



# Annual Report 2016

HERE FOR YOU





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## Vision

"Our vision is to establish a position as the premier choice for corporate and consumer sector."

## Mission

"Our mission is to become a reputable general insurer of the country by providing dedicated service to our customers. This will be accomplished by recognizing the customer needs and providing suitable products at affordable prices and servicing the claims within optimum time frame."

## Values

### **Service:**

Our hallmark is the excellence of our service to our external clients and internally to each other.

### **Integrity:**

Honesty and integrity consistently guide the conduct of our business and our relationships with those outside of the company and with each other.

### **Collaboration:**

We value and support a spirit of teamwork, cooperation and encouragement, in an environment in which all employees can grow.

### **Respect:**

We respect individuality and the strength that flows from the diversity of backgrounds, experience and perspectives.

### **Protection:**

We take care of and protect our insured in a hostile legal environment better than any other company.

**Board of Directors:**

Aameer Karachiwalla  
Zameer Mohammed Choudrey  
Rizwan Pervez  
Sharjeel Shahid  
Muhammad Hanif Akhai  
Zia Ijaz  
Abdul Sattar Vaid  
Babar Mahmood Mirza

Chairman  
Director  
Director  
Director  
Director  
Director  
Executive Director  
Chief Executive Officer

**Board Audit Committee:**

Zameer Mohammed Choudrey  
Rizwan Pervez  
Sharjeel Shahid

Chairman  
Member  
Member

**Board Investment Committee:**

Muhammad Hanif Akhai  
Zameer Mohammed Choudrey  
Rizwan Pervez  
Babar Mahmood Mirza

Chairman  
Member  
Member  
Member

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

Sharjeel Shahid  
Zameer Mohammed Choudrey  
Rizwan Pervez  
Babar Mahmood Mirza

Chairman  
Member  
Member  
Member

**Chief Financial Officer:**

Nadeem Raza

**Company Secretary:**

Abdul Sattar Vaid

**Company Registration No & NTN No:**

Current Registration # 00000012978/20060607  
New CUIN Registration # 0057197  
NTN # 2798420-6

**Rating Agency:**

JCR-VIS "A+" (Single A Plus)

**Status of Company:**

MSC (Medium Size Company)

**Auditors:**

KPMG Taseer Hadi & Co.  
Chartered Accountants

**Legal Advisors:**

Warsi Associates  
(Advocate, Consultants & Legal Advisors)

**Website & Contact:**

[www.ublinurers.com](http://www.ublinurers.com)  
[Email: info@ublinurers.com](mailto:info@ublinurers.com)  
UAN 111-845-111

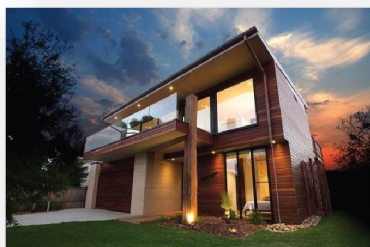
**Registered & Head Office:**

126 - C, Jami commercial,  
Street no.14, Phase - VII,  
DHA, Karachi.  
Postal Code 75500  
UAN 111-845-111  
Fax Number +92-21-35314504

**Regulator:**

[Securities and Exchange Commission of Pakistan.](#)





## Fire & Allied Perils

Providing Corporate Clients with standard fire policy covering fire, lightening and explosion that may be extended to cover the allied perils like Earthquake (Fire and Shock), Atmospheric Disturbance Clause, Aircraft or Aerial Devices falling there from, Impact (Collision) damage, Riot and Strike damage and Malicious damage.



## Engineering

The Company indemnifies sudden and unforeseen physical loss or damage, resulting from: maladjustment, loosening of parts, failures or faults in protective devices, entry of foreign bodies, tearing apart due to centrifugal forces, Shortage of water in steam boilers or pressure vessels, over pressure or implosion, Short circuit and over voltage.



## Private Car

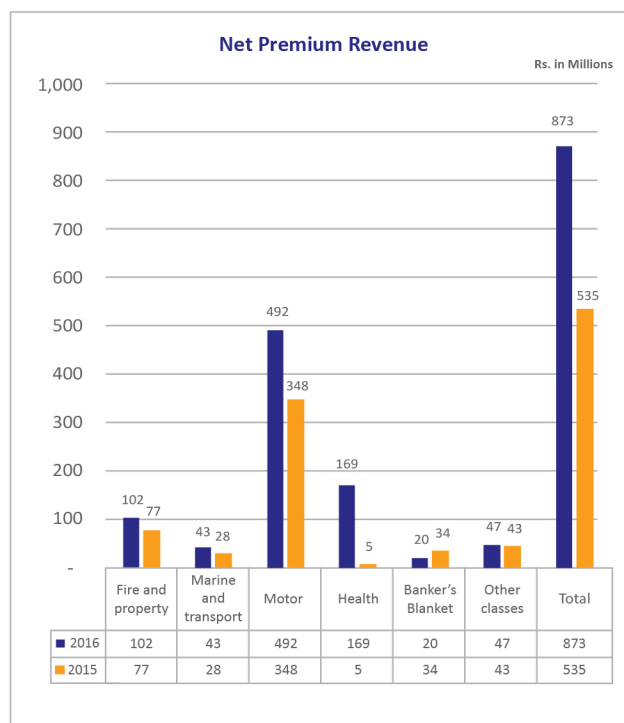
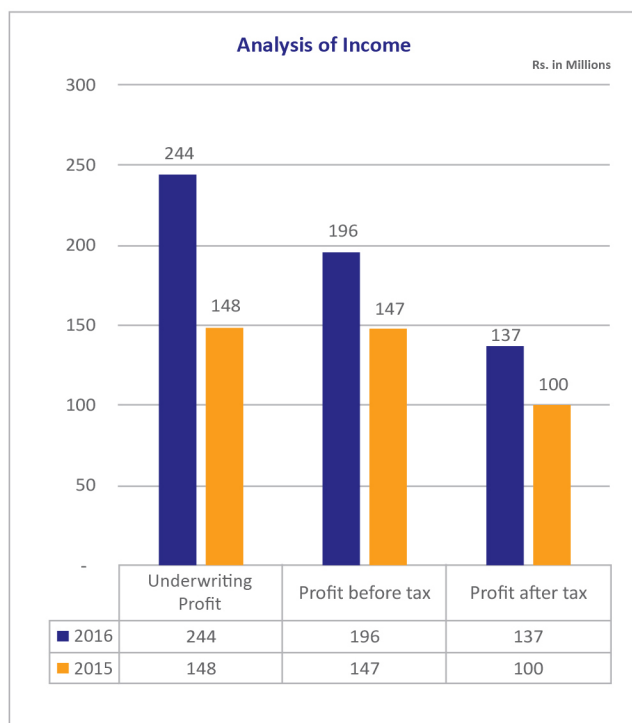
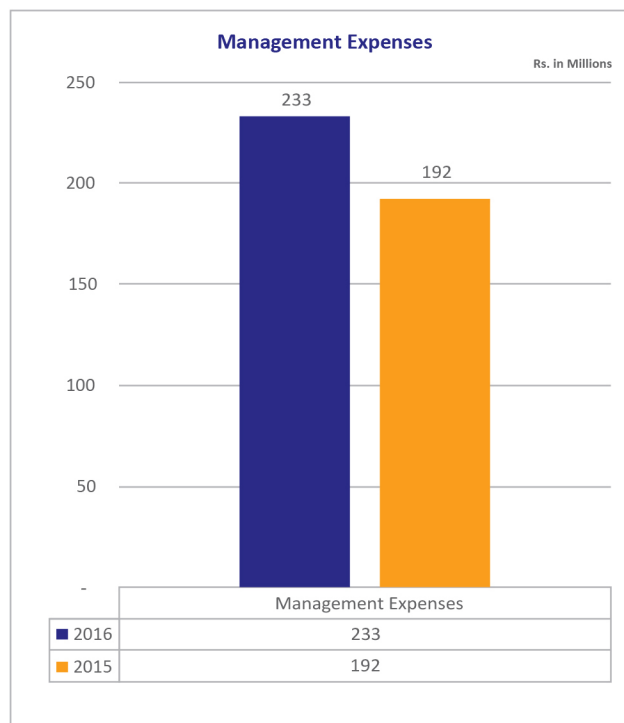
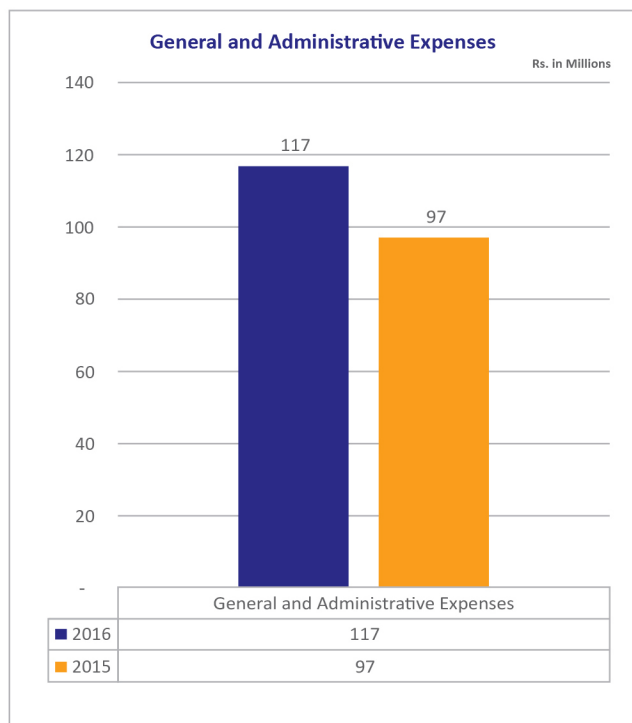
Covering all the popular brands of Local and Imported vehicles that will be indemnified against loss or damage to the Motor Car and/or its accessories whilst thereon by Accidental external means, Fire external explosion, Burglary, Theft, Malicious act, Riot, Strike, Flood, Hail, Wind, Hurricane, Cyclone, Tornado, Typhoon, Earthquake and whilst in transit by air or road rail.



## Marine Cargo

This insurance coverage protects the cargo being imported to or exported from Pakistan. With three levels of coverage available in Marine Cargo (Sea/Air), Institute Cargo Clause 'A', 'B' and 'C', and two levels of coverage available in Marine Cargo Inland, Road/Rail Cargo Clause 'A' and 'B', this protects the cargo from all aspects of marine risks.

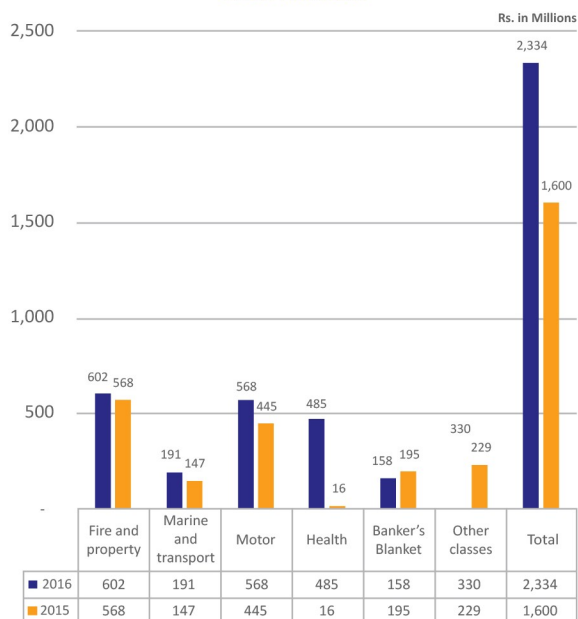
# Financial Highlights



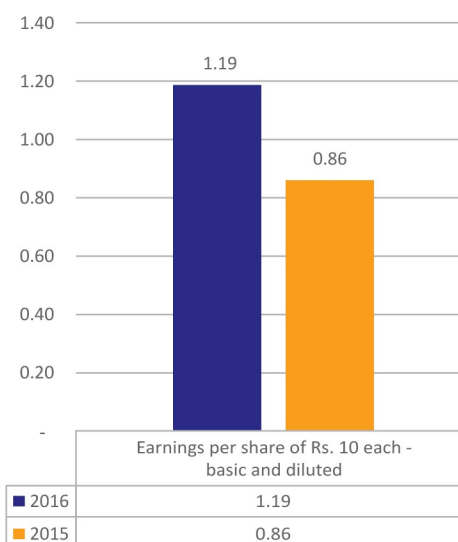
# Financial Highlights



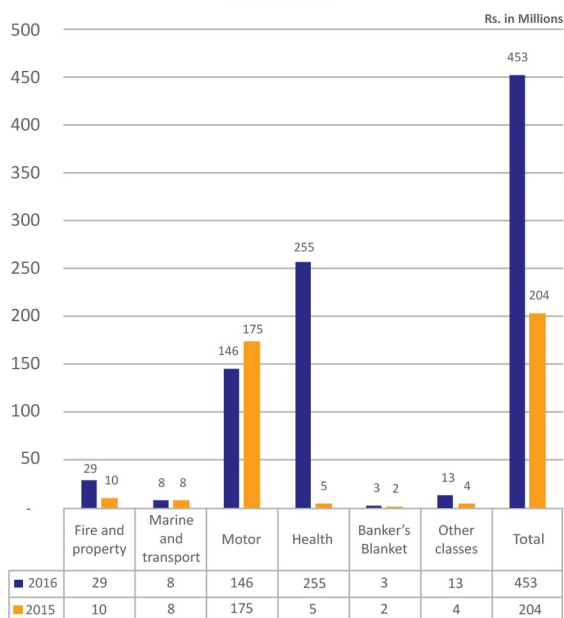
## Gross Premium



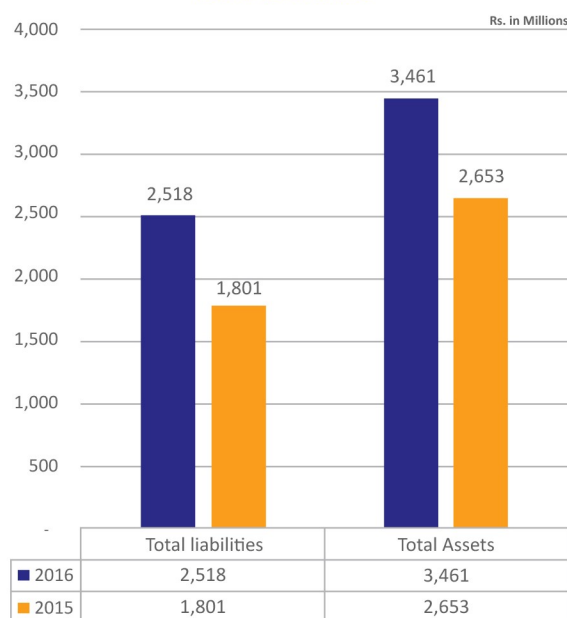
## Earnings Per Share of Rs.10 each



## Net Claims



## Assets vs Liabilities



## **NOTICE OF 11<sup>TH</sup> ANNUAL GENERAL MEETING**

Notice is hereby given that 11<sup>th</sup> Annual General Meeting ("AGM") of the shareholders of UBL Insurers Limited ("UIL") will be held on Tuesday, 04 April 2017 at 03:00 p.m. at UBL Head Office Building, 1<sup>st</sup> floor, I.I. Chundrigar Road, Karachi to transact the following business:

### **Ordinary Business**

1. To confirm minutes of the 10<sup>th</sup> Annual General Meeting held on 22<sup>nd</sup> April, 2016.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended December 31, 2016 together with the Auditors' and Directors' Report thereon.
3. To approve appointment of external auditors for the year 2017.
4. To transact any other business with the permission of the Chairman.

### **By order of the Board**



**Abdul Sattar Vaid**  
Company Secretary

Karachi: March 13, 2017

Encl.: Proxy Form

1. The Share Transfer Books of the Company shall remain closed from 26 March 2017 to 04 April 2017 (both days inclusive)
2. A member entitled to attend and vote at this Annual General Meeting may appoint any other member as a proxy to attend and vote on his/her behalf, save that a corporation being a member may appoint as its proxy an officer of such corporation whether a member of the company or not. (Form of Proxy Attached).



# Directors' Report

For the year ended December 31, 2016



## Directors' Report for the year ended 31 December, 2016

On behalf of the Board of Directors, I present the tenth annual report of UBL Insurers Limited for the year ended 31 December, 2016.

The financial highlights for the year under review are as follows:

'Rupees 000'

	December 31, 2016	December 31, 2015	%
Gross premium written	2,334,187	1,600,476	46%
Net premium revenue	872,903	534,555	63%
Net claim expense	(452,947)	(203,788)	122%
Net commission	67,760	9,550	610%
Premium deficiency reserve	(10,907)	-	-
Management expenses	(232,926)	(191,989)	21%
Underwriting profit	243,882	148,329	64%
Investment & other income	77,248	95,257	-19%
General & administrative expenses	(117,076)	(96,784)	21%
Loss before tax from Windows Takaful Operations	(7,771)	-	-
Profit before tax	196,283	147,078	33%

## Economic Overview

The country's economy outlook comparatively better after many years of slow growth, although security concerns, energy crisis, devastating floods and political instability compounding to low level of business activities and significant decrease in oil prices also impacting low growth prospects of the insurance sector.

