non-derivative financial assets are classified into the following categories: held to maturity, financial assets at fair value through profit or loss, available for sale investments and loans and receivables.

**b) Investment at fair value through profit and loss - Held for trading**

These financial assets are acquired principally for the purpose of generating profit from short-term fluctuation in prices or are part of a portfolio for which there is a recent actual pattern of short-term profit taking. Subsequent to initial recognition . These are measured at fair value by reference to quoted market prices with the resulting gain or loss is included in net profit or loss for the year in which it arises.

**c) Available for sale**

Available for sale investments are those non-derivative investments that are designated as available for sale or are not classified in any other category. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need of liquidity are classified as available for sale. Subsequent to initial recognition at cost, quoted investments are stated at 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 S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan on 12 December 2002. Had WTO adopted IAS 39 " Financial instruments: Recognition and Measurement " the investments available for sale as of 31 December 2017 would have been lower by Rs. 955 thousand (2016: Rs.1.34 million) with the corresponding decrease in operator's fund by the same amount. WTO's available for sale investments represent investment in mutual funds. Investment in the unit of these funds is valued at their respective redemption/repurchase price.

**d) Loans and receivables**

Loans and receivables comprise cash and bank deposits, contribution due but unpaid, amounts due from other Takaful & Retakaful operators. Wakala fee receivable, Mudarib fee receivable and sundry receivables.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash and bank balances, stamps in hand and call deposits with maturities of three months of less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Operator in the management of its short-term commitments.

**All other loans and receivables**

These are stated initially at the fair value, subsequent to initial recognition these are stated at their value as reduced by appropriate provision for impairment. Know impaired receivables are written off, while receivable considered doubtful of recovery are fully provided for.

The allowance for doubtful accounts is based on WTO's assessment of the collectability of counterparty accounts. WTO regularly reviews its debts and receivables that remain outstanding past their applicable payment terms and establishes allowance and potential write-offs by considering factors such as historical experience, credit quality, age of the accounts receivable balances, and current economic conditions that may affect a customer's ability to pay.

**3.13.2 Non-derivative financial liabilities**

These are initially recognised on the date that they are originated or the date that WTO becomes a party to the contractual provisions of the instrument. WTO derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

These financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Non-derivative financial liabilities comprise amounts due from other takaful/retakaful Mudarib fee payable and other creditors and accruals.

**3.13.3 Offsetting of financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, WTO has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**3.14 Management Expenses**

Management expenses have been allocated to various revenue accounts on equitable basis.

**3.15 Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalents include cash at bank in current and saving accounts, cash and stamps in hand and bank deposits.

**3.16 Foreign currencies**

Revenue transactions in foreign currencies are recorded at the rates prevailing on the date of the transactions.

**3.17 Impairment**

The carrying amount of the Operator's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Provision for impairment are review at each balance sheet date and adjusted to reflect the current best estimates.

**3.18 Operating segments**

An operating segment is a component of the Operator that engages in business activities from which it may earn revenues and incur expenses. The Operator present segment reporting of operation results using the classes of business as specified under the Insurance Ordinance, 2000. Takaful Rules 2012 and the SEC (Insurance) Rules 2002 as the primary reporting format.

The Operator has five business segments for reporting purposes namely, fire and property, marine, motor, health and accident and miscellaneous. The nature and business activities of these segments are disclosed in note no. 3.1.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amount of certain assets used jointly by two or more segments have been allocated to segments on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

**3.19 New accounting standards and IFRIC interpretations that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2018:

Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' -effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.

- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.
- Amendment to IFRS 4 'Insurance Contracts'- Applying IFRS 9 'Financial Instruments' with IFRS 4 (effective for annual periods beginning on or after 1 July 2018). The amendment address issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from 1 July 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. The amendments are not likely to have an impact on Company's financial statements.

# Notes to the Financial Statements

*For the year ended 31 December 2017*

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
  - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

  The above amendments are not likely to have an impact on Company's financial statements.

| 4 OTHER CREDITORS AND ACCRUALS | 2017 Operator's Fund | 2017 Participants' Takaful Fund | 2017 Aggregate | 2016 Aggregate |
|---|---|---|---|---|
| | Rupees '000 | | | |
| Agents' commission payable | 3,055 | - | 3,055 | 1,290 |
| Federal Takaful fee payable | - | 196 | 196 | 124 |
| Federal excise duty payable | - | 2,048 | 2,048 | 2,111 |
| Tax deducted at source | 285 | 10 | 295 | 302 |
| Accrued expenses | 1,486 | - | 1,486 | 388 |
| | 4,826 | 2,254 | 7,080 | 4,215 |

**5 COMMITMENTS**

The Operator's commitment under Ijarah arragement with Meezan Bank Limited is Rs.6.29 million (2016: Rs.5.50 million). The contracts have a term of five years.

| 5.1 Future Minimum Ujrah (lease) payments are as under: | 2017 | 2016 |
|---|---|---|
| | Rupees '000 | |
| Not later than 1 year | 1,252 | 1,251 |
| Later than 1 year and not later than 5 years | 5,046 | 4,251 |
| | 6,298 | 5,502 |

| | 2017 | 2016 |
|---|---|---|
| 5.2 Ijarah payments recognised in expense during the year | 1,561 | 985 |

**6 CASH AND CASH EQUIVALENTS**

| | 2017 Operator's Fund | 2017 Participants' Takaful Fund | 2017 Aggregate | 2016 Aggregate |
|---|---|---|---|---|
| | Rupees '000 | | | |
| Stamps in hand | - | 235 | 235 | 171 |

**7 CURRENT AND OTHER ACCOUNTS**

| | 2017 Operator's Fund | 2017 Participants' Takaful Fund | 2017 Aggregate | 2016 Aggregate |
|---|---|---|---|---|
| Saving account | 36,568 | 48,712 | 85,281 | 22,588 |

The rate of profit on profit and loss sharing accounts from various banks ranges from 2.40% to 4.81% (2016: 2.41% to 3.75%) per annum depending on the size of average deposits.

