alpha
Insurance Company Limited.
A subsidiary of State Life Insurance Corporation of Pakistan

IN SAFE HANDS, ALWAYS

67th Annual Report 2018

Contents

Company Information

Board of Directors

Ms. Nargis Ghaloo
Chairperson

Mr. Mushtaq Ahmed Shah
Director

Mr. Farrukh Ahmad Hamidi
Director

Mr. Muhammad Izqar Khan
Director

Mr. Muhammad Rashid
Director

Mr. Athar Hussain Khokhar
Director

Mr. Mushtaq Ahmad
Director

Chief Executive Officer

Mr. Nadeem Bessey

Company Secretary

Mr. M Ayaz Ghori

Board Committees

Audit Committee

Mr. Mushtaq Ahmed Shah
Chairperson / Director

Mr. Muhammad Izqar Khan
Member / Director

Mr. Muhammad Rashid
Member / Director

Mr. Athar Hussain Khokhar
Member / Director

Mr. Faraz Ahmed
Secretary / CIA

Ethics, Human Resource, Remuneration, Nomination and Procurement Committee

Ms. Nargis Ghaloo
Chairperson / Director

Mr. Mushtaq Ahmed Shah
Member / Director

Mr. Farrukh Ahmad Hamidi
Member / Director

Mr. Muhammad Rashid
Member / Director

Mr. Nadeem Bessey
Member / Chief Executive Officer

Mr. Umair Sattar Abro
Secretary / Head of HR

Investment Committee

Mr. Muhammad Rashid
Chairperson / Director

Mr. Mushtaq Ahmad
Member / Director

Mr. Nadeem Bessey
Member / Chief Executive Officer

Mr. M Ayaz Ghori
Member / Chief Financial Officer

Mr. Zain Hamidi
Secretary / Investment Advisor

Management Committees

Underwriting, Re-Insurance and Co-Insurance Committee

Mr. Muhammad Izqar Khan
Chairperson / Director

Mr. Mushtaq Ahmad
Member / Director

Mr. Nadeem Bessey
Member / Chief Executive Officer

Mr. M Ayaz Ghori
Member / Chief Financial Officer

Mr. Khwaja Balighuddin
Secretary / Head of U/Writing & Re-Insurance

Claims Settlement Committee

Mr. Mushtaq Ahmed Shah
Chairperson / Director

Mr. Muhammad Rashid
Member / Director

Mr. Athar Hussain Khokhar
Member / Director

Mr. Nadeem Bessey
Member / Chief Executive Officer

GM Operation
Member

Mr. Sabir Ali
Secretary / Head of Claim

Risk Management, Compliance and IT Steering Committee

Mr. Athar Hussain Khokhar
Chairperson / Director

Mr. Muhammad Rashid
Member

Mr. Mushtaq Ahmad
Member

Mr. Nadeem Bessey
Member / Chief Executive Officer

Mr. M Ayaz Ghori
Member / Chief Financial Officer

Mr. Umair Sattar Abro
Member / Compliance Officer

Mr. Khwaja Balighuddin
Secretary / Acting Risk Manager

alpha
Insurance Company Limited.
A subsidiary of State Life Insurance Corporation of Pakistan

Company Information

Management

Mr. Nadeem Bessey
Chief Executive Officer

Mr. M Ayaz Ghori
Chief Financial Officer

Mr. Khalid Shaikh
General Manager (Special Project)

Mr. Khwaja Balighuddin
Head of Underwriting &
Re-insurance and Acting GM
Operation

Mr. Sabir Ali
Head of Claim & Legal

Mr. Faraz Ahmed
Head of Internal Audit

Mr. Umair Sattar Abro
Head of Human Resource

Mr. Zain Hamidi
Investment Advisor

Auditors

M/s KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisor

Mr. Sajid Bashir

Tax Consultants

M/s EY Ford Rhodes
Chartered Accountants

Marketing

Mr. Mohammad Reyaz Ahmed
General Manager / Branch Head
Main Branch
Karachi

Mr. Azmat Ullah Shaikh
Asst. General Manager/ Branch Head
Central Branch
Karachi

Mr. Syed Sajjad Hussain Naqvi
Manager Development
Karachi South Division
Karachi

Mr. Muhammad Anwarullah Siddiqui
Head of Motor Retail Unit
Karachi

Mr. Muhammad Ilyas
Branch Manager
Lahore

Mr. Rohail Butt
Branch Head
Multan Branch
Multan

Mr. S. A. Raza
General Manager
Islamabad Branch
Islamabad

Mr. Salahuddin
Assistant Manager
Faisalabad Branch
Faisalabad

Mr. Hamzullah khan
Branch Manager
Peshawar Branch
Peshawar

Bankers

United Bank Limited
Allied Bank Limited
JS Bank Limited
MCB Bank Limited
National Bank of Pakistan
Soneri Bank Limited

Reinsurers

Labuan Re
Pakistan Re-Insurance Company
Limited
Saudi Re
Oman Re

Registered office

4th Floor, Building # 1-B, State Life
Square, I.I. Chundrigar Road
Karachi - Pakistan
Tel: 32416041-45
Fax: 32419968, 32422478
E-mail: info@alphainsurance.com.pk
Web: www.alphainsurance.com.pk

Key Financial Data - Six Years

(Figures in '000)

	2018	2017 (Restated)	2016	2015	2014	2013
Paid Up Capital	500,000	500,000	403,600	403,600	403,600	403,600
Retained Earning	96,712	146,048	206,123	221,534	189,529	169,946
Capital & Revenue Reserves	108,890	95,005	10,175	10,175	10,175	10,175
Total Equity	705,602	741,053	619,898	635,309	603,304	583,721
Underwriting Reserves	373,769	502,737	296,647	155,340	238,342	255,599
Total Reserves	579,371	743,790	512,945	387,049	438,046	435,720
Total Liabilities	510,467	670,093	485,636	339,167	426,408	444,581
Total Assets	1,216,069	1,411,146	1,105,534	974,476	1,029,712	1,028,302
Investments, Cash & Bank Balances	839,432	912,061	733,709	687,781	679,007	663,172
Gross Premium	83,474	106,277	151,448	179,989	219,652	265,239
Retained Premium (Net Premium)	47,419	79,917	79,946	63,215	90,907	115,148
Net Claims (Loss)	46,024	89,344	47,719	14,991	53,856	55,815
Management Expenses	91,323	96,130	102,051	80,600	99,530	104,899
Underwritting Profit / (Loss)	(97,527)	(123,106)	(73,177)	(12,280)	(42,981)	(30,534)
Investments and Miscellaneous Income	44,061	55,370	80,891	80,481	94,300	162,460
Profit / (Loss) Before Tax	(53,466)	(67,735)	(19,057)	41,128	23,056	103,200
Profit / (Loss) After Tax	(49,628)	(59,986)	(15,475)	31,664	19,509	97,677

Important Ratios

	2018	2017 (Restated)	2016	2015	2014	2013
Gross premium to total equity - %	12%	14%	24%	28%	36%	45%
Net premium to total equity - %	7%	11%	13%	10%	15%	20%
Net Loss to net premium - %	97.06%	111.80%	59.69%	23.71%	59.24%	48.47%
Expense to net premium - %	192.59%	120.29%	127.65%	127.50%	109.49%	91.10%
Combined ratio - (net loss + expense ratio) to net premium - %	289.64%	232.08%	187.34%	151.22%	168.73%	139.57%
Underwriting Loss to net premium - %	205.67%	154.04%	91.53%	19.43%	47.28%	26.52%
Return on Equity - (before tax) (Rs.)	(0.076)	(0.091)	(0.031)	0.065	0.038	0.177
Return on Equity - (after tax) (Rs.)	(0.070)	(0.081)	(0.025)	0.050	0.032	0.167
Return on Total Assets - (before tax) (Rs.)	(0.044)	(0.048)	(0.017)	0.042	0.022	0.100
Return on Total Assets - (after tax) (Rs.)	(0.041)	(0.043)	(0.014)	0.032	0.019	0.095
Breakup value per share (Book Value) Rs.	14.11	14.82	15.36	15.74	14.95	14.46

VISION STATEMENT

With help and involvement of all its Stakeholders to make Alpha one of the leading General Insurance Company of the Country with a vibrant marketing force and efficient and responsive office staff, so as to provide best quality services to its policyholders.

MISSION STATEMENT

To work zealously towards attaining these objectives and be able to compete in the open market by developing a vibrant field force and efficient and responsive office staff.

OUR QUALITY POLICY

We are committed to provide best quality service to our valued policyholders to their satisfaction by assessing their risk need, tailoring product to their requirements and by consistent efforts to reduce time for settlement of claims. We believe that proper assessment of risks of our clients and prompt settlement of claims are the key to our Company's growth.

To comply with and continuously improve the effectiveness of our Quality Management System.

Notice of Annual General Meeting

Notice is hereby given that 67th Annual General Meeting of Alpha Insurance Company Limited will be held on Tuesday, May 28, 2019 at 11:00 a.m. at registered office of the Company situated at 4th Floor, Building No. 1-B, State Life Square, I. I. Chundrigar Road, Karachi to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the 66th Annual General Meeting held on Thursday, May 31, 2018.

2. To receive, consider and adopt Audited Financial Statements of the Company for the year ended December 31, 2018 together with the Auditors' and Directors' Report thereon.

3. To appoint the auditors of the Company for the year ending December 31, 2019 and fix their remuneration.

4. Any other matter with the permission of the Chairperson.

By Orders of the Board

M Ayaz Ghori
Company Secretary

Karachi: May 5, 2019

Notes:

1. The share transfer Books of the Company will remain closed from May 7, 2019 to May 13, 2019 (both days inclusive)

2. A member entitled to attend and vote at the meeting may appoint another member as proxy to attend and vote in the meeting.

3. The instrument appointing a proxy must be received at registered Office of the Company situated at 4th Floor, Building No. 1-B, State Life Square, I. I. Chundrigar Road, Karachi not later than 48 hours before the time of the Meeting. A member shall not be entitled to appoint more than one proxy. If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instruments of proxies shall be rendered invalid.

4. Change of address, if any, should be notified immediately to the Company at 4th Floor, Building No. 1-B, State Life Square, I .I. Chundrigar Road, Karachi.

Report of the Directors to Shareholders

For the year ended December 31st, 2018

Company Performance

Directors of your Company are presenting 67th Annual Report together with Audited Financial Statements and Auditors' Report thereon for the year ended December 31st, 2018.

Following are key financial results for the period under review:

Table-1

Rupees in '000'

	2018 Rupees	2018 %	2017 Rupees (Restated)	2017 %
Gross premium	83,474	100%	106,277	100%
Net Premium Revenue	47,419	57%	79,917	75%
Insurance claims and acquisition costs	(53,624)	-64%	(106,893)	-101%
Management Expenses	(91,323)	-109%	(96,130)	-90%
Underwriting results (Loss)	(97,527)	-117%	(123,106)	-116%
(Loss) before tax	(53,466)	-64%	(67,735)	-64%
Taxation (Charge/Gain)	3,838	5%	7,749	7%
(Loss) after tax	(49,628)	-59%	(59,986)	-56%
Other comprehensive income	293		(100)	
Profit available for appropriation	96,712		146,048	

Table-2

Rupees in '000'

	2018 Rupees	2017 (Restated) Rupees	Change - favorable / (unfavorable) Rupees	Change - favorable / (unfavorable) %
Gross premium	83,474	106,277	(22,803)	-21%
Net Premium Revenue	47,419	79,917	(32,498)	-41%
Insurance claims and acquisition costs	(53,624)	(106,893)	53,270	50%
Management Expenses	(91,323)	(96,130)	4,807	5%
Underwriting results (Loss)	(97,527)	(123,106)	25,578	21%
(Loss) before tax	(53,466)	(67,735)	14,269	21%
Taxation (Charge)/Gain	3,838	7,749	(3,911)	-50%
(Loss) after tax	(49,628)	(59,986)	10,358	17%
Other comprehensive income	293	(100)	393	393%
Profit available for appropriation	96,712	146,048	(49,335)	-34%

As it can be seen in above presented tables that gross premium has decreased by 21% and the net premium by 41%. The decrease in net premium is greater than the decrease in gross premium due to the fact that the reinsurance arrangements for the year 2018 has been changed from proportional to excess of loss with fixed minimum deposit premium (MDP) on certain premium volumes which your company failed to achieve during the year. This resulted in high reinsurance cost as compared to previous year.

Underwriting loss has gone down by 21% attributable to decrease in claims & acquisition cost and management expenses by 50% and 5% respectively. The decrease in claims & acquisition cost is the indication that the quality of the underwriting has been improving since 2017 as a direct result of the underwriting reforms and also luckily no major claim hit during the period under review. However, the dip in the business which the Company has been facing since 2016 did not stop and your Board is doing its best to reverse the situation by supporting the management.

Credit Rating

JCR-VIS is performing their procedures to assign the rating for the year 2019. However the rating for the year 2018 and before was "A" with stable outlook and the management is confident to retain the same for the year 2019.

Reinsurance

Reinsurance arrangements for the year 2019 have already been finalized in the last quarter of 2018 and your company has obtained best reinsurance treaties in the given scenario.

Contingencies and Commitments

The Board has sufficient reasons to believe that the ultimate outcome of contingencies mentioned in note # 22 to the Financial Statements will be in Company's favour.

Minimum Paid-up Capital

Your company has increased its paid-up capital to Rs. 500 million in 2017 and presently is compliant with the minimum paid-up capital requirements.

Dividend and Appropriations

Due to losses over the periods and for the period Directors have decided not to pay dividend for the year.

Earning Per Share

Earning per share for the year 2018 has improved by Rs. 0.35 to Rs. (0.99) from Rs. (1.34) in 2017.

Auditors

M/s. KPMG Taseer Hadi & Co., Chartered Accountants on completion of their tenure, being eligible, offer themselves for reappointment as Auditors of the Company. On recommendation of Audit Committee the Board proposes to appoint them for the year 2019.

Statement of Directors Responsibility

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result 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 the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, and SEC (Insurance) Rules, 2017. Any departure therefrom has been adequately disclosed.
- The internal control system has been augmented and has provided effective monitoring and controls to the senior management.
- There is no basis to doubt about the Company's ability to continue as a going concern.
- Statement of Compliance with the Code of Corporate Governance is attached to these Financial Statements.

Board Meetings

During the year eight (8) meetings of the Board of the Directors were held, attendance details are as follows:

	Attended
Ghufran Memon	6
Nargis Ghaloo	2
Jamil Anwar	4
Mushtaq Ahmed Shah	8
Muhammad Rashid	8
Athar Hussain Khokhar	8
Fazal-Ur-Rehman	4
Mushtaq Ahmad	8

Board Committees Meetings

Following are the details of Board Committees meeting held during the year:

	No. of Meeting Held
Ethics, HR, Remuneration, Nomination and Procurement Committee	5
Investment Committee	4
Audit Committee	4

Management Committees Meetings

Following are the details of Management Committees meeting held during the year:

	No. of Meeting Held
Underwriting, Reinsurance and Coinsurance Committee	4
Claims Settlement	7
Risk Management, Compliance and IT Steering Committee	4

Pattern of Shareholding

Pattern of shareholding is enclosed in this annual report.

Six Years Key Data

Six years key data is enclosed in this annual report.

Acknowledgement

Directors like to thank our valued clients for placing their confidence in the Company for protection of their risk and also acknowledge our shareholders specially State Life for their confidence on the Company, the Securities & Exchange Commission of Pakistan, the Insurance Association of Pakistan, State Bank of Pakistan and all our foreign correspondents and reinsurers whose cooperation, guidance and advice have been a source of valued assistance to us.

We appreciate the services rendered by our marketing and office staff throughout the country during the year under review.