## Company Performance Review

Despite the above challenges facing the insurance industry, the company has posted a growth of 46% in gross premium written to close at Rs. 2,334 million while net premium revenue increased by 63% to Rs. 873 million.

Net claim expense is increased by 122% during the year ended December 2016 as compared to last year December 2015. The net claim ratio over net premium revenue is 52% compared to 38% last year. The increase in net claim ratio is due to the health business.

The underwriting results reported a profit of Rs. 244 million during the year ended 31 December 2016 as compared to a profit of Rs. 148 million for the year ended 31 December 2015 due to an improvement in net premium revenue and net Commission Income.

Investments and other income is lower at Rs.77 million during the year ended December 2016 as compared to Rs.95 million during the same period in 2015 due to reduction in interest rate and an amount of Rs. 6 million has been recorded as impairment on listed equity securities.

Improved underwriting results has resulted in achieving a pre-tax profit of Rs. 196 million for the current year as compared with last year profit of Rs. 147 million. The company has also charged deferred tax income amounting to Rs. 4 million during the year resulting in profit after tax of Rs. 137 million for 2016.

# Directors' Report

For the year ended December 31, 2016



## Portfolio Analysis

### Fire & Property

Fire and property class of business constitutes 26% of the total portfolio. During the year, the Company has underwritten a gross premium of Rs.602 million (2015: Rs. 568 million). The ratio of net claims to net premium is 28% this year as compared to 13% last year. The Company incurred an underwriting profit of Rs. 53 million as compared to Rs. 9 million in 2015.

### Marine and transport

This class of business constitutes 8% of the total portfolio. The Company has underwritten a gross premium of Rs. 191 million in current year (2015: Rs. 147 million). The net claims ratio is 18% as against 29% last year, which resulted in an underwriting profit of Rs. 32 million against Rs. 13 million last year.

### Motor

During the year, the Company has underwritten gross premium of Rs. 568 million (2015: Rs. 445 million) which constitutes 24% of the total portfolio. The ratio of net claims to net premium for the current year is 30% as compared to 50% in 2015. The Company incurred an underwriting profit of Rs. 223 million as compared Rs. 74 million in 2015.

### Bankers & Blanket

This class of business constitutes 7% of the total portfolio. The Company has underwritten a gross premium of Rs. 157 million in current year (2015: Rs.195 million). The net claims ratio is 13% as against 5% last year, which resulted in an underwriting profit of Rs.28 million against Rs.24 million last year.

### Health

This class of business constitutes 21% of the total portfolio. The Company has underwritten a gross premium of Rs. 485 million in current year. The net claims ratio is 151%. Which resulted in an underwriting loss of Rs. 135 million.

### Other Classes

The other classes of business constitute 14% of the total portfolio. The gross premium written was Rs. 330 million (2015: Rs. 246 million). The ratio of net claims to net premium is 28% as against 19% last year. The portfolio showed an underwriting profit of Rs. 43 million in current year against an underwriting profit of Rs. 29 million in last year.

The earning per share in current year is 1.19 against a profit of Rs. 0.86 in the year 2015.

### Window Takaful Operations

During the year the company has started its takaful operations and underwritten the gross contribution of Rs. 115 million. The Participant's Takaful Fund reported a surplus before investment income of Rs. 2 million. Investment and other income stands at Rs. 1 million. Improved underwriting resulted in achieving a surplus for the year of Rs. 2 million.

The Operator's Fund reports the Wakala fee of Rs. 18 million, net investment income of Rs. 2 million and a loss of Rs 8 million before taxation.

### Related Parties Transactions

The Board of Directors approve Company's transactions with associated companies / related parties at

# Directors' Report

For the year ended December 31, 2016



each board meeting. All the transactions executed with related parties are on arm's length basis.

## Insurer Financial Strength (IFS) Rating

The JCR-VIS rating agency has maintained Insurer Financial Strength (IFS) rating of the company as A+ (A plus) during the year under review.

## Compliance with Code of Corporate Governance

The requirement of the Code of Corporate Governance set out by the regulatory authorities has been duly complied with. A statement to this effect is annexed with the report.

The changes in the Board during the year due to resignation and filling of the casual vacancies are as under:

Appointed	Date
Mr. Zia Ijaz	06-Sep-16

Resigned by	Date
Mr. Asif Saeed Sindhu	22-July-16

The number of Board of Directors meetings attended by each Director is given hereunder:

Serial#	Name of Directors	Number of meetings attended
1	Mr. Aameer Karachiwalla	4 out of 4
2	Mr. Zameer Muhammad Choudrey	4 out of 4
3	Mr. Rizwan Pervez	2 out of 4
4	Mr. Sharjeel Shahid	4 out of 4
5	Mr. Muhammad Hanif Akhai	3 out of 4
6	Mr. Asif Saeed Sindhu (Resigned 22-July-16)	2 out of 4
7	Mr. Zia Ijaz (Appointed 06-Sep-2016)	
8	Mr. Abdul Sattar Vaid	4 out of 4
9	Mr. Babar Mahmood Mirza	4 out of 4

Leave of absence was granted to directors who could not attend Board meeting(s).

## Board Committees

### Audit Committee

The committee consists of three members. During the year 2016, four meetings of the committee were held and attended by the members as under:

Name of Member	Number of meetings attended
Mr. Zameer Muhammad Choudrey	4 out of 4
Mr. Rizwan Pervez	2 out of 4
Mr. Sharjeel Shahid	4 out of 4



# Directors' Report

For the year ended December 31, 2016



Leave of absence was granted to the members who could not attend Board's Audit Committee meeting(s).

## **Ethics, Nominations, Human Resource & Remuneration Committee**

The committee consists of four members. During the year one meeting of the committee were held and attended by the members as under

<b>Name of Member</b>	<b>Number of meetings attended</b>
Mr. Sharjeel Shahid	1 out of 1
Mr. Zameer Muhammad Choudrey	1 out of 1
Mr. Rizwan Pervez	0 out of 1
Mr. Babar Mahmood Mirza	1 out of 1

## **Investment Committee**

The committee consists of four members. During the year 2016, four meetings of the committee were held and attended by the members as under:

<b>Name of Member</b>	<b>Number of meetings attended</b>
Mr. Muhammad Hanif Akhai	3 out of 4
Mr. Zameer Muhammad Choudrey	4 out of 4
Mr. Rizwan Pervez	2 out of 4
Mr. Babar Mahmood Mirza	4 out of 4

## **Management Committee in Compliance with Code of Corporate Governance**

The Underwriting committee consists of three members. During the year 2016, four meetings of the committee were held and attended by the members as under:

- Mr. Sharjeel Shahid
- Mr. Babar Mahmood Mirza
- Mr. Rashid Jameel

*Note: In accordance with the Code of Corporate Governance now, the members of Claim Settlement Committee are not the members of the Underwriting committee.*

The Claim committee consists of three members. During the year 2016, four meetings of the committee were held and attended by the members as under:

- Mr. Sharjeel Shahid
- Mr. Babar Mahmood Mirza
- Mr. Abdul Rauf Patel

*Note: In accordance with the Code of Corporate Governance now, the members of Claim Settlement Committee are not the members of the Underwriting committee.*



# Directors' Report

For the year ended December 31, 2016



The Re-Insurance & Co-Insurance committee consists of three members. During the year 2016, four meetings of the committee were held and attended by the members as under:

- Mr. Aameer Karachiwalla
- Mr. Babar Mahmood Mirza
- Mr. Rashid Jameel

The Risk Management & Compliance committee consists of three members.

- Mr. Sharjeel Shahid
- Mr. Babar Mahmood Mirza
- Mr. Rashid Jameel Khan

## Director's Training Program

The Board has arranged Director's training program for its executive Directors. However, the said training was also attended by the Chief Financial Officer.

## Statement of Ethics and Business Practice

The Board has adopted the statement of ethics and business practices. All employees are informed of this statement and are required to observe these rules of conduct in relation to business and regulations.

## Future Outlook

Our strategy for 2017 is designed to deliver sustainable, profitable growth in a changing and competitive business environment in order to maintain prominent position in the industry. We will continue to invest in our people and making UBL Insurers Limited a great place to build career. We will also continue to invest in the systems and processes to better understand our customer's needs, serve them in the way they require, increase collaboration and improve efficiency.

## Corporate and Financial Reporting Framework

- a) The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
- b) Proper books of accounts have been maintained by the company.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments.
- d) International accounting standards, International Financial Reporting Standards (IFRS) or any other regulation or law (including but not limited to the Shariah guidelines / principles) as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts on the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of Corporate Governance, as detailed in the code of corporate governance for insurers, 2016
- h) Premium Deficiency Reserve has been provided on account of accident and health as per actuarial valuation
- i) Incurred but not reported has been reported on the base of actuarial validation as per the SECP's guideline.

# Directors' Report

For the year ended December 31, 2016



- j) We have started Window Takaful Operations during the year 2016. During first year of operations the Operator takaful Fund reported the loss of Rs 8 million. However, we expect to have good results during the year 2017 with new takaful venues.
- k) The amount of outstanding on account of FED, FIF, EOBI employee contribution, worker welfare fund and SECP fees are 26 million. Which are subsequently paid as per the requirement of concerned regulators or bodies
- l) The key operating and financial data for the last six years is annexed.
- m) Company neither declared cash dividend nor issued bonus shares in previous years.
- n) The value of investments of provident and gratuity funds based on their unaudited accounts as on December 31, 2016 were the following.
  - o) Provident Fund Rs. 49 million
  - Gratuity Fund Rs. 23 million
- p) The statement of pattern of shareholding in the Company as at 31 December, 2016 is annexed with the report.

No material changes and commitments affecting the financial position of our Company have occurred between the end of financial year to which this balance sheet relates and the date of this report.

The present external auditors M/s. KPMG Taseer Hadi & Co. Chartered Accountants retire and offer themselves for re-appointment The Board of Audit Committee recommendsthat they be re-appointed as the statutory auditors for a further term of one year, and the Board endorses this recommendation.

The Company is a subsidiary of Bestway (Holding) Limited incorporated in London (U.K). The Bestway (Holding) Limited holds 55.6% of the issued share capital of UBL Insurers Limited.

The Directors of the Company would like to express their gratitude to Securities and Exchange Commission of Pakistan and the panel of Re-insurers for their continued guidance, co-operation and support.

We also thank our valued clients for their continued patronage and support extended to our Company.

The Directors also wish to acknowledge the hard work and dedicated efforts of UBL Insurers team in achieving the goals of the Company.

Aameer Karachiwalla  
Chairman

Date: March 06, 2017

# Directors' Report

For the year ended December 31, 2016



## Key operating and financial data for the last six years

'Rupees 000'

	2016	2015	2014	2013	2012	2011
Gross premium Written	2,334,187	1,600,476	1,114,520	885,966	760,356	658,443
Net premium revenue	872,903	534,555	385,189	341,610	278,023	252,755
Net claims	(452,947)	(203,788)	(176,738)	(207,697)	(190,517)	(165,569)
Premium deficiency (expense) / reversal	(10,907)	-	-	-	-	-
Management Expenses	(232,926)	(191,989)	(128,137)	(100,196)	(83,541)	(82,158)
Net commission	67,760	9,550	24,399	31,455	35,487	28,327
Underwriting result	243,882	148,329	104,713	65,172	39,452	33,354
Investment income	73,992	88,198	74,611	70,947	72,498	70,920
Exchange gain / (Loss)	-	276	(114)	1,877	(46)	(644)
Other Income	3,256	7,060	3,749	(772)	4,091	4,504
General and administrative expenses	(117,076)	(96,784)	(81,180)	(81,976)	(74,402)	(74,787)
Loss before tax from Windows Takaful Operations	(7,771)	-	-	-	-	-
Profit before tax	196,283	147,078	101,779	55,249	41,592	33,347
Taxation						
– Prior	-	226	-	-	5,792	(144)
– Current	63,815	(29,929)	(790)	(854)	(837)	(3,732)
– Deferred	(4,128)	(17,869)	(41,164)	(17,869)	(17,727)	98,455
Profit after tax	136,596	99,507	59,826	36,526	28,820	127,926

# Directors' Report

For the year ended December 31, 2016



## UBL Insurers Limited Pattern of Shareholding As at December 31, 2016

Number of Shareholders	Shareholdings		Total Shares Held	Percentage %
	From	To		
6	1	100	6	0
1	105,001	110,000	108,000	0.09
1	715,001	720,000	720,000	0.62
1	1,081,001	1,085,000	1,081,500	0.94
1	1,295,001	1,300,000	1,296,900	1.13
1	1,945,001	1,950,000	1,945,800	1.69
1	2,880,001	2,885,000	2,883,000	2.5
1	2,495,001	2,500,000	2,500,000	2.17
1	6,050,001	6,055,000	6,052,999	5.25
1	30,000,001	35,000,000	34,565,214	30
1	60,000,001	65,000,000	64,063,972	55.6
<b>16</b>			<b>115,217,391</b>	<b>100</b>

## Category of Shareholders As at December 31, 2016

Categories of shareholders	Number of Shareholders	Shares held	Percentage
Directors, CEO & Children	6	6	0
NIT	0	-	0
Associated Companies, undertaking & related parties	2	98,629,186	85.2027
Banks, DFI & NBFI	0	-	0
Insurance Companies	0	-	0
Modarabas & Mutual Funds	0	-	0
Government of Pakistan	0	-	0
Govt. Owned Entities / Banks	0	-	0
Foreign Companies	0	-	0
Joint Stock Companies	0	-	0
Charitable Trusts	0	-	0
General Public (Local)	1	2,500,000	2.1698
General Public (Foreign)	7	14,088,199	12.2275
Others	0	-	0
<b>Company Total</b>	<b>16</b>	<b>115,217,391</b>	<b>100</b>



# Directors' Report

For the year ended December 31, 2016



- The aggregate shares held by the following are:

Categories of Shareholders	Shares held	Percentage
<b>Directors</b>		
1) Zameer Mohammed Choudrey	1	-
2) Rizwan Pervez	1	-
3) Aameer Karachiwalla	1	-
4) Muhammad Hanif Akhai	1	-
5) Sharjeel Shahid	1	-
6) Zia Ijaz	1	-
<b>Chief Executive Officer</b>	-	-
<b>Directors/CEO's Spouse</b>	-	-
<b>Executive / Executive's Spouse</b>	-	-
<b>Associated Companies, undertaking and related parties</b>		
Bestway (Holdings) Limited	64,063,972	55.603
United Bank Limited	34,565,214	30.000
<b>NIT and ICP</b>	-	-
<b>Banks, DFIs and NBFIs</b>	-	-
<b>Public sector companies and corporations</b>	-	-
<b>Insurance Companies</b>	-	-
<b>Modaraba</b>	-	-
<b>Mutual Funds</b>	-	-
<b>General Public - Individuals</b>		
Local	2,500,000	2.170
Foreign	14,088,199	12.227
	<b>115,217,391</b>	<b>100.000</b>
<b>Shareholders holding 5% or more voting interest</b>		
Bestway (Holdings) Limited	64,063,972	55.603
United Bank Limited	34,565,214	30.000
H.H. Shaikh Nahayan Mabarak Al Nahayan	6,052,999	5.254



یہ پچھلے سالوں میں کمپنی نے نہ تو ڈیویڈنڈ کا اعلان کیا اور نہ ہی بونس شیئرز جاری کیئے۔  
یہ پراویڈنٹ اور گریجویٹ فنڈز کے unaudited اکاؤنٹس کی بنیاد پر 31 دسمبر 2016 کی سرمایہ کاری کی قدر مندرجہ ذیل ہیں:

۱۔ پروڈنٹ فنڈ	49 ملین روپے
۲۔ گریجویٹ فنڈ	23 ملین روپے
۳۔ کمپنی میں 31 دسمبر 2016 کو شیئرز ہولڈنگ کی صورت حال کا اسٹیٹمنٹ رپورٹ کے ساتھ منسلک ہے۔	

کوئی بڑی تبدیلی جو کمپنی کی مالیاتی پوزیشن پر اثر انداز ہو یا مالیاتی سال کے دوران جو بیلنس شیٹ سے اور اس رپورٹ سے متعلق ہو عمل میں نہیں آئی۔  
موجودہ ڈویژن میسرز KPMG تاثر ہادی اینڈ کمپنی کو چارٹرڈ اکاؤنٹنٹس نے دوبارہ تقرری کے لئے خدمات پیش کی۔ بورڈ آف کمپنی نے سفارش کی کہ انہیں ایک سال کی مدت کے لئے دوبارہ تقرر کیا جائے، اور بورڈ نے اس سفارش کی توثیق کر دی۔

کمپنی لندن (U.K) میں رجسٹرڈ بیسٹ وے (ہولڈنگ) لمیٹڈ کی ایک ذیلی کمپنی ہے۔ بیسٹ وے (ہولڈنگ) لمیٹڈ UBL انشورنس لمیٹڈ کے جاری کردہ حصص کا 55.6 فیصد رکھتا ہے۔