# Notes to the Financial Statements

*For the year ended 31 December 2017*

## 8 INVESTMENTS

| | Note | Operators' Fund 2017 | Operators' Fund 2016 | Participant's Takaful Fund 2017 | Participant's Takaful Fund 2016 |
|---|---|---|---|---|---|
| | | Carrying/ Market value | | | |
| | | Rupees '000 | | | |
| Investment at fair value through profit and loss - Held for trading | 8.1 | 41,559 | 25,557 | 20,451 | 20,000 |
| Available for sale | 8.2 | 11,000 | 17,479 | 9,822 | 20,000 |
| | | 52,559 | 43,036 | 30,273 | 40,000 |

**8.1 Fair value through profit and loss - held for trading Investments**

**a) Operators' Fund**

| Number of units 2017 | Number of units 2016 | Face value per unit (Rupees) | Investee Name | Carrying/Market value 2017 | Carrying/Market value 2016 |
|---|---|---|---|---|---|
| | | | | Rupees '000 | |
| | | | **Open-Ended Mutual Funds** | | |
| 111,378 | 73,521 | 100 | Alfalah GHP Islamic income Fund | 11,505 | 7,433 |
| 68,766 | - | 100 | JS Islamic Hybrid Fund of Funds - Mustand | 7,169 | - |
| 116,417 | 44,243 | 100 | Al-Ameen Islamic Aggressive Income Fund | 11,819 | 7,584 |
| 1,136,203 | 1,025,546 | 10 | NAFA Islamic Aggressive Income Fund | 11,066 | 10,540 |
| | | | | 41,559 | 25,557 |

**b) Participent's Takaful Fund**

| Number of units 2017 | Number of units 2016 | Face value per unit (Rupees) | Investee Name | Carrying/Market value 2017 | Carrying/Market value 2016 |
|---|---|---|---|---|---|
| | | | **Open-Ended Mutual Funds** | | |
| - | 96,701 | 100 | MCB Islamic Income Fund | - | 10,000 |
| 197,610 | 97,056 | 100 | Askari Islamic Income Fund | 20,451 | 10,000 |
| | | | | 20,451 | 20,000 |

**8.2 Available for sale investments**

**a) Operators' Fund**

| Number of units 2017 | Number of units 2016 | Face value per unit (Rupees) | Investee Name | Carrying/Market value 2017 | Carrying/Market value 2016 |
|---|---|---|---|---|---|
| | | | **Open-Ended Mutual Funds** | | |
| - | 39,096 | 50 | Alfalah GHP Islamic Stock Fund | - | 3,297 |
| 50,000 | - | 50 | Alfalah GHP Islamic Value Fund | 5,000 | - |
| 47,808 | 78,831 | 100 | JS Islamic Fund | 6,000 | 11,121 |
| - | 23,116 | 100 | Al-Ameen Shariah Stock Fund | - | 3,061 |
| | | | **Carrying value** | 11,000 | 17,479 |
| | | | **Market value** | 10,045 | 18,815 |

**b) Participent's Takaful Fund**

| Number of units 2017 | Number of units 2016 | Face value per unit (Rupees) | Investee Name | Carrying/Market value 2017 | Carrying/Market value 2016 |
|---|---|---|---|---|---|
| | | | **Open-Ended Mutual Funds** | | |
| - | 745,712 | 100 | MCB Pakistan Islamic Stock Fund | - | 10,000 |
| - | 670,444 | 100 | NAFA Islamic Stock Fund | - | 10,000 |
| | | | **Pharmaceutical** | | |
| 13,200 | - | 10 | The Searle Company Limited | 8,098 | - |
| | | | **Cement** | | |
| 5,000 | - | 10 | Bestway Cement ltd | 1,335 | - |
| | | | **Fertilizer** | | |
| 50,000 | - | 10 | Fauji Fertilizer Bin Qasim | 2,409 | - |
| | | | **Food & Product** | | |
| 60,000 | - | 10 | Fauji Foods Ltd | 1,716 | - |
| | | | **Automobile Assembler** | | |
| 4,000 | - | 10 | Ghandhara Industries Ltd | 3,422 | - |
| | | | **Carrying value** | 16,980 | 20,000 |
| | | | **Provision for diminution in market value** | (7,158) | - |
| | | | **Carrying value** | 9,822 | 20,000 |
| | | | **Market value** | 9,822 | 20,000 |

# Notes to the Financial Statements

*For the year ended 31 December 2017*

| | | Note | 2017 | 2016 |
|---|---|---|---|---|
| | | | Rupees '000 | |
| 9 | **CONTRIBUTION DUE BUT UNPAID - unsecured, considered good** | 9.1 | 20,650 | 14,940 |

9.1 This includes contribution amounting to Rs.4.25 million (2016: 6.65 million) receivable from the associated undertakings, the movement of which is as follows:

| | 2017 | 2016 |
|---|---|---|
| | Rupees '000 | |
| Balance as beginning of the year | 6,650 | 1,188 |
| Contribution written (including government levies and stamp duties) | 5,793 | 9,482 |
| Contribution received during the year | (8,189) | (4,020) |
| Balance at end of the year | 4,254 | 6,650 |

9.2 **Age analysis of amounts receivable from related parties**

| | 2017 | 2016 |
|---|---|---|
| Upto 1 year | 4,234 | 6,650 |
| 1 to 2 years | 20 | - |
| | 4,254 | 6,650 |

**10 PREPAYMENTS**

| | 2017 | 2016 |
|---|---|---|
| Prepaid Retakaful Contribution Ceded - PTF | 14,018 | 11,744 |
| Others - OPF | - | 16 |
| | 14,018 | 11,760 |

**11 SUNDRY RECEIVABLES - OPF**

| | 2017 | | | 2016 |
|---|---|---|---|---|
| | Operator's Fund | Participants' Takaful Fund | Aggregate | Aggregate |
| | Rupees '000 | | | |
| Other Receivable - unsecured,considered good | 904 | 165 | 1,069 | 1,402 |
| Receivable against sale of asset | 121 | - | 121 | 239 |
| Deposit against Ijarah - vehicles | 1,323 | - | 1,323 | 1,269 |
| | 2,348 | 165 | 2,513 | 2,909 |

# Notes to the Financial Statements

*For the year ended 31 December 2017*

## 12 FIXED ASSETS - tangible

| | Furniture and Fixtures | Computer and office equipment | Total |
|---|---|---|---|
| | Rupees '000 | | |
| **Cost** | | | |
| As at 01 January 2016 | 53 | - | 53 |
| Addition during the year | - | 239 | 239 |
| As at 31 December 2016 | 53 | 239 | 292 |
| Additions during the year | 237 | 13 | 250 |
| Disposals | - | (57) | (57) |
| **As at 31 December 2017** | 290 | 195 | 485 |
| **Depreciation and amortization** | | | |
| As at 01 January 2016 | 17 | - | 17 |
| Charge for the year | 6 | 7 | 13 |
| As at 31 December 2016 | 23 | 7 | 30 |
| Charge for the year | 12 | 76 | 88 |
| Depreciation on disposals | - | (15) | (15) |
| **As at 31 December 2017** | 35 | 68 | 103 |
| **Carrying value as at:** | | | |
| **- 31 December 2017** | 255 | 127 | 382 |
| - 31 December 2016 | 30 | 232 | 262 |
| **Useful life (years)** | 5 | 3 | |