For and on behalf of the Board

Nargis Ghaloo
Chairperson

Karachi: April 20, 2019

ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز

برائے سال مختتمہ 31 دسمبر 2018

کمپنی کی کارکردگی

آپ کی کمپنی کے ڈائریکٹرز برائے سال مختتمہ 31 دسمبر 2018 کے آڈٹ شدہ مالی گوشواروں اوراس پرآڈیٹرز کی رپورٹ کے ساتھ 67 ویں سالانہ رپورٹ پیش کررہے ہیں۔

درج ذیل اہم مالی نتائج برائے سال 2018 ہیں:۔

جدول 1 (روپے ہزار میں)

	2018		2017	
	روپے	%	روپے	%
مجموعی پریمیم	83,474	100%	106,277	100%
نیٹ پریمیم ریونیو	47,419	57%	79,917	75%
انشورنس کلیمزاورحصول کی لاگت	(53,624)	-64%	(106,893)	-101%
انتظامی اخراجات	(91,323)	-109%	(96,130)	-90%
انڈررائٹنگ نتائج (نقصان)	(97,527)	-117%	(123,106)	-116%
نقصان (قبل ازٹیکس)	(53,466)	-64%	(67,735)	-64%
ٹیکس (چارج/منافع)	3,838	5%	7,749	7%
نقصان (بعدازٹیکس)	(49,628)	-59%	(59,986)	-56%
دیگرجامع آمدنی	293		(100)	
دستیاب منافع برائے تصرف	96,712		146,048	

جدول 2 (روپے ہزار میں)

	2018	2017	تبدیلی موافق/(ناموافق)	تبدیلی موافق/(ناموافق)
	روپے		روپے	%
مجموعی پریمیم	83,474	106,277	(22,803)	-21%
نیٹ پریمیم ریونیو	47,419	79,917	(32,498)	-41%
انشورنس کلیمزاورحصول کی لاگت	(53,624)	(106,893)	53,270	50%
انتظامی اخراجات	(91,323)	(96,130)	4,807	5%
انڈررائٹنگ نتائج (نقصان)	(97,527)	(123,106)	25,578	21%
(نقصان) قبل ازٹیکس	(53,466)	(67,735)	14,269	21%
ٹیکس (چارج/منافع)	3,838	7,749	(3,911)	-50%
(نقصان) بعدازٹیکس	(49,628)	(59,986)	10,358	17%
دیگرجامع آمدنی	293	(100)	393	393%
دستیاب منافع برائے تصرف	96,712	146,048	(49,335)	-34%

جیسا کہ یہ مندجہ بالا جدول میں دیکھا جاسکتا ہے کہ مجموعی پریمیم میں 21% اور نیٹ پریمیم میں 41% فیصد تک کی کمی ہوئی ہے۔ نیٹ پریمیم میں کمی، مجموعی پریمیم میں کمی کے مقابلے میں زیادہ ہوئی ہے، اس کی وجہ سال 2018 کیلئے ری انشورنس معاہدوں میں تبدیلی ہے 2018 میں ری انشورنس معاہدے ایکسیس آف لاس کی بنیاد پر کئے گئے جن مخصوص پریمیم کی ضمانت دی گئی تھی ایک مخصوص کم از کم قیمت پے چونکہ آپ کی کمپنی ضمانتی پریمیم نہیں کرسکی لہٰذا ضمانتی پریمیم کی قیمت ادا کرنی پڑی جس سے نیٹ پریمیم بہت زیادہ کم ہوگیا ہے۔

انڈر رائٹنگ نقصان میں کمی آئی ہے جس کی وجہ انشورنس کلیم میں کمی جو کہ 50% ہے اور انتظامی اخراجات میں کمی جو کہ 5% ہے۔ انشورنس کلیم میں کمی اس بات کا اشارہ ہے کہ انڈر رائٹنگ کا معیار 2017 سے بہتر ہوا ہے جو کہ براہ راست نتیجہ ہے انڈر رائٹنگ ریفارمز کا اور جائزے کی مدت کے دوران خوش قسمتی سے کسی بڑے کلیم کے نہ ہونے کا، تاہم کمپنی میں بڑا مسئلہ آمدنی میں کمی کا ہے جو کہ 2016 سے مسلسل کم ہورہی ہے اور آپ کا بورڈ انتظامیہ کے ساتھ مل کر آمدنی بڑھانے کی کوشش کررہا ہے۔

کریڈٹ ریٹنگ

JCR-VIS سال 2019 کی ریٹنگ کیلئے کام کررہی ہے۔ تاہم 2018 اور اس سے قبل ہماری ریٹنگ "A" مع مستحکم آؤٹ لک کے ساتھ تھی اور انتظامیہ کو قوی امید ہے کہ سال 2019 میں بھی برقرار رہے گی۔

ری انشورنس

2018 کے آخری سہ ماہی میں سال 2019 کی ری انشورنس معاہدے کئے جاچکے ہیں اور آپ کی کمپنی نے دیئے گئے منظر نامے میں بہترین ری انشورنس معاہدے حاصل کئے ہیں۔

امکانات اور وعدے

بورڈ کے پاس یقین کرنے کی کافی وجوہات ہیں کہ مالیاتی گوشواروں کے نوٹ نمبر 22 میں درج معاملات کا نتیجہ کمپنی کے حق میں ہوگا۔

اداشدہ سرمائے میں اضافہ

سال 2017 میں آپ کی کمپنی پہلے ہی اپنا اداشدہ سرمایہ 500 ملین روپے کرچکی ہے اور فی الحال اداشدہ سرمایہ قانونی تقاضوں کے عین مطابق ہے۔

منافع منقسمہ اور تصرف

گزشتہ کئی سالوں بمعہ موجودہ سال کے دوران مسلسل نقصانات کی بناء پر اس سال ڈائریکٹرز نے ڈیویڈنڈ ادا نہ کرنے کا فیصلہ کیا ہے۔

فی شیئر آمدنی

سال 2018 کیلئے فی شیئر آمدنی بمقابلہ 2017 کے 0.35 روپے سے بڑھ کر منفی 0.99 رہیں جو کہ 2017 میں منفی 1.34 روپے تھی۔

آڈیٹرز

میسرز KPMG تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے اپنی مدت کے اختتام پر اہل ہونے کی بناء پر کمپنی کو دوبارہ اپنی خدمات بطور آڈیٹر پیش کی ہیں۔ آڈٹ کمیٹی کی سفارش پر بورڈ نے سال 2019 کیلئے ان کی تقرری کی تجویز پیش کی ہے۔

ڈائریکٹرز کی ذمہ داری کا اسٹیٹمنٹ

- مالیاتی گوشوارے جو کمپنی کی انتظامیہ نے تیار کئے ہیں ان کے کاروباری معاملات، ان کے آپریشنز کے نتائج، کیش فلوز اور ایکیوٹی میں تبدیلیوں کو منصفانہ طریقہ سے پیش کیا گیا ہے۔
- کمپنی کے حسابی کھاتوں کو باقاعدہ طور پر تیار کیا گیا ہے۔
- مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تواتر کے ساتھ استعمال کیا گیا ہے اور اکاؤنٹنگ تخمینہ جات مناسب اور محتاط اندازوں پر مبنی ہیں۔
- مالیاتی گوشواروں کی تیاری میں پاکستان میں قابل اطلاق انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈ پر عملدرآمد کیا گیا۔ منظور شدہ اکاؤنٹنگ اسٹینڈرڈز ایسے انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز (IFRS) پر مبنی ہیں جو انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈ بورڈ نے جاری کئے اور جو کمپنیز ایکٹ 2017 و مندرجات اور ہدایات جاری شدہ ماتحت کمپنیز ایکٹ 2017، انشورنس آرڈیننس 2000 اور انشورنس رولز 2017 کے تحت ہیں اور اگر کہیں انحراف کرنا پڑا تو وہ معقول طور پر شائع کیا گیا ہے۔
- اندرونی کنٹرول سسٹم کی توسیع کر دی گئی ہے اور اس نے سینئر مینجمنٹ کو موثر مانیٹرنگ اور کنٹرولز فراہم کیا ہے۔
- گوئنگ کنسرن کے طور پر جاری رکھنے کیلئے کمپنی کی صلاحیت پر شک کرنے کی کوئی بنیاد نہیں۔
- اسٹیٹمنٹ آف کمپلائنس ود کوڈ آف کارپوریٹ گورننس برائے پبلک سیکٹر کمپنیز اور انشورران مالیاتی گوشواروں کے ساتھ منسلک ہے۔

بورڈ کے اجلاس

سال کے دوران بورڈ آف ڈائریکٹرز کے آٹھ (8) اجلاس منعقد ہوئے جن کی حاضری کی تفصیلات مندرجہ ذیل ہے:۔

	حاضر ہوئے
غفران میمن	6
نرگس گھلو	2
جمیل انور	4
مشتاق احمد شاہ	8
محمد راشد	8
اطہر حسین کھوکھر	8
فضل الرحمٰن	4
مشتاق احمد	8

بورڈ کمیٹیوں کے اجلاس

بورڈ کمیٹیوں کے اجلاس کی تفصیلات مندرجہ ذیل ہیں جو سال کے دوران منعقد ہوئے:۔

	منعقدہ اجلاس کی تعداد
اتھکس، ہیومن ریسورس، نومینیشن اینڈ پروکیورمینٹ کمیٹی	5
انوسٹمنٹ کمیٹی	4
آڈٹ کمیٹی	4

مینجمنٹ کمیٹیوں کے اجلاس

مینجمنٹ کمیٹیوں کے اجلاس کی تفصیلات مندرجہ ذیل ہیں جو سال کے دوران منعقد ہوئے:۔

	منعقدہ اجلاس کی تعداد
انڈررائٹنگ، ری انشورنس اینڈ کوانشورنس کمیٹی	4
کلیم سیٹلمنٹ	7
رسک مینجمنٹ، کمپلائنس اینڈ آئی ٹی اسٹیرنگ کمیٹی	4

پیٹرن آف شیئر ہولڈنگ

پیٹرن آف شیئر ہولڈنگ اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

چھ سالہ کلیدی ڈیٹا

چھ سالہ کلیدی ڈیٹا اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

اظہار تشکر

ڈائریکٹرز اپنے معزز پولیسی ہولڈرز کے شکرگزار ہیں کہ انہوں نے ہم پر اعتماد کیا اور ہم شکرگزار ہیں اسٹیٹ لائف کے جس کی غیر متزلزل تائید ہماری بقاء کی ضامن ہے اور ہم شکریہ ادا کرنا چاہینگے سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، انشورنس ایسوسی ایشن آف پاکستان، اسٹیٹ بینک آف پاکستان اور ہمارے تمام ملکی اور غیر ملکی ری انشوررز جنہوں نے ہمیں قابل قدر معاونت، تعاون، رہنمائی اور مشورے دیئے اور ہم پر اعتماد کیا۔

ہم دوران سال ملک بھر میں اپنے مارکیٹنگ اور آفس اسٹاف کی جانب سے فراہم کی جانے والی خدمات کے بھی شکرگزار ہیں۔

برائے اور منجانب بورڈ

نرگس گھلو

چیئرپرسن

کراچی 20 اپریل 2019

Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 and Code of Corporate Governance for Insurers, 2016

Name of company: **Alpha Insurance Company Limited**

For the year ended: **31 December 2018**

i. This statement is being presented to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 and the Code of Corporate Governance for Insurers, 2016 (CCG Insurers, 2016) (hereinafter called "the Codes") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance. In case where there is inconsistency with the CCG Insurers, 2016, the provisions of Public Sector Companies (Corporate Governance) Rules, 2013 ("Rules") shall prevail.

ii. The Company has complied with the provisions of the Rules in the following manner:

<table>
<tr><th rowspan="2">S. No.</th><th rowspan="2">Provision of the Rules</th><th rowspan="2">Rule no.</th><th>Y</th><th>N</th></tr>
<tr><th colspan="2">Tick the relevant box</th></tr>
<tr><td>1.</td><td>The independent directors meet the criteria of independence, as defined under the Rules.</td><td>2(d)</td><td>✓</td><td></td></tr>
<tr><td>2.</td><td>The Board does not have the requisite percentage of independent directors. At present the Board includes:
<table>
<tr><th>Category</th><th>Names</th><th>Date of Appointment</th></tr>
<tr><td>Independent Directors</td><td>Mushtaq Ahmed Shah</td><td>March 24, 2017</td></tr>
<tr><td>Executive Director</td><td></td><td></td></tr>
<tr><td>Non-Executive Directors</td><td>Muhammad Rashid
Mushtaq Ahmad
Nargis Ghaloo
Athar Hussain Khokar</td><td>March 24, 2017
March 24, 2017
September 12, 2018
December 12, 2017</td></tr>
</table></td><td>3(2)</td><td></td><td>✓</td></tr>
<tr><td>3.</td><td>The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.</td><td>3(5)</td><td>✓</td><td></td></tr>
<tr><td>4.</td><td>The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as board members under the provisions of the Act.</td><td>3(7)</td><td>✓</td><td></td></tr>
<tr><td>5.</td><td>The chairman of the board is working separately from the chief-executive of the Company.</td><td>4(1)</td><td>✓</td><td></td></tr>
<tr><td>6.</td><td>The chairman has been elected by the Board of directors except where Chairman of the Board has been appointed by the Government</td><td>4(4)</td><td>✓</td><td></td></tr>
</table>

S. No.	Provision of the Rules	Rule no.	Y	N
			Tick the relevant box	
7.	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.	5(2)	✓	
8.	(a) The company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place.	5(4)	✓	
	(b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company's website. **(www.alphainsurance.com.pk)**		✓	
	(c) The Board has set in place adequate systems and controls for the identification and redress of grievances arising from unethical practices.		✓	
9.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✓	
10.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5) (b) (ii)		✓
11.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the Company.	5(5) (b) (vi)		✓
12.	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5) (c) (ii)	✓	
13.	The Board has ensured compliance with the law as well as the Company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5) (c) (iii)	✓	
14.	The Board has developed a vision or mission statement and corporate strategy of the company.	5(6)	✓	
15.	The Board has developed significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended, has been maintained.	5(7)	✓	
16.	The board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and have submitted its request for appropriate compensation to the Government for consideration.	5(8)	✓	
17.	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	✓	

<table>
<tr><th rowspan="2">S. No.</th><th rowspan="2">Provision of the Rules</th><th rowspan="2">Rule no.</th><th>Y</th><th>N</th></tr>
<tr><th colspan="2">Tick the relevant box</th></tr>
<tr><td>18.</td><td>(a) The board has met at least four times during the year.
(b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.
(c) The minutes of the meetings were appropriately recorded and circulated.</td><td>6(1)
6(2)
6(3)</td><td>✓
✓
✓</td><td></td></tr>
<tr><td>19.</td><td>The Board has monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.</td><td>8 (2)</td><td></td><td>✓</td></tr>
<tr><td>20.</td><td>The board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.</td><td>9</td><td>✓</td><td></td></tr>
<tr><td>21.</td><td>(a) The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end.
(b) The Board has placed the annual financial statements on the company's website.</td><td>10</td><td>✓
✓</td><td></td></tr>
<tr><td>22.</td><td>All the board members underwent an orientation course arranged by the Company to apprise them of the material developments and information as specified in the Rules.</td><td>11</td><td>✓</td><td></td></tr>
<tr><td>23.</td><td>(a) The board has formed the requisite committees, as specified in the Rules.
(b) The committees were provided with written term of reference defining their duties, authority and composition.
(c) The minutes of the meetings of the committees were circulated to all the board members.
(d) The committees were chaired by the following non-executive directors:
<table>
<tr><th>Committee</th><th>Number of Members</th><th>Name of Chair</th></tr>
<tr><td>Audit Committee</td><td>Three</td><td>Mushtaq Ahmed Shah</td></tr>
<tr><td>Risk Management Committee</td><td>Seven</td><td>Athar Hussain Khokar</td></tr>
<tr><td>Human Resources Committee</td><td>Five</td><td>Nargis Ghaloo</td></tr>
<tr><td>Procurement Committee</td><td>Five</td><td>Nargis Ghaloo</td></tr>
<tr><td>Nomination Committee</td><td>Five</td><td>Nargis Ghaloo</td></tr>
</table></td><td>12</td><td>✓
✓
✓
✓</td><td></td></tr>
<tr><td>24.</td><td>The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor with their remuneration and terms and conditions of employment.</td><td>13</td><td>✓</td><td></td></tr>
<tr><td>25.</td><td>The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.</td><td>14</td><td>✓</td><td></td></tr>
<tr><td>26.</td><td>The company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.</td><td>16</td><td>✓</td><td></td></tr>
<tr><td>27.</td><td>The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.</td><td>17</td><td>✓</td><td></td></tr>
<tr><td>28.</td><td>The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the company except those disclosed to the company.</td><td>18</td><td>✓</td><td></td></tr>
</table>

<table>
<tr><th rowspan="2">S. No.</th><th rowspan="2">Provision of the Rules</th><th rowspan="2">Rule no.</th><th>Y</th><th>N</th></tr>
<tr><th colspan="2">Tick the relevant box</th></tr>
<tr><td>29.</td><td>(a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration.
(b) The annual report of the company contains criteria and details of remuneration of each director.</td><td>19</td><td>✓
✓</td><td></td></tr>
<tr><td>30.</td><td>The financial statements of the Company were duly endorsed by the chief executive and chief financial officer, before consideration and approval of the audit committee and the Board.</td><td>20</td><td>✓</td><td></td></tr>
<tr><td>31.</td><td>The Board has formed an audit committee, with defined and written terms of reference, and having the following members:
<table>
<tr><th>Name of Member</th><th>Category</th><th>Professional Background</th></tr>
<tr><td>Mushtaq Ahmed Shah</td><td>Independent / Non-Executive Director</td><td>M.Com, Diploma in Public administration</td></tr>
<tr><td>Muhammad Rashid</td><td>Non-Executive Director</td><td>FCMA, Finance & Accounts</td></tr>
<tr><td>Athar Hussain Khokhar</td><td>Non-Executive Director</td><td>M.Sc (Mathematics) & B.Sc (Hons.),</td></tr>
</table>
The chief executive and chairman of the Board are not members of the audit committee.</td><td>21 (1) and 21(2)</td><td>✓</td><td></td></tr>
<tr><td>32.</td><td>(a) The chief financial officer, the chief internal auditor, and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed.
(b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives.
(c) The audit committee met the chief internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors.</td><td>21(3)</td><td>✓
✓
✓</td><td></td></tr>
<tr><td>33.</td><td>(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee.
(b) The Chief Internal Auditor does not have five years of relevant Audit experience.
(c) The internal audit reports have been provided to the external auditors for their review.</td><td>22</td><td>✓ (a)
✓ (c)</td><td>✓ (b)</td></tr>
<tr><td>34.</td><td>The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.</td><td>23 (4)</td><td>✓</td><td></td></tr>
<tr><td>35.</td><td>The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.</td><td>23 (5)</td><td>✓</td><td></td></tr>
</table>

Further disclosures as required under Code of Corporate Governance for Insurers, 2016:

Clause 2(5) of the Public Sector Companies (Corporate Governance Compliance) Guidelines, 2013 issued by the commission requires that any disclosure required under any other director, code, regulation or rules shall also be made in the statement of compliance, notwithstanding anything contained in the statement. Accordingly, below are the requirements of the Code of Corporate Governance for Insurers, 2016 (CCG Insurers, 2016).