کمپنی کے ڈائریکٹر سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کا شکریہ ادا کرتے ہیں، ری انشوررز کی رہنمائی، تعاون اور حمایت کے لئے شکر گزار ہیں۔

ہم اپنے قابل قدر کسٹمرز کا بھی شکریہ ادا کرتے ہیں جنہوں نے اپنی معاونت کو جاری رکھا اور ہماری کمپنی سے تعاون کو بڑھایا۔

ڈائریکٹر UBL انشورنس لمیٹڈ مینجمنٹ کی کمپنی کے مقاصد کے حصول میں کئے گئے ہارڈ ورک اور سخت محنت کو سراہتے ہیں۔

*M. A. Khan*

عامر کراچی والا

چیئرمین

تاریخ: 6 مارچ 2017

## ڈائریکٹر ز کا تربیتی پروگرام

بورڈ نے اپنے ایگزیکٹو ڈائریکٹر ز کے لئے تربیتی پروگرام مرتب کیا ہے۔ تاہم اس تربیتی پروگرام میں چیف فنانس آفیسر نے بھی شرکت کی۔

## اخلاقیات اور کاروباری عمل کا بیان

بورڈ نے اخلاقیات اور کاروباری طرز عمل کے بیان کو اپنایا ہے۔ تمام ملازمین کو اس بیان کے بارے میں معلومات ہے اور کاروبار و قواعد و ضوابط کے سلسلے میں طرز عمل کے ان قوانین پر عمل کرنے کی ضرورت ہے۔

## مستقبل کا نقطہ نظر

2017 میں ہماری حکمت عملی کے تحت صنعت میں نمایاں پوزیشن برقرار رکھتے ہوئے ایک منفرد اور ہم ساری کاروباری ماحول میں پائیداری، منافع بخش، ترقی فراہم کریں۔ ہم اپنے لوگوں کے لئے سرمایہ کاری جاری رکھیں گے اور اور UBL انشوررز لمیٹڈ کو اچھا کیریئر بنانے کے لئے ایک بہترین ادارہ بنائیں گے۔ ہم نظام اور اس کے عمل میں بھی سرمایہ کاری جاری رکھیں گے تاکہ بہتر طریقے سے سمجھ سکیں کہ گاہک کی کیا ضروریات ہیں اور ان کو ان کی ضرورت کے مطابق خدمات فراہم کریں گے اور باہمی شراکت کو بڑھائیں گے اور صلاحیت کو بہتر بنائیں گے۔

## کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

- کمپنی کی طرف سے تیار کردہ مالیاتی اسٹیٹمنٹس اپنے معاملات کو انصاف سے پیش کرتی ہے اور اس کے آپریشنز کے نتیجے میں،
- الف۔ کیش کا بہاؤ اور تبدیلیاں برابری کے حساب سے عمل میں آتی ہیں۔
- ب۔ کمپنی کی طرف سے اکاؤنٹس کی مناسب کتابوں کو برقرار رکھا جائے گا۔
- ج۔ مناسب اکاؤنٹنگ کی پالیسیاں مالیاتی بیانات کی تیاری میں مسلسل لاگو ہوتی ہیں اور اکاؤنٹنگ کے اندازے مناسب اور دانشمندانہ فیصلوں پر مبنی ہوتے ہیں۔
- د۔ انٹرنیشنل اکاؤنٹنگ کے معیار، انٹرنیشنل مالیاتی رپورٹنگ کے معیار (IFRS) یا کسی دوسرے ضابطہ یا قانون (بشمول لیکن شرعی رہنمائی / اصولوں تک محدود نہیں ہیں) جو پاکستان میں نافذ العمل ہے مالیاتی اسٹیٹمنٹس کی تیاری میں ان کو مد نظر رکھا گیا اور اس کے علاوہ کسی بھی عمل کا مناسب طریقے سے انکشاف کیا گیا ہے۔
- و۔ اندرونی کنٹرول کے نظام کا ڈیزائن واضح ہے اور موثر طریقے سے اس کا نفاذ اور اس کی نگرانی کی گئی۔
- ہ۔ کمپنی کو جاری رکھنے کے لئے اس کی قابلیت پر کوئی شک و شبہ نہیں ہونا چاہیئے۔
- ک۔ 2016 کی بنیاد پر انشورنس کمپنیوں کے لئے کارپوریٹ گورننس کے کوڈ میں تفصیلی طور پر، کارپوریٹ گورننس کے بہترین طریقوں میں سے کسی قسم کا کوئی انحراف نہیں کیا گیا۔
- گ۔ پریمیم ڈیفینشنس ریزرو حاد جاتی انشورنس اور ہیلتھ انشورنس کی مد میں ریکارڈ کیا گیا ہے۔
- ل۔ انکرڈیٹ نوٹ رپورٹ (SECP (IBNR کی ہدایت کے مطابق ایکچوری (Actuarial) سے کرائی گئی۔
- م۔ ہم نے ونڈو کا فل آپریشنز 2016 میں شروع کئے۔ آپریشنز کے پہلے سال، آپریشن کا فل فنڈ نے 8 ملین روپے خسارے کو رپورٹ کیا۔ تاہم، ہمیں توقع ہے کہ سال 2017 کا فل آپریشن سے اچھے نتائج حاصل ہوں گے۔
- ن۔ گزشتہ چھ سالہ نمایاں آپریشننگ اور مالیاتی ڈیٹا منسلک ہے۔



ممبر کا نام	میٹنگز کی تعداد
جناب محمد حنیف اکھائی	4 میں سے 3
جناب ضمیر محمد چودھری	4 میں سے 4
جناب رضوان پرویز	4 میں سے 2
جناب بابر محمود مرزا	4 میں سے 4

## کارپوریٹ گورننس کے کوڈ کی تعمیل میں انتظامی کمیٹی

یہ ذمہ نویسی کمیٹی تین ممبران پر مشتمل ہے۔ اس سال 2016 کے دوران، کمیٹی کی چار میٹنگز منعقد کی گئیں اور ممبران نے اس طرح سے شرکت کی۔

- جناب شرجیل شاہد
- جناب بابر محمود مرزا
- جناب راشد جمیل

نوٹ: کارپوریٹ گورننس کے ضابطہ کے مطابق کلیم کمیٹی کے ارکان ذمہ نویسی کے ارکان نہیں ہیں۔

دعووں کی کمیٹی تین ممبران پر مشتمل ہے۔ اس سال 2016 کے دوران، کمیٹی کی چار میٹنگز منعقد کی گئیں اور ممبران نے اس طرح شرکت کی۔

- جناب شرجیل شاہد
- جناب بابر محمود مرزا
- جناب عبدالرؤف ٹیل

نوٹ: کارپوریٹ گورننس کے ضابطہ کے مطابق کلیم کمیٹی کے ارکان ذمہ نویسی کے ارکان نہیں ہیں۔

Re-insurance & Co-insurance کمیٹی تین ممبران پر مشتمل ہے۔ اس سال 2016 کے دوران، کمیٹی کی چار میٹنگز منعقد کی گئیں اور ممبران نے اس طرح سے شرکت کی۔

- جناب عامر کراچی والا
- جناب بابر محمود مرزا
- جناب راشد جمیل

رکس مینجمنٹ اینڈ کمپلائنس کمیٹی تین ممبران پر مشتمل ہے۔

- جناب شرجیل شاہد
- جناب بابر محمود مرزا
- جناب راشد جمیل خان



سیریل	ڈائریکٹر کے نام	منعقدہ میٹنگز کی تعداد
4	جناب شرجیل شاہد	4 میں سے 4
5	جناب محمد حنیف اکھائی	4 میں سے 3
6	جناب آصف سعید سندھو (مستعفی 22 جولائی 2016)	4 میں سے 2
7	جناب ضیاء اعجاز (تقرری 6 ستمبر 2016)	-
8	جناب عبدالستار واعد	4 میں سے 4
9	جناب بابر محمود مرزا	4 میں سے 4

غیر حاضری کے لئے رخصت ان ڈائریکٹرز کو دی گئی جو بورڈ میٹنگ میں حاضری نہ ہو سکے۔

## بورڈ کی کمیٹیاں

### آڈٹ کمیٹی

یہ کمیٹی تین ممبران پر مشتمل ہے۔ اس سال 2016 کے دوران، کمیٹی کی چار میٹنگز منعقد کی گئیں اور ممبران نے اس طرح سے شرکت کی۔

ممبر کا نام	میٹنگز کی تعداد
جناب ضمیر محمد چودھری	4 میں سے 4
جناب رضوان پرویز	4 میں سے 2
جناب شرجیل شاہد	4 میں سے 4

غیر حاضری کے لئے منظوری ان ممبران کو دی گئی جو بورڈ آڈٹ کمیٹی میٹنگ میں حاضری نہ ہو سکے۔

## اخلاقیات، کاغذات نامزدگی، انسانی وسائل اور معاوضے کی کمیٹی

یہ کمیٹی چار ممبران پر مشتمل ہے۔ سال کے دوران، کمیٹی کی ایک میٹنگ منعقد کی گئی اور ممبران نے اس طرح سے شرکت کی۔

ممبر کا نام	منعقدہ میٹنگز کی تعداد
جناب شرجیل شاہد	1 میں سے 1
جناب ضمیر محمد چودھری	1 میں سے 1
جناب رضوان پرویز	1 میں سے 0
جناب بابر محمود مرزا	1 میں سے 1

## سرمایہ کاری کمیٹی

یہ کمیٹی چار ممبران پر مشتمل ہے۔ اس سال 2016 کے دوران، کمیٹی کی چار میٹنگز منعقد کی گئیں اور ممبران نے اس طرح سے شرکت کی۔





## ونڈو نکال آپریشن:

سال کے دوران، کمپنی نے نکال آپریشن کا آغاز کیا اور 115 ملین روپے کی مجموعی کنٹریبیوشن کی ذمہ نویسی قبول کی۔ پارٹیسپینٹ نکال فنڈ کا ذمہ نویسی منافع 2 ملین رہا۔ سرمایہ کاری سے آمدنی 1 ملین روپے رہی۔ بہتر ذمہ نویسی کے سبب پارٹیسپینٹ نکال فنڈ کا سرپلس 2 ملین روپے رہا۔ آپریٹرز فنڈ میں وکالہ فیس 18 ملین روپے رپورٹ کی گئی ہے، 2 ملین روپے کی خالص سرمایہ کاری اور 8 ملین روپے کا خسارہ ٹیکس سے قبل رپورٹ کیا گیا ہے۔

## ریلیٹیڈ پارٹنر کے ساتھ لین دین

بورڈ آف ڈائریکٹرز ہر بورڈ کی میٹنگ میں متعلقہ/الحاق شدہ کمپنیوں کے ساتھ لین دین کی منظوری دیتے ہیں۔ متعلقہ فریقین کے ساتھ تمام لین دین دونوں فریقین کی خود مختاری اور معیار پر منحصر کرتی ہے۔

## انشورنس فنانشل اسٹریٹجی ریٹنگ

JCR-VIS درجہ بندی ایجنسی نے سال کے دوران انشورنس فنانشل اسٹریٹجی ریٹنگ (A plus) کے طور پر کمپنی کی درجہ بندی کو برقرار رکھا ہے۔

## کارپوریٹ گورننس کے کوڈ کے ساتھ تعمیل

ریگولیٹری اتھارٹی کی طرف سے مقرر کارپوریٹ گورننس کے کوڈ کی ضروریات کو حسب ضابطہ تعمیل کیا گیا ہے۔ اس سلسلے میں ایک اسٹیٹمنٹ اس رپورٹ کے ساتھ منسلک ہے۔

سال کے دوران استعفیٰ کی صورت میں بورڈ میں تبدیلی اور روٹین کی خالی جگہوں کے لئے تقرریاں مندرجہ ذیل ہیں:

تقرری	تاریخ
جناب ضیاء اعجاز	6 ستمبر 2016

مستعفی	تاریخ
جناب آصف سعید سندھو	22 جولائی 2016

بورڈ آف ڈائریکٹرز کی میٹنگ میں ہر ڈائریکٹر کی حاضری اس طرح سے رہی:

سیریل	ڈائریکٹر کے نام	منعقدہ میٹنگز کی تعداد
1	جناب عامر کراچی والا	4 میں سے 4
2	جناب ضمیر محمد چودھری	4 میں سے 4
3	جناب رضوان پرویز	4 میں سے 2



## پورٹ فولیو کا تجزیہ

### فائر اینڈ پراپٹی

فائر اینڈ پراپٹی ٹوٹل پورٹ فولیو کا 26 فیصد ہے۔ سال کے دوران، کمپنی نے 602 ملین روپے کی مجموعی پریم کی انڈر رائٹنگ کی (568 ملین روپے 2015 میں)۔ خالص کلیم سے خالص پریم کا تناسب بڑھ کر 28 فیصد رہا جبکہ پچھلے سال 13 فیصد تھا۔

### میرین اور ٹرانسپورٹ:

کاروبار کی یہ کلاس ٹوٹل پورٹ فولیو کا 8 فیصد ہے۔ کمپنی نے 191 ملین روپے موجودہ سال کے مجموعی پریم کی ذمہ نویسی کی ہے جبکہ (2015 میں 147 ملین روپے)۔ خالص کلیم کا تناسب پچھلے سال 29 فیصد کے مقابلے میں 18 فیصد ہے جس کے نتیجے میں ذمہ نویسی منافع پچھلے سال 13 ملین روپے کے مقابلے میں 32 ملین روپے ہے۔

### موٹر

سال کے دوران، کمپنی نے 568 ملین روپے مجموعی پریم کی ذمہ نویسی کی (2015 میں 445 ملین روپے) جو کہ ٹوٹل پورٹ فولیو کا 24 فیصد ہے۔ خالص کلیم سے خالص پریم کا تناسب پچھلے سال 50 فیصد کے مقابلے میں 30 فیصد ہے۔ کمپنی نے 2015 میں 74 ملین روپے کے مقابلے میں 223 ملین روپے کی ذمہ نویسی منافع کیا۔

### بینکرز اور بلیٹکنٹ

کاروبار کی یہ کلاس ٹوٹل پورٹ فولیو کا 7 فیصد ہے۔ کمپنی نے موجودہ سال 175 ملین روپے کا مجموعی پریم کی ذمہ نویسی کی (2015 میں 195 ملین روپے)۔ خالص دعووں کا تناسب پچھلے سال کے 5 فیصد کے مقابلے میں 13 فیصد ہے۔ جس کے نتیجے میں 28 ملین روپے کا ذمہ نویسی منافع ہوا جو 2015 میں 24 ملین روپے ہوا تھا۔

### صحت

بزنس کی یہ کلاس ٹوٹل پورٹ فولیو کا 14 فیصد ہے۔ کمپنی نے موجودہ سال میں 485 ملین روپے کی ذمہ نویسی قبول کی ہے۔ خالص دعووں کا تناسب 151 فیصد ہے جس کے نتیجے میں 135 ملین روپے کا ذمہ نویسی نقصان ریکارڈ کیا گیا ہے۔

### دیگر کلاسز

کاروبار کی دیگر کلاسز ٹوٹل پورٹ فولیو کا 14 فیصد ہے۔ مجموعی تحریری پریم 330 ملین روپے رہا (2015 میں 246 ملین روپے)۔ خالص دعووں سے خالص پریم کا تناسب پچھلے سال 19 فیصد کے مقابلے میں 28 فیصد ہے۔ پورٹ فولیو نے 43 ملین روپے کے منافع کی ذمہ نویسی پچھلے سال کے منافع 29 ملین روپے کی ذمہ نویسی کے مقابلے میں موجودہ سال میں ظاہر کی۔

موجودہ سال میں فی شیئر آمدنی 1.19 روپے رہی جبکہ پچھلے سال 2015 میں 0.86 روپے تھی۔



## ڈائریکٹر ز رپورٹ برائے سال 31 دسمبر 2016

بورڈ آف ڈائریکٹر کی جانب سے، میں UBL انشوررز لمیٹڈ کی دسویں سالانہ رپورٹ برائے سال 31 دسمبر 2016 پیش کرتا ہوں۔  
مالیاتی خاص باتیں برائے سال مندرجہ ذیل ہیں:

’روپے 000‘

%	31 دسمبر 2015	31 دسمبر 2016	
46%	1,600,476	2,334,187	تحریری پر بیمہ ریونیو
63%	534,555	872,903	خالص پر بیمہ ریونیو
122%	(203,788)	(452,947)	کلیم کے اخراجات
610%	9,550	67,760	خالص منافع
		(10,907)	پر بیمہ ڈیفنسی ریزرو
21%	(191,989)	(232,926)	انتظامی اخراجات
64%	148,329	243,882	انڈر رائٹنگ منافع
-19%	95,257	77,248	سرمایہ کاری و دیگر آمدنی
21%	(96,784)	(117,076)	عام اور انتظامی اخراجات
	-	(7,771)	ٹیکس سے قبل نقصان و نڈوز کا کل آپریشنز کی طرف سے
33%	147,078	196,283	منافع ٹیکس سے قبل

### اقتصادی جائزہ:

ملک کا اقتصادی منظر بچھلے کئی سالوں کی کم شرح نمو کے بعد نسبتاً بہتر ہے، اگرچہ سیکورٹی خدشات، توانائی بحران، تباہ کن سیلاب اور سیاسی عدم استحکام، کاروباری سرگرمیوں اور تیل کی قیمتوں میں معمولی کمی انشورنس کے شعبے کی کم ترقی کی شرح پر اثر انداز ہوئی ہیں۔

### کمپنی کی کارکردگی کا جائزہ:

انشورنس انڈسٹری کو مندرجہ بالا درپیش مشکلات کے باوجود، کمپنی کا مجموعی تحریری پر بیمہ 46 فیصد کے اضافے کے ساتھ Rs.2334 رہا جبکہ خالص پر بیمہ 63 فیصد کے ساتھ Rs.873 ملین رہا۔  
خالص کلیم کے اخراجات دوران سال 2016 میں 2015 کے نسبت 122 فیصد اضافہ ہوا۔ خالص پر بیمہ اور خالص کلیم کا تناسب گزشتہ سال 38 فیصد کے مقابلے میں 52 فیصد رہا۔ خالص کلیم کے تناسب میں اضافہ ہیلتھ بزنس کی وجہ سے ہوا۔  
ذمہ نویسی منافع سال 2016 میں Rs.244 ملین ریکارڈ کیا گیا جبکہ سال 2015 میں 148 ملین روپے تھا اور یہ خالص پر بیمہ ریونیو اور خالص کمیشن آمدنی کی بدولت ہوا۔  
سرمایہ کاری اور دیگر آمدنی سال 2016 میں کم ہو کر 77 ملین روپے رہی جبکہ 2015 میں 95 ملین روپے تھی جو شرح سود اور لسنڈ حصص کی مارکیٹ پرائس میں کمی کے سبب ہوئی۔  
دوران سال بہتر ذمہ نویسی کے سبب قبل از ٹیکس منافع کا حصول 196 ملین روپے رہا جبکہ پچھلے سال منافع 147 ملین روپے تھا۔ کمپنی نے سال کے دوران ڈیفنڈ ٹیکس کی مد میں 4 ملین روپے ریکارڈ کیا جس کے نتیجے میں 137 ملین روپے بعد از ٹیکس منافع دیکھا گیا۔

**Shariah Advisor's Report to the Board of Directors**  
**For the period ended 31 December 2016**

Year 2016 has been the first year of UBL Insurers Limited as Window Takaful Operators. It is very commendable step by the management towards elimination of Insurance and elements of interest and uncertainty from our financial transactions.