## 13 MANAGEMENT EXPENSES - OPF

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | Rupees '000 | |
| Salaries and other benefits | 13.1 | 8,267 | 5,812 |
| Rent | | 2,528 | - |
| Communication | | 899 | 60 |
| Printing and stationery | | 109 | - |
| Depreciation | | 10 | 1 |
| Repair and maintenance | | 332 | 62 |
| Utilities | | 780 | - |
| Inspection expenses | | 8 | 2 |
| Bank charges | | 54 | 6 |
| Vehicle Ijarah expenses | | 1,193 | 763 |
| Miscellaneous expenses | | 216 | - |
| | | 14,396 | 6,706 |

13.1 These included Rs.207.78 thousand (2016: 169.82 thousand) being contribution for employees' provident fund

# Notes to the Financial Statements

*For the year ended 31 December 2017*

## 14 GENERAL AND ADMINISTRATION EXPENSES

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | Rupees '000 | |
| Salaries and other benefits | 14.1 | 5,282 | 4,318 |
| Rent | | 1,544 | - |
| Communication | | 278 | 79 |
| Printing and stationery | | 736 | 279 |
| Travelling & entertainment | | 4 | - |
| Depreciation | | 78 | 12 |
| Repair & maintenance | | 160 | - |
| Utilities | | 337 | - |
| Advertisement | | - | 274 |
| Legal and professional | | 63 | - |
| Auditor's remuneration | | 463 | 250 |
| Shariah Compliance Audit fee | | 162 | 270 |
| Bank Charges | | 12 | 30 |
| Vehicle Ijarah expenses | | 368 | 222 |
| Miscellaneous expenses | | 111 | 1 |
| | | 9,598 | 5,735 |

14.1 These included Rs.131.35 thousand (2016: 116.99 thousand) being contribution for employees' provident fund

## 15 MANAGEMENT OF TAKAFUL AND FINANCIAL RISK

The principal risk that is faced under takaful contracts is the possibility that the covered event occurs, the uncertainty of the amount of the resulting claims i.e. the frequency and severity of claims and that the actual claims and benefit payments exceed the carrying amount of the takaful liabilities. By the very nature of the takaful contract, this risk is random and therefore unpredictable. The objective of the Operator is to ensure that sufficient reserves are available to cover these liabilities.

The Operator manages these risks through its underwriting strategy, adequate retakaful arrangements and proactive claims handling. The underwriting strategy aims to minimise takaful risks with a balanced mix and spread of business classes and by observing underwriting guidelines and limits. The Operator underwrites mainly property, motor, marine cargo and transportation and other miscellaneous business. These classes of takaful are generally regarded as short-term takaful contracts where claims are normally intimated and settled within a short time span, usually one year. This helps to mitigate takaful risk.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Operator has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. For large risks, particularly in property segment of business, risk inspections are carried out before accepting the risks. Similarly, in case of large risks, annual renewals are also preceded by on-site surveys. Where needed, risk mitigation measures are identified and communicated to the clients to improve the risk to an acceptable level.

Retakaful arrangements in place include treaty and facultative arrangements, on proportional and non-proportional basis and also include catastrophe cover. The effect of such retakaful arrangements is that the PTF may not suffer ultimate net takaful losses beyond the PTF's risk appetite in any one year.

The Operator's arrangement of retakaful is diversified such that it is neither dependent on a single retakaful operator nor the operations of the Operator are substantially dependent upon any single retakaful contract. The Operator obtains retakaful cover only from companies with sound financial health.

### 15.1 Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like political violence, environmental and economical, atmospheric disturbances, natural disasters, concentration of risks, civil riots etc. The Operator manages these risk through the measures described above. The Operator has limited its exposure to catastrophic and riot events by use of retakaful arrangements.

The Operator also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. For fire and property risk a particular building and neighbouring 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 Operator evaluates the concentration of exposures to individual and cumulative takaful risks and establishes its retakaful policy to reduce such exposures to levels acceptable to the Operator. The concentration of risk by type of contracts is summarized below by reference of liabilities.

| **2017** | **Gross sum takaful** | **Sum Retakaful** | **Net** |
|---|---|---|---|
| | **Rupees '000** | | |
| Fire and property damage | 21,958,750 | 16,098,332 | 5,860,418 |
| Marine, aviation and transport | 13,357,228 | 9,027,932 | 4,329,296 |
| Motor | 7,093,062 | 73,200 | 7,019,862 |
| Miscellaneous | 4,483,362 | 3,879,334 | 604,028 |
| | 46,892,402 | 29,078,798 | 17,813,604 |
| 2016 | | | |
| Fire and property damage | 15,588,061 | 12,398,039 | 3,190,022 |
| Marine, aviation and transport | 5,008,564 | 1,468,886 | 3,539,678 |
| Motor | 4,099,782 | 50,640 | 4,049,142 |
| Miscellaneous | 3,605,809 | 3,228,446 | 377,363 |
| | 28,302,216 | 17,146,011 | 11,156,205 |

The Operator's class wise major gross risk exposure is as follows:

| **Class of business** | **2017** | 2016 |
|---|---|---|
| | **Rupees '000** | |
| Fire and property damage | 1,074,600 | 733,333 |
| Marine, aviation and transport | 270,000 | 112,000 |
| Motor | 17,800 | 16,500 |
| Miscellaneous | 3,540,330 | 3,362,817 |

Since the Operator operates in Pakistan only, hence, all the takaful risks relate to policies written in Pakistan.

### 15.2 Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the balance sheet date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under takaful contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the balance sheet date. The details of estimation of outstanding claims (including IBNR) are given under note 3.6.