1. The Board has formed the following management committees.

Underwriting, Re-Insurance & Co-Insurance Committee:

Name of the member	Category
Mr. Mushtaq Ahmad	Chairman (Non-Executive Director)
Mr. Nadeem Bessey	Member
Mr. Muhammad Ayaz Ghori	Member
Mr. Khawaja Balighuddin	Secretary

Claims Settlement Committee:

Name of the member	Category
Mr. Mushtaq Ahmed Shah	Chairman (Independent / Non-Executive Director)
Mr. Muhammad Rashid	Member
Mr. Athar Hussain Khokar	Member
Mr. Nadeem Bessey	Member
Mr. Khalid Shaikh	Member
Mr. Sabir Ali	Secretary

Risk Management, Compliance Committee & I.T.

Name of the member	Category
Mr. Athar Hussain Khokar	Chairman (Non-Executive Director)
Mr. Muhammad Rashid	Member
Mr. Mushtaq Ahmad	Member
Mr. Nadeem Bessey	Member
Mr. Muhammad Ayaz Ghori	Member
Mr. Umair Sattar Abro	Member
Mr. Khwaja Balighuddin	Member / Secretary

The Board has formed the following Board Committees under CCG Insurers, 2016:

Ethics, Human Resource, Remuneration, Nomination and Procurement Committee:

Name of the member	Category
Ms. Nargis Ghaloo	Chairman (Non-Executive Director)
Mr. Muhammad Rashid	Member
Mr. Mushtaq Ahmed Shah	Member
Mr. Athar Hussain Khokar	Member
Mr. Nadeem Bessey	Member
Mr. Umair Sattar Abro	Secretary

Investment Committee:

Name of the member	Category
Mr. Muhammad Rashid	Chairman (Non-Executive Director)
Mr. Mushtaq Ahmad	Member
Mr. Nadeem Bessey	Member
Mr. M Ayaz Ghori	Member
Mr. Zain Hamidi	Non Member/Secretary

The Board has formed an Audit committee. It comprises of three members, of whom one is an independent director and two are non-executive directors. The chairman of the Committee is an independent director. The composition of the Audit Committee is as follows:

Audit Committee:

Name of the member	Category
Mr. Mushtaq Ahmed Shah	Chairman (Independent / Non-Executive Director)
Mr. Muhammad Rashid	Member
Mr. Athar Hussain Khokar	Member

2. The meetings of the committees were held at least once every quarter prior to approval of interim and final results of the Company as required by CCG Insurers, 2016. The terms of references of the Committees have been formed and advised to the Committees for compliance.

3. The Board has setup an effective internal audit function through competent personnel who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the insurer and they are involved in the internal audit function on a regular basis.

4. All the resident directors of the Company have confirmed that they are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. None of the directors or their spouses is engaged in business of stock brokerage.

5. The Chief Executive officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under CCG Insurers, 2016. Moreover, the persons heading the underwriting, claim, and reinsurance 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 the Person	Designation
Mr. Nadeem Bessey	Chief Executive Officer
Mr. Muhammad Ayaz Ghori	Chief Financial Officer
Mr. Muhammad Ayaz Ghori	Company Secretary
Mr. Muhammad Ayaz Ghori	Head of IT
Mr. Faraz Ahmed	Head of Internal Audit
Mr. Khalid Shaikh	GM Operation
Mr. Khwaja Balighuddin	Head of Re-Insurance
Mr. Khwaja Balighuddin	Head of Underwriting
Mr. Sabir Ali	Head of Claims
Mr. Umair Sattar Abro	Compliance Officer
Mr. Umair Sattar Abro	Head of HR

Following changes in the appointments were made during the reporting period

Name of outgoing employee	Name of incoming employee	Designation	Reason of change in appointment
Mr. Ammaduddin Siddiqui	Mr. Faisal Mumtaz	Managing Director / Chief Executive Officer	Resignation by Mr. Ammaduddin Siddiqui
Mr. Faisal Mumtaz	Mr. Nadeem Bessey	Chief Executive Officer	Mr. Faisal Mumtaz was on deputation and his documents were being processed for approval, however, during that period, Mr. Nadeem Bessey was appointed as Chief Executive Officer.

6. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors of the Company 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 partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

7. 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.

8. The Actuary appointed by the Company neither he nor his spouse and minor children hold shares of the insurer.

9. The Board ensured that the appointed actuary complies with the requirement set out for him in CCG Insurers, 2016.

10. The Board ensures that the investment policy of the insurer is drawn up in accordance with the provisions of the CCG Insurers, 2016.

11. The Board ensures that the risk management department/function of the company is in place as per the requirements of the CCG Insurers, 2016.

12. The Board ensures that as part of the risk management system, the insurer gets itself rated from JCR-VIS (credit rating agency) which is being used by its risk management function/department and the respective Committee as a risk monitoring tool. The rating assigned for the year 2018 by the said rating agency is "A" with "Stable" outlook.

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

14. We confirm that all other material principles contained in CCG Insurers, 2016 have been complied with except for the following, towards which reasonable progress is being made by the Company to seek compliance by the end of next accounting period.

    i. There is no independent director, as defined under the CCG Insurers, 2016.
    ii. The Company has not put in place, in writing, a complete program of compliance down the line under the supervision of a Compliance Officer.

Chief Executive Officer

Chairperson

SCHEDULE II
See Paragraph 2(3)
Explanation for Non-Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with [except for the following, toward which reasonable progress is being made by the Company to seek compliance by the end of next accounting year]:

Sr. No.	Rule/Sub-rule no and Clause no.	Reason for non-compliance	Future Course of Action
2.	3(2)	Our second independent director Ms. Nargis Ghaloo was nominated by the State Life as independent director on 12 Sep 2018 while she left the State Life on 17 Sep 2016. After nomination we submitted her papers to SECP Insurance Division for approval and the SECP approved her on 24 Oct 2018 and she took charge on 5 Nov 2018. We understand that the date of appointment counts from the date of approval awarded by the SECP Insurance Division under fit and proper regulation therefore she qualified as independent director as the condition of 2 years complied with but the Auditors in the absence of clear guidance opined that the date nomination will be the effective date for counting the 2 years.	In the light of the change situation the matter will be deliberated in the next meeting of the Board of Directors.
10.	5(5) (b) (ii)	The Board and the management adhere to the criteria as provided in Code of Corporate Governance, Companies Act, 2017 and Memorandum and Articles of Association of the Company. In addition to above the Board directed the Compliance Officer to prepare the policy, which is in process and soon be finalized.	The policy for Conflict of Interest is under preparation and soon will be presented in Risk Management and Compliance Committee for recommendation to the Board. Once approved it will be implemented.
11.	5(5) (b) (vi)	The Board directed the Compliance Officer to prepare the policy, which is in process.	The policy for anti-corruption is under preparation and soon be presented in Risk Management & Compliance Committee for recommendation to the Board. Once it is approved it will be implemented.

Sr. No.	Rule/Sub-rule no and Clause no.	Reason for non-compliance	Future Course of Action
19.	8 (2)	The Board does evaluate the performance of its members including the Chairperson and CEO in various meeting held. The criteria to evaluate the performance of the members of the Board is in process.	The Criteria is in process and soon be presented to the Board for approval.
33.	22(2)	The Chief Internal Auditor is a member of the professional body and has been associated with the Company since 2014 serving as Manager Accounts & Finance then promoted as Chief Internal Auditor in Oct 2016 to Comply with CCG for Insurers, 2016. He is capable and fit for the post, therefore the management decided to promote him as CIA to comply with regulation and at the same time save the additional cost as the Company has been making losses. It is also be noted that when he was promoted as CIA at that time the Company was not aware that it has to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 too and in CCG for Insurer, 2016 the present CIA had been qualified for the post of CIA.	The Board is aware of the fact but due to following reason could not take immediate action: i. Present CIA is a member of the professional body and cannot be transferred to any other department due to over qualification ii. Due to continuous losses we cannot hire the fresh CIA from the market immediately iii. The matter will be further deliberated in the next Board meeting

Chief Executive Officer

Chairperson

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Chartered Accountants
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Review Report to the Members on Statements of Compliance with the Code of Corporate Governance for Insurers, 2016 and the Public Sector Companies (Corporate Governance) Rules, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance for Insurers, 2016 and the Public Sector Companies (Corporate Governance) Rules, 2013 (combined called 'the Codes') as prepared by the Board of Directors ("the Board") of Alpha Insurance Company Limited ("the Company") for the year ended 31 December 2018 to comply with the requirements of the Codes.

The responsibility for compliance with the Codes 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 Codes and report if it does not and to highlight any non-compliance with the requirements of the Codes. 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 Codes.

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 Director's 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 Codes require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions 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 approval of 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 Codes as applicable to the Company for the year ended 31 December 2018.

KPMG Taseer Hadi & Co.

Further, we highlight below instances of non-compliance with the requirements of the Codes as reflected in paragraph references where these are stated in the Statement of Compliance:

S. No.	Reference	Rule and Clause No.	Description
i.	S.No.2	Rule No. 3(2)	The Board of Directors does not have one - third of its total members as independent directors.
ii.	S.No.10	Rule No. 5(5)(b) (ii)	The Company has not formulated any Conflict of Interest Policy.
iii.	S.No.11	Rule No. 5(5)(b) (vi)	There is no Anti-Corruption Policy of the Company to minimize actual or perceived corruption in the Company.
iv.	S.No.19	Rule No. 8(2)	The Board of Directors has not carried out performance evaluation of its members, including the Chairman. The Board of Directors has not monitored and assessed the performance of senior management on annual/half-yearly/quarterly basis.
v.	S.No.33	Rule No. 22	The Chief Internal Auditor does not have five years of relevant audit experience.
vi.	Paragraph 14 (i)	Clause iii(a)	There is no independent director, as defined under the Code of Corporate Governance for Insurers, 2016.
vii.	Paragraph 14 (ii)	Clause xxix & xxxi	The Company has not formulated a Compliance Program.

KPMG Taseer Hadi & Co.

Date: 02 May, 2019

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi

KPMG

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Independent Auditor's Report
To the members of Alpha Insurance Company Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Alpha Insurance Company Limited** (the "Company"), which comprise the statement of financial position as at 31 December 2018, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 31 December 2018 and of the loss, total comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

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

a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);

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b) the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

KPMG Taseer Hadi & Co.

Date: 20 April 2019

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi

Statement of Financial Position

As at December 31, 2018

	Note	31 December 2018	31 December 2017 (Restated)	1 January 2017 (Restated)
		(Rupees)		
Assets				
Property and equipment	6	3,865,697	5,220,925	7,364,551
Intangible assets	7	-	-	-
Investments				
Equity securities	8	250,730,242	221,176,939	232,185,461
Debt securities	9	557,302,570	557,836,005	522,312,820
Term deposits	10	-	-	75,000,000
Loans and other receivables	11	16,352,683	10,896,676	24,226,822
Insurance / Reinsurance receivables	12	54,307,940	79,208,130	97,264,935
Reinsurance recoveries against outstanding claims		211,643,940	325,792,200	137,403,653
Salvage recoveries accrued		7,882	20,604	5,540
Deferred Commission Expense / Acquisition cost	25	5,295,944	7,168,520	13,195,827
Retirement benefit obligations	13	1,410,130	1,365,397	1,866,229
Deferred taxation	18	1,576,152	2,319,432	-
Taxation - provisions less payment	21	63,293,535	47,184,173	37,511,437
Prepayments	14	18,883,406	19,908,937	25,709,828
Cash and bank	15	31,399,235	133,047,960	22,320,693
Total assets		1,216,069,356	1,411,145,898	1,196,367,796
Equity and Liabilities				
Capital and reserves attributable to Company's equity holders				
Ordinary share capital	16	500,000,000	500,000,000	403,600,000
Reserves	17	108,889,872	95,004,919	92,844,233
Unappropriated profit		96,712,303	146,047,713	206,133,985
Total Equity		705,602,175	741,052,632	702,578,218
Liabilities				
Underwriting provisions				
Outstanding claims including IBNR	24	318,692,780	430,990,074	198,988,834
Unearned premium reserves	23	33,943,281	44,053,707	72,294,491
Premium deficiency reserves		20,598,586	24,043,486	19,610,021
Unearned reinsurance commission	25	534,024	3,650,089	5,753,868
Deferred taxation		-	-	6,033,953
Premium received in advance		7,096,895	4,357,031	2,119,603
Insurance / Reinsurance payables	19	43,008,052	87,007,019	107,772,430
Other creditors and accruals	20	86,593,563	75,991,860	81,216,378
Total Liabilities		510,467,181	670,093,266	493,789,578
Total Equity and Liabilities		1,216,069,356	1,411,145,898	1,196,367,796
Contingencies and commitments	22			

The annexed notes 1 to 43 form an integral part of these financial statements.

Chief Executive Officer | Chairperson | Director | Director

Profit and Loss Account

For the year ended 31 December 2018

	Note	2018	2017 (Restated)
		---------------- Rupees ----------------	
Net insurance premium	23	47,419,199	79,917,377
Net insurance claims	24	(46,023,512)	(89,344,345)
Premium deficiency		3,444,900	(4,433,465)
Net commission and other acquisition costs	25	(11,044,981)	(13,115,396)
Insurance claims and acquisition costs		(53,623,593)	(106,893,206)
Management expenses	26	(91,323,065)	(96,129,944)
Underwriting results		(97,527,459)	(123,105,773)
Investment income	27	43,776,945	53,620,047
Other income	28	4,361,708	5,045,764
Other expenses	29	(4,077,454)	(3,295,534)
Results of operating activities		44,061,199	55,370,277
Loss before tax		(53,466,260)	(67,735,496)
Income tax expense	30	3,837,913	7,749,170
Loss after tax		(49,628,347)	(59,986,326)
Earnings (after tax) per share	31	(0.993)	(1.341)

The annexed notes 1 to 43 form an integral part of these financial statements.

Chief Executive Officer | Chairperson | Director | Director

Statement of Comprehensive Income
For the year ended 31 December 2018

	2018	2017 (Restated)
	---- Rupees ----	
Loss after tax	(49,628,347)	(59,986,326)
Other comprehensive income		
Items that will be reclassified to profit and loss subsequently		
Unrealised gain on available-for-sale investments	20,182,930	2,957,507
Reclassification adjustment relating to available-for-sale investment disposed off	(626,658)	129,187
Total unrealized gain on available-for-sale investment	19,556,272	3,086,694
Deferred tax on available-for-sale investment	(5,671,319)	(926,008)
	13,884,953	2,160,686
Items not to be reclassified to profit and loss subsequently		
Actuarial benefit on defined benefit plans	412,587	(142,780)
Related deferred tax	(119,650)	42,834
	292,937	(99,946)
Total comprehensive income for the year	(35,450,457)	(57,925,586)

The annexed notes 1 to 43 form an integral part of these financial statements.