In order to have an independent assessment of the Shariah Governance and Compliance environment of the operator and the conformity of Takaful operations with Shariah rules and principles an external audit was conducted. Further, internal audit via UBL was conducted as well. Based on their reports and my personal experience and observations during the year, I hereby present my report as follows:

During the year management of UBL Insurers Limited - Window Takaful Operations presented to me following documents for review from Shariah perspective:

- Waqf Deed
- Participant Fund Policies
- Participant Membership Documents (PMDs)
- Qard-e-Hasna Policy
- Takaful products
- Investment policy in line with Shariah
- Complete Business Plan which includes;
- Selling Methodologies
- List of Classes of Businesses under Insurance Ordinance, 2000
- Re-Takaful Arrangements
- Shared Cost Allocation
- Shariah Compliance Framework
- Information Technology Framework
- Internal Control Plan
- Guideline on coverage of conventional bank loan

As Shariah Advisor, I reviewed the above mentioned documents and found them in accordance with Shariah requirements and SECP guidelines practiced by Takaful companies in the industry. UBL Insurers Limited – Window Takaful Operations has adopted Wakalah (Waqf) model for its window takaful operations which is accepted and accredited by majority of Shariah scholars of Pakistan and in accordance with the Takaful rules and guidelines, issued by SECP.



I further confirm that the investments and financial activities undertaken by the operator are reviewed and they are Shariah compliant.

It was good to note that management conducted 20 hours training session on Takaful for its staff from external trainers.

In order to further strengthen the level of Shariah Compliance, following Shariah guidelines for the UBL Insurers Limited - Window Takaful Operations have been formed:

- Takaful operations guidelines regarding the dealing with companies of impermissible business in order to streamline the Takaful membership issuance process. It describes to the Takaful operator allowed and disallowed businesses, assets and persons to provide coverage.
- Investment guidelines to achieve the task of investing funds in Shariah compliant and financially viable businesses by a team of investment specialists.
- Surplus distribution guidelines to provide the operator a Shariah compliant framework regarding surplus distribution.

#### **Shariah Opinion:**

In my opinion and to the best of my understanding based on the provided information and explanations:

- i. Transactions undertaken by the Takaful Operator were in accordance with guidelines issued by Shariah Advisor as well as requirements of Takaful Rules 2012;
- ii. The investments have been done from the Operator's Fund into Shariah Compliant avenues and were regularly monitored by Shariah Compliance Officer . Further, all bank accounts related to Window Takaful Operations have been opened in Islamic Banking Institutions (IBIs); and
- iii. The transactions and activities of Window Takaful Operations are in accordance with the Shariah principles in respect of the Participants Takaful Fund (Waqf Fund) and Operator's Fund.

#### **Recommendations:**

Following are the recommendations which need to be taken care off otherwise may lead to non-compliance and weak controls:

1. Shariah Department Structure was not up to the desired level. Management must set up a proper Shariah Department with proper reporting staff in order to enhance Shariah monitoring and vigilance on day to day operations of Takaful operations.
2. Shariah Compliance Officer must be in regular contact with Shariah Advisor for taking advice and consent on operations from Shariah perspective.

3. Management must ensure that front office staff of Takaful operations is completely dedicated for Takaful operations.
4. Training must be arranged bi-annually to update the staff on Takaful concept. Further, front-office staff should be imparted advanced Takaful trainings so they are able to meet the challenges in true spirit.

**Conclusion:**

Considering the first year of UBL Insurers Limited – Window Takaful Operations, overall operations have been satisfactory from Shariah perspective. I hope that management will take concrete measures to play pivotal role in sound and transparent growth of Takaful countrywide.



**Mufti Abdul Rehman**

Shariah Advisor

UBL Insurers Limited

Window Takaful Operations

March 6<sup>th</sup>, 2017

## **Review Report to the Members on the Statement of Compliance with the Code of Corporate Governance**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance for Insurers, 2016 ('the Code') as prepared by the Board of Directors ("the Board") of UBL Insurers Limited ("the Company") for the year ended 31 December 2016 to comply with the requirements of Code of Corporate Governance for Insurers, 2016.

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

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of 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 Code as applicable to the Company for the year ended 31 December 2016.



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

Paragraph Reference	Description
11	The board has approved the appointment of Head of Internal Audit but he is not a full time employee of the insurer.
21	The affidavit confirming the placement / non-placement of Director's name on the exit control list, and the status as to whether he/she has entered into plea bargain with National Accountability Bureau was not filled with the Securities Exchange Commission of Pakistan within a period of one month. Affidavit confirming the same was not provided by Mr. Hanif Akhai (non-executive director).
22	The Board of Directors has not formulated a mechanism for an annual evaluation of the Board's own performance.

Date: 6 March 2017

Karachi

*KPMG Taseer Hadi & Co.*

KPMG Taseer Hadi & Co.  
Chartered Accountants



## Statement of Compliance with the Code of Corporate Governance

### UBL Insurers Limited

For the year ended 31 December 2016

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

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

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

Category	Names
Executive Directors	Mr. Babar Mahmood Mirza Mr. Abdul Sattar Vaid
Non-Executive Directors	Mr. Aameer Karachiwalla Mr. Zameer M. Choudrey Mr. Rizwan Pervez Mr. Sharjeel Shahid Mr. Muhammad Hanif Akhai Mr. Zia Ijaz

There is no independent Director on Board due to relaxation provided by SECP in annexure III of the Code of Corporate Governance for Insurers, 2016. However, the Board has planned to appoint the Independent Director during the year 2017.

2. The Directors have confirmed that none of them is serving as a Director on more than seven (7) Listed companies, including this insurer

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

4. A casual vacancy occurring on the Board on July 22, 2016 was filled up by the Directors within 47 days thereof.

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

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

7. All powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive Director and the Key officers, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven(7) days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the insurer. The insurer has adopted and complied with all the necessary aspects of internal controls given in the code.
10. The Board has arranged Director's training program for its executive Directors. However, the said training was also attended by the Chief Financial Officer.
11. There were no new appointment of Chief Financial Officer and Company Secretary during the year. The Board has approved the appointment of Head of Internal Audit but he is not a full time employee of the insurer.
12. The Directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance for insurers, 2016 and fully describes the salient matters required to be disclosed.
13. The financial statements of the insurer were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
14. The Directors, Chief Executive Officer and other executives do not hold any interest in the shares of the insurer other than disclosed in the pattern of shareholding.
15. The insurer has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance for insurers, 2016.
16. The Board has formed the following Management Committees;

**Underwriting Committee**

<b>Name of the Member</b>	<b>Category</b>
Mr. Sharjeel Shahid	Chairman
Mr. Babar Mahmood Mirza	Member
Mr. Rashid Jameel Khan	Member

#### Claim Settlement Committee

Name of the Member	Category
Mr. Sharjeel Shahid	Chairman
Mr. Babar Mahmood Mirza	Member
Mr. Abdul Rauf Patel	Member

#### Reinsurance & Co-insurance Committee

Name of the Member	Category
Mr. Aameer Karachiwalla	Chairman
Mr. Babar Mahmood Mirza	Member
Mr. Rashid Jameel Khan	Member

#### Risk Management & Compliance Committee

Name of the Member	Category
Mr. Sharjeel Shahid	Chairman
Mr. Babar Mahmood Mirza	Member
Mr. Rashid Jameel Khan	Member

17. The Board has formed the following Board Committee;

#### Ethics, Nominations, Human Resource & Remuneration Committee

Name of the Member	Category
Mr. Sharjeel Shahid	Chairman
Mr. Zameer Mohammad Choudrey	Member
Mr. Rizwan Pervez	Member
Mr. Babar Mahmood Mirza	Member

#### Investment Committee

Name of Member	Category
Mr. Muhammad Hanif Akhai	Chairman
Mr. Zameer Muhammad Choudrey	Member
Mr. Rizwan Pervez	Member
Mr. Babar Mahmood Mirza	Member



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

**Audit Committee**

<b>Name of Member</b>	<b>Category</b>
Mr. Zameer Muhammad Choudrey	Chairman
Mr. Rizwan Pervez	Member
Mr. Sharjeel Shahid	Member

19. The meetings of the Committees, except Ethics, Nominations, Human Resource and Remunerations Committee, were held at least once every quarter prior to approval of interim and final results of the insurer and as required by the Code of Corporate Governance for Insurers, 2016. The terms of references of the committees have been formed and advised to the committees for compliance.

20. The Board has outsourced the internal audit function to UBL Bank who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the insurer and they (or their representative) are involved in the internal audit function on a regular basis.

21. The Affidavit confirming the placement / non-placement of Director's name on the exit control list, and the status as to whether he/she has entered into plea bargain with National Accountability Bureau was not filed with the Securities Exchange Commission of Pakistan within a period of one month. Affidavit confirming the same was not provided by Mr. Hanif Akhai (Non-Executive Director).

22. The Board of Directors has not formulated a mechanism for an annual evaluation of the Board's own performance.

23. The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the Code of Corporate Governance for insurers, 2016. The Appointed Actuary of the insurer also meets the conditions as laid down in the said code. Moreover the persons heading the underwriting, claim, and reinsurance, risk management and grievance functions / departments possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000.



Name of the Person	Designation
Mr. Babar Mahmood Mirza	Chief Executive Officer
Mr. Nadeem Raza	Chief Financial Officer
Mr. Haris Uddin	Compliance Officer
Akhtar & Hasan (Pvt) Ltd	Actuary
Mr. Abdul Sattar Vaid	Company Secretary
Mr. Masood Mahmood Khan	Head of Internal Audit
Mr. Rashid Jameel Khan	Head of Underwriting
Mr. Abdul Rauf patel	Head of Claims
Mr. Ashfaq Sharif	Head of Reinsurance
Mr. Shehzad Ahmed	Head of Risk Management
Mr. Arif Sharif	Head of Grievance Dept.

*During the year Mr. Haris Uddin was appointed as the Compliance Officer in place of Mr. Ehsan Ul Haq. The Board decided to replace the compliance officer due to conflict of interest.*

24. The statutory auditors of the insurer have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000. The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the insurer 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.

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

26. The Board ensures that the Appointed Actuary complies with the requirements set out for him / her in the Code of Corporate Governance for Insurers, 2016.

27. The Board ensures that the investment policy of the insurer has been drawn up in accordance With the provisions of the Code of Corporate Governance for Insurers, 2016

28. The Board ensures that the risk management system of the insurer is in place as per the requirements of the Code of Corporate Governance for Insurers, 2016

29. The insurer has set up a risk management function / department, which carries out its tasks as covered under the Code of Corporate Governance for Insurers.

30. The Board ensures that as part of the risk management system, the insurer gets itself rated from JCR-VIS which is being used by its risk management function / department and the respective Committee as a risk monitoring tool. The rating assigned by the said rating agency on December 30, 2016 is A+ (Single A Plus) with stable outlook.

31. The Board has set up a grievance department / function, which fully complies with the requirements of the Code of Corporate Governance for Insurers, 2016.

32. We confirm that the material principles contained in the Code of Corporate Governance have been complied. Whereas, the remaining applicable principles will be applied within the specific time period provided in the Code of Corporate Governance for Insurers, 2016.

33. The company has not obtained any exemptions from SECP in respect of any of the requirements of the Code.



**Nadeem Raza**  
Chief Financial Officer

**Dated: March 06, 2017**



**Babar Mahmood Mirza**  
Chief Executive officer

## **Statement of Compliance with the Shariah Principles**

The financial arrangements, contracts and transactions, entered into by Window Takaful Operations of the UBL Insurers Limited for the period from 01 January 2016 to 31 December 2016 are in compliance with the Takaful Rules, 2012.

Further, we confirmed that:

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

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



**Nadeem Raza**  
Chief Financial Officer



**Babar Mahmood Mirza**  
Chief Executive Officer

Date: March 06<sup>th</sup>, 2017



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

We were engaged by the Board of Directors of UBL Insurers Limited ("the Company") to report on the management's assessment of compliance of the Window Takaful Operations ("Takaful Operations") of the Company, as set out in the annexed statement prepared by the management for the year 31 December 2016, with the Takaful Rules, 2012, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of compliance of the Operations with the Takaful Rules, 2012, in all material respects.

### **Applicable Criteria**

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

### **Responsibilities of the Management**

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

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

### **Our Independence and Quality Control**

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

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

## Our responsibilities

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

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

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

The procedures performed included:

- Evaluate the systems, procedures and practices in place with respect to the Takaful operations against the Takaful Rules, 2012 and Shariah advisor's guidelines;
- Evaluating the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee/ Shari'ah Advisor and the board of directors;
- Test for a sample of transactions relating to Takaful operations to ensure that these are carried out in accordance with the laid down procedures and practices including the regulations relating to Takaful operations as laid down in Takaful Rules, 2012; and
- Review the statement of management's assessment of compliance of the Takaful transactions during the year ended 31December2016 with the Takaful Rules, 2012.