**15.3 Sensitivity analysis**

The Operator believes that the claim liabilities under takaful contracts outstanding at the period end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The impact on the PTF surplus of the changes in the claim liabilities net of retakaful is analysed below. The sensitivity to changes in claim liabilities net of retakaful is determined separately for each class of business while keeping all other assumptions constant.

| | Participants' Takaful Revenue | | Participants' Takaful Fund | |
|---|---|---|---|---|
| **10% increase in loss** | **2017** | 2016 | **2017** | 2016 |
| | Rupees '000 | | | |
| Fire and property damage | 147 | 11 | 100 | 7 |
| Marine aviation and transport | 178 | 142 | 121 | 97 |
| Motor | 1,625 | 1,309 | 1,105 | 890 |
| Miscellaneous | 56 | 1 | 38 | 1 |
| | 2,006 | 1,463 | 1,364 | 995 |

A 10% decrease would have had equal but opposite effect on the profit and loss account and shareholders' equity.

**15.4 Financial risk**

The Operator's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (comprising of currency risk, profit rate risk and other price risk). The Operator's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Operator's financial performance.

The Board of Directors has overall responsibility for establishment and over sight of the Operator's risk management framework. There are Board Committees and Management Committees for developing and monitoring the risk management policies.

**15.5 Credit risk**

Credit risk is the risk, which 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 management monitors exposure to credit risk through regular review of credit exposure, undertaking transactions with a large number of counter parties in various industries and by continually assessing the credit worthiness of counter parties.

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would affect their ability to meet contractual obligations in similar manner. Due to the nature of financial assets, the Operator believes it is not exposed to any major concentration of credit risk.

# Notes to the Financial Statements

*For the year ended 31 December 2017*

The carrying amounts of the following financial assets represent the Operator's maximum exposure to credit risk:

| | 2017 | | | 2016 |
|---|---|---|---|---|
| | Operator's Fund | Participants' Takaful Fund | Aggregate | Aggregate |
| | Rupees '000 | | | |
| Bank deposits | 36,568 | 48,712 | 85,280 | 22,587 |
| Investments | 52,559 | 30,273 | 82,832 | 83,036 |
| Contribution due but unpaid | - | 20,650 | 20,650 | 14,940 |
| Amount due from other Takaful & Retakaful Operators | - | 14,859 | 14,859 | 8,593 |
| Retakaful recoveries against outstanding claims | - | 17,701 | 17,701 | 6,904 |
| Wakala fees receivable | 20,048 | - | 20,048 | 16,538 |
| Mudarib fees receivable | 69 | - | 69 | 69 |
| Sundry receivables | 2,348 | 165 | 2,513 | 2,909 |
| | 111,592 | 132,360 | 243,952 | 155,576 |

The Operator does not hold any collateral against the above balances. Past due policies were not impaired as they relate to the number of policy holders and other Takaful/ retakaful operators for whom there is no recent history of default. The age analysis of gross receivables is as follows:

| | 2017 | | | | | 2016 |
|---|---|---|---|---|---|---|
| | Contribution due but unpaid | Amount due from other takaful/ retakaful operators | Retakaful recoveries against outstanding claims | Sundry receivables | Aggregate | Aggregate |
| | Rupees '000 | | | | | |
| Upto 1 year | 19,713 | 11,519 | 6,178 | 2,513 | 39,923 | 32,415 |
| 1-2 years | 937 | 2,483 | 33 | - | 3,453 | 931 |
| 2-3 years | - | 857 | - | - | 857 | - |
| | 20,650 | 14,859 | 6,211 | 2,513 | 44,233 | 33,346 |

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

| **Rating** Financial institution | Rating | | Rating agency | 2017 | | 2016 | |
|---|---|---|---|---|---|---|---|
| | Short term | Long term | | Operator's Fund | Participants' Takaful Fund | Operator's Fund | Participants' Takaful Fund |
| | | | | Rupees '000 | | | |
| Askari Islamic Bank | A-1+ | AA | JCR-VIS | 36,013 | 10,756 | 10,084 | - |
| Meezan Bank | A-1+ | AA | JCR-VIS | 555 | 36,822 | - | 12,503 |
| The Bank of Khyber | A | A1 | PACRA | - | 1,134 | - | - |
| | | | | 36,568 | 48,712 | 10,084 | 12,503 |

# Notes to the Financial Statements

*For the year ended 31 December 2017*

The management monitors exposure to credit risk in contribution receivable from customers through regular review of credit exposure and prudent estimates of provisions for doubtful receivables.

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

| | **2017** | | | 2016 |
|---|---|---|---|---|
| | **Amount due from other Takaful & Retakaful Operators** | **Retakaful recoveries against Outstanding claims** | **Aggregate** | Aggregate |
| | **Rupees '000** | | | |
| A or above | 14,628 | 14,843 | 29,471 | 14,714 |
| Others | 231 | 2,859 | 3,090 | 782 |
| | 14,859 | 17,702 | 32,561 | 15,496 |

Sector wise analysis of gross contribution due but unpaid is as follows:

| | **2017** | 2016 |
|---|---|---|
| | **Rupees '000** | |
| Financial services | 3,159 | 3,715 |
| Textile and composites | 418 | 698 |
| Pharmaceuticals | 686 | 545 |
| Engineering | 284 | 165 |
| Other manufacturing | 3,479 | 476 |
| Education | - | 5 |
| Development | 42 | - |
| Logistics | 1,065 | 40 |
| Agriculture | 1,038 | 663 |
| Other services | 6,596 | 6,187 |
| Sugar Industry | - | 101 |
| Miscellaneous | 3,884 | 2,345 |
| | 20,651 | 14,940 |

## 15.6 Liquidity risk

Liquidity risk is the risk that the Operator will encounter difficulty in meeting its obligations associated with financial liabilities. In respect of major loss event, there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected retakaful recoveries.

The objective of the Operator's liquidity management process is to ensure, as far as possible, that it will always have sufficient liquidity to meet its claim and other liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Operator's reputation. It includes measuring and monitoring the future cash flows on daily, monthly and quarterly basis, maintaining sufficient cash reserves in bank accounts and a portfolio of highly marketable financial assets that can be easily liquidated in the event of an unforeseen interruption to cash flows.