Chief Executive Officer | Chairperson | Director | Director

Cash Flow Statement

For the year ended 31 December 2018

	31 December 2018	31 December 2017 (Restated)
	---------------- Rupees	----------------
Operating Cash flows		
a) Underwriting activities		
Insurance premiums received	95,499,346	119,522,813
Reinsurance premium paid	(92,405,027)	(84,393,047)
Claims paid	(158,074,997)	(111,868,245)
Reinsurance and other recoveries received	113,902,451	66,136,593
Commission paid	(14,395,309)	(21,085,659)
Commission received	876,541	9,956,029
Other underwriting payments	(66,975,130)	(72,909,776)
Net cash used in underwriting activities	(121,572,125)	(94,641,292)
b) Other operating activities		
Income tax paid	(17,319,138)	(11,160,126)
Other operating payments	5,670,702	(6,573,339)
Other operating receipts	(1,400,700)	1,915,648
Loans advanced	8,105	(180,804)
Net cash used in other operating activities	(13,041,031)	(15,998,621)
Total cash used in all operating activities	(134,613,156)	(110,639,913)
Investment Activities		
Profit / return received	41,523,061	67,683,489
Dividend received	8,114,036	11,141,777
Payment for investments	(394,052,643)	(1,174,452,209)
Proceeds from investments	377,755,834	1,146,066,518
Fixed capital expenditure	(375,857)	(472,095)
Total cashflow from investing activities	32,964,431	49,967,480
Financing Activities		
Total cash flow from financing activities - Proceeds from issuance of shares	-	96,400,000
Net cashflow from all activities	(101,648,725)	35,727,567
Cash and cash equivalents at the beginning of the year	133,047,960	97,320,393
Cash and cash equivalents at the end of the year	31,399,235	133,047,960

Cash Flow Statement

For the year ended 31 December 2018

	31 December 2018	31 December 2017 (Restated)
	---------------- Rupees	----------------
Reconciliation to Profit and Loss account		
Operating cash flows	(134,613,156)	(110,639,913)
Depreciation expense	(1,731,086)	(2,615,721)
Increase / (decrease) in assets other than cash	(128,439,824)	166,427,520
(Increase) / decrease in liabilities	159,626,083	(182,337,639)
Other investment income	41,557,897	45,297,314
Other Income	4,361,708	5,045,764
Dividend Income	7,797,261	11,054,777
Profit / (loss) on disposal of investment	1,186,112	7,910,759
Adjustment of unrealized gain / (loss) on sale of AFS investments	626,658	(129,187)
Loss after taxation	(49,628,347)	(59,986,326)

Definition of cash:

Cash comprises of cash in hand, policy stamps, bond papers, cheques in hand, bank balances and other deposits 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 purposes of the Cash Flow Statement consists of:

Cash and other equivalents	194,630	198,761
Current and other accounts	31,204,605	132,849,199
	31,399,235	133,047,960

The annexed notes 1 to 43 form an integral part of these financial statements.

Chief Executive Officer   Chairperson   Director   Director

Statement of Changes in Equity
For the year ended December 31, 2018

	Attributable to equity holders of the Company				
		Capital reserve	Revenue reserves			
	Share Capital	Reserve for exceptional losses *	General reserve	Unrealized Gain on Revaluation of AFS Investment-net	Unappropriated profit	Total
	(Rupees)					
Balance as at 01 January 2017 as previously reported	403,600,000	3,355,000	6,820,000	-	206,122,992	619,897,992
Restatement due to change in accounting policy (refer note 4.1) - net of deferred tax	-	-	-	82,669,233	10,993	82,680,226
Balance as at 01 January 2017 (restated)	403,600,000	3,355,000	6,820,000	82,669,233	206,133,985	702,578,218
Total comprehensive income for the year:						
Loss for the year	-	-	-	-	(59,986,326)	(59,986,326)
Other comprehensive income	-	-	-	2,160,686	(99,946)	2,060,740
	-	-	-	2,160,686	(60,086,272)	(57,925,586)
Transactions with owners recorded directly in equity - Issue of right shares	96,400,000	-	-	-	-	96,400,000
Balance as at 31 December 2017 (restated)	500,000,000	3,355,000	6,820,000	84,829,919	146,047,713	741,052,632
Balance as at 01 January 2018 as previously reported	500,000,000	3,355,000	6,820,000	-	146,176,900	656,351,900
Restatement due to change in accounting policy (refer note 4.1) - net of deferred tax	-	-	-	84,829,919	(129,187)	84,700,732
Balance as at 01 January 2018 (restated)	500,000,000	3,355,000	6,820,000	84,829,919	146,047,713	741,052,632
Total comprehensive income for the year:						
Loss for the year	-	-	-	-	(49,628,347)	(49,628,347)
Other comprehensive income	-	-	-	13,884,953	292,937	14,177,890
	-	-	-	13,884,953	(49,335,410)	(35,450,457)
Balance as at 31 December 2018	**500,000,000**	**3,355,000**	**6,820,000**	**98,714,872**	**96,712,303**	**705,602,175**

* The reserve for exceptional losses represents amounts set aside till 31 December 1978 to avail deduction thereof in computing taxable income, as allowed previously under the old Income Tax Act of 1922. After the introduction of the Repealed Income Tax Ordinance, 1979, which did not permit the said deduction, the Company discontinued the setting aside of amounts thereafter as reserve for exceptional losses.

The annexed notes 1 to 43 form an integral part of these financial statements.

Chief Executive Officer | Chairperson | Director | Director

Notes to and forming part of the Financial Statements
For the year ended December 31, 2018

1 LEGAL STATUS AND NATURE OF BUSINESS

Alpha Insurance Company Limited ("the Company") was incorporated in Pakistan on 24 December 1951 under the Indian Companies Act VII of 1913 as a public limited company and registered as a non-life insurance company by the Securities and Exchange Commission of Pakistan (SECP) under the Insurance Ordinance, 2000. The Company is engaged in providing non-life insurance business comprising fire and property, marine, motor, health, credit and suretyship and miscellaneous. The Company commenced its commercial operations on 23 January 1952.

The registered office of the Company is situated at 4th Floor, Building # 1-B, State Life Square, I. I. Chundrigar Road, Karachi. The Company has 13 (31 December 2017: 15) branches in Pakistan. The parent entity of the Company is State Life Insurance Corporation of Pakistan Limited holding 95.15% (31 December 2017: 95.15%) shares of the Company.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

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

- Provision of and directive issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules, 2017 and Insurance Accounting Regulations, 2017.

Incase requirements differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017 and the Insurance Accounting Regulations, 2017 shall prevail.

2.1 Basis of measurement

The financial statements have been prepared under the historical cost basis except for the available-for-sale investments that have been measured at fair value and the obligations under employee benefits that have been measured at fair value of plan assets less the present value of defined benefit obligation.

2.2 Functional and presentation currency

This financial statements is presented in Pakistani rupees, which is the Company's functional and presentation currency.

2.3 Standards, interpretations and amendments effective in current year

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after 01 January 2018 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not stated in these financial statements.

SECP vide its S.R.O. 88(1) / 2017 and S.R.O. 89(1) / 2017 dated 09 February 2017 has issued Insurance Accounting Regulations, 2017 and Insurance Rules, 2017 which prescribed a new format for the financial statements of Insurance Companies, effective from the year ended 31 December 2018. Accordingly, these financial statement are prepared in accordance with the new format.

In addition, Companies Act 2017 also became effective for the financial statements for the year ended 31 December 2017. As the Operations' financial statements are prepared in accordance with the format prescribed by SECP, it did not have a direct impact on the financial statements.

2.4 Standards, interpretations and amendments not effective in the current year

The following standards, amendments and interpretations of accounting and reporting standards as applicable in Pakistan will be effective for accounting periods beginning on or after 01 January 2019:

- IFRS 16 'Leases' (effective for annual period beginning on or after 01 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on- balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of its lease arrangement that will result in recognition of right to use assets and liabilities on adoption of the standard.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 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 the Company's financial statements.

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 01 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 the 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 01 July 2018 and 01 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. However, SECP through its notification no S.R.O 229 (I)/2019 dated 14 February 2019 has deferred the applicability of IFRS 9 for reporting period / year ending on or after 30 June 2019.The Company is currently in the process of assessing the impact of this standard on the financial statements of the Company and expects that the amendments are not likely to have an impact on the 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 01 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 01 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 has adopted the temporary exemption which allows the Company to defer the application of both IFRS 9 and IFRS 17 until 31 December 2021.

- 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 01 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 application of this amendment is not likely to have impact on the Company's financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Company's financial statements.

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The amendment is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- Annual Improvements to IFRS Standards 2015–2017 Cycle. The new cycle of improvements addresses improvements to following accounting and reporting 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 effective from annual period beginning on or after 01 January 2019 and are not likely to have an impact on Company's financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and method of computation adopted in preparation of financial statements are consistent to all years presented in these financial statements except for the change in valuation of available-for-sale investments, change in format for preparation of financial statements and the standards which became effective during the year.

3.1 Property and Equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Historical cost includes expenditure that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal repairs and maintenance expenditure is charged to the profit and loss account as and when these are incurred.

Depreciation is charged to the profit and loss account using the straight line method whereby the depreciable amount of an asset is written off over the estimated useful life in accordance with the rates specified in note 6 to the financial statements. The assets' residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date. Depreciation is charged on additions from the month of acquisition and on disposals upto the month of disposal.

An item of fixed assets is derecognised upon disposal and when no economic benefits are expected from its use or disposal.

Gains or losses on disposal of tangible assets are taken to the profit and loss account in the period in which disposals are made.

3.2 Intangible assets

Intangible assets having finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. These are amortised using the straight line method over their estimated useful lives. The useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

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

Gains or losses on disposal of intangible assets are taken to the profit and loss account in the period in which disposals are made.

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

- Fire and property damage;
- Marine, aviation and transport;
- Motor;
- Accident and health;
- Credit and suretyship; and
- Miscellaneous.

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

(b) Marine, aviation and transport 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.

(c) 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.

(d) Accident and health insurance covers unforeseen cash flows and financial hardships arising due to ailments, accidents and other natural causes necessitating hospitalisation.

(e) Credit and suretyship insurance covers performance bonds in which surety assures the oblige that the principal can perform the task.

(f) Other types of insurance contracts are classified in the miscellaneous category which includes mainly engineering, terrorism, worker compensation, and travel insurances, etc.

These contracts are provided to individuals as well as commercial organisations with various tenures according to the nature and terms of the contract and the needs of the insured.

3.4 Commission

3.4.1 Deferred commission expense / Acquisition Cost

Commission expense and costs incurred in obtaining and recording policies are deferred and recognised as an asset and are recognised in the profit and loss account as expenses in accordance with the pattern of recognition of premium income.

3.4.2 Unearned Commission income

Commission income from reinsurers is recognised at the time of issuance of the underlying insurance policy by the Company. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates.

3.5 Premium

Premium received / receivables under a policy is recognised as written from the date of attachment of the policy to which it relates. Premium income under a policy for direct businesses is recognised over the period of insurance from inception to expiry evenly over the period of the policy.

Premium income also includes administrative surcharge that represents documentation and other charges recovered by the Company from policy holders in respect of policies issued, at the rate of 5% of the premium written restricted to a maximum of Rs. 2,000 per policy. Administrative surcharge is recognised as premium at the time the policies are written.

Receivables under insurance contracts are recognised 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 recognises that impairment loss in the profit and loss account.

3.6 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 is accounted for in the same period as the related premium for the direct 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 prepaid insurance premium ceded.

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

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

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

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

3.7 Unearned premium

Unearned premium reserve represents the portion of premium written relating to the unexpired period of coverage and is recognised as a liability by the Company. This liability is calculated by applying the 1/24th method as specified in the Insurance Rules, 2017.

3.8 Premium deficiency

The cumulative unearned premium reserve for any classes of business is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after the reporting date in respect of policies in that class of business in force at the reporting date, a premium deficiency reserve is recognised as a liability to meet the deficit. The movement in premium deficiency reserve is recorded as an expense / income in the profit and loss account for the year.

For this purpose, loss ratios for each class are estimated based on historical claims development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. Further, actuarial valuation has been carried out to determine the amount of premium deficiency reserve in respect of all class of business.

3.9 Reinsurance contracts held

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums is accounted for in the same period as the related premium for the direct 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 prepaid insurance premium ceded.

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

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

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

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

3.10 Receivables and payables related to insurance contracts

Receivables including premium due but unpaid, relating to insurance contracts are recognised when due. The claim payable is recorded when intimation is received. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any. Premium received in advance is recognised as liability till the time of issuance of insurance contract thereagainst.

If there is an objective evidence that any premium due but unpaid is impaired, the Company reduces the carrying amount of that insurance receivable and recognizes the loss in profit and loss account.

3.11 Creditors, accruals and provisions

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

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

3.12 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Company presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and Insurance Rules, 2017 as the primary reporting format.

The Company has five primary business segments for reporting purposes namely fire and property damage, marine aviation and transport, motor, accident and health and credit and suretyship.

Investment and income taxes are managed on an overall basis and are, therefore, not allocated to any segment.

Assets and liabilities are allocated to particular segments on the basis of gross premium written during the year. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

3.13 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand, policy and revenue stamps, bond papers and bank balances in current and saving accounts.

3.14 Revenue Recognition

Premium income under a policy is recognised over the period of insurance contract from the date of inception of the policy to which it relates till the expiry in case of marine cargo business whereas, for all other cases of premium, income is recognised as a difference between total premium written and provision for unearned premium.

Commission income is taken to the profit and loss account on a time proportionate basis in accordance with the pattern of recognition of reinsurance premium to which it relates.

Administrative surcharge recovered by the Company from policy holders is included in income.

Income from held-to-maturity investments is recognised on time proportion basis taking into account the effective yield on the investment. The difference between redemption and purchase price of the held-to-maturity investment is amortised and recognised in the profit and loss account over the term of investment.

Dividend income is recognised when the right to receive such dividend is established.

Gain / loss on sale of investments is included in the profit and loss account in the period of sale.

Return on bank balances is recognised on a time proportion basis taking into account the effective yield.

3.15 Investments

3.15.1 Classification

The classification of financial assets is determined at initial recognition and depends on the purpose for which the financial assets were acquired. Currently, the financial assets of the Company are classified into the following categories:

a) In equity securities

Surplus / (deficit) arising on revaluation of quoted securities which are classified as available for sale investments is taken to a separate account which is shown in the statement of financial position as revaluation surplus. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal or in case of impairment of securities. The unrealised surplus / (deficit) arising on revaluation of quoted securities which are classified as held for trading is taken to the profit and loss account.

Provision for diminution in the values of securities is made after considering impairment, if any, in their value and is taken to profit and loss account. Impairment is booked when there is an objective evidence of significant or prolonged decline in the value of such securities.

Unquoted investments are recorded at cost less accumulated impairment losses, if any.

b) **In debt securities**

These are investments with fixed or determinable payments and fixed maturities which the Company has the intention and ability to hold till maturity.

Provision for impairment against debt securities is made in accordance with the requirements of the law. In case of unquoted equity securities, the breakup value of the security should be considered to determine impairment amount.

Premium or discount on debt securities classified as available for sale and held to maturity is amortised using effective interest method and taken to the profit and loss account.

c) **In term deposits**

These are investments with fixed or determinable payments and fixed (short term) maturities which the Company has the intention and ability to hold till maturity.

These investments are designated at held to maturity.

3.16 Offsetting of financial assets and liabilities

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

3.17 Provision for outstanding claims (including IBNR)

Provision for outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Outstanding claims

The amount of claims that have been reported and are yet unpaid or partially unpaid at the end of reporting year for a given accident year.

A liability for outstanding claims (claim incurred) is recognized for all claims incurred which represents the estimates of the claims intimated or assessed before the end of the reporting period and measured at the undiscounted value of expected future payments. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates while taking into consideration the past claims settlement experience including handling costs and the Company's reserving policy. Where applicable, deductions are made for salvage and their recoveries.

Reinsurance recoveries against outstanding claims and salvage recoveries are recognized as an asset and measured at the amount expected to be received.

Incurred But Not Reported (IBNR) Claims

The losses that have incurred or are in the occurrence period at the end of reporting year and have not been intimated to the Company by that end of reporting year, or if reported, complete details are not available to the Company, so as to ascertain the amount of loss for that claim as claims outstanding.

The provision for claims incurred but not reported (IBNR) is made at the financial statement date. The Company takes actuarial advice for the determination of IBNR claims. IBNR claims have been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF), which represents the extent of future development of claims to reach their ultimate level.

3.18 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income respectively. In making the estimates for income taxes currently payable by the Company, the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Provisions for current taxation is based on taxability of certain income streams of the Company under presumptive / final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime and / or minimum tax liability, as applicable, after taking into account tax credits and tax rebates available, if any.

Deferred tax

Deferred tax is recognised using balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the reporting date.

The Company recognises a deferred tax asset to the extent of taxable timing differences or it is probable that taxable profits for the foreseeable future will be available against which the assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.19 Staff retirement benefits

3.19.1 Defined benefit plan - Gratuity Scheme

The Company operates an approved and funded gratuity scheme of employees who were permanent as on December 31, 2015 and attain the minimum qualification period for entitlement to gratuity. The liability / asset recognized in the balance sheet is the present value of defined benefit obligation at the reporting date less fair value of plan assets.

The defined benefit obligation is calculated annually using Projected Unit Credit Method. Remeasurements which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognized immediately in other comprehensive income.

The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. Net interest expense and current service cost are recognized in profit and loss account and actuarial gains / loss are recognised in other comprehensive income as they occur and are not reclassified to profit or loss in subsequent periods.

The last actuarial valuation of the Company's defined benefit plan was carried on as of 31 December 2018.

3.19.2 Defined contribution plan

The Company contributes to a provident fund scheme which covers all permanent employees. Equal contributions are made both by the Company and the employees to the fund at the rate of 8.33% of basic salary.