## Conclusion

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



## Independent Reasonable Assurance



In our opinion, the annexed statement, for the year ended 31 December 2016, presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects

**Date: 6 March 2017**

**Karachi**

**KPMG Taseer Hadi & Co.  
Chartered Accountants**

## Auditors' Report to the Members of UBL Insurers Limited

We have audited the annexed financial statements comprising of:

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

of **UBL Insurers Limited** ("the Company") as at 31 December 2016 together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

- a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;

## Auditors' Report to the Members of UBL Insurers Limited



- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2016 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

**Date: 6 March 2017**

**Karachi**

*KPMG Taseer Hadi & Co.*

**KPMG Taseer Hadi & Co.  
Chartered Accountants  
Mazhar Saleem**

# Balance Sheet

As at December 31, 2016



UBL Insurers Limited  
Balance Sheet  
As at December 31, 2016

Note	2016 (Rupees)	2015	Note	2016 (Rupees)	2015
<b>Share capital and reserves</b>			<b>Cash and bank</b>		
Authorised share capital [150,000,000 (December 31, 2015: 150,000,000) Ordinary shares of Rs.10 each]	<u>1,500,000,000</u>	<u>1,500,000,000</u>	14	822,853	1,703,120
				<u>29,672,481</u>	<u>76,103,518</u>
				<u>30,495,334</u>	<u>77,806,638</u>
Issued, subscribed and paid-up capital	1,152,173,910	1,152,173,910	<b>Loans to employees -unsecured, considered good</b>		
Discount on issue of right shares	(352,173,910)	(352,173,910)	15	1,867,696	1,302,648
	800,000,000	800,000,000	<b>Investments</b>		
Accumulated profit	187,301,615	51,871,337	16	777,455,887	847,378,808
<b>Total equity</b>	<b>987,301,615</b>	<b>851,871,337</b>	<b>Deferred tax assets</b>		
			17	8,200,815	3,827,926
<b>Underwriting provisions</b>			<b>Security deposits</b>		
Provision for outstanding claims (including IBNR)	1,177,704,139	766,835,943		14,380,461	4,815,756
Provision for unearned premium	762,340,868	611,958,587	<b>Current assets - others</b>		
Provision for premium deficiency reserve	10,906,982	-	18	509,634,413	304,090,398
Commission income unearned	88,984,496	68,912,419	19	445,237,236	292,627,202
<b>Total underwriting provisions</b>	<b>2,039,936,485</b>	<b>1,447,706,949</b>		14,566,335	24,147,275
<b>Deferred liabilities</b>				4,835,769	7,255,961
Staff retirement benefits	2,301,622	890,986		1,052,577,459	606,801,196
<b>Creditors and accruals</b>				8,452,009	-
Amounts due to other insurers / reinsurers	319,423,109	216,579,411		84,441,012	69,310,635
Taxation-payments less provision	-	296,923		396,932,945	311,190,109
Accrued expenses	37,277,999	33,201,345		27,261,969	22,978,050
Other creditors and accruals	119,555,605	102,035,140		2,253,856	2,405,431
	476,256,713	352,112,819		<u>2,546,193,003</u>	<u>1,640,806,257</u>
<b>Total liabilities</b>	<b>2,518,494,820</b>	<b>1,800,710,754</b>	<b>Fixed assets</b>		
			21		
<b>Tangible and intangible</b>				5,190,405	5,493,412
				3,323,104	2,820,223
				55,108,504	50,778,843
				2,757,569	2,789,028
				-	189
				589,426	113,301
				13,295,222	14,426,135
				2,301,169	222,927
				<u>82,565,399</u>	<u>76,644,058</u>
<b>Total assets</b>				<u>3,461,158,595</u>	<u>2,652,582,091</u>
Total liabilities of Windows Takaful Operations - Operator's Fund	26,031,474	-	Total Assets of Windows Takaful Operations - Operator's Fund	70,669,314	-
<b>Total [equity and liabilities]</b>	<b>3,531,827,909</b>	<b>2,652,582,091</b>	<b>Total assets</b>	<b>3,531,827,909</b>	<b>2,652,582,091</b>
<b>Contingencies</b>					

The annexed notes from 1 to 33 form an integral part of these financial statements.

Karam

  
Chief Executive  
Officer

  
Director

  
Director

  
Chairman

# Profit and Loss Account

## For the year ended December 31, 2016



UBL Insurers Limited  
Profit and Loss Account  
For the year ended December 31, 2016

Note	Fire and property	Marine and transport	Motor	Health	Banker's Blanket (Rupees)	Other classes	Treaty	2016 Aggregate	2015 Aggregate
<b>Revenue account</b>									
Net premium revenue	102,124,939	43,034,369	492,139,424	169,004,265	19,902,345	46,697,262	-	872,902,604	534,555,311
Net claims	(28,667,365)	(7,863,664)	(145,668,922)	(255,071,428)	(2,502,054)	(13,174,020)	-	(452,947,452)	(203,787,638)
Premium deficiency expense	-	-	-	(10,858,854)	-	(48,128)	-	(10,906,982)	-
Expenses	22 (34,887,724)	(11,045,829)	(81,785,506)	(76,975,762)	(9,124,468)	(19,106,595)	-	(232,925,884)	(191,988,667)
Net commission	14,026,290	8,134,647	(41,648,207)	38,769,072	19,558,478	28,919,644	-	67,759,924	9,550,257
<b>Underwriting result</b>	52,596,140	32,259,523	223,036,789	(135,132,707)	27,834,301	43,288,163	-	243,882,209	148,329,263
Net investment income								73,992,097	88,197,649
Other income	23							3,255,505	7,059,539
Exchange gain								-	276,322
General and administration expenses	24							(117,075,744)	(96,784,408)
								(39,828,142)	(1,250,898)
Loss before tax form Window Takaful Operations	12							(7,771,247)	-
<b>Profit before taxation for the year</b>								196,282,820	147,078,365
Taxation - net	25							(59,686,325)	(47,571,794)
<b>Profit after taxation</b>								136,596,496	99,506,571
<b>Profit and loss appropriation account:</b>									
Balance at commencement of the year								51,871,337	(46,947,280)
Profit after tax for the year								136,596,496	99,506,571
Other comprehensive income - net of taxation								(1,166,218)	(687,954)
<b>Balance of unappropriated profit at end of the year</b>								187,301,615	51,871,337
(Rupees)									
Earnings per share of Rs. 10 each - basic and diluted							26	1.19	0.86

The annexed notes from 1 to 33 form an integral part of these financial statements.

*Kareem*

*Nabeen Raza*

Chief Executive Officer

*[Signature]*

Director

*[Signature]*

Director

*[Signature]*

Chairman

*[Signature]*



# Statement of Comprehensive Income

For the year ended December 31, 2016



## UBL Insurers Limited

### Statement of Comprehensive Income

For the year ended December 31, 2016

	2016	2015
	(Rupees)	
<b>Profit after taxation</b>	<b>136,596,496</b>	<b>99,506,571</b>
<i>Other comprehensive income</i>		
<i>Items not to be reclassified to profit and loss account</i>		
Re-measurement loss on defined benefit obligation	(1,410,635)	(595,910)
Related tax impact	244,418	(92,044)
<b>Other comprehensive income - net of taxation</b>	<b>(1,166,218)</b>	<b>(687,954)</b>
<b>Total comprehensive income for the year</b>	<b>135,430,278</b>	<b>98,818,617</b>

The annexed notes from 1 to 33 form an integral part of these financial statements.

*Krishna*

*Sabira Raza*

Chief Executive  
Officer

*[Signature]*

Director

*[Signature]*

Director

*[Signature]*

Chairman

*[Signature]*

# Statement of Changes in Equity

For the year ended December 31, 2016



## UBL Insurers Limited

### Statement of Changes in Equity

For the year ended December 31, 2016

	Issued, subscribed and paid-up capital	Discount on issue of right shares	Accumulated (loss) / profit	Total
	(Rupees)			
Balance as at January 01, 2015	1,152,173,910	(352,173,910)	(46,947,280)	753,052,720
<b>Total comprehensive income for the year</b>				
Profit after taxation	-	-	99,506,571	99,506,571
Other comprehensive income - net of taxation	-	-	(687,954)	(687,954)
	-	-	98,818,617	98,818,617
<b>Balance as at December 31, 2015</b>	<b>1,152,173,910</b>	<b>(352,173,910)</b>	<b>51,871,337</b>	<b>851,871,337</b>
<b>Total comprehensive income for the year</b>				
Profit after taxation	-	-	136,596,496	136,596,496
Other comprehensive income - net of taxation	-	-	(1,166,218)	(1,166,218)
	-	-	135,430,278	135,430,278
<b>Balance as at December 31, 2016</b>	<b>1,152,173,910</b>	<b>(352,173,910)</b>	<b>187,301,615</b>	<b>987,301,615</b>

The annexed notes from 1 to 33 form an integral part of these financial statements.

*K. K. K.*

*Sabira Raza*

Chief Executive  
Officer

*[Signature]*

Director

*[Signature]*

Director

*[Signature]*

Chairman

*[Signature]*

# Statement of Cash Flows

For the year ended December 31, 2016



## UBL Insurers Limited

### Statement of Cash Flows

For the year ended December 31, 2016

Operating cash flows	2016	2015
	(Rupees)	
<b>(a) Underwriting activities</b>		
Premiums received	1,975,720,171	1,423,205,724
Reinsurance premiums paid	(1,305,783,216)	(850,931,281)
Claims paid	(1,387,641,423)	(469,381,879)
Reinsurance and other recoveries received	902,206,095	310,522,050
Commissions paid	(206,820,692)	(138,634,365)
Commissions received	269,389,711	179,344,100
Net cash inflow from underwriting activities	247,070,646	454,124,349
<b>(b) Other operating activities</b>		
Income tax paid	(74,972,814)	(8,631,354)
General management expenses paid	(321,977,854)	(256,749,793)
Loans advanced	(4,354,100)	(3,245,724)
Security deposits paid	(9,564,705)	(2,115,356)
Loans repayments received	3,789,052	2,951,229
Net cash outflow from other operating activities	(407,080,421)	(267,790,998)
<b>Total cash (outflows) / inflows generated from all operating activities</b>	<b>(160,009,775)</b>	<b>186,333,351</b>
<b>Investment activities</b>		
Profit/ return received	66,311,649	75,566,404
Payments for investments	(3,400,506,263)	(2,297,212,196)
Proceeds from disposal of investments	3,475,720,957	2,114,817,489
Proceeds from disposal of fixed assets	2,804,500	3,174,009
Fixed capital expenditure	(31,632,372)	(38,189,227)
<b>Total cash inflow / (outflow) from investing activities</b>	<b>112,698,471</b>	<b>(141,843,521)</b>
<b>Net cash (outflow) / inflow from all activities</b>	<b>(47,311,304)</b>	<b>44,489,830</b>
<b>Cash at beginning of the year</b>	<b>77,806,638</b>	<b>33,316,808</b>
<b>Cash at end of the year</b>	<b>30,495,334</b>	<b>77,806,638</b>

# Statement of Cash Flows

For the year ended December 31, 2016



## Reconciliation to profit and loss account

	2016	2015
	(Rupees)	
Operating cash flows	(160,009,775)	186,333,351
Depreciation expense	(22,276,377)	(18,100,446)
Amortisation expense	(330,829)	(149,844)
Decrease in assets other than cash	978,266,172	345,812,489
Decrease in liabilities	(743,815,538)	(470,982,049)
	51,833,652	42,913,501
Other adjustments		
Interest on government securities / term finance certificates	56,756,362	64,687,368
Income tax paid	74,972,814	8,631,354
Capital gain	17,157,775	18,591,940
Profit on term deposits	-	1,400,341
Exchange gain	-	276,322
Loss before tax form Window Takaful Operations	(7,771,247)	-
Taxation	(59,686,325)	(47,571,794)
Dividend income	6,103,000	3,518,000
Provision for impairment - against listed equity securities	(6,025,040)	-
(Loss) / gain on sale of fixed assets	(299,327)	2,370,502
Other income	3,554,832	4,689,037
	84,762,844	56,593,070
	<u>136,596,497</u>	<u>99,506,571</u>

## Definition of cash

Cash comprises of cash in hand, policy stamps, cheques in hand and bank balances 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 Statement of Cash Flows consists of:

### Cash and bank

#### Cash and other equivalents

Cash in hand	665,000	621,636
Policy stamps in hand	157,853	1,081,484
	822,853	1,703,120

#### Current and other accounts

Current accounts	22,011,608	18,007,936
profit and loss sharing accounts	7,660,873	58,095,582
	29,672,481	76,103,518

	<u>30,495,334</u>	<u>77,806,638</u>
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The annexed notes from 1 to 33 form an integral part of these financial statements.

*Kiran*

*Saba Raza*

Chief Executive  
Officer

*[Signature]*

Director

*[Signature]*

Director

*[Signature]*

Chairman

*[Signature]*



# Statement of Premiums

For the year ended December 31, 2016



UBL Insurers Limited  
Statement of Premiums  
For the year ended December 31, 2016

Business underwritten inside Pakistan

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded (Rupees)	Prepaid reinsurance premium ceded		Reinsurance expense	2016 Net premium revenue	2015 Net premium revenue
		Opening	Closing			Opening	Closing			
<b>Direct and facultative</b>										
Fire and property	602,300,503	260,818,750	283,214,271	579,904,982	500,344,607	203,848,037	226,412,601	477,780,043	102,124,939	77,395,243
Marine and transport	190,694,822	12,739,349	27,760,901	175,673,270	143,727,975	9,459,710	20,548,784	132,638,901	43,034,369	27,616,233
Motor	568,423,556	213,167,920	264,909,701	516,681,775	27,588,865	3,504,408	6,550,922	24,542,351	492,139,424	348,429,435
Health	485,388,299	9,095,620	66,522,826	427,961,093	300,480,417	4,689,655	46,213,244	258,956,828	169,004,265	4,730,851
Banker's Blanket	157,524,512	32,625,578	20,269,478	169,880,612	143,718,670	24,403,977	18,144,380	149,978,267	19,902,345	33,552,620
Other classes	329,855,611	83,511,370	99,663,691	313,703,290	280,784,720	65,284,322	79,063,014	267,006,028	46,697,262	42,830,929
<b>Total</b>	<b>2,334,187,303</b>	<b>611,958,587</b>	<b>762,340,868</b>	<b>2,183,805,022</b>	<b>1,396,645,254</b>	<b>311,190,109</b>	<b>396,932,945</b>	<b>1,310,902,418</b>	<b>872,902,604</b>	<b>534,555,311</b>
<b>Treaty</b>										
Proportional / non-proportional	-	-	-	-	-	-	-	-	-	-
<b>Grand total</b>	<b>2,334,187,303</b>	<b>611,958,587</b>	<b>762,340,868</b>	<b>2,183,805,022</b>	<b>1,396,645,254</b>	<b>311,190,109</b>	<b>396,932,945</b>	<b>1,310,902,418</b>	<b>872,902,604</b>	<b>534,555,311</b>

The annexed notes from 1 to 33 form an integral part of these financial statements.

Karen

  
Chief Executive Officer

  
Director

  
Director

  
Chairman



# Statement of Claims

For the year ended December 31, 2016



UBL Insurers Limited  
Statement of Claims  
For the year ended December 31, 2016

## Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received (Rupees)	Reinsurance and other recoveries in respect of outstanding claims*		Reinsurance and other recoveries revenue	2016 Net claims expense	2015 Net claims expense
		Opening	Closing			Opening	Closing			
<b>Direct and facultative</b>										
Fire and property	335,466,099	174,476,691	174,894,590	335,883,998	300,016,918	157,675,562	164,875,277	307,216,633	28,667,365	10,369,280
Marine and transport	43,259,688	97,457,164	110,501,016	56,303,540	35,663,820	80,854,706	93,630,762	48,439,876	7,863,664	7,978,176
Motor	241,692,147	112,217,792	54,298,176	183,772,531	42,670,829	10,318,594	5,751,374	38,103,609	145,668,922	174,587,644
Health	553,807,711	452,497	92,699,461	646,054,675	334,937,735	271,498	56,317,010	390,983,247	255,071,428	4,864,624
Banker's blanket	119,832,463	269,996,994	329,584,223	179,419,692	118,018,182	268,811,838	327,711,294	176,917,638	2,502,054	1,708,249
Other classes	93,583,315	112,234,805	415,726,673	397,075,183	70,898,611	96,124,959	409,127,511	383,901,163	13,174,020	4,279,665
<b>Total</b>	<b>1,387,641,423</b>	<b>766,835,943</b>	<b>1,177,704,139</b>	<b>1,798,509,619</b>	<b>902,206,095</b>	<b>614,057,157</b>	<b>1,057,413,228</b>	<b>1,345,562,166</b>	<b>452,947,453</b>	<b>203,787,638</b>
<b>Treaty</b>										
Proportional / non-proportional	-	-	-	-	-	-	-	-	-	-
<b>Grand total</b>	<b>1,387,641,423</b>	<b>766,835,943</b>	<b>1,177,704,139</b>	<b>1,798,509,619</b>	<b>902,206,095</b>	<b>614,057,157</b>	<b>1,057,413,228</b>	<b>1,345,562,166</b>	<b>452,947,453</b>	<b>203,787,638</b>

\* These are unsecured and considered to be good.

The annexed notes from 1 to 33 form an integral part of these financial statements.

*Signature*

*Signature*

Chief Executive Officer

*Signature*

Director

*Signature*

Director

*Signature*

Chairman

*Signature*

# Statement of Expenses

For the year ended December 31, 2016



UBL Insurers Limited  
Statement of Expenses  
For the year ended December 31, 2016

## Business underwritten inside Pakistan

business underwritten inside Pakistan

Class	Commission paid or payable	Deferred commission		Net commission expense	Other management expenses (note 22)	Underwriting expenses	Commission from reinsurers*	2016 Net underwriting expense	2015 Net underwriting expense
		Opening	Closing						
(Rupees)									
Direct and facultative									
Fire and property	93,127,952	40,260,318	43,474,547	89,913,723	34,887,724	124,801,447	103,940,013	20,861,434	57,998,958
Marine and transport	32,442,256	2,269,449	5,529,008	29,182,697	11,045,829	40,228,526	37,317,344	2,911,182	7,118,938
Motor	49,334,783	18,425,520	24,528,250	43,232,053	81,785,506	125,017,559	1,583,846	123,433,713	100,087,307
Health	14,679,179	438,831	2,095,717	13,022,293	76,975,762	89,998,055	51,791,365	38,206,690	1,220,902
Banker's blanket	2,531,295	1,588,905	890,606	3,229,594	9,124,468	12,354,062	22,788,072	(10,434,010)	8,108,121
Other classes	24,644,699	6,327,612	7,922,884	23,049,427	19,106,595	42,156,022	51,969,071	(9,813,049)	7,904,184
Total	216,760,164	69,310,635	84,441,012	201,629,787	232,925,884	434,555,671	269,389,711	165,165,960	182,438,410
Treaty									
Proportional / non-proportional	-	-	-	-	-	-	-	-	-
Grand total	216,760,164	69,310,635	84,441,012	201,629,787	232,925,884	434,555,671	269,389,711	165,165,960	182,438,410

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

The annexed notes from 1 to 33 form an integral part of these financial statements.