The table below provides the maturity analysis of the Operator's liabilities as at balance sheet date. The contractual maturities of these liabilities at the year end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. Financial liabilities not having a contractual maturity are assumed to mature on the expected date on which these liabilities will be settled.

| | 2017 | | | |
|---|---|---|---|---|
| | **Carrying amount** | **Contractual cash flows** | **Up to one year** | **More than one year** |
| | **Rupees '000** | | | |
| **Financial Libilities - OPF** | | | | |
| Other creditors and accruals | 4,826 | 4,826 | 4,826 | - |
| Other liabilities | 1,858 | 1,858 | 1,858 | - |
| | 6,684 | 6,684 | 6,684 | - |
| **Financial Libilities - PTF** | | | | |
| Provision for Outstanding Claims (including IBNR) | 41,065 | 41,065 | 41,065 | - |
| Amount due to other takaful/retakaful operators | 5,748 | 5,748 | 5,748 | - |
| Wakala fees payable | 20,048 | 20,048 | 20,048 | - |
| Other creditors and accruals | 2,254 | 2,254 | 2,254 | - |
| | 69,115 | 69,115 | 69,115 | - |

| | 2016 | | | |
|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | Up to one year | More than one year |
| | Rupees '000 | | | |
| **Financial Libilities - OPF** | | | | |
| Other creditors and accruals | 1,980 | 1,980 | 1,980 | - |
| Other liabilities | 1,034 | 1,034 | 1,034 | - |
| | 3,014 | 3,014 | 3,014 | - |
| **Financial Libilities - PTF** | | | | |
| Provision for Outstanding Claims (including IBNR) | 21,530 | 21,530 | 21,530 | - |
| Amount due to other takaful/retakaful operators | 13,108 | 13,108 | 13,108 | - |
| Wakala fees payable | 16,538 | 16,538 | 16,538 | - |
| Mudarib fees payable | 69 | 69 | 69 | - |
| Other creditors and accruals | 2,235 | 2,235 | 2,235 | - |
| | 53,480 | 53,480 | 53,480 | - |

### 15.7 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 profit rates, foreign exchange rates and equity prices.

The Operator limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in Government securities, equity and term finance certificates markets. In addition, the Operator actively monitors the key factors that affect the underlying value of these securities.

### Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market profit rates. The Operator has securities and deposits that are subject to profit rate risk. The Operator limits profit rate risk by monitoring changes in profit rates in the currencies in which its financial assets are denominated.

The Operator's financial liabilities are not exposed to profit rate risk. The information about Operator's exposure to profit rate risk based on contractual reprising or maturity dates whichever is earlier is as follows:

| | **2017** | 2016 | **2017** | | 2016 | |
|---|---|---|---|---|---|---|
| | **Profit rate / markup bearing (%)** | | **Carrying amounts** | | Carrying amounts | |
| | | | **Operator's Fund** | **Participants' Takaful Fund** | Operator's Fund | Participants' Takaful Fund |
| **Financial assets** | | | **Rupees '000** | | | |
| Deposit accounts | 2.40% - 4.81% | 2.41% - 3.75% | 36,568 | 48,712 | 10,084 | 12,503 |
| | | | 36,568 | 48,712 | 10,084 | 12,503 |

### Sensitivity analysis

A 10% increase/(decrease) in market price of held for trading investments at the year end, would have increased/ (decreased) profit by Rs.6.20 million (2016: Rs 4.55 million)

### Foreign currency risk

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

### 15.8 Price risk

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

### 15.9 Fair value

The fair value of all major financial assets is estimated to be not significantly different from their carrying values.

# Notes to the Financial Statements

*For the year ended 31 December 2017*

## 16 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| | 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Held-for-trading | Available-for-sale | Held-to-maturity | Loans and receivables | Other financial liabilities | Total | Level 1 |
| | Rupees '000 | | | | | | |
| **Financial assets measured at fair value - OPF** | | | | | | | |
| Investment at fair value through profit and loss | | | | | | | |
| - Mutual funds | 41,559 | - | - | - | - | 41,559 | 41,559 |
| **Financial assets not measured at fair value - OPF** | | | | | | | |
| Cash and bank deposits - OPF | - | - | - | 36,568 | - | 36,568 | - |
| Investments | | | | | | | |
| - Mutual funds | - | 11,000 | - | - | - | 11,000 | 11,000 |
| Wakala fees receivable* | - | - | - | 20,048 | - | 20,048 | - |
| Sundry receivables* | - | - | - | 2,348 | - | 2,348 | - |
| **Financial assets measured at fair value - PTF** | | | | | | | |
| Investment at fair value through profit and loss | | | | | | | |
| - Mutual funds | 20,451 | - | - | - | - | 20,451 | 20,451 |
| **Financial assets not measured at fair value - PTF** | | | | | | | |
| Cash and bank deposits - PTF* | - | - | - | 48,947 | - | 48,947 | - |
| Investments | | | | | | | |
| -Mutual funds | - | 9,822 | - | - | - | 9,822 | 9,822 |
| Contribution due but unpaid* | - | - | - | 20,650 | - | 20,650 | - |
| Amount due from other Takaful & Retakaful Operators* | - | - | - | 14,859 | - | 14,859 | - |
| Retakaful recoveries against outstanding claims* | - | - | - | 17,701 | - | 17,701 | - |
| Mudarib fees receivable* | - | - | - | - | - | - | - |
| Sundry receivables* | - | - | - | 165 | - | 165 | - |
| **Financial liabilities not measured at fair value - OPF** | | | | | | | |
| Other creditors and accruals* | - | - | - | - | 4,826 | 4,826 | - |
| Mudarib fees payable* | - | - | - | - | - | - | - |
| Others* | - | - | - | - | 1,858 | 1,858 | - |
| **Financial liabilities not measured at fair value - PTF** | | | | | | | |
| Provision for outstanding claims (including IBNR)* | - | - | - | - | 41,065 | 41,065 | - |
| Amounts due to other Takaful / Retakaful Operators* | - | - | - | - | 5,748 | 5,748 | - |
| Wakala fees payable* | - | - | - | - | 20,048 | 20,048 | - |
| Other creditors and accruals* | - | - | - | - | 2,254 | 2,254 | - |
| Others* | - | - | - | - | - | - | - |
| | 62,010 | 20,822 | - | 161,286 | 75,799 | 319,917 | 82,832 |