3.19.3 Employees' compensated absences

The Company accounts for the liability in respect of eligible employees' compensated absences in the period in which they are earned.

3.20 Impairment

A financial asset is assessed at each financial statement date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if there is objective evidence that one or more events have had a negative effect on the estimated future cash flows of that asset.

The carrying amount of non financial assets is reviewed at each financial statement date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such asset is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

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

3.21 Dividend distribution

Dividend to shareholders is recognized as liability in the period in which it is approved. Dividends, if any, declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the year in which such dividends are declared and transfers are made.

3.22 Expenses of management

Expenses of management have been allocated to various revenue accounts on equitable basis.

3.23 Commission from reinsurers

The revenue recognition policy for commission from reinsurer is given under note 3.4.2.

3.24 Foreign currencies

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 reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. All exchange differences are routed through the profit and loss account.

3.25 Financial instruments

Financial instruments carried on the balance sheet include cash and bank, loans to employees, premiums due but unpaid, amount due from other insurers / reinsurers, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, amount due to other insurers / reinsurers, accrued expenses, other creditors and accruals, deposits and other payables and unclaimed dividends.

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company losses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Any gain or loss on derecognition of financial assets and financial liabilities is taken to income currently.

3.26 Earnings per Share

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

4. CHANGES IN ACCOUNTING POLICIES

4.1 During the period, the Company has changed its accounting policy for the valuation of the available-for-sale investments to comply with the requirements of the 'Insurance Rules, 2017' issued by Securities and Exchange Commission of Pakistan vide its S.R.0. 89(1) I 2017 dated 09 February 2017. In line with the requirements provided in the Rules, the quoted available-for-sale investments are to be valued at market value and any unrealised gains or losses arising on revaluation of available-for-sale investments are taken to Other Comprehensive Income and transferred to revaluation reserves, whereas unquoted available-for-sale investments are valued at cost less impairment in value, if any. On derecognition or impairment of available-for-sale investments, the cumulative gains or losses previously reported in revaluation reserves are reclassified to Profit and Loss Account for the period. This change in accounting policy has been applied retrospectively in accordance with the requirement of IAS - 8 'Accounting Policy, Change in Accounting Estimates and Error' and comparatives have been restated accordingly.

Previously, quoted available-for-sale investments were stated at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002.

Had the accounting policy not been changed, available-for-sale investments, reserves and deferred taxation would have been lower by Rs. 141.24 million, Rs.100.28 million and Rs.40.96 million (31 December 2017: Rs.106.6 million, Rs.74.6 million and Rs.32) respectively.

4.2 During the period, the Company has changed format for preparation of its financial statements to comply with the requirements of the 'Insurance Rules, 2017' issued by SECP vide its S.R.O. 89(1) / 2017 dated February 9, 2017. In line with the requirements provided in the Rules, accordingly these are the first set of financial statements of the Company for the year ended 31 December 2018.

4.3 As per note 4.1 and 4.2 retrospective adjustments have been made in these financial statements and comparatives have been revised as follows:

Impact on statement of financial position

	31 December 2017			31 December 2016		
	Balance previously reported	Adjustment	Balance restated	Balance previously reported	Adjustment	Balance restated
	Rupees					
Investment in equity securities	100,120,527	121,056,412	221,176,939	114,075,564	118,109,897	232,185,461
Deferred taxation - asset / (liability)	38,675,112	(36,355,680)	2,319,432	29,395,718	(35,429,671)	(6,033,953)
Reserves	(10,175,000)	(84,829,919)	(95,004,919)	(10,175,000)	(82,669,233)	(92,844,233)
Unappropriated profit	(146,176,900)	129,187	(146,047,713)	(206,122,992)	(10,993)	(206,133,985)

	31 December 2017 Rupees
Impact on profit and loss account	
Loss after tax	(140,180)
Impact on statement of comprehensive income	
Other comprehensive income - net of tax	2,020,506
Earnings per share	(0.003)

4.4 During the year the Companies Act, 2017 has been implemented, however there is no impact on the financial statements.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The 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 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 recognized in the period in which the estimate is revised if the revision affects only that period or in the revision and future periods if the revision affects both current and 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
a)	Property and Equipment	3.1
b)	Unearned Premium	3.7
c)	Premium deficiency	3.8
d)	Receivable and payable related to insurance contract	3.10
e)	Provision for outstanding claim (including IBNR)	3.17
f)	Taxation	3.18
g)	Staff retirement benefits	3.19
h)	Impairment	3.20

6. PROPERTY AND EQUIPMENT

6.1 Operating assets

2018

	Cost			Depreciation			Written down value as at 31 December 2018	Depreciation rate %
	As at 1 January 2018	Additions / (disposals)	As at 31 December 2018	As at 1 January 2018	For the year / (on disposals)	As at 31 December 2018		
	(Rupees)							
Furniture and fixtures	14,431,026	-	14,431,026	10,607,664	1,006,719	11,614,383	2,816,643	10
Office equipment	5,140,356	-	5,140,356	5,038,381	31,079	5,069,460	70,896	10 & 20
Computer and accessories	8,899,473	136,250	9,035,723	8,593,361	141,937	8,735,298	300,425	20
Motor vehicles	22,578,279	-	22,578,279	22,341,828	223,856	22,565,684	12,595	20
Electrical Installations	4,688,291	239,607	4,927,898	3,935,265	327,495	4,262,760	665,138	15
	55,737,425	375,857	56,113,282	50,516,499	1,731,086	52,247,585	3,865,697	

2017

	Cost			Depreciation			Written down value as at 31 December 2018	Depreciation rate %
	As at 1 January 2017	Additions / (disposals)	As at 31 December 2017	As at 1 January 2017	For the year / (on disposals)	As at 31 December 2017		
	(Rupees)							
Furniture and fixtures	14,431,026	-	14,431,026	9,555,934	1,051,730	10,607,664	3,823,362	10
Office equipment	5,077,506	62,850	5,140,356	5,001,398	36,983	5,038,381	101,975	10 & 20
Computer and accessories	8,803,973	95,500	8,899,473	8,400,589	192,771	8,593,360	306,113	20
Motor vehicles	22,578,279	-	22,578,279	21,348,294	993,535	22,341,829	236,450	20
Electrical Installations	4,374,547	313,744	4,688,291	3,594,564	340,702	3,935,266	753,025	15
	55,265,331	472,094	55,737,425	47,900,779	2,615,721	50,516,500	5,220,925	

7 INTANGIBLE ASSETS

	Cost			Amortisation			Written down Value as at 31 December	Amortisation period
	Additions / (Disposals)	Adjustments	As at 31 December	As at 1 January	Adjustments	As at 31 December		
	(Rupees)							
Computer Software - 2018	-	-	2,411,912	2,411,912	-	2,411,912	-	30%
Computer Software - 2017	-	-	2,411,912	2,411,912	-	2,411,912	-	30%

7.1 Computer softwares includes GIS software and operating software licence which was purchased in 2009 and was amortized at the rate of 30% per annum.

8 INVESTMENTS IN EQUITY SECURITIES

	Note	2018 Cost	2018 Impairment / provision for the year	2018 Carrying value	2017 Cost	2017 Impairment / provision for the year	2017 Carrying value (Restated)
		(Rupees)					
Available for sale							
Listed shares		125,868,299	(16,377,399)	109,490,900	114,647,006	(14,526,479)	100,120,527
Surplus on revaluation		-	-	141,239,342	-	-	121,056,412
	8.1	125,868,299	(16,377,399)	250,730,242	114,647,006	(14,526,479)	221,176,939

8.1 Investments - Available for sale

	2018	2017	2018	2017 (Restated)
	(Number of shares)		(Rupees)	
Listed shares				
Oil and Gas				
Oil and Gas Development Company Limited	13,800	11,300	1,766,400	1,839,527
Pakistan Oil Fields Limited	6,000	5,000	2,548,920	2,971,300
Pakistan Petroleum Limited	105,800	92,000	15,834,028	18,943,720
Pakistan State Oil Company Limited	37,600	17,850	8,476,168	5,232,014
Shell (Pakistan) Limited	35,063	35,063	10,750,316	10,770,652
Fertilizer				
Engro Fertilizer Limited	108,500	108,500	7,491,925	7,347,620
Fauji Fertilizer Company Limited	79,627	79,627	7,393,367	6,299,292
Engro Corporation Limited	1,000	-	291,080	-
Forestry (Paper and Board)				
Pakistan Paper Product Limited	159,333	119,500	21,310,789	11,488,730
Packages Limited.	3,500	-	1,353,870	-
Leasing				
Orix Leasing Pakistan Limited	30,000	25,000	787,200	1,037,750

	2018	2017	2018	2017 (Restated)
	(Number of shares)		(Rupees)	
Tobacco				
Pakistan Tobacco Company Limited	23,367	23,367	67,764,300	50,190,452
Pharmaceuticals				
GlaxoSmithKline Pakistan Limited	83,383	83,383	9,395,597	13,998,338
GlaxoSmithKline Consumer Healthcare Pakistan Limited	22,644	26,544	6,032,136	8,607,954
Highnoon Laboratories Limited	26,013	23,226	9,043,419	9,912,392
Travel and Leisure				
Pakistan Service Limited	28,815	28,815	30,543,900	28,526,850
Commercial Banks				
Allied Bank Limited	121,000	121,000	13,003,870	10,282,580
Askari Bank Limited	917,500	917,500	21,946,600	17,716,925
Non Life Insurance				
Habib Insurance Company Limited	19,831	19,831	218,141	272,676
Pakistan Reinsurance Company Limited	177,777	177,777	6,175,973	7,543,078
Adamjee Insurance Company Limited	28,500	-	1,197,570	-
Food & Personal Care Products				
Treet Corporation Limited	221,190	221,190	5,111,701	8,195,090
Cement				
D. G. Khan Cement Company Limited.	21,000	-	1,683,150	-
Fauji Cement Company Limited	10,000	-	209,300	-
Automobile Assemblers				
Pak Suzuki Motor Company Limited.	2,300	-	400,522	-
			250,730,242	221,176,939

8.2 Listed shares

	Note	2018	2017
		Rupees	
Cost		125,868,299	114,647,006
Provision for impairment	8.2.1	(16,377,399)	(14,526,479)
		109,490,900	100,120,527

8.2.1 Provision for impairment

	2018	2017
Opening provision	14,526,479	4,510,085
Charge for the year	1,850,920	10,016,394
Closing provision	16,377,399	14,526,479

9 INVESTMENTS IN DEBT SECURITIES

	Note	2018 Cost	2018 Impairment / provision for the year	2018 Carrying value	2017 Cost	2017 Impairment / provision for the year	2017 Carrying value
		(Rupees)					
Government securities							
Held to maturity							
Pakistan Investment Bonds	9.1	308,310,941	-	308,310,941	360,851,005	-	360,851,005
Treasury Bills	9.2	248,991,629	-	248,991,629	196,985,000	-	196,985,000
		557,302,570	-	557,302,570	557,836,005	-	557,836,005

9.1 Government securities - held to maturity

9.1.1 Pakistan Investment Bonds

Face value (Rupees)	Profit rate %	Profit payment	Type of Security	Maturity date	2018 Cost	2018 Carrying value	2017 Cost	2017 Carrying value
					(Rupees)			
17,000,000	8.75	Semi-annually	Pakistan Investment Bond - 3 years	26-03-2018	-	-	17,049,884	17,049,884
30,000,000	8.75	Semi-annually	Pakistan Investment Bond - 3 years	26-03-2018	-	-	30,084,676	30,084,676
11,000,000	7	Semi-annually	Pakistan Investment Bond - 3 years	21-04-2019	11,025,561	11,025,561	11,107,354	11,107,354
12,500,000	7	Semi-annually	Pakistan Investment Bond - 3 years	21-04-2019	12,526,623	12,526,623	12,611,788	12,611,788
3,500,000	7	Semi-annually	Pakistan Investment Bond - 3 years	29-12-2019	3,521,529	3,521,529	3,541,933	3,541,933
75,000,000	7	Semi-annually	Pakistan Investment Bond - 3 years	29-12-2019	75,408,387	75,408,387	75,795,090	75,795,090
200,000,000	8.75	Semi-annually	Pakistan Investment Bond - 5 years	26-03-2020	205,828,841	205,828,841	210,660,280	210,660,280
				Total	308,310,941	308,310,941	360,851,005	360,851,005

9.1.2 Pakistan investment bonds have face value of Rs. 302 million (market value of Rs. 294.108 million) [2017: face value of Rs. 308 million (market value of Rs. 359 million)]. These carry mark-up ranging from 7% to 9.25% per annum and will mature between 2019 and 2020.

9.1.2.1 Pakistan Investment Bonds with face value of Rs. 60 million (2017: Rs. 60 million) are placed with State Bank of Pakistan under Section 29 of the Insurance Ordinance, 2000.

9.2 Treasury Bills

Face value (Rupees)	Profit rate %	Profit payment	Type of Security	Maturity date	2018 Cost	2018 Carrying value	2017 Cost	2017 Carrying value
					----- (Rupees) -----			
100,000,000	5.99	On maturity	Treasury Bills	15-02-2018	-	-	99,271,429	99,271,429
100,000,000	6.02	On maturity	Treasury Bills	24-05-2018	-	-	97,713,571	97,713,571
254,000,000	8.74	On maturity	Treasury Bills	01-02-2018	248,991,629	248,991,629	-	-
				Total	248,991,629	248,991,629	196,985,000	196,985,000

9.2.1 Market treasury bills have face value of Rs. 254 million (market value of Rs. 293.85 million) [2017: face value of Rs. 200 million (market value of Rs. 198.75 million)]. These carry mark-up at 8.74% (2017: 5.99% - 6.02%) per annum and will mature in 2019.

10 INVESTMENTS IN TERM DEPOSITS

The term deposit purchased during the year had a tenure of one month and carried markup ranging from 6.1% to 7.2% (2017: 5.7%). No term deposit has been placed with bank as at 31 December 2018.

	2018	2017
	---- Rupees ----	
11 LOANS AND OTHER RECEIVABLES - Considered good		
Receivable from related parties	1,558,728	1,558,728
Accrued investment income	12,075,868	6,775,099
Security deposit	1,932,910	1,984,910
Advance against commission to agents	49,999	49,999
Loans to employees	316,151	324,256
Other receivables	419,027	203,684
	16,352,683	10,896,676
12 INSURANCE / REINSURANCE RECEIVABLES - Unsecured and considered good		
Due from insurance contract holders	96,244,434	105,529,516
Less : provision for impairment of receivables from Insurance contract holders	(78,695,201)	(68,173,535)
Due from other Insurers / reinsurers	87,309,222	82,939,550
Less : provision for impairment of due from other insurers / re-insurers	(50,550,515)	(41,087,401)
	54,307,940	79,208,130

	2018	2017
	------------- Rupees -------------	

13 RETIREMENT BENEFIT OBLIGATIONS

13.1 Balance Sheet Reconciliation

	2018	2017
Fair value of plan assets	7,459,285	6,889,641
Present value of defined benefit obligation	(6,049,155)	(5,524,244)
Funded status	1,410,130	1,365,397
Unrecognised net actuarial loss / (gain)	-	-
Recognised asset	1,410,130	1,365,397

13.2 Movement in fair value of plan assets

	2018	2017
Fair value of plan assets as at 01 January 2018	6,889,641	6,658,904
Expected return on plan assets	654,516	609,900
Actuarial gains / (losses)	117,686	(253,919)
Benefits paid	(202,558)	(125,244)
Fair value as at 31 December 2018	7,459,285	6,889,641

13.3 Movement in the defined benefit obligations

	2018	2017
Obligation as at 01 January 2018	5,524,244	4,792,675
Service cost	497,567	511,594
Interest cost	524,803	456,358
Actuarial gain	(294,901)	(111,139)
Benefits paid	(202,558)	(125,244)
Obligation as at 31 December 2018	6,049,155	5,524,244

13.4 Cost

	2018	2017
Service cost	497,567	511,594
Interest cost	524,803	456,358
Expected return on plan assets	(654,516)	(609,900)
Settlement and curtailment	-	-
Recognition of acturial loss	-	-
Expense	367,854	358,052
Actual return on plan assets	772,202	355,981

13.5 Principle actuarial assumptions under are as follows:

	2018	2017
Discount rate and expected return on plan assets	10%	9.25%
Future salary increases	9.5%	9%
Mortality rates	60 years	60 years
Rates of Employee turnover	SLIC (2001-05) - 1 Light	SLIC (2001-05) - 1 Light

13.6 Comparison for five years:

	2018	2017	2016	2015	2014
	(Rupees)				
As at December 31					
Fair value of plan assets	7,459,285	6,889,641	6,658,904	8,503,939	9,706,447
Defined benefit obligations	(6,049,155)	(5,524,244)	(4,792,675)	(6,314,730)	(7,574,024)
Surplus / (Deficit)	1,410,130	1,365,397	1,866,229	2,189,209	2,132,423
Experience adjustments					
Gain / (loss) on plan assets (as percentage of plan assets)	-3.95%	-1.61%	-5.09%	8.51%	5.82%
(Gain) / loss on obligations (as percentage of plan obligations)	-1.95%	4.60%	-5.19%	-3.51%	-5.99%

	2018 (Rupees)	2018 %	2017 (Rupees)	2017 %
Plan assets comprise of the following:				
Debt	-	0%	-	0%
Equity	-	0%	-	0%
Cash and cash equivalent - net of current liabilities	6,889,641	100%	7,188,477	100%
Fair value of plan assets	6,889,641	100%	7,188,477	100%

The sensitivity analysis of the defined benefit obligation to changes in principal actuarial assumptions is as follows:

Particulars	2018 Change in assumption	2018 Increase / (decrease) in present value of defined benefit obligation (%)	2018 Increase / (decrease) in present value of defined benefit obligation Rupees	2017 Change in assumption	2017 Increase / (decrease) in present value of defined benefit obligation (%)	2017 Increase / (decrease) in present value of defined benefit obligation Rupees
Discount rate	+1.00%	-7.4%	(405,018)	+1.00%	-9.92%	(547,759)
	-1.00%	8.5%	464,338	-1.00%	11.77%	650,070
Long-term salary increase rate	+1.00%	8.9%	486,979	+1.00%	12.22%	675,093
	-1.00%	-7.8%	(431,262)	-1.00%	-10.46%	(577,592)

The above sensitivity analysis is 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 assumptions, 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 gratuity asset.