*Kiran*

*Sabira Kuge*

Chief Executive Officer

*[Signature]*

Director

*[Signature]*

Director

*[Signature]*

Chairman

*[Signature]*

# Statement of Investment Income

For the year ended December 31, 2016



## UBL Insurers Limited

### Statement of Investment Income

For the year ended December 31, 2016

	2016	2015
	(Rupees)	
<b>Income from non-trading investments</b>		
<i>Available-for-sale</i>		
Gain on sale of investments	17,157,775	18,591,940
Return on government securities / term finance certificat	56,730,709	63,908,794
Amortization of discount / (premium) of government securities / term finance certificates	25,653	778,574
Dividend income	6,103,000	3,518,000
Provision for impairment - against listed equity securities	(6,025,040)	-
Profit on term deposits - with a related party	-	1,400,341
<b>Net investment income</b>	<b>73,992,097</b>	<b>88,197,649</b>

The annexed notes from 1 to 33 form an integral part of these financial statements.

*Karen*

  
 Chief Executive  
 Officer

  
 Director

  
 Director

  
 Chairman





# Notes to the Financial Statements

For the year ended December 31, 2016



## UBL Insurers Limited

### Notes to the Financial Statements

For the year ended December 31, 2016

#### 1. STATUS AND NATURE OF BUSINESS

UBL Insurers Limited (the Company) is an unlisted public limited company incorporated in Pakistan on June 29, 2006. The Company is a subsidiary of Bestway (Holding) Limited. The Company received the Certificate of Commencement of Business on December 27, 2006. The principal objective of the Company is to conduct general insurance business. The Company received the Certificate of Registration under Section 6 of the Insurance Ordinance, 2000 on January 05, 2007. The Company currently operates a network of 15 (2015: 14) branches at various cities. The registered office of the Company is situated at 126-C, Jami Commercial, Street No.14, Phase VII, Defence Housing Authority, Karachi.

The Company was granted authorisation on December 29, 2015 under Rule 6 of the Takaful Rules, 2012 to undertake Takaful Window Operations in respect of general takaful products by the Securities and Exchange Commission of Pakistan (SECP) and subsequently the Company commenced Window Takaful Operations on January 1, 2016.

#### 2. BASIS OF PREPARATION

These financial statements have been prepared on the format of financial statements issued by the Securities and Exchange Commission of Pakistan (SECP) through Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002], vide SRO 938 dated December 12, 2002.

Total assets, total liabilities and profit / (loss) of the Window Takaful Operations of the Company referred to as the Operator's Fund has been presented in these financial statements in accordance with the requirements of Circular 25 of 2015 dated July 9, 2015.

##### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Insurance Ordinance, 2000, SEC (Insurance) Rules, 2002 and Takaful Rules, 2012. In case requirements differ, the provisions or directives of Companies Ordinance, 1984, Insurance Ordinance, 2000, SEC (Insurance) Rules, 2002 and Takaful Rules, 2012 shall prevail.

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

##### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except that obligation under certain employee benefits are measured at present value and investment in quoted equity securities are measured at lower of cost or market value.

*Karam*

## 2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is also the Company's functional currency. All financial information presented in Pakistani Rupees has been rounded to the nearest rupees, unless otherwise stated.

## 2.4 Use of estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the financial statements, or judgments was exercised in application of accounting policies, are as follows:

- a) Provision for outstanding claims including IBNR (note 4.4)
- b) Provision for unearned premium (note 4.5)
- c) Premium deficiency reserve (note 4.6)
- d) Defined benefit plan (note 4.8.2)
- e) Classification of investments and impairment (note 4.11)
- f) Useful lives of assets and methods of depreciation (note 4.14)
- g) Provision for current and deferred tax (note 4.17)
- h) Premium due but unpaid (note 4.12 & 18)

### 2.4.1 Change in accounting estimate

Up to December 31, 2015, the estimation for claims that had been Incurred but not reported (IBNR) was made as per the management's best estimate using the past trends, expected future pattern of reported claims and the claims actually reported subsequent to the balance sheet date.

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

The Guidelines require that estimation for provision for claims incurred but not reported for each class of business should be calculated by using prescribed "Chain Ladder Method" and other alternate method as allowed under the provisions of the Guidelines. The claims outstanding and claims paid till date are deducted from the ultimate claim payments for that particular year to derive an IBNR estimate for that year. Any negative values are ignored.

In view of the SECP guidelines, the change in calculation from the management's estimate based on past trends, expected future pattern of reported claims and the claims actually reported subsequent to the balance sheet date to the prescribed method of Chain Ladder method under the guidelines is considered as a change of estimate.

*K. Raza*



This change has been accounted for as change in accounting estimate in accordance with the requirements of International Accounting Standard (IAS-8) "Accounting Policies, Changes in Estimates and Errors" whereby the effects of these changes are recognised prospectively by including the same in determination of profit and loss in the period of the change, that is, during the current and future periods. Had the Company's accounting estimate not been changed, total liabilities would have been higher by Rs. 16.587 million, total assets would have been higher by Rs. 11.140 and profit for the yearended December 31, 2016 and equity would have been higher by Rs. 5.446 million.

### 3. STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 1, 2017:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after January 1, 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on the Company's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after January 1, 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are not likely to have an impact on the Company's financial statements.
- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after January 1, 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are not likely to have an impact on the Company's financial statements
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after January 1, 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Company's financial statements.

Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

- Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after January 1, 2017) clarify that the held for sale or discontinued operations in accordance with IFRS 5 – 'Non- current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on the Company's financial statements.

*K. R. S. H.*

- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after January 1, 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the Company's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after January 1, 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The amendments are not likely to have an impact on the Company's financial statements.

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 4.1 Standards, interpretations and amendments effective during the current year

During the year, certain new standards and amendments to existing standards became effective. However, they did not have material affect on these financial statements.

### 4.2 Insurance contracts

Insurance contracts are those contracts under which the Company as insurer has accepted significant 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 lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

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

- Fire and property
- Marine and transport
- Motor
- Health
- Banker's blanket
- Other classes

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

The Company neither issues investment contracts nor does it issues insurance contracts with discretionary participation feature (DPF).

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

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

Motor insurance is to provide protection against losses incurred as a result of traffic accidents and against liability that could be incurred in an accident.

Miscellaneous insurance includes various types of coverage mainly burglary, loss of cash in safe and cash in transit, engineering losses, accident and health, money and other coverage.

Bankers' blanket insurance covers losses as a result of dishonest or fraudulent acts by officers and employees of the bank, including on premises coverage of cash, coverage of cash during transit and coverage of forged cheques.

Health insurance includes coverage of in-patient-hospital, out-patient-department, medical and other related expenses of disease, sickness or accidental injury incurred during the period of insurance.

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

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

#### **4.3 Reinsurance contracts held**

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

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

*K. K. K.*

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

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

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

#### **4.4 Provision for outstanding claims including Incurred But Not Reported (IBNR)**

The Company recognises liability in respect of all claims incurred up to the balance sheet date which is measured at the undiscounted value of the expected future payments. These liabilities are known as provision for outstanding claims. The claims are considered at the time of the incident giving rise to the claim except as otherwise expressly indicated in the insurance contract. The liability for claims includes amount in relation to unpaid reported claim, claims incurred but not reported (IBNR) and expected claims settlement cost.

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates.

The Company is required as per SECP circular no. 9 of 2016 dated March 9, 2016 "Guidelines for estimation of Incurred but not reported claims reserve, 2016" to estimate and maintain the provision for claims incurred but not reported for each class of business by using prescribe Method "Chain Ladder Method" and other alternate method as allowed under the provisions of the Guidelines.

The actuarial valuation as at December 31, 2016 has been carried out by independent firm of actuaries for the determination of IBNR for each class of business. The actuarial valuation is based on a range of standard actuarial claim projection techniques using certain assumptions. The claim outstanding and claims paid till date are deducted from the ultimate claim payments for that particular year to calculate an IBNR claim for the reporting year.

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

#### **4.5 Provision for unearned premium**

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage and is recognised as a liability by the Company. This liability is calculated by applying the 1/24th method as specified in the SEC (Insurance) Rules, 2002.

#### **4.6 Premium deficiency reserve**

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

For this purpose, loss ratios for each class are estimated based on historical claim development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, premium deficiency is determined. Further actuarial valuation has been carried out to determine the amount of premium deficiency reserve in respect of Accident and Health insurance as required by SRO 16 (I) / 2012 issued by Securities and Exchange Commission of Pakistan on January 9, 2012.

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Based on the advice of actuary, provision for premium deficiency reserve has been made in Health and other classes insurance as at the year end.

#### **4.7 Commission income unearned**

Commission and other forms of revenue (apart from recoveries) from reinsurers are deferred and recognised as liability and recognised in the profit and loss account as revenue in accordance with the pattern of recognition of the reinsurance premiums.

#### **4.8 Staff retirement benefits**

##### **4.8.1 Defined contributory plan**

The Company operates a recognised provident fund scheme for all its eligible employees. Equal contributions are made by the Company and the employees at the rate 8.33% of basic salary.

##### **4.8.2 Gratuity scheme - defined benefit plan**

The Company operates an approved funded gratuity fund for all permanent employees who have completed minimum prescribed period of service under the scheme. Contributions are made to the scheme on the basis of independent actuarial recommendations using "Projected Unit Credit Method". Remeasurement of the defined benefit liability(asset), which comprises actuarial gain and losses are recognised immediately in other comprehensive income. The company determines the net interest expense (income) on the net defined benefit liability (asset) for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual year to the then net defined benefit liability (asset), taking into account and change in the net defined benefit liability (asset) during the year as a result of contribution and benefit payments. Net interest expense and other expense related to defined benefit plans are recognised in profit and loss account.

When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised immediately in profit and loss account. The company recognises gain and loss on the settlement of a defined benefit plan when the settlement occurs.

#### **4.9 Compensated absence**

The Company accounts for liability in respect of employee compensated absences in the period in which the absences are earned.

#### **4.10 Creditors, accruals and provisions**

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

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

*K. Ravi*

## 4.11 Investments

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs except for held-for-trading investments in which case transaction costs are charged to the profit and loss account. All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investments. These investments are recognised and classified as follows:

### 4.11.1 Investments at fair value through profit and loss account

Held for trading investments are included in this category. At the time of acquisition, quoted investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or are part of portfolio for which there is a recent actual pattern of short term profit taking are classified as held-for-trading.

Subsequent to initial recognition these are remeasured at fair value by reference to quoted market prices with the resulting gain or loss being included in net profit or loss for the period in which it arises.

### 4.11.2 Available-for-Sale

Available for sale investments are those non-derivative instruments that are designated as available for sale or are not classified in any other category. These are primarily those investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates, are classified as available-for-sale.

Subsequent to initial recognition at cost, quoted investments are 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 vide S.R.O. 938 dated December 2002.

### 4.11.3 Held-to-Maturity

At the time of acquisition, investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held to maturity.

Subsequently, these are measured at amortised cost less provision for impairment in value, if any. Amortised cost is calculated by taking into account any discount or premium on acquisition by using the effective interest rate method.

## 4.12 Receivables and payables related to insurance contracts

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

## 4.13 Deferred commission

Commission expense incurred in obtaining and recording policies is deferred and recognised in the profit and loss account as an expense in accordance with the pattern of recognition of premium revenue.

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## 4.14 Operating fixed assets and depreciation

### 4.14.1 Tangible

These are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated so as to write off the depreciable amount of the assets over their expected economic lives at the rates specified in note 20.1 to the financial statements, after taking into account residual value, if any. The useful lives, residual values and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged on a straight line method from the month the asset is available for use and on disposals upto the month preceding the month of disposal.

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

Gains and losses on disposal, if any, of assets are included in income currently.

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalised and assets so replaced, if any, are retired.

### 4.14.2 Assets subject to finance lease

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, at the fair value of the lease property or, if lower at the present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets acquired under the finance lease are depreciated using the same basis as for owned assets.

### 4.14.3 Intangible

These are stated at cost less accumulated amortisation and any impairment in value. Amortisation of intangible fixed assets is charged to income applying the straight line method at the rates specified in note 21.2 to the financial statements after taking into account residual value, if any.

Full month's amortisation is calculated from the month the assets are available for use using the straight-line method, whereby the cost of the intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortisation method is reviewed, and adjusted if appropriate, at each balance sheet date.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable, if any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

*K. R. S. M.*

#### 4.14.4 Capital work-in-progress

Capital work-in-progress is stated at cost less any impairment in value. It consists of advances made to suppliers in respect of tangible and intangible assets.

#### 4.15 Revenue recognition

##### *Premium*

Premium received / receivable under a policy is recognised as written from the date of attachment of the policy to which it relates. Premium income under a policy is recognised over the period of insurance from inception to expiry as follows:

- a) For direct business, evenly over the period of the policy;
- b) For proportional reinsurance business, evenly over the period of underlying insurance policies; and
- c) For non-proportional reinsurance business, in accordance with the pattern of the reinsurance service.

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

Administrative surcharge is recognised as premium at the time the policies are written.

##### *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 accounted for as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission, if any, which the Company may be entitled to under the terms of reinsurance, is recognised on an accrual basis.

##### *Dividend income*

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

##### *Gain / loss on sale of investment*

Gain / loss on sale / redemption of investments is taken to profit and loss account in the year of sale / redemption.

##### *Income on held to maturity investment*

Profit on held to maturity instruments is recognised on a time proportion basis taking into account the effective yield on the investment.

##### *Profit on bank accounts and deposits*

Interest / profit on bank deposit accounts is accounted for on an accrual basis.

#### 4.16 Management expenses

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

*K. P. S. N.*

## 4.17 Taxation

### 4.17.1 Current

Provision for current taxation is the higher of the amount computed on taxable income at the current tax rate after taking into account tax credits / rebates, if any, and the minimum tax computed at the prescribed rate on turnover. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalized during the current year for such years.

### 4.17.2 Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

## 4.18 Segment reporting

The Company's operating business is organised and managed separately according to the nature of the services provided with each segment representing a strategic business unit that serves different markets.

### 4.18.1 Fire and property

The fire and property insurance provides coverage against damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and other related perils.

### 4.18.2 Marine and transport

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

### 4.18.3 Motor

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

### 4.18.4 Health

Health insurance includes coverage of in-patient-hospital, out-patient-department, medical and other related expenses of disease, sickness or accidental injury incurred during the period of insurance.

*K. Ramesh*



#### 4.18.5 Banker's blanket

Banker's blanket insurance covers losses as a result of dishonest or fraudulent acts by officers and employees of the bank

#### 4.18.6 Other classes

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

#### 4.19 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities is recognised in the profit and loss account of the current year.

#### 4.20 Off setting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet, if the Company has a legally enforceable right to set-off and the Company intends either to settle the assets and liabilities on a net basis or to realise the asset and settle the liability simultaneously.

#### 4.21 Cash and cash equivalents

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

#### 4.22 Currency transactions

##### 4.22.1 Foreign currency translations

Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange prevailing on the balance sheet date. Gain and losses on translation are taken into income currently. Non monetary-items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### 4.23 Impairment

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

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

*K. Ravi*



# Notes to the Financial Statements

For the year ended December 31, 2016



## 4.24 Window Takaful Operations

The accounting policies followed by Window Takaful Operations are stated in the annexed financial statements of Window Takaful Operations for the year ended December 31, 2016.

## 5. SHARE CAPITAL

### 5.1 Authorised Share Capital

2016 (Number of shares)	2015		2016 (Rupees)	2015
<u>150,000,000</u>	<u>150,000,000</u>	Ordinary shares of Rs. 10 each	<u>1,500,000,000</u>	<u>1,500,000,000</u>

### 5.2 Issued, subscribed and paid-up capital

<u>115,217,391</u>	<u>115,217,391</u>	Ordinary shares of Rs. 10 each fully paid in cash	<u>1,152,173,910</u>	<u>1,152,173,910</u>
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### 5.3 Major shareholders of the Company are :

Number of shares held		Name of Shareholder	Percentage of Shareholding	
2016	2015		2016	2015
<b>64,063,972</b>	64,063,972	Bestway (Holdings) Limited	<b>55.6</b>	55.6
<b>34,565,214</b>	34,565,214	United Bank Limited	<b>30.0</b>	30.0
<b>14,088,200</b>	14,088,200	Abu Dhabi Group	<b>12.2</b>	12.2

### 6. PROVISION FOR OUTSTANDING CLAIMS- (including IBNR )

	2016 (Rupees)	2015
Related parties	<b>204,515,618</b>	182,021,056
Others	<b>973,188,521</b>	584,814,887
	<u><b>1,177,704,139</b></u>	<u>766,835,943</u>

As described in note 2.4.1, during the year the Company has changed the method for estimation of IBNR in light of the Guidelines formed under Circular 09 of 2016 issued by the SECP. The estimate of IBNR claims have been determined by the actuarial expert using the prescribed Chain Ladder method.