# Notes to the Financial Statements

*For the year ended 31 December 2017*

| | 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Held-for-trading | Available-for-sale | Held-to-maturity | Loans and receivables | Other financial liabilities | Total | Level 1 |
| | Rupees '000 | | | | | | |
| **Financial assets measured at fair value - OPF** | | | | | | | |
| Investment at fair value through profit and loss | | | | | | | |
| - Mutual funds | 25,558 | - | - | - | - | 25,558 | 25,558 |
| **Financial assets not measured at fair value - OPF** | | | | | | | |
| Cash and bank deposits - OPF | - | - | - | 10,084 | - | 10,084 | - |
| Investments | | | | | | | |
| - Mutual funds | - | 17,478 | - | - | - | 17,478 | 17,478 |
| Wakala fees receivable* | - | - | - | 16,538 | - | 16,538 | - |
| Mudarib fees receivable* | - | - | - | 69 | - | 69 | - |
| Sundry receivables* | - | - | - | 2,909 | - | 2,909 | - |
| **Financial assets measured at fair value - PTF** | | | | | | | |
| Investment at fair value through profit and loss | | | | | | | |
| - Mutual funds | 20,000 | - | - | - | - | 20,000 | 20,000 |
| **Financial assets not measured at fair value - PTF** | | | | | | | |
| Cash and bank deposits - PTF | - | - | - | 12,674 | - | 12,674 | - |
| Investments | | | | | | | |
| - Mutual funds | - | 20,000 | - | - | - | 20,000 | 20,000 |
| Contribution due but unpaid* | - | - | - | - | - | - | - |
| Amount due from other Takaful & Retakaful Operators* | - | - | - | 8,593 | - | 8,593 | - |
| Retakaful recoveries against outstanding claims* | - | - | - | 6,904 | - | 6,904 | - |
| **Financial liabilities not measured at fair value - OPF** | | | | | | | |
| Other creditors and accruals* | - | - | - | - | 1,980 | 1,980 | - |
| Others* | - | - | - | - | 1,034 | 1,034 | - |
| **Financial liabilities not measured at fair value - PTF** | | | | | | | |
| Provision for outstanding claims (including IBNR)* | - | - | - | - | 21,530 | 21,530 | - |
| Amounts due to other Takaful / Retakaful Operators* | - | - | - | - | 13,108 | 13,108 | - |
| Wakala fees payable* | - | - | - | - | 16,538 | 16,538 | - |
| Mudarib fees payable* | - | - | - | - | 69 | 69 | - |
| Other creditors and accruals* | - | - | - | - | 2,235 | 2,235 | - |
| Others* | - | - | - | - | - | - | - |
| | 45,558 | 37,478 | - | 57,771 | 56,494 | 197,301 | 83,036 |

*The Operator has not disclosed the fair value of these items because the carrying amounts are a reasonable approximation of the values. Since these are either short term or repriced regulerly.

Fair value is an amount for which an asset could be exchanged, or a liability settled, betweetn kowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair values estimates.

The Operator measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Fair measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs)

# Notes to the Financial Statements
*For the year ended 31 December 2017*

## 17 OPERATING SEGMENT

Business class wise revenue and resutls have been disclosed in the profit and loss account prepared in line with the format issued by SECP through SEC (Insurance) Rules, 2002, and SECP circular no 25 of 2015 dated 9 July 2015. The following table presents estimated information regarding certain assets and liabilities of the segments as at 31 December 2017 and 31 December 2016, unallocated captial expenditure and non-cash expenses during the year then ended.

### 17.1 Operator's Fund

| | Fire and property damage | | Marine, aviation and transport | | Motor | | Accident and Health | | Miscellaneous | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| | Rupees '000 | | | | | | | | | | | |
| Wakala Fee | 6,928 | 2,343 | 2,716 | 1,084 | 41,980 | 14,833 | 1,134 | - | 1,352 | 105 | 54,110 | 18,365 |
| Segment Result | 2,616 | 1,234 | 447 | 80 | 22,896 | 6,230 | 306 | - | 1,138 | 67 | 27,403 | 7,611 |
| Mudarib's share of PTF investment income | | | | | | | | | | | - | - |
| Investment income | | | | | | | | | | | 5,744 | 3,533 |
| Other income | | | | | | | | | | | 206 | - |
| Unallocated general and administration expenses | | | | | | | | | | | (9,598) | (5,735) |
| | | | | | | | | | | | (3,648) | (2,202) |
| Deficit for the period | | | | | | | | | | | 23,755 | 5,409 |
| Corporate segment assets | 4,414 | 3,572 | 1,355 | 1,132 | 20,074 | 16,105 | 664 | - | 578 | 125 | 27,085 | 20,934 |
| Corporate unallocated assets | | | | | | | | | | | 93,352 | 57,117 |
| Total assets | | | | | | | | | | | 120,437 | 78,051 |
| Corporate segment liabilities | 4,611 | 3,053 | 764 | 312 | 30,305 | 18,397 | 2,140 | - | 1,641 | 974 | 39,461 | 22,736 |
| Corporate unallocated liabilities | | | | | | | | | | | 3,630 | 1,724 |
| Total liabilities | | | | | | | | | | | 43,091 | 24,460 |
| Capital expenditures | 32 | 30 | 13 | 14 | 194 | 193 | 5 | - | 6 | 1 | 250 | 238 |
| Segment depriciation | 1 | - | 1 | - | 8 | 1 | - | - | - | - | 10 | 1 |
| Unallocated depriciation | | | | | | | | | | | 78 | 12 |
| Total depriciation | | | | | | | | | | | 88 | 13 |

### 17.2 Participants' Takaful Fund

| | Fire and property damage | | Marine, aviation and transport | | Motor | | Accident and Health | | Miscellaneous | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| Net contribution revenue | 5,686 | 190 | 4,642 | 1,657 | 100,439 | 34,902 | 5,534 | - | 919 | 93 | 117,220 | 36,842 |
| Underwriting Results | (1,628) | (1,123) | 1,145 | (996) | 20,480 | 4,669 | (4,982) | - | (715) | (62) | 14,300 | 2,488 |
| Corporate segment assets | 19,354 | 13,775 | 4,761 | 2,518 | 69,300 | 20,300 | 3,752 | - | 6,467 | 3,501 | 103,634 | 40,094 |
| Corporate unallocated assets | | | | | | | | | | | 79,386 | 76,207 |
| Total assets | | | | | | | | | | | 183,020 | 116,301 |
| Corporate segment liabilities | 23,564 | 14,192 | 6,493 | 5,051 | 115,815 | 77,005 | 13,616 | - | 6,925 | 3,264 | 166,413 | 99,512 |
| Corporate unallocated liabilities | | | | | | | | | | | 79 | 13,177 |
| Total liabilities | | | | | | | | | | | 166,492 | 112,689 |

# Notes to the Financial Statements

*For the year ended 31 December 2017*

## 18 RELATED PARTY TRANSACTIONS

The related parties comprise of directors, major shareholders, key management personnel, entities under common control, entities with common directors and employees retirement benefit funds. The transactions with related parties are carried out at commercial terms and conditions except for compensation to key management personnel which are on employment terms.