The weighted average duration of the defined benefit obligation is 7.91 years (2017: 10.75 years).

Expected maturity analysis of undiscounted defined benefit obligation for the gratuity fund is as follows:

Particulars	2018			
	Between 0-1 years	Between 2-4 years	Between 5-10 years	Total
	Rupees			
Distribution of timing of payment of benefits	687,399	814,833	14,628,176	16,130,408

Particulars	2017			
	Between 0-1 years	Between 2-4 years	Between 5-10 years	Total
	Rupees			
Distribution of timing of payment of benefits	785,699	415,680	4,473,479	5,674,858

	Note	2018	2017
		Rupees	
14 PREPAYMENTS			
Prepaid reinsurance premium ceded		18,695,490	19,424,029
Prepaid rent		187,916	137,500
Prepaid miscellaneous expenses		-	347,408
		18,883,406	19,908,937
15 CASH AND BANK			
Cash and Cash Equivalent			
- Cash in hand		50,000	-
- Policy and Revenue stamps, Bond papers		144,630	198,761
Cash at bank			
- Current accounts		1,383,745	4,108,368
- Savings accounts	15.1	29,820,860	128,740,831
		31,399,235	133,047,960

15.1 The rate of return on profit and loss savings account maintained at various banks range from 3.14% to 8.75% per annum (2017: 3.75% to 4.25% per annum).

16 SHARE CAPITAL

16.1 Authorised capital

2018	2017		2018	2017
.....Number of shares.....			---- Rupees ----	
51,000,000	51,000,000	Ordinary shares of Rs. 10 each	510,000,000	510,000,000

16.2 Issued, Subscribed and Paidup Share capital

2018	2017		2018	2017
.....Number of shares.....			---- Rupees ----	
		Ordinary shares of Rs.10 each issued		
1,162,000	1,162,000	- as fully paid in cash	11,620,000	11,620,000
19,640,000	19,640,000	- issued as right share	196,400,000	196,400,000
29,198,000	29,198,000	- issued as fully paid bonus shares	291,980,000	291,980,000
50,000,000	50,000,000		500,000,000	500,000,000

17 RESERVES

	Note	2018	2017 (Restated)
		---- Rupees ----	
Capital reserve			
Reserve for exceptional losses	17.1	3,355,000	3,355,000
Revenue reserves			
General reserve		6,820,000	6,820,000
Unrealised appreciation on 'available for sale' investments		98,714,872	84,829,919
		108,889,872	95,004,919

17.1 The reserve for exceptional losses represents amounts set aside till 31 December 1978 to avail deduction thereof in computing taxable income, as allowed previously under the old Income Tax Act of 1922. After the introduction of the repealed Income Tax Ordinance, 1979, which did not permit the said deduction, the Company discontinued the setting aside of amounts as reserve for exceptional losses.

	Note	2018	2017 (Restated)
		------------- Rupees -------------	
18 DEFERRED TAXATION			
Deferred debits arising in respect of:			
Accelerated tax depreciation on fixed assets		1,636,867	1,683,656
Provision against premium due but unpaid		22,821,608	20,452,060
Provision for diminution in value of investment		4,749,446	4,357,944
Provision against amount due from other insurers/reinsurers		14,659,649	12,326,220
Deferred credits arising due to:			
Provision for employees' benefits plan		(264,418)	(144,768)
Unrealized gain/(loss) on revaluation of AFS		(42,027,000)	(36,355,680)
		1,576,152	2,319,432

19 INSURANCE/ REINSURANCE PAYABLES

		2018	2017
Due to other insurers / reinsurers		37,796,132	80,394,399
Cash margins against performance bonds		5,211,920	6,612,620
		43,008,052	87,007,019

20 OTHER CREDITORS AND ACCRUALS

	Note	2018	2017
Agent commission payable		40,464,892	41,695,190
Federal Excise Duty / Sales tax		17,094,738	18,191,626
Federal Insurance Fee		-	55,879
Sindh Workers' Welfare Fund	20.1	2,197,746	2,197,746
Salaries & wages payable		1,134,747	1,149,932
Accrued expenses		2,932,290	2,023,986
Compensated absences		2,570,094	2,749,104
Income tax liabilities		172,798	139,367
Other tax payables		1,118	-
Unpaid and unclaimed dividend		3,011,260	3,011,260
Accounts payable for goods & services		1,889,277	1,059,214
Guarantee payable to court against claims		10,982,992	-
Other creditors & accruals	20.2	4,141,611	3,718,556
		86,593,563	75,991,860

20.1 The Finance Act, 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court.

The Honourable Supreme Court of Pakistan vide its judgment dated 10 November 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution.

The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated 10 November 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

In view of the above, on prudent basis the management has decided not to reverse charge for WWF recorded for the years upto 2015 amounting to Rs. 2.198 million.

20.2 This includes outstanding claims in respect of which cheques have been issued by the Company for claim settlement but the same have not been encashed by the claimant. The following is the ageing as required by SECP circular No. 11 dated 19 May 2014:

	2018	2017
	Rupees	
- More than 6 months	698,036	471,459
- 1 to 6 months	-	-

21 TAXATION - PROVISION LESS PAYMENTS

	2018	2017
Provision for taxation	47,184,173	37,511,438
Add : Advance tax paid during the period	17,319,138	11,160,125
Less : Provision for the year	(1,209,776)	(1,487,390)
	63,293,535	47,184,173

22 CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

22.1.1 Various claims amounting to Rs. 56.704 million (2017:Rs.78.718 million) has been lodged by various parties against the company. The Company has not acknowledge these claims as the management considers that the company is not liable to settle the amount.

22.1.2 The income tax assessments of the Company have been finalised upto tax year 2017.Matters of disagreement exist between the Company and the tax authorities for the tax year 2009, 2011, 2012, 2013, 2014, 2015 and 2016. In prior years, the Commissioner has passed amended assessment orders for the these tax years under section 122(5A), wherein tax on dividend income has been charged at corporate tax rate by treating such income as business income of the Company under Fourth Schedule to the Ordinance. Further, certain disallowances were made in respect of provision for IBNR claims, non-withholding of tax on commission expenses and payment of certain expenses in cash. The management is contesting these matters with the tax authorities and has filed appeals with the Appellate Tribunal Inland Revenue (ATIR), the Honorable High Court of Sindh (the Court) and with the Commissioner Inland Revenue Appeals (CIRA) and is confident that these matters will be decided in favour of the Company. Consequently, no provision has been made in these financial statements in respect of the above matters.

For tax years 2009 and 2014, the ACIR has passed amended assessment order under section 122(5A) of the Income Tax Ordinance, 2001 wherein tax on dividend income has been charged at corporate tax rate by treating such income as business income of the Company under Fourth Schedule to the Ordinance. As a result of the amended assessment order for tax year 2009, demand of Rs. 4.627 million was created and for tax year 2014, demand of Rs. 18.583 million was created against which the Company has paid Rs. 9.292 million. The Company has filed appeals before CIRA and if the appeal is decided against the Company, a tax liability of Rs. 13.918 million would arise.

For tax years 2015 and 2016, the ACIR passed an amended assessment order under section 122(5A), wherein tax on dividend income has been charged at corporate tax rate by treating such income as business income of the Company under Fourth Schedule to the Ordinance. Further, certain disallowances were made in respect of non-withholding of tax on commission expenses and payment of certain expenses in cash. Consequently, tax demand of Rs. 2.298 million and Rs. 6.825 million was created respectively. Against the amended assessment order, an appeal was filed before the CIRA, who vide combined appellate order dated 21 November 2017 allowed relief in respect chargeability of dividend at corporate tax rates and levy of Worker's Welfare Fund whereas additions on account of non-withholding of tax commission expense and cash expenses made by the Company were confirmed. The company has filed a further appeal before the ATIR on the issues confirmed by the CIRA. Moreover, the department has also filed appeal before the ATIR challenging the relief granted by the CIRA. If the appeal is decided against the Company, a tax liability of Rs. 9.123 million would arise.

During the previous year, the ACIR issued notice dated 16 May 2017, under section 122(5A) for passing an amended order on certain issues for the tax year 2011. However, the Company has filed a writ petition before the Honorable High Court of Sindh challenging the validity of the notice being barred by limitation of time. The Court has granted an order and the said order is operating. Based on tax advisor opinion the management is confident of favourable outcome of the said appeal. accordingly, no tax provision has been recorded in these financial statements.

22.2 Commitments

There are no commitments as at 31 December 2018 (2017: Nil).

23 NET INSURANCE PREMIUM

	2018	2017
	------------- Rupees -------------	
Written Gross Premium	83,474,400	106,277,047
Add: Unearned premium reserve opening	44,053,707	72,294,491
Less: Unearned premium reserve closing	33,943,281	44,053,707
Premium earned	93,584,826	134,517,831
Less: Reinsurance premium ceded	45,437,088	48,610,048
Add: Prepaid reinsurance premium opening	19,424,029	25,414,435
Less: Prepaid reinsurance premium closing	18,695,490	19,424,029
Reinsurance expense	46,165,627	54,600,454
	47,419,199	79,917,377

	2018	2017
	------------- Rupees -------------	

24 NET INSURANCE CLAIMS EXPENSE

	2018	2017
Claims paid	158,074,997	111,868,245
Add: Outstanding claims including IBNR closing	318,692,780	430,990,074
Less: Outstanding claims including IBNR opening	(430,990,074)	(198,988,834)
Claims expense	45,777,703	343,869,485
Reinsurance and other recoveries received	113,902,451	66,136,593
Less: Reinsurance and other recoveries received in respect of outstanding claims opening	(325,792,200)	(137,403,653)
Add: Reinsurance and other recoveries received in respect of outstanding claims closing	211,643,940	325,792,200
Reinsurance and other recoveries revenue	(245,809)	254,525,140
	46,023,512	89,344,345

24.1 Claim development

The Company maintains adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year. The following table shows the development of the claims over a period of time. All amounts are presented in gross numbers before reinsurance.

Accident year	2014	2015	2016	2017	2018 (including IBNR)
Estimate of ultimate claims cost:					
- At end of accident	101,866,074	78,189,400	171,160,863	336,709,438	49,858,309
- One years later	131,810,963	74,834,143	188,326,799	321,470,764	-
- Two years later	136,323,770	73,596,851	182,875,975	-	-
- Three years later	136,789,262	-	73,284,416	-	-
- Four years later	136,478,666	-	-	-	-
Current estimate of cumulative claims	136,478,666	73,284,416	182,875,975	321,470,764	49,858,309
Cumulative payment to date	(127,569,549)	(69,622,673)	(128,026,200)	(132,686,668)	(25,108,026)
Liability recognised in statement of financial position	8,909,117	3,661,743	54,849,775	188,784,096	24,750,283

25 NET COMMISSION EXPENSE / ACQUISITION COSTS

	2018	2017
	---------- Rupees ----------	
Commission paid or payable	13,165,011	19,147,897
Add: Deferred commission expense opening	7,168,520	13,195,827
Less: Deferred commission expense closing	5,295,944	7,168,520
Net Commission	15,037,587	25,175,204
Less: Commission received or recoverable	876,541	9,956,029
Add: Unearned Reinsurance commission	3,650,089	5,753,868
Less: Unearned Reinsurance commission	534,024	3,650,089
Commission from reinsurers	3,992,606	12,059,808
	11,044,981	13,115,396

26 MANAGEMENT EXPENSES

	Note	2018	2017
		---------- Rupees ----------	
Employee benefit cost	26.1	40,195,722	41,114,060
Traveling expenses		2,384,278	1,739,362
Advertisements & sales promotion		364,690	989,391
Printing and stationery		854,380	999,765
Depreciation		1,731,086	2,615,720
Rent, Rates and taxes		6,507,527	7,456,897
Legal and professional charges - Business related		5,628,714	6,570,490
Electricity, gas and water		2,097,162	2,469,551
Entertainment		621,700	1,616,230
Vehicle running expenses		5,542,390	4,044,373
Office repairs and maintenance		1,490,814	2,550,092
Bank charges		140,486	134,986
Postages, telegrams and telephone		1,696,443	1,561,808
Annual Supervision fee SECP		626,104	522,293
Bad and doubtful debts		19,984,780	20,150,407
Coinsurance Service Charges		790,285	570,234
Insurance Expense		374,387	378,647
Miscellaneous		292,117	645,638
		91,323,065	96,129,944

26.1 Employee benefit cost

	Note	2018	2017
Salaries, allowance and other benefits		35,011,213	37,004,312
Charges for post employment benefits	26.1.1	5,184,509	4,109,748
		40,195,722	41,114,060

26.1.1 These include Rs. 911,259 (2017: Rs.707,750) being contribution for employees' provident fund and Rs. 367,854 (2017: Rs.352,052) in respect of defined benefit plan.

	2018	2017
	---- Rupees ----	
27 INVESTMENT INCOME		
Available for sale		
Income from equity securities		
Dividend Income	7,797,261	11,054,777
Gain on sale of Investment	1,186,112	7,910,759
Held to maturity		
Income from debt securities		
Return on government securities	36,201,294	42,615,318
Return on term finance certificates	-	1,997,545
Amortization of discount / (premium) on government securities / term finance certificates	(5,540,063)	(497,222)
	30,661,231	44,115,641
Income from term deposits		
Return on term deposits	5,356,603	684,451
Net realised gains / (losses) on investments		
Available for sale financial assets		
Realised gains on:		
Equity securities	626,658	-
Realised losses on:		
Equity securities	-	(129,187)
	626,658	(129,187)
Total investment income	45,627,865	63,636,441
Less: Impairment in value of available for sale equity securities	(1,850,920)	(10,016,394)
	43,776,945	53,620,047

28 OTHER INCOME

	2018	2017
Return on bank balances	4,327,708	5,037,764
Others	34,000	8,000
	4,361,708	5,045,764

	Note	2018	2017
		------------- Rupees -------------	
29 OTHER EXPENSES			
Auditors' remuneration	30.1	872,323	629,750
Directors' Fees		2,900,000	2,410,000
Fees & Subscription		305,131	255,784
		4,077,454	3,295,534

29.1 Auditors' remuneration

Audit fee	735,666	572,500
Out-of-pocket expenses	136,657	57,250
	872,323	629,750

30 TAXATION

For the year		
- Current	1,209,776	1,487,390
- Deferred	(5,047,689)	(9,236,560)
	(3,837,913)	(7,749,170)

30.1 Relationship between tax expense and accounting profit

	2018	2017	2018	2017 (Restated)
	(Effective tax rate) Percentage		------------- Rupees -------------	
Loss before taxation			(53,466,260)	(67,735,496)
Tax at the applicable rate of 29% (2017: 30%)	29.00	30.00	(15,505,215)	(20,320,649)
Tax effect of change in tax rate	(2.08)	(0.05)	1,112,265	33,767
Tax effect of minimum tax	(2.26)	(2.20)	1,209,776	1,487,390
Deferred tax asset not booked on taxable losses	(17.48)	(16.31)	9,345,261	11,050,322
	7.18	11.44	(3,837,913)	(7,749,170)

31 EARNINGS PER SHARE - basic and diluted

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

	2018	2017 (Restated)
	------ Rupees ------	
Loss (after tax) for the year	(49,628,347)	(59,986,326)
	------ Number of Shares ------	
Weighted average number of ordinary shares	50,000,000	44,717,808
	------ Rupee ------	
Earnings per share	(0.993)	(1.341)

31.1 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.