*Karam*

# Notes to the Financial Statements

## For the year ended December 31, 2016



### 7. STAFF RETIREMENT BENEFITS

#### Defined benefit plan - funded gratuity scheme

The latest valuation of scheme was carried out as at December 31, 2016 by Akhtar & Hasan (Private) Limited using the Projected Unit Credit Method. Provision has been made in the financial statements to cover the related obligation in accordance with the actuarial recommendations.

		(Number)	
7.1	The number of employees covered under the defined benefit scheme are:	189	172
7.2	The following principal actuarial assumptions were used for the valuation of above mentioned scheme:		
		2016	2015
	Financial assumptions		
	Discount rate (per annum compounded)	8.00%	9.00%
	Salary Increase (per annum)	7.00%	8.00%
	Rate of return on investment (per annum)	8.00%	9.00%
	Demographic assumptions		
	Normal retirement	60 years	60 years
	Mortality rate	SLIC(2001-05)	SLIC(2001-05)
	Rate of employee turnover	Moderate	Moderate
7.3	Net Liability in balance sheet	2016	2015
		(Rupees)	
	Present value of defined benefit obligations	26,278,963	19,867,732
	Fair value of plan assets	(23,977,341)	(18,976,746)
	Liability in balance sheet	2,301,622	890,986
7.4	Reconciliation of the present value of defined benefit obligations		
	Present value of defined benefit obligation as at January 1,	19,867,732	15,550,236
	Current service cost	4,311,679	3,156,237
	Interest cost	1,930,778	1,766,020
	Benefits paid / payable during the year	(1,002,607)	(943,058)
	Re-measurement loss on obligation	1,171,381	338,297
	Present value of defined benefit obligation as at December 31,	26,278,963	19,867,732
7.5	Movement in fair value of plan assets		
	Opening balance	18,976,746	15,255,160
	Expected return on plan assets	1,853,972	1,736,545
	Contribution made by the Company	4,388,484	3,185,712
	Benefits paid /payable during the year	(1,002,607)	(943,058)
	Re-measurement loss on plan assets	(239,254)	(257,613)
	Closing balance	23,977,341	18,976,746
7.6	Movement in the net defined benefit asset		
	Opening balance	890,986	295,076
	Expenses recognised in profit and loss account for the year	4,388,485	3,185,712
	Contribution paid during the year	(4,388,484)	(3,185,712)
	Net re-measurement loss recognized in other comprehensive income during the year	1,410,635	595,910
	Closing balance	2,301,622	890,986

K. R. S. H.

# Notes to the Financial Statements

For the year ended December 31, 2016



<b>7.7 Charge for the defined benefit plan</b>	<b>2016</b>	<b>2015</b>
	<b>(Rupees)</b>	
<b>7.7.1 Cost recognised in profit and loss account</b>		
Current service cost	<b>4,311,679</b>	3,156,237
Interest cost on defined benefit obligation	<b>1,930,778</b>	1,766,020
Interest income on plan assets	<b>(1,853,972)</b>	(1,736,545)
Net interest cost	<b>76,806</b>	29,475
Cost recognized in profit and loss for the year	<b>4,388,485</b>	3,185,712
<b>7.7.2 Re-measurements recognised in other comprehensive income</b>		
Re-measurement of gain / (loss) on obligation		
- Gain due to change in financial assumptions	<b>142,500</b>	160,448
- Loss due to change in experience adjustments	<b>(1,313,881)</b>	(498,745)
Total actuarial loss on obligations	<b>(1,171,381)</b>	(338,297)
Re-measurements loss on plan assets over interest income	<b>(239,255)</b>	(257,613)
Net re-measurement recognized in other comprehensive income during the year	<b>(1,410,636)</b>	(595,910)
Weighted average duration of the defined benefit obligation (years)	<b>8.16</b>	8.36
Actual return on plan assets	<b>1,614,718</b>	1,478,932

## **7.8 Sensitivity analysis**

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

Discount rate + 1%	<b>24,269,759</b>
Discount rate - 1%	<b>28,580,758</b>
Long term salary increase + 1%	<b>28,714,003</b>
Long term salary increase - 1%	<b>24,120,825</b>

The sensitivity analysis presented above may not be representative of the actuarial change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

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# Notes to the Financial Statements

For the year ended December 31, 2016



## 7.9 Components of plan assets

	2016		2015	
	Fair value (Rupees)	Percentage %	Fair value (Rupees)	Percentage %
Composition of fair value of plan assets				
Cash and cash equivalent - net of current liabilities	515,446	2.1%	163,844	0.9%
Mutual funds	1,933,904	8.1%	1,884,368	9.9%
Treasury bills	6,726,596	28.1%	8,961,158	47.2%
Term deposits	6,881,162	28.7%	-	0.0%
Pakistan investment bonds	7,920,233	33.0%	7,967,376	42.0%
Fair value of plan net assets	<u>23,977,341</u>	<u>100%</u>	<u>18,976,746</u>	<u>100%</u>

- 7.10** Expected accrual of expenses in respect of defined benefit scheme in the next financial year on the advice of the actuary is Rs. 5.337 million.

## 8. AMOUNTS DUE TO OTHER INSURERS / REINSURERS

	2016 (Rupees)	2015
Foreign reinsurers	158,735,455	88,183,371
Local reinsurers	130,310,786	110,000,832
Co-insurers	30,376,868	18,395,208
	<u>319,423,109</u>	<u>216,579,411</u>

## 9. TAXATION - PAYMENTS LESS PROVISION

Balance as at January 1,	(296,923)	22,722,935
Tax paid including deducted at source	74,972,814	6,683,378
Provision for taxation	(66,223,882)	(29,703,236)
Balance as at December 31,	<u>8,452,009</u>	<u>(296,923)</u>

## 10. ACCRUED EXPENSES

Rent	50,000	88,000
Utilities	1,182,000	840,515
Audit fee	1,316,400	637,050
Advertisement expense	700,000	1,897,411
Annual rating fees	440,002	440,000
SECP annual supervision fees	4,604,255	3,180,841
Provision for bonus	12,331,753	10,000,000
Communication charges	7,548,000	7,548,000
Co-insurance service charges	6,381,959	5,128,112
Others	2,723,630	3,441,416
	<u>37,277,999</u>	<u>33,201,345</u>

*K. Raza*



# Notes to the Financial Statements

## For the year ended December 31, 2016



### 11. OTHER CREDITORS AND ACCRUALS

		2016	2015
		(Rupees)	
Agents commission payable	11.1	80,450,445	70,510,973
Worker's welfare fund	11.2	6,983,145	2,851,343
Federal excise duty		12,101,541	12,326,573
Unclaimed insurance benefits	11.3	10,355,113	8,048,849
Cash margin against insurance policies		3,534,895	3,984,107
Salaries payable		913,940	880,063
Federal insurance fee		862,786	792,711
Others		4,353,740	2,640,521
		<b>119,555,605</b>	<b>102,035,140</b>

11.1 This includes commission payable of 7.699 (2015: Rs. 3.708 million) to related parties.

11.2 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 November 10, 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 November 10, 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

The Company has obtained legal opinion from its legal counsel who is of the view that considering the review petitions filed before the Supreme Court there is uncertainty involved in the matter and cannot be determined with absolute certainty that the matter has been closed for good. In view of the above, the management has decided not to reverse charge for WWF recorded for the years upto 2013 amounting to Rs. 2.627 million.

11.3 This represents 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 May 19, 2014:

- More than 6 months	10,355,113	8,048,849
- 1 to 6 months	42,318,769	23,999,892

	2016					
	(Age-wise Breakup)					Total
	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 Months	
	(Rupees)					
Claims not encashed	42,318,769	2,441,768	189,209	447,400	7,276,736	52,673,882

	2015					
	(Age-wise Breakup)					
	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 Months	Total
	(Rupees)					
Claims not encashed	23,999,892	611,535	2,408,936	422,716	4,605,662	32,048,741

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# Notes to the Financial Statements

For the year ended December 31, 2016



## 12. WINDOW TAKAFUL OPERATIONS OPERATOR'S FUND

### Assets

Cash and bank	2,384,421
Investments	21,682,344
Current assets - other	46,602,549
<b>Total assets</b>	<b>70,669,314</b>

### Total liabilities - current

26,031,474

### Loss before tax for the year

7,771,247

Details of total assets, total liabilities and segment disclosure of window takaful operations are stated in the annexed financial statements for the year ended December 31, 2016.

## 13. CONTINGENCIES

Section 113(2)(c) of the Income Tax Ordinance 2001, was interpreted by a Divisional Bench of the Sindh High Court (SHC) in the Income Tax Reference Application (ITRA) No. 132 of 2011 dated May 7, 2013, whereby it was held that the benefit of carry forward of minimum tax is only available in the situation where the actual tax payable (on the basis of net income) in a tax year is less than minimum tax. Therefore, where there is no tax payable, inter alia, due to brought forward tax losses, minimum tax could not be carried forward for adjustment with future tax liability. As per the provisions of Income Tax Ordinance 2001, the Company has minimum tax as at December 31, 2016 of Rs.15,002,983 which has not been recorded as tax expense.

A leave to appeal against the aforesaid decision has already been filed before the Supreme Court of Pakistan which is pending for hearing. The Company based on tax advisor's advice considers that if tax authorities initiate similar proceedings against the Company, there are reasonable grounds whereby the decision can be challenged before Superior Courts. In view of above, the Company is confident that the ultimate outcome in this regard would be favourable. Hence no provision in this respect has been made in the financial statements.

*K. Raza*

# Notes to the Financial Statements

For the year ended December 31, 2016



## 14. CASH AND BANK

2016  
(Rupees)

### Cash and other equivalents

- Cash in hand	665,000	621,636
- Policy stamps in hand	157,853	1,081,484
	<u>822,853</u>	<u>1,703,120</u>

### Current and other accounts

- Current accounts	14.1	22,011,608	18,007,936
- Profit and loss sharing accounts	14.2 & 14.3	7,660,873	58,095,582
		<u>29,672,481</u>	<u>76,103,518</u>
		<u>30,495,334</u>	<u>77,806,638</u>

14.1 This represents balance with a related party (2015: Rs. 17.965 million).

14.2 This includes balance with a related parties amounting to Rs. 7.247 million (2015: Rs. 4.329 million).

14.3 These carry profit rates ranging between 5% to 6% (2015: 2.6% to 6%) per annum.

## 15. LOANS TO EMPLOYEES - unsecured, considered good

Executives	350,000	320,834
Employees	1,517,696	981,814
	<u>1,867,696</u>	<u>1,302,648</u>

Loans to employees are granted in accordance with the rules specified in the SEC (Insurance) Rules, 2002. These loans are interest free and are recoverable in monthly instalments over a period of one year.

### 15.1 Reconciliation of carrying amount of loans

Opening balance	1,302,648	1,008,153
Disbursements during the year	4,354,100	3,245,724
	<u>5,656,748</u>	<u>4,253,877</u>
Repayments during the year	(3,789,052)	(2,951,229)
Closing balance	<u>1,867,696</u>	<u>1,302,648</u>

## 16. INVESTMENTS

### 16.1 Type of investments

#### Available-for-sale

Market treasury bills	16.2.1.1 & 16.3	235,148,636	99,660,476
Pakistan investment bonds	16.2.1.2 & 16.3	253,782,069	409,789,459
Term finance certificates	16.2.2 & 16.3	48,723,815	44,583,538
Ordinary shares of quoted companies	16.2.3 & 16.3	58,613,540	64,638,580
Units of open end mutual funds	16.2.4 & 16.3	181,187,827	228,706,755
		<u>777,455,887</u>	<u>847,378,808</u>

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# Notes to the Financial Statements

## For the year ended December 31, 2016



### 16.2 Available-for-sale Investments

#### 16.2.1 Government securities

**16.2.1.1** Market treasury bills (MTBs) have face value of Rs. 237 million (market value of Rs. 235.098 million) [(2015: face value of Rs.100 million (market value of Rs 99.634 million )]. These carry mark-up at 5.86% to 5.95% (2015 6.26% to 6.44%) per annum and will mature latest by March 16, 2017.

**16.2.1.2** Pakistan investment bonds (PIBs) have face value of Rs. 253 million (market value of Rs. 259.980 million) [(2015: face value of Rs.410 million (market value of Rs 430.985 million )]. PIBs having face value of Rs. 128 million (market value of Rs 131.531 million) [(2015: face value of Rs.123 million (market value of Rs 126.170 million )] are deposited with the State Bank of Pakistan in accordance with the requirements of circular No. 15 of 2008 dated July 7, 2008 issued by Securities and Exchange Commission of Pakistan. These carry mark-up at 11.25% (2015: 11.25%) per annum and will mature latest by July 17, 2017.

#### 16.2.2 Term finance certificates

Name	Mark-up rate	Maturity	Repayment Terms	Unsecured / details of security	Rating
Bank Alfalah Limited - IV	6 months KIBOR + 250 bps	December 2, 2017	Semi-annually	Unsecured	AA-
Bank Alfalah Limited - IV	15.00%	December 2, 2017	Semi-annually	Unsecured	AA-

The aggregate market value of the above investments is Rs. 49.4 million (2015: Rs. 46.607 million).

#### 16.2.3 Ordinary shares of quoted companies

2016 (Number of shares)	2015	Face value (Rupees)	Name of the investee	2016 (Rupees)	2015
503,500	503,500	10	Saif Power Limited	17,904,460	18,876,835
471,000	471,000	10	Nishat Chunian Power Limited	26,131,080	28,242,745
185,000	185,000	10	Kot Addu Power Company Limited	14,578,000	17,519,000
				<b>58,613,540</b>	<b>64,638,580</b>

**16.2.3.1** During the year these investments have been written down at market value based on the requirement of SEC (insurance) Rules, 2002 which states that the available-for-sale investments shall be stated at the lower of cost or market value when the decline in market value is other than temporary. The market value of the above investments is Rs. 58.613 million (2015: 57.403 million). The Company uses stock exchange quotation, at the balance sheet date to determine the market value of quoted equity securities.

#### 16.2.4 Units of open end mutual funds

2016 (Number of units)	2015	Face value (Rupees)	Name of the investee	2016 (Rupees)	2015
3,081,520	7,320,440	10	NAFA Income Opportunity Fund	34,051,416	81,450,148
3,624,994	4,082,341	10	NAFA Islamic Aggressive Income Fund	35,314,327	40,000,000
-	549,908	100	Atlas Sovereign Liquid Fund	-	56,683,958
38,134	75,795	500	Atlas Income Fund	19,999,998	40,000,000
-	599,245	10	ABL Government Securities Fund	-	6,232,694
-	426,399	10	ABL Income Fund	-	4,339,955
2,173,827	-	10	NAFA Money Market Fund	22,000,000	-
96,889	-	500	Atlas Money Market Fund	49,822,086	-
38,686	-	500	Atlas Islamic Income Fund	20,000,000	-
				<b>181,187,827</b>	<b>228,706,755</b>

16.2.4.1

**16.2.4.1** Market value of the above investments is Rs. 181.293 million (2015: Rs. 229.393 million). The company uses net assets value issued by the fund manager at the balance sheet date to determine the market value.

**16.3** Had these investments been measured at fair value as required by International Accounting Standard (IAS) – 39, the carrying value of investments of the Company as at December 31, 2016 would have been higher by Rs. 6.928 million (2015: higher by Rs. 16.645 million).