Balance due from associated undertakings are disclosed in note 8 to the financial statements. Transaction with related parties during the year are as follows:

| | **2017** | 2016 |
|---|---|---|
| | **Rupees '000** | |
| Contribution written (including government levies and stamp duties) | 5,793 | 9,482 |
| Premium received during the year | 8,189 | 6,650 |
| Takaful benefits paid | 1,460 | 881 |
| Contribution to staff retirement benefit funds | 678 | 574 |

## 19 GENERAL

These financial statements were authorised for issue by the Board of Directors on its meeting held on 8 March 2018.

Suleman Khalid
Chief Financial Officer

Abdul Waheed
President & Chief Executive

Maj Gen Akhtar Iqbal (Retd)
Director

Lt Gen Najib Ullah Khan (Retd)
Chairman

# Pattern of Shareholding

*As at 31 December 2017*

| NO. OF SHAREHOLDERS | From | To | SHARES HELD | PERCENTAGE |
|---|---|---|---|---|
| 296 | 1 | 100 | 10663 | 0.0171 |
| 693 | 101 | 500 | 224552 | 0.3591 |
| 223 | 501 | 1000 | 175950 | 0.2814 |
| 351 | 1001 | 5000 | 919104 | 1.4700 |
| 97 | 5001 | 10000 | 699524 | 1.1188 |
| 31 | 10001 | 15000 | 380262 | 0.6082 |
| 21 | 15001 | 20000 | 356020 | 0.5694 |
| 13 | 20001 | 25000 | 290960 | 0.4654 |
| 8 | 25001 | 30000 | 229065 | 0.3664 |
| 11 | 30001 | 35000 | 358171 | 0.5729 |
| 6 | 35001 | 40000 | 223838 | 0.3580 |
| 6 | 40001 | 45000 | 255532 | 0.4087 |
| 5 | 45001 | 50000 | 247480 | 0.3958 |
| 1 | 50001 | 55000 | 53782 | 0.0860 |
| 2 | 55001 | 60000 | 111064 | 0.1776 |
| 2 | 60001 | 65000 | 123239 | 0.1971 |
| 1 | 65001 | 70000 | 69000 | 0.1104 |
| 3 | 70001 | 75000 | 218182 | 0.3490 |
| 2 | 75001 | 80000 | 154538 | 0.2472 |
| 3 | 85001 | 90000 | 265611 | 0.4248 |
| 1 | 90001 | 95000 | 93104 | 0.1489 |
| 1 | 100001 | 105000 | 102200 | 0.1635 |
| 1 | 105001 | 110000 | 106974 | 0.1711 |
| 4 | 110001 | 115000 | 451041 | 0.7214 |
| 1 | 120001 | 125000 | 124962 | 0.1999 |
| 1 | 130001 | 135000 | 131307 | 0.2100 |
| 1 | 135001 | 140000 | 137100 | 0.2193 |
| 1 | 140001 | 145000 | 143440 | 0.2294 |
| 1 | 145001 | 150000 | 149102 | 0.2385 |
| 1 | 150001 | 155000 | 152862 | 0.2445 |
| 1 | 155001 | 160000 | 157378 | 0.2517 |
| 1 | 160001 | 165000 | 160720 | 0.2571 |
| 1 | 170001 | 175000 | 171500 | 0.2743 |
| 1 | 175001 | 180000 | 175316 | 0.2804 |
| 1 | 195001 | 200000 | 198029 | 0.3167 |
| 2 | 200001 | 205000 | 402111 | 0.6431 |
| 1 | 210001 | 215000 | 210225 | 0.3362 |
| 1 | 230001 | 235000 | 231073 | 0.3696 |

| NO. OF SHAREHOLDERS | From | To | SHARES HELD | PERCENTAGE |
|---|---|---|---|---|
| 1 | 255001 | 260000 | 256449 | 0.4102 |
| 1 | 345001 | 350000 | 347432 | 0.5557 |
| 1 | 410001 | 415000 | 413855 | 0.6619 |
| 1 | 440001 | 445000 | 440705 | 0.7049 |
| 1 | 450001 | 455000 | 454003 | 0.7261 |
| 1 | 460001 | 465000 | 462874 | 0.7403 |
| 1 | 520001 | 525000 | 521209 | 0.8336 |
| 1 | 570001 | 575000 | 575000 | 0.9197 |
| 1 | 585001 | 590000 | 587750 | 0.9400 |
| 1 | 695001 | 700000 | 700000 | 1.1196 |
| 1 | 745001 | 750000 | 746924 | 1.1946 |
| 1 | 1160001 | 1165000 | 1164638 | 1.8627 |
| 1 | 1520001 | 1525000 | 1520641 | 2.4321 |
| 1 | 1610001 | 1615000 | 1614500 | 2.5822 |
| 1 | 2100001 | 2105000 | 2101971 | 3.3619 |
| 1 | 4955001 | 4960000 | 4957655 | 7.9293 |
| 1 | 36990001 | 36995000 | 36992800 | 59.1663 |
| 1814 | | Company Total | 62523387 | 100.0000 |

# Pattern of Shareholding

*As at 31 December 2017*

**Categories of Shareholders**

| Particulars | No. of Shareholders | Shares Held | % |
|---|---|---|---|
| **Individuals** | 1,782 | 19,610,171 | 31.37% |
| **Insurance Companies** | - | - | - |
| **Financial Institutions** | | | |
| Escorts Investment Bank Limited | 1 | 3,967 | 0.01% |
| **Mutual Funds** | 1 | 413,855 | 0.66% |
| **Charitable Trust** | | | |
| Army Welfare Trust | 4 | 37,041,491 | 59.24% |
| Others | 26 | 5,453,903 | 8.72% |
| **Total** | 1,814 | 62,523,387 | 100.00% |