32 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive Officer		Directors		Executive		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	------Rupees------							
Fees	-	-	2,900,000	2,410,000	-	-	2,900,000	2,410,000
Managerial remuneration	1,774,998	3,562,000	-	-	7,921,100	8,276,268	9,696,098	11,838,268
Leave encashment	-	-	-	-	-	-	-	-
Bonus	-	-	-	-	-	-	-	-
Ex-gratia allowance	-	-	-	-	262,892	-	262,892	-
Charge for defined benefit plan	-	-	-	-	-	-	-	-
Rent and house maintenance	-	-	-	-	2,052,930	2,049,861	2,052,930	2,049,861
Utilities	-	-	-	-	-	-	-	-
Medical	-	-	-	-	50,714	-	50,714	-
Conveyance	-	-	-	-	308,760	-	308,760	-
Entertainment Allowance	136,244	42,500	-	-	-	-	136,244	42,500
Others	-	-	-	-	1,646,764	1,332,086	1,646,764	1,332,086
	1,911,242	3,604,500	2,900,000	2,410,000	12,243,160	11,658,215	17,054,402	17,672,715
Number of persons	1	1	8	7	9	14	18	22

33 RELATED PARTY TRANSACTIONS

Related parties comprises State Life Insurance Corporation of Pakistan being the parent company, associated entities having directors in common, other subsidiaries of parent company, directors, key management personnel, gratuity fund and provident fund. 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. The transactions and balances with related parties during the year other than those which have been specifically disclosed elsewhere in these unconsolidated financial statements are as follows:

	2018	2017
	------------- Rupees	-------------
Transactions and balances with related parties		
Parent Company		
Rent paid	4,365,328	2,667,588
Employees' funds		
Contribution to provident fund	911,259	707,750
Others		
Remuneration to key management personnel	17,105,390	15,825,567
Directors' remuneration	2,900,000	2,410,000
Balances		
Parent Company		
Receivable from State Life Insurance Corporation of Pakistan	1,558,728	1,558,728
Others		
Receivable from gratuity fund	1,410,130	1,365,397
Receivable from provident fund	134,572	159,471

34 SEGMENT INFORMATION

Following segment information prepared in accordance with the requirements of Insurance Ordinance, 2000 and the Insurance Rules, 2017 for Class of business wise revenues, results, assets and liabilities:

The class wise revenues and results are as follows:

2018	Fire and property damage	Marine, aviation and transport	Motor	Accident and Health	Bond	Miscellaneous	Total
	(Rupees)						
Premium receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	30,659,661	13,445,669	22,878,129	8,806,642	4,232,759	14,399,910	94,422,770
Less: Federal Excise Duty	3,145,893	1,279,919	2,688,396	-	502,343	1,803,832	9,420,383
Federal Insurance Fee	219,513	114,033	193,979	2,889	36,701	118,877	685,992
Others	51,244	574,220	128,301	11,556	23,530	53,139	841,990
Gross written premium (inclusive of Administrative Surcharge)	27,243,011	11,477,497	19,867,453	8,792,197	3,670,185	12,424,062	83,474,405
Gross direct premium	26,803,634	10,999,345	19,184,587	8,790,197	3,567,305	12,204,929	81,549,997
Facultative inward premium	-	-	-	-	-	-	-
Administrative surcharge	439,377	478,152	682,866	2,000	102,880	219,133	1,924,408
	27,243,011	11,477,497	19,867,453	8,792,197	3,670,185	12,424,062	83,474,405
Insurance premium earned	36,897,995	12,823,413	20,139,507	8,703,472	4,237,302	10,783,137	93,584,826
Insurance premium ceded to reinsurers	(25,523,862)	(10,703,743)	(3,611,166)	-	(1,702,738)	(4,624,118)	(46,165,627)
Net insurance premium	11,374,133	2,119,670	16,528,341	8,703,472	2,534,564	6,159,019	47,419,199
Commission income	2,930,355	135,885	25,972	-	491,408	408,986	3,992,606
Net underwriting income	14,304,488	2,255,555	16,554,313	8,703,472	3,025,972	6,568,005	51,411,805
Insurance claims	(21,296,674)	(4,374,287)	(5,543,236)	(8,876,535)	(6,425,000)	738,029	(45,777,703)
Insurance claims recovered from reinsurer	(10,163,483)	(4,809,698)	5,570,455	-	3,855,000	5,301,917	(245,809)
Net claims	(31,460,157)	(9,183,985)	27,219	(8,876,535)	(2,570,000)	6,039,946	(46,023,512)
Commission expense	(7,282,620)	(2,613,030)	(2,468,189)	(435,074)	(635,805)	(1,602,869)	(15,037,587)
Management expense	(29,804,530)	(12,556,661)	(21,735,487)	(9,618,882)	(4,015,273)	(13,592,232)	(91,323,065)
Premium deficiency expense	8,148,788	(324,893)	(3,253,843)	(863,399)	553,562	(815,315)	3,444,900
Net insurance claims and expenses	(60,398,519)	(24,678,569)	(27,430,300)	(19,793,890)	(6,667,516)	(9,970,470)	(148,939,264)
Underwriting result	(46,094,031)	(22,423,014)	(10,875,987)	(11,090,418)	(3,641,544)	(3,402,465)	(97,527,459)
Net investment income							43,776,945
Other income							4,361,708
Other expenses							(4,077,454)
Profit before tax							(53,466,260)
Segment assets	101,465,834	39,612,525	67,006,802	25,025,359	12,702,260	44,138,418	289,951,198
Unallocated assets							926,118,158
	101,465,834	39,612,525	67,006,802	25,025,359	12,702,260	44,138,418	1,216,069,356
Segment liabilities	318,395,996	23,330,623	35,963,628	16,898,731	10,887,577	18,397,063	423,873,618
Unallocated liabilities							86,593,563
	318,395,996	23,330,623	35,963,628	16,898,731	10,887,577	18,397,063	510,467,181

2017	Fire and property damage	Marine, aviation and transport	Motor	Accident and Health	Bond	Miscellaneous	Total
	(Rupees)						
Premium receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	52,987,948	23,462,440	21,914,476	8,820,662	4,711,142	9,804,138	121,700,806
Less: Federal Excise Duty / Sales Tax	6,629,274	2,336,464	2,580,622	-	551,629	1,201,474	13,299,463
Federal Insurance Fee	458,950	201,103	190,406	2,889	40,884	84,669	978,901
Others	81,899	822,595	145,298	11,556	30,723	53,324	1,145,395
Gross written premium (inclusive of Administrative Surcharge)	45,817,825	20,102,278	18,998,150	8,806,217	4,087,906	8,464,671	106,277,047
Gross direct premium	44,964,306	19,343,429	18,308,157	8,804,217	3,982,979	8,200,568	103,603,656
Facultative inward premium	-	-	-	-	-	-	-
Administrative surcharge	853,519	758,849	689,993	2,000	104,927	264,103	2,673,391
	45,817,825	20,102,278	18,998,150	8,806,217	4,087,906	8,464,671	106,277,047
Insurance premium earned	55,802,049	24,721,807	25,167,802	8,330,914	4,752,927	15,742,332	134,517,831
Insurance premium ceded to reinsurers	(34,000,641)	(8,668,740)	(4,565,142)	-	(3,322,678)	(4,043,253)	(54,600,454)
Net insurance premium	21,801,408	16,053,067	20,602,660	8,330,914	1,430,249	11,699,079	79,917,377
Commission income	7,952,242	2,245,639	5,861	-	948,600	907,466	12,059,808
Net underwriting income	29,753,650	18,298,706	20,608,521	8,330,914	2,378,849	12,606,545	91,977,185
Insurance claims	(304,870,699)	(6,239,794)	(8,797,396)	(6,971,606)	-	(16,989,990)	(343,869,485)
Insurance claims recovered from reinsurer	240,537,535	1,883,324	976,066	-	-	11,128,215	254,525,140
Net claims	(64,333,164)	(4,356,470)	(7,821,330)	(6,971,606)	-	(5,861,775)	(89,344,345)
Commission expense	(14,106,492)	(5,051,630)	(2,303,408)	(416,401)	(855,991)	(2,441,282)	(25,175,204)
Management expense	(41,443,238)	(18,182,956)	(17,184,248)	(7,965,418)	(3,697,602)	(7,656,482)	(96,129,944)
Premium deficiency expense	(15,430,765)	983,538	-	976,166	(1,240,177)	10,277,773	(4,433,465)
Net Insurance Claims and expenses	(135,313,659)	(26,607,518)	(27,308,986)	(14,377,259)	(5,793,770)	(5,681,766)	(215,082,958)
Underwriting result	(105,560,009)	(8,308,812)	(6,700,465)	(6,046,345)	(3,414,921)	6,924,779	(123,105,773)
Net investment income							53,620,047
Other income							5,045,764
Other expenses							(3,295,534)
Profit before tax							(67,735,496)
Segment assets	366,454,861	26,449,207	18,349,330	5,957,694	4,553,824	9,848,567	431,613,483
Unallocated assets							979,532,415
	366,454,861	26,449,207	18,349,330	5,957,694	4,553,824	9,848,567	1,411,145,898
Segment liabilities	476,093,663	36,044,304	43,968,818	13,283,136	6,331,113	18,380,371	594,101,405
Unallocated liabilities							75,991,861
	476,093,663	36,044,304	43,968,818	13,283,136	6,331,113	18,380,371	670,093,266

35 MOVEMENT IN INVESTMENTS

	Held to maturity	Available for sale	Total
	(Rupees)		
At beginning of previous year (Restated)	522,312,820	232,185,461	754,498,281
Additions	1,182,031,127	-	1,182,031,127
Disposals (sales and redemptions)	(1,146,010,720)	(3,949,639)	(1,149,960,359)
Fair value net gains (Excluding net realised gains)	-	2,957,507	2,957,507
Amortisation of premium	(497,222)	-	(497,222)
Impairment losses	-	(10,016,395)	(10,016,395)
At beginning of current year (Restated)	557,836,005	221,176,934	779,012,939
Additions	372,229,127	21,823,515	394,052,642
Disposals (sales and redemptions)	(367,222,500)	(10,602,217)	(377,824,717)
Fair value net gains (Excluding net realised gains)	-	20,182,930	20,182,930
Classified as held for trading	-	-	-
Amortisation of premium	(5,540,062)	-	(5,540,062)
Impairment losses	-	(1,850,920)	(1,850,920)
At end of current year	557,302,570	250,730,242	808,032,812

36 MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

The Company issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Company manages them.

36.1 Insurance Risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of compensation to the insured. Generally most insurance contracts carry the insurance risk for a period of one year.

The Company accepts insurance through issuance of general insurance contracts. For these general insurance contracts the most significant risks arise from fire, atmospheric disturbance, earthquakes, transit, theft, third party liabilities and other catastrophes. For health insurance contracts significant risks arise from epidemics.

The Company's risk exposure is mitigated by employing a comprehensive framework to identify, assess, manage and monitor risk. This framework includes implementation of underwriting strategies which aim to ensure that the underwritten risks are well diversified in terms of type and amount of the risk. Adequate reinsurance is arranged to mitigate the effect of the potential loss to the Company from individual to large or catastrophic insured events. Further, the Company adopts strict claim review policies including active management and prompt pursuing of the claims and regular detailed review of claim handling procedures.

(a) Frequency and severity of claims

Risk associated with general insurance contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the insured events. This has been managed by having in place underwriting strategy, reinsurance arrangements and proactive claim handling procedures.

The reinsurance arrangements against major risk exposure include excess of loss, surplus arrangements, stop loss and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on the Company's net retentions. As the major reinsurance arrangements are on excess of loss basis, therefore the reinsurance coverage against Company's risk exposures is not quantifiable.

Concentration of risk

To optimise benefits form 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 risk with reference to the geographical location, the most important of which is risk survey.

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the commercial/ industrial/ residential occupation of the insured. Details regarding the fire separation/ segregation with respect to the manufacturing process, storage, utilities, etc. are extracted form the layout plan of the insured facility. Such details are formed part of the reports which are made available to the underwriters/ reinsurance personnel for their evaluation. Reference is made to the standard construction specification as laid down by IAP (Insurance Association of Pakistan). For instance, the presence of perfect party walls, double fire proof iron doors, physical separation between the building within a insured's premises. It is basically the property contained within an area which is separated by another property by sufficient distance to confine insured damage from uncontrolled fire and explosion under the most adverse conditions to that one area.

The ability to manage catastrophic risk is tied managing the density of risk within a particular area. For catastrophic aggregates, the system assigns precise geographic CRESTA (Catastrophe Risk Evaluating and standardising Target Accumulations) codes with reference to the accumulation of sum insured in force at any particular location against natural perils.

For marine risks, complete underwriting details such as sums insured, mode of transport (air / inland transit), vessel identification, sailing dates, origin and destination of the shipments, per carry limits, accumulation of sum insured on a single voyage etc. are taken into consideration.

A number of proportional and non-proportional reinsurance arrangements are in place to protect the net account. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional treaty, any loss over and above the said limit would be recovered from the non-proportional treaty which is very much in line with the risk management philosophy of the Company.

The insurers monitors concentration of insurance risks primarily by class of business. The table below sets out the concentration of the claims and premium liabilities (in percentage terms) by class of business at balance sheet date:

	2018				2017			
	Gross claims liabilites	Net claims liabilites	Gross premium liabilites	Net premium liabilites	Gross claims liabilites	Net claims liabilites	Gross premium liabilites	Net premium liabilites
Fire and property	88.2%	75.5%	37.2%	-0.1%	86.4%	65.7%	33.8%	-2.9%
Marine, aviation and transport	4.0%	7.6%	6.7%	5.8%	4.6%	8.6%	6.6%	5.8%
Motor	4.0%	11.9%	27.4%	51.6%	4.3%	15.8%	31.4%	57.1%
Health	0.2%	0.6%	13.0%	28.8%	0.0%	0.1%	13.6%	28.4%
Credit and suretyship	2.0%	2.4%	1.9%	0.5%	1.5%	2.3%	3.4%	4.1%
Miscelleneous	1.6%	2.1%	13.9%	13.4%	3.1%	7.5%	11.2%	7.4%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The Company minimises its exposure to significant losses by obtaining reinsurance from a number of reinsurers, who are dispersed over several geographical regions.

The concentration of risk by type of contracts based on single risk with maximum exposure is summarised below.

	Gross sum insured		Reinsurance		Net	
	2018	2017	2018	2017	2018	2017
Fire and property	783,352,482	2,788,146,461	773,352,482	2,783,146,461	10,000,000	5,000,000
Marine, aviation and transport	232,379,400	98,081,500	222,379,400	93,081,500	10,000,000	5,000,000
Motor	16,500,000	16,500,000	15,450,000	15,800,000	1,050,000	700,000
Health	10,000,000	10,000,000	-	-	10,000,000	10,000,000
Credit and suretyship	57,158,117	57,158,117	47,158,117	53,158,117	10,000,000	4,000,000
Miscelleneous	2,961,480,532	20,000,000	2,951,480,532	18,775,000	10,000,000	1,225,000
	4,060,870,531	2,989,886,078	4,009,820,531	2,963,961,078	51,050,000	25,925,000

(b) Uncertainty in the estimation of future claim payments

Claims on general insurance contracts are payable on a claim occurrence basis. The Company is liable for all insured events as per terms and condition of the insurance contract.

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on management judgement or preliminary assessment by the independence surveyor appointed for the purpose. The initial estimates include expected settlement cost of the claims. Provision for IBNR is recorded based on the advice of the actuary.

There are several variable factors which affect the amount and timing of recognised claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognised amount. Similarly, the provision for claims incurred but not reported is based on historic reporting pattern of the claims other than exceptional losses. Hence, actual amount of incurred but not reported claims may differ from the amounts estimated.

(c) Key assumptions

The principal assumption underlying the liability estimation of IBNR and Premium Deficiency Reserves is that the Company's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgement to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgement includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc.

(d) Changes in assumptions

The Company did not change its assumptions for the insurance contracts as disclosed in above (b) and (c).