**Held By**

| Particulars | No. of Shareholders | Shares Held | % |
|---|---|---|---|
| **Associated companies, undertakings & related parties** | | | |
| Army Welfare Trust | 4 | 37,041,491 | 59.24% |
| **NIT/ICP** | - | - | - |
| **Directors, CEO, their spouse & minor children** | | | |
| Lt Gen Khalid Rabbani (Retd) | 1 | 3,062 | 0.00% |
| Maj Gen Syed Taqi Naseer Rizvi (Retd) | 1 | 3,062 | 0.00% |
| Maj Gen Hamid Mahmud (Retd) | 1 | 803 | 0.00% |
| Brig M. Aslam Khan (Retd) | 1 | 3,062 | 0.00% |
| Malik Riffat Mehmood | 1 | 803 | 0.00% |
| Abdul Hai Mahmood Bhaimia | 1 | 3,943 | 0.01% |
| M. Munir Malik | 1 | 631 | 0.00% |
| Imran Iqbal | 1 | 462,874 | 0.74% |
| **Executives** | - | - | - |
| **Public Sector Companies and Corporations (other than specified above)** | - | - | - |
| **Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas & pension funds (other than specified above)** | | | |
| Escorts Investment Bank Limited | 1 | 3,967 | 0.01% |
| **Mutual Funds** | 1 | 413,855 | 0.66% |
| **Shareholders holding five percent or more voting rights in the Company**** | | | |
| Muhammad Iqbal | 1 | 4,957,655 | 7.93% |
| **Individuals - local** | 1,738 | 13,138,645 | 21.01% |
| **- foreign** | 35 | 1,035,631 | 1.66% |
| **Others** | 26 | 5,453,903 | 8.72% |
| **Total** | 1,814 | 62,523,387 | 100.00% |

# Form of Proxy

I/We ______________________ of ______________________ being Member(s) of askari general insurance co. ltd, holding ______________ ordinary shares, hereby appoint Mr./Mrs./Miss ______________________ of ______________________ or failing him/her______________________ of ______________________ who is also a member of the Company, as my/our proxy to vote for me/us, and on my/our behalf at the 23rd Annual General Meeting of the Company to be held on Thursday 26th April 2018 at 11 am and at any adjournment thereof.

| Folio No. | CDC Account No. | |
|---|---|---|
| | Participant ID | Account No. |
| | | |

| Signature on Rs. 5.00 Revenue Stamp |
|---|
| (Signature should agree with the specimen signature registered with the Company) |

As we witness my/our hand this______________ day of ______________________ 2018

______________________________________________

Witness: 1 2

| | 1 | 2 |
|---|---|---|
| Signature | | |
| Name | | |
| Address | | |
| CNIC No./ Passport No. | | |

Notes:

1. A Member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote for him/her. No person shall act as proxy, who is not a member of the Company except Government of Pakistan/Corporate entity may appoint a person who is not a member of the Company. If the member is corporate entity (other than Government of Pakistan) its common seal should be affixed on the instrument.

2. The instrument appointing a proxy duly completed, together with Power of Attorney, if any, under which it is signed or a notarially certificate copy thereof, should be deposited with the Company Secretary , askarigeneral insurance company limited 3rd Floor AWT Plaza, The Mall Rawalpindi, not later than 48 hours before the time of holding the meeting.

3. CDC account holders will further have to comply with the guidelines as laid down by the Circular No.1 dated January 26, 2000, issued by Securities and Exchange Commission of Pakistan.

4. If a member appoints more than one proxy, and more than one instruments of proxy, are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

# عسکری جنرل انشورنس کمپنی لمیٹڈ

## پراکسی فارم

میں/ہم ________________________________________

ساکن ________________________________________

بحیثیت ممبرعسکری جنرل انشورنس لمیٹڈ بذریعہ ہذا مسمی ________________________________________

ساکن ________________________________________

کو یاان کی عدم دستیابی کی صورت میں مسمی ________________________________________

ساکن ________________________________________

کو اپنی/ ہماری جانب سے پراکسی مقرر کررہا/ رہی ہوں تا کہ وہ جمعرات ۲۶ اپریل ۲۰۱۸ء بوقت ۱۱:۰۰ بجے صبح منعقد ہونے والے ۲۳ویں سالانہ اجلاسِ عام یا اس کے کسی بھی التواء میں میری/ ہماری جگہ شرکت کرے اور ووٹ ڈالے۔

دستخط بروز ________ بتاریخ ________ ۲۰۱۸ء

**گواہان:**

۱۔ دستخط: ________________________

نام: ________________________

پتہ: ________________________

________________________

سی این آئی سی یا پاسپورٹ نمبر ________________________

ریونیو اسٹیمپ

ممبر (ممبران) کے دستخط

۲۔ دستخط: ________________________

نام: ________________________

پتہ: ________________________

________________________

سی این آئی سی یا پاسپورٹ نمبر ________________________

شیئر ہولڈر کا فولیو نمبر اور/ یا سی ڈی سی ________________________

پارٹیسپینٹ کا آئی ڈی نمبر ________________________

اور ذیلی اکاؤنٹ نمبر ________________________

**اہم نوٹ:**

پراکسی کا یہ فارم جو ہر طرح سے مکمل ہو، لازماً کمپنی کے رجسٹرڈ آفس واقع پی او بکس نمبر 843، تھرڈ فلور، AWT پلازہ، دی مال، راولپنڈی میں اجلاس کے طے شدہ وقت سے کم از کم ۴۸ گھنٹے قبل جمع کرا دیا جائے۔

سی ڈی سی شیئر ہولڈرز اور ان کے پراکسیز سے درخواست ہے کہ ہر ایک اپنے کمپیوٹرائزڈ قومی شناختی کارڈ (سی این آئی سی) یا پاسپورٹ کی مصدقہ نقل کمپنی کو پراکسی فارم جمع کرانے سے قبل اس کے ساتھ منسلک کرے۔

سی ڈی سی شیئر ہولڈرز یا ان کے پراکسیز سے درخواست ہے کہ اپنے اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ بشمول پارٹیسپینٹ کا آئی ڈی نمبر اور ان کے اکاؤنٹ نمبر اپنی شناخت میں سہولت کی غرض سے سالانہ اجلاسِ عام میں شرکت کے وقت ہمراہ لائیں۔

# Branch Network

1) ***Head Office***
Askari general insurance co ltd
3rd Floor, AWT Plaza,
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Rawalpindi
Tel No. 051-9028101-2
Fax No. 051-9272424
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2) ***Abbottabad***
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3) ***Bahawalpur***
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6) ***Faisalabad-III***
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8) ***Hyderabad***
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agicoisb@agico.com.pk

10) ***Karachi-I, Karachi-II & Karachi Central***
Askari general insurance co ltd
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11) ***Karachi Corporate***
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Fax No. 021-32214332
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12) ***Karachi-III***
Askari general insurance co ltd
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Near Schone Circle, Clifton,
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Tel No. 021-35308112-4
Fax No. 021-35308114

13) ***Lahore-I, Lahore-IV & Lahore Corporate***
Askari general insurance co ltd
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Tel. No. 042-35860871-5
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14) ***Lahore-III***
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15) ***Multan-I & Multan-II***
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16) ***Peshawar***
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17) ***Rawalpindi-II***
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18) ***Rawalpindi-III***
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