(e) Sensitivity analysis

The insurance claim liabilities are sensitive to the incidence of insured events and severity / size of claims. The impact of 10% increase / decrease in incidence of insured events on gross claim liabilities, underwriting results, net claim liabilities, profit before tax and shareholder's equity is as follows:

	Underwriting results		Shareholder's equity	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	(Rupees)			
Fire and property	(4,609,403)	(10,556,001)	(3,272,676)	(7,389,201)
Marine and transport	(2,242,301)	(830,881)	(1,592,034)	(581,617)
Motor	(1,087,599)	(670,047)	(772,195)	(469,033)
Health Insurance	(1,109,042)	(604,635)	(787,420)	(423,244)
Bond	(364,154)	(341,492)	(258,550)	(239,044)
Miscelleneous	(340,247)	692,478	(241,575)	484,735
	(9,752,746)	(12,310,577)	(6,924,450)	(8,617,404)

Financial risk management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Financial risk
- Credit risk
- Liquidity risk
- Market risk

36.2 Financial risk

Maturity profile of financial assets and liabilities:

	31 December 2018						
	Interest / mark-up bearing			Non interest / mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
	(Rupees)						
Financial assets							
Cash	29,820,860	-	29,820,860	1,578,375	-	1,578,375	31,399,235
Investments	102,482,100	205,828,841	308,310,941	250,730,242	-	250,730,242	559,041,183
Loans and other receivables	-	-	-	14,419,773	1,932,910	16,352,683	16,352,683
Insurance / reinsurance receivables	-	-	-	54,307,940	-	54,307,940	54,307,940
Reinsurance recoveries against outstanding claims	-	-	-	211,643,940	-	211,643,940	211,643,940
31 December 2018	132,302,960	205,828,841	338,131,801	532,680,270	1,932,910	534,613,180	872,744,981
Financial liabilities							
Underwriting Provision for outstanding claims including IBNR	-	-	-	318,692,780	-	318,692,780	318,692,780
Premium received in advance	7,096,895.00	-	7,096,895	7,096,895			
Insurance / reinsurance payables	-	-	-	43,008,052.00	-	43,008,052	43,008,052
Other creditors and accruals	-	-	-	86,593,563.00	-	86,593,563	86,593,563
31 December 2018	-	-	-	455,391,290	-	455,391,290	455,391,290
Interest rate risk sensitivity gap	132,302,960	205,828,841	338,131,801				
Cumulative interest rate risk sensitivity gap	132,302,960	338,131,801					

	31 December 2017						
	Interest / mark-up bearing			Non interest / mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
	(Rupees)						
Financial assets							
Cash	128,740,831	-	128,740,831	4,307,129	-	4,307,129	133,047,960
Investments	47,134,560	510,701,445	557,836,005	100,120,527	-	100,120,527	657,956,532
Loans and other receivables	-	-	-	8,911,766	1,984,910	10,896,676	10,896,676
Insurance / reinsurance receivables	-	-	79,208,130	79,208,130	79,208,130		
Reinsurance recoveries against outstanding claims	-	-	325,792,200	325,792,200	325,792,200		
31 December 2017	175,875,391	510,701,445	686,576,836	518,339,752	1,984,910	520,324,662	1,206,901,498
Financial liabilities							
Underwriting Provision for outstanding claims including IBNR	-	-	-	430,990,074	-	430,990,074	430,990,074
Insurance / reinsurance payables	-	-	-	87,007,019	-	87,007,019	87,007,019
Premium received in advance	-	-	-	4,357,031	-	4,357,031	4,357,031
Other creditors and accruals	-	-	-	75,991,860	-	75,991,860	75,991,860
31 December 2017	-	-	-	598,345,984	-	598,345,984	598,345,984
Interest rate risk sensitivity gap	175,875,391	510,701,445	686,576,836				
Cumulative interest rate risk sensitivity gap	175,875,391	686,576,836					

a) Sensitivity analysis- interest rate risk

a.1) Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account and equity of the Company.

a.2) Cash flow sensitivity analysis for variable rate instruments

The Company is exposed to cash flow interest rate risk in respect of its balances with saving account with banks . A change of 100 basis points in interest rates at the year end would not have material impact on profit for the year and equity of the Company.

b) Sensitivity analysis - equity risk

Equity price risk is the risk of changes in the fair value of equity securities as the result of changes in the levels of PSX-100 Index and the value of individual shares. The equity price risk exposure arises from the Company's investments in equity securities and units of mutual funds. This arises from investments held by the Company for which prices in the future are uncertain. The Company policy is to manage price risk through diversification and selection of securities within specified limits set by the management.

The management monitors the fluctuations of prices of equity securities on regular basis. The Company also has necessary skills for monitoring and managing the equity portfolio in line with fluctuations of the market.

Market prices are subject to fluctuation and consequently the amount realised 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.

36.3 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.

36.3.1 Exposure to credit risk

Credit risk of the Company arises principally from the balances with banks, loans to employees, investments (except for investment in government securities, units of mutual funds and listed equity shares), premium due but unpaid, amount due from other insurers / reinsurers, reinsurance and other recoveries against outstanding claims and sundry receivable. To reduce the credit risk the management continuously reviews and monitors the credit exposure towards the policyholders and other insurers / reinsurers and makes provision against those balances considered doubtful of recovery.

In summary, compared to the amount included in statement of assets and liabilities, the maximum exposure to credit risk as follows:

	Note	31 December 2018		31 December 2017	
		Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure
		(Rupees)			
Cash and bank	15	31,399,235	31,399,235	133,047,960	133,047,960
Investments	8, 9 & 10	808,032,812	808,032,812	779,012,944	779,012,944
Loans and other receivables	11	16,352,683	16,352,683	10,896,676	10,896,676
Insurance / reinsurance receivables	12	54,307,940	54,307,940	79,208,130	79,208,130
Reinsurance recoveries against outstanding claims		211,643,940	211,643,940	325,792,200	325,792,200
		1,121,736,610	1,121,736,610	1,327,957,910	1,327,957,910

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

	Rating		Rating Agency	2018	2017
	Short term	Long term		------------- Rupees	-------------
National Bank of Pakistan Limited	A1+/ A-1+	AAA / AAA	PACRA / JCR-VIS	22,311,929	565,295
Allied Bank Limited	A1+	AAA	PACRA	137,418	139,852
MCB Bank Limited	A1+	AAA	PACRA	868,952	49,546
Soneri Bank Limited	A1+	AA-	PACRA	92,054	92,539
United Bank Limited	A-1+	AAA	JCR-VIS	6,631,293	131,536,108
JS Bank Limited	A1+	AA-	PACRA	1,162,959	465,859
				31,204,605	132,849,199

Concentration of credit risk

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 effect their ability to meet contractual obligations in similar manner. The Company manages concentration of credit risk through diversification of activities among individuals, groups and industry segments.

The Company enters into re-insurance / co-insurance arrangements with re-insurers / other insurers having sound credit ratings accorded by reputed credit rating agencies. Further, the Company is required to comply with the requirements of circular no. 32 / 2009 dated October 27, 2009 issued by SECP which requires an insurance company to place at least 80% of their outward treaty cessions with reinsurers rated 'A' or above by Standard & Poors with the balance being placed with entities rated at least 'BBB' by reputable ratings agency. An analysis of all reinsurance assets recognised by the rating of the entity from which it is due is as follows:

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	2018	2017
A or above (including PRCL)	40,846,015	79,908,248	18,695,490	139,449,753	157,527,230
A -	7,153,133	72,330,193	-	79,483,326	117846204
BBB	4,017,894	-	-	4,017,894	41414907
Others	35,292,180	59,405,499	-	94,697,679	50856008
	87,309,222	211,643,940	18,695,490	317,648,652	367,644,349

36.3.2 Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting its financial obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due under normal circumstances. To guard against the 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 maturity profile is monitored to ensure adequate liquidity is maintained.

The following are the contractual maturities of financial liabilities:

	2018		
	Carrying Amount	Upto one year	Greater than one year
	---------- (Rupees) ----------		
Non-Derivative Financial Liabilities			
Outstanding claims including IBNR	318,692,780	318,692,780	-
Insurance / reinsurance payables	43,008,052	43,008,052	-
Other creditors and accruals	86,593,563	86,593,563	-
	448,294,395	448,294,395	-

	2017		
	Carrying Amount	Upto one year	Greater than one year
	---------- (Rupees) ----------		
Non-Derivative Financial Liabilities	430,990,074	430,990,074	-
Outstanding claims including IBNR	87,007,019	87,007,019	-
Insurance / reinsurance payables	75,991,860	75,991,860	-
Other creditors and accruals	593,988,953	593,988,953	-

36.3.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices may affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. All transactions are carried in Pak Rupees therefore, the Company is not exposed to currency risk. However, the Company is exposed to interest rate risk and other price risk.

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account and equity of the Company.

Cash flow sensitivity analysis for variable rate instruments

The Company is exposed to cash flow interest rate risk in respect of its balances with profit and loss sharing account with banks and term finance certificates. A change of 100 basis points in interest rates at the year end would not have material impact on profit for the year and equity of the Company.

36.3.4 Foreign Currency risk

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

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.

37 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	31 December 2018									
	Held-for-trading	Available-for sale	Held-to-maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	(Rupees)									
Financial assets measured at fair value										
Investments										
- Investment in equity securities	-	250,730,242	-	-	-	250,730,242	250,730,242			250,730,242
Financial assets not measured at fair value										
Cash and bank deposits*	-	-	-	31,399,235	-	31,399,235				
Investments										
- Debt securities	-	-	557,836,005	-	-	557,836,005		547,958,583		547,958,583
- Term Deposits*	-	-	-	-	-	-				
Insurance / reinsurance receivables*	-	-	-	54,307,940	-	54,307,940				
Reinsurance recoveries against outstanding claims*	-	-	-	211,643,940	-	211,643,940				
Loans and other receivables*	-	-	-	16,352,683	-	16,352,683				
Financial liabilities not measured at fair value										
Provision for outstanding claims (including IBNR)*	-	-	-	-	(318,692,780)	(318,692,780)				
Insurance/Reinsurance Payables	-	-	-	-	(43,008,052)	(43,008,052)				
Other creditors and accruals*	-	-	-	-	(86,593,563)	(86,593,563)				
	-	250,730,242	557,836,005	313,703,798	(448,294,395)	673,975,650	250,730,242	547,958,583		798,688,825

	31 December 2017 (Restated)									
	Held-for-trading	Available-for sale	Held-to-maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	(Restated)									
	(Rupees)									
Financial assets measured at fair value										
Investments										
- Investment in equity securities	-	221,176,939	-	-	-	221,176,939	221,176,939			221,176,939
Financial assets not measured at fair value										
Cash and bank deposits*	-	-	-	133,047,960	-	133,047,960				
Investments										
- Debt securities	-	-	557,836,005	-	-	557,836,005		557,778,188		557,778,188
- Term Deposits*	-	-	-	-	-	-				
Insurance / Reinsurance receivables*	-	-	-	79,208,130	-	79,208,130				
Reinsurance recoveries against outstanding claims*	-	-	-	325,792,200	-	325,792,200				
Loans and other receivables*	-	-	-	10,896,676	-	10,896,676				
Financial liabilities not measured at fair value										
Provision for outstanding claims (including IBNR)*	-	-	-	-	(430,990,074)	(430,990,074)				
Insurance/Reinsurance Payables	-	-	-	-	(87,007,019)	(87,007,019)				
Other creditors and accruals*	-	-	-	-	(75,991,860)	(75,991,860)				
	-	221,176,939	557,836,005	548,944,966	(593,988,953)	733,968,957	221,176,939	557,778,188		778,955,127

* 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).

38 CAPITAL MANAGEMENT

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

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions.

The Company currently meets the minimum paid-up capital requirement i.e Rs.500 million as required by the Securities and Exchange Commission of Pakistan.

39 CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified, wherever necessary, to align them with the presentation requirements of the Insurance Accounting Regulations, 2017.

40 SUBSEQUENT EVENTS - NON ADJUSTING

There were no events subsequent to the reporting date that require adjustments or disclosures in these financial statements.

41 NUMBER OF EMPLOYEES

	2018	2017
	(Number)	
As at 31 December	58	61
Average Number of employees during the year	60	62

42 DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue in accordance with a resolution of the Board of Directors on 20th April, 2019 .

43 GENERAL

The figure in the financial statement maybe rounded off to the nearest rupee.

Chief Executive Officer	Chairperson	Director	Director

Pattern of Shareholding
As at December 31, 2018

Number of Shareholders	Shareholdings From		To	Total Shares Held
3	1	to	100	193
3	101	to	500	888
15	501	to	1,000	12,284
17	1,001	to	5,000	48,037
20	5,001	to	10,000	132,923
22	10,001	to	25,000	299,255
5	25,001	to	50,000	147,746
7	50,001	to	75,000	431,325
3	75,001	to	100,000	234,036
1	100,001	to	150,000	101,615
4	150,001	to	205,000	809,600
1	205,001	to	300,000	207,255
1	300,001	to	47,574,843	47,574,843
102		Total		50,000,000

Number of Shareholders	Category of Shareholders	Total Shares Held	Percentage %
1	State Life Insurance Corporation of Pakistan	47,574,843	95.15%
1	Ex-Director - Mr. Maudood Ahmad Lodhi	12,631	0.03%
100	Individuals	2,412,526	4.83%
102		50,000,000	100.00%

Branches

Main Branch, Karachi
406, 4th Floor, Business & Finance Centre, Opp.: State Bank of Pakistan,
I.I. Chundrigar Road,
Karachi.
Ph: 021-32429151, 021-32425547
Fax: 021-32435142
E-mail: reyaz@alphainsurance.com.pk

Central Branch, Karachi
4th Floor Building # 1-B, State Life Square,
Off: I.I. Chundrigar Road, Karachi.
PABX: 021-32416041-45
Fax:021-32419968, 32422478-9
E-mail:
cenrralbranch@alphainsurance.com.pk

Karachi South Division, Karachi
4th Floor Building # 1-B, State Life Square, Off: I.I. Chundrigar Road,
Karachi.
PABX: 021-32416041-45
Fax:021-32419968, 32422478-9
E-mail:
cenrralbranch@alphainsurance.com.pk

Hyderabad Branch
Church Building, Tilak Incline,
Hyderabad.
Ph: 022-2621938
Fax: 022-2618867

Islamabad Branch
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State Life Building - 5,
China Chowk,
Jinnah Avenue, Blue Area,
Islamabad.
Ph: 051-2274032-34
Fax: 051-2274964
Email: raza@alphainsurance.com.pk

Rawalpindi Branch
2nd Floor, State Life Building # 8,
Kashmir Road,
Rawalpindi Cantt.
Ph: 051-5568349, 051-5562249
Fax: 051-5519201

Peshawar Branch
Room # 7, 1st Floor,
Khair Mohammad Plaza,
Opp: State Bank of Pakistan,
Peshawar Cantt.
Peshawar
Ph: 091-5261691
Fax: 091-5261692
E-mail:
hamzullah@alphainsurance.com.pk

Cooperative Building Branch, Lahore
Cooperative Building,
23-Shahrah-e-Quaid-e-Azam,
Lahore.
Ph: 042-37232136-7
Fax: 042-37232138
E-mail:
nadeemsafdar@alphainsurance.com.pk

Bank Square Branch, Lahore
4-Bank Square, Shahrah-e-Quaid-e-Azam,
P. O. Box # 125, Lahore.
Ph: 042-37322518, 042-37311618
Fax: 042-37324628

Faisalabad Branch
6th Floor, State Life Building, Liaquat Road, Faisalabad.
Ph: 041-2640383
Fax: 041-2640384

Multan Branch
1st Floor, Room, Khilji Arcade Centre,
Kutchery Road, Multan.
Tel: 061- 4510694
Fax: 061-4541649
E-mail:
rohail.butt@alphainsurance.com.pk

Bahawalpur Branch
1st Floor, Shah Din Plaza, Outside Farid Gate, Stadium Road, Bahawalpur.
Ph: 062-2874236
Fax: 062-2884090

Sahiwal Branch
Green View Cenrer, Sradium Road,
Sahiwal.
Ph: 040-4463870

Representative Office

Quetta
Gul Complex, Office No. 2, M.A Jinnah Road,
Quetta.
Ph: 081-2832920

Specialized Unit

Motor retail unit
4th Floor Building # 1-B, State Life Square,
Off: I.I. Chundrigar Road,
Karachi.
PABX: 021-32416041-45
Fax: 021-32419968, 32422478-9
E-mail: anwar@alphainsurance.com.pk

alpha
Insurance Company Limited.
A subsidiary of State Life Insurance Corporation of Pakistan

PROXY FORM
Annual General Meeting

I/We…………………………………………………of……………………………being a member of Alpha Insurance Company Limited hereby appoint Mr.………………………………………………… of ……………………………………………… of failing him Mr.…………………………………… of…………………………………………………as my/our Proxy to vote for me/us and on my/our behalf at the 67th Annual General Meeting of the Company to be held on 28th day of May, 2019 at 11:00 a.m. at Company's Head Office, 4th Floor, Building No. 1-B, State Life Square, I.I. Chundrigar Road, Karachi and at any adjournment thereof.

Signed this……………………………………………..day of……………………………………….. 2019

1. **Witness:**

   Signature...
   Name ....
   Address ....
   ....
   CNIC ....

Revenue Stamp

2.

   Signature...
   Name ....
   Address ....
   ....
   CNIC ....

Signature……………………………
Holder of…………..Ordinary Shares
Share Register Folio No……………

Note:

1. A Proxy must be member of the Company.
2. Proxies must be received at the Registered office of the Company not less than 48 hours before the time appointed for the Meeting.

   The signature of the instrument of proxy must confirm to the specimen signature recorded with the Company.

alpha
Insurance Company Limited.
A subsidiary of State Life Insurance Corporation of Pakistan

State Life Building # 1-B, I.I. Chundrigar Road, Karachi - Pakistan
Web: www.alphainsurance.com.pk

CORPORATE