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# Notes to the Financial Statements

## For the year ended December 31, 2016



### 17. DEFERRED TAX ASSETS

17.1 Deferred taxation comprises of deductible temporary difference relating to following:

	2016 (Rupees)	2015
Deferred tax asset arising in respect of:		
- remeasurment of defined benefit liability	423,191	178,773
- accelerated depreciation	2,176,661	600,070
- impairment against listed equity securities	1,807,512	-
- provision for bad debts	93,925	49,083
- provision for employee bonus	3,699,526	3,000,000
	<b>8,200,815</b>	<b>3,827,926</b>

17.2 Movement in deferred tax assets is as follows:

	Balance as at January 1, 2015	Recognised in profit and loss account	Recognised in other comprehensive income	Balance as at December 31, 2015	Recognised in profit and loss account	Recognised in other comprehensive income	Balance as at December 31, 2016
	(Rupees)						
<b>Deductible temporary differences arising in respect of:</b>							
- Remeasurment of defined benefit liability	270,817	-	(92,044)	178,773	-	244,418	423,191
- Accelerated depreciation	527,446	72,624	-	600,070	1,576,591	-	2,176,661
- Impairment - against listed equity securities	-	-	-	-	1,807,512	-	1,807,512
- unutilized tax losses carried forward	19,813,832	(19,813,832)	-	-	-	-	-
- provision for bad debts	79,889	(30,806)	-	49,083	44,842	-	93,925
- provision for employee bonus	1,096,544	1,903,456	-	3,000,000	699,526	-	3,699,526
	<b>21,788,528</b>	<b>(17,868,558)</b>	<b>(92,044)</b>	<b>3,827,926</b>	<b>4,128,471</b>	<b>244,418</b>	<b>8,200,815</b>

		2016	2015
18. PREMIUMS DUE BUT UNPAID - unsecured		(Rupees)	
Considered good	18.1	509,634,413	304,090,398
Considered doubtful		-	163,610
		<u>509,634,413</u>	<u>304,254,008</u>
Provision against doubtful debts	18.2	-	(163,610)
		<u>509,634,413</u>	<u>304,090,398</u>

18.1 This includes an amount of Rs. 46.557 million (2015: Rs. 42.055 million) due from related parties.

#### 18.2 Provision against doubtful debts

Balance as on January 1,	163,610	158,979
Written off during the year	(163,610)	(158,979)
Provisions made during the year	-	163,610
Balance as on December 31,	<b>-</b>	<b>163,610</b>

### 19. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS - unsecured

<b>Considered good</b>		
- Foreign reinsurers	13,394,649	838,313
- Local reinsurers	87,561,836	7,252,643
- Co-insurers	344,280,751	284,536,246
<b>Considered doubtful</b>		
- Local reinsurers	313,083	-
	<b>445,550,319</b>	292,627,202
Provision against doubtful debts	19.1	(313,083)
	<b>445,237,236</b>	292,627,202

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# Notes to the Financial Statements

## For the year ended December 31, 2016



### 19.1 Provision against doubtful balances

	2016	2015
	(Rupees)	
Balance as on January 1,	-	69,276
Written off during the year	<b>313,083</b>	(69,276)
Balance as on December 31,	<b>313,083</b>	-

### 20. PREPAYMENTS - OTHERS

Tracker monitoring charges	<b>20,772,439</b>	18,402,203
Office rent	<b>4,231,219</b>	3,152,042
Others	<b>2,258,311</b>	1,423,805
	<b>27,261,969</b>	22,978,050

### 21. FIXED ASSETS

Tangible - operating fixed assets	21.1	<b>80,264,230</b>	76,421,131
Intangible - computer software	21.2	<b>2,301,169</b>	222,927
		<b>82,565,399</b>	76,644,058

#### 21.1 Tangible - operating fixed assets

		2016							
		Cost		Depreciation			Written down	Depreciation	
As at	Additions /	As at	As at	For the year /	As at	value as at		rate	
January 1,	(disposals) /	December 31,	January 1,	(on disposals) /	December 31,	December 31,		%	
2016	*Transfer	2016	2016	*Transfer	2016	2016			
(Rupees)									
Furniture and fixtures	12,707,992	1,031,768	13,739,760	7,214,580	1,334,775	8,549,355	5,190,405	10	
Office equipment	11,698,879	1,469,319 (267,274)	12,900,924	8,878,656	966,438 (267,274)	9,577,820	3,323,104	20	
Motor vehicles	84,869,912	22,966,036 (10,345,119)	97,490,829	34,091,069	15,596,449 (7,305,193)	42,382,325	55,108,504	20	
Computer and accessories	8,808,491	1,437,467 (519,521)	9,305,072	6,019,463	1,033,627 (479,247)	6,547,503	2,757,569	25	
Tracking devices	21.1.1 4,280,429	(421,365) * -	4,280,429	4,280,240	(26,340) 189	4,280,429	-	33	
Mobile phones	332,030	367,000 (154,130)	966,265	218,729	262,275 (130,505)	376,839	589,426	33	
Leasehold improvements	29,641,153	421,365 * 1,951,711	31,592,864	15,215,018	26,340 3,082,624	18,297,642	13,295,222	10	
	152,338,886	29,223,301	170,276,143	75,917,755	22,276,377	90,011,913	80,264,230		
		(11,286,044)			(8,182,219)				
2015									
		Cost		Depreciation			Written down	Depreciation	
As at	Additions /	As at	As at	For the year /	As at	value as at		rate	
January 1,	(disposals)	December 31,	January 1,	(on disposals)	December 31,	December 31,		%	
2015		2015	2015		2015	2015			
(Rupees)									
Furniture and fixtures	11,149,280	1,703,114 (144,402)	12,707,992	6,100,455	1,211,905 (97,780)	7,214,580	5,493,412	10	
Office equipment	10,372,462	1,900,253 (573,836)	11,698,879	8,793,994	649,509 (564,847)	8,878,656	2,820,223	20	
Motor vehicles	59,651,721	30,162,055 (4,943,864)	84,869,912	25,750,943	12,590,958 (4,250,832)	34,091,069	50,778,843	20	
Computer and accessories	7,765,927	2,592,984 (1,550,420)	8,808,491	6,839,405	675,614 (1,495,556)	6,019,463	2,789,028	25	
Tracking devices	21.1.1 4,280,429	-	4,280,429	4,276,292	3,948	4,280,240	189	33	
Mobile phones	352,030	60,000 (80,000)	332,030	228,071	70,658 (80,000)	218,729	113,301	33	
Leasehold improvements	28,020,332	1,620,821	29,641,153	12,317,164	2,897,854	15,215,018	14,426,135	10	
	121,592,181	38,039,227 (7,292,522)	152,338,886	64,306,324	18,100,446 (6,489,015)	75,917,755	76,421,131		

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# Notes to the Financial Statements

## For the year ended December 31, 2016



**21.1.1** Represents tracking devices installed in the motor vehicles insured by the Company and therefore are not in the possession of the Company.

### 21.2 Intangible assets

	Cost		Amortisation			Written down value as at December 31, 2016	Amortisation rate %
	As at January 1, 2016	Additions	As at December 31, 2016	As at January 1, 2016	For the year	As at December 31, 2016	
	(Rupees)						
<b>Computer software</b>							
2016	8,028,245	2,409,071	10,437,316	7,805,318	330,829	8,136,147	25
2015	7,878,245	150,000	8,028,245	7,655,474	149,844	7,805,318	25

**21.3** The depreciation charge for the year has been allocated as follows:

		2016 (Rupees)	2015
Management expenses	22	12,739,257	10,028,764
General and administrative expenses	24	9,537,120	8,071,682
		<u>22,276,377</u>	<u>18,100,446</u>

**21.4** The amortization charge for the year has been allocated to general and administrative expenses

### 22. MANAGEMENT EXPENSES

Salaries, wages and benefits	21.1	116,316,479	99,818,862
Rent, rates and taxes		11,366,763	9,005,346
Medical		1,128,744	707,053
Utilities		4,337,149	3,769,545
Communication		4,804,019	5,856,924
Printing and stationery		1,021,989	897,024
Travel		1,820,146	902,327
Entertainment		1,020,302	955,937
Repair and maintenance		1,040,228	2,037,649
Vehicle running and maintenance		18,679,744	16,335,976
Advertising expenses		14,296	17,000
Depreciation	21.3	12,739,257	10,028,764
Legal and professional expenses		20,206	25,260
Tracker charges		48,860,074	33,016,537
Service charges		7,264,854	6,515,691
Bank charges		26,796	15,973
Other expenses		2,464,838	2,082,799
		<u>232,925,884</u>	<u>191,988,667</u>

**22.1** This includes staff retirement benefits amounting to Rs. 5.040 million (2015: Rs. 3.959 million).

### 23. OTHER INCOME

#### Income from financial assets

Profit on bank accounts	2,760,980	3,753,055
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#### Income from non-financial asset

(Loss) / gain on sale of fixed assets	(299,327)	2,370,502
Miscellaneous income	793,852	935,982
	<u>494,525</u>	<u>3,306,484</u>

*K. Ravi*

<u>3,255,505</u>	<u>7,059,539</u>
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# Notes to the Financial Statements

For the year ended December 31, 2016



## 24. GENERAL AND ADMINISTRATION EXPENSES

		2016	2015
		(Rupees)	
Salaries, wages and benefits	24.1	47,724,845	38,503,850
Rent, rates and taxes		8,661,780	6,254,563
Medical		869,059	1,404,059
Utilities		3,329,806	3,032,869
Communication		5,532,674	3,484,575
Printing and stationery		2,293,707	2,047,077
Travel		2,782,456	3,619,823
Advertisement expense		1,262,480	2,485,974
Entertainment		1,501,647	1,108,754
Repair and maintenance		1,983,933	2,105,254
Vehicle running and maintenance		7,344,912	6,345,843
Depreciation	21.3	9,537,120	8,071,682
Amortisation	21.2	330,829	149,844
Insurance expense		2,146,898	2,908,989
Legal and professional		8,889,576	6,960,150
Auditors' remuneration	24.2	2,221,950	920,900
Bank charges		2,855,546	2,212,661
Office expense		3,361,643	2,279,745
Provision against doubtful debts	19.2	313,083	163,610
Worker's welfare fund		4,131,802	2,724,186
		<b>117,075,744</b>	<b>96,784,408</b>

24.1 This includes staff retirement benefits amounting to Rs. 4.578 million (2015: Rs. 3.177 million).

### 24.2 Auditors' remuneration

Annual audit	445,200	445,200
Interim review	222,600	222,600
Other certifications	1,388,600	143,100
Out of pocket expenses	165,550	110,000
	<b>2,221,950</b>	<b>920,900</b>

## 25. TAXATION - net

Current	63,814,796	29,928,857
Prior	-	(225,621)
Deferred	(4,128,471)	17,868,558
	<b>59,686,325</b>	<b>47,571,794</b>

### 25.1 Relationship between tax expense and accounting profit

Profit before taxation for the year	<b>196,282,820</b>	<b>147,078,365</b>
Tax at the applicable rate of 31% (2015: 32%)	60,847,674	47,065,077
Tax effect of change in tax rate	137,616	1,882,721
Tax effect of permanent difference	149,109	438,632
Tax effect of income subject to separate rate of tax	(1,434,205)	(3,160,630)
Others	13,869	1,345,994
	<b>59,686,325</b>	<b>47,571,795</b>

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# Notes to the Financial Statements

## For the year ended December 31, 2016



**25.2** The assessment of the Company upto and including tax year 2016 have been finalized under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) which is subject to audit under section 177 of the Ordinance.

### 26. EARNINGS PER SHARE - basic and diluted

The Company's earnings per share has been calculated based on the following

	2016 (Rupees)	2015
Profit after tax for the year	<u>136,596,496</u>	<u>99,506,571</u>
	(Number of shares)	
Weighted average number of shares of Rs. 10 each	<u>115,217,391</u>	<u>115,217,391</u>
	(Rupees)	
Earnings per share - basic and diluted	<u>1.19</u>	<u>0.86</u>

**26.1** 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.

### 27. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount charged to in the financial statements, including all benefits, to the Chief Executive, Directors and Executives / Key Management Personnel of the Company are as follows:

	Chief executive		Director		Executive / key management personnel		Total	
	2016 (Rupees)	2015	2016 (Rupees)	2015	2016 (Rupees)	2015	2016 (Rupees)	2015
Managerial remuneration	4,800,000	3,627,432	508,571	200,000	29,294,208	21,252,689	34,602,779	25,080,121
House rent allowance	2,160,000	1,632,348	228,857	90,000	13,182,395	9,563,707	15,571,252	11,286,055
Utilities allowances	960,000	725,484	50,857	40,000	6,476,178	4,571,149	7,487,035	5,336,633
Medical allowances	480,000	365,880	101,714	20,000	3,499,020	3,270,529	4,080,734	3,656,409
Retirement benefits 27.1	933,333	453,429	200,000	-	5,424,119	2,742,360	6,557,452	3,195,789
Others	6,236,751	4,046,683	-	-	16,929,714	14,338,926	23,166,465	18,385,609
	<u>15,570,084</u>	<u>10,851,256</u>	<u>1,089,999</u>	<u>350,000</u>	<u>74,805,634</u>	<u>55,739,360</u>	<u>91,465,717</u>	<u>66,940,616</u>
Number of persons	1	1	7	7	30	24	38	32

**27.1** This includes provident fund and gratuity fund (retirement benefits) expenses relating to the company's employee.

**27.2** In addition, the Chief Executive Officer and other executives are provided with company maintained cars in accordance with their entitlements.

### 28. TRANSACTIONS WITH RELATED PARTIES

**28.1** Related parties of the Company comprise of associated companies, companies with common directors, major shareholders, staff retirement fund, directors and key management personnel. Transaction with related parties are carried out at commercial terms and conditions except for compensation to key management personnel which are on employment terms.

Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

#### Transactions and balances with related parties

Transactions during the year with associated companies.

	2016 (Rupees)	2015
Premium underwritten	<u>223,627,801</u>	<u>353,937,676</u>
Profit on bank accounts	<u>3,125,354</u>	<u>3,159,634</u>
Payments for investments	<u>-</u>	<u>343,000,000</u>
Proceeds from disposal of investments	<u>-</u>	<u>422,960,201</u>
Insurance claims expense	<u>192,062,232</u>	<u>136,622,269</u>
Bank charges	<u>2,882,342</u>	<u>2,228,634</u>
Gain on sale of investment	<u>-</u>	<u>11,048,450</u>
Communication charges	<u>-</u>	<u>2,016,000</u>
Internal audit fees	<u>350,000</u>	<u>350,000</u>
Secretarial fees	<u>-</u>	<u>29,168</u>

*Kiran*

# Notes to the Financial Statements

For the year ended December 31, 2016



	2016	2015
<i>Balances with associated companies</i>	<b>(Rupees)</b>	
Premium due but unpaid*	<b>29,644,733</b>	42,054,826
Profit receivable on bank accounts	<b>93,409</b>	101,052
Commission payable	<b>7,699,000</b>	3,708,469
Communication charges payable	<b>7,548,000</b>	7,548,000
<i>Transactions during the year with other related parties including key management personnel</i>		
Contribution to provident fund	<b>5,229,661</b>	3,949,943
Contribution to gratuity fund	<b>4,388,482</b>	3,185,712

\* Age analysis of premium due but unpaid from related parties at the reporting date was:

	2016		2015	
	Gross	Impairment	Gross	Impairment
	<b>(Rupees)</b>			
Upto 1 year	<b>28,973,890</b>	-	38,792,978	-
1-2 years	<b>670,843</b>	-	3,261,848	-
Total	<b>29,644,733</b>	-	42,054,826	-

**28.2** Remuneration to the key management personnel are in accordance with the terms of their employment (refer note 27). Contribution to the provident fund is in accordance with the Company's staff services rules.

## **29. MANAGEMENT OF INSURANCE 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.

### **29.1 Insurance risk management**

#### **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.

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# Notes to the Financial Statements

## For the year ended December 31, 2016



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, quota share, surplus arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on Company's net retentions.

### (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).

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# Notes to the Financial Statements

For the year ended December 31, 2016



## (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:

Average claim cost	Underwriting results		Shareholder's equity	
	2016	2015	2016	2015
	(Rupees)			
Fire and property	2,866,737	1,036,928	1,978,048	705,111
Marine and transport	786,366	797,818	542,593	542,516
Motor	14,566,892	17,458,764	10,051,156	11,871,960
Health Insurance	25,507,143	486,462	17,599,929	330,794
Banker's blanket	250,205	170,825	172,642	116,161
Others	1,317,402	427,967	909,007	291,017
	<u>45,294,745</u>	<u>20,378,764</u>	<u>31,253,375</u>	<u>13,857,559</u>

## Concentration of risk

To optimise benefits from the principle of average and law of large numbers, geographical spread of risk is of extreme importance. There are a number of parameters which are significant in assessing the accumulation of 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 from 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.

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# Notes to the Financial Statements

## For the year ended December 31, 2016



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 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	
	2016	2015	2016	2015	2016	2015
	(Rupees)					
Fire and property	18,067,355,140	17,333,438,000	18,059,855,140	17,308,438,000	7,500,000	25,000,000
Marine and transport	524,860,135	399,999,999	514,362,932	379,999,999	10,497,203	20,000,000
Motor	35,829,000	11,100,000	30,829,000	10,100,000	5,000,000	1,000,000
Banker's blanket	1,500,000,000	2,192,750,001	1,492,500,000	2,177,087,501	7,500,000	15,662,500
Health	750,000	-	525,000	-	225,000	-
Other classes	36,506,610	20,000,000	29,205,288	17,500,000	7,301,322	2,500,000
	<b>20,165,300,885</b>	<b>19,957,288,000</b>	<b>20,127,277,360</b>	<b>19,893,125,500</b>	<b>38,023,525</b>	<b>64,162,500</b>

### Claims development table

The following table shows the development of claims over a period of time on gross basis. For each class of business the uncertainty about the amount and timings of claims payment is usually resolved within a year.

### Analysis on gross basis

Accident year	2012 & prior years	2013	2014	2015	2016	Total
	(Rupees)					
Estimate of ultimate claims cost:						
At end of accident year	1,880,335,149	582,353,802	611,464,874	782,611,023	1,825,827,421	<b>5,682,592,269</b>
One year later	2,420,379,947	643,083,916	559,599,492	724,907,708	-	<b>4,347,971,063</b>
Two years later	2,395,547,209	616,245,359	548,139,060	-	-	<b>3,559,931,628</b>
Three years later	2,384,272,225	623,489,081	-	-	-	<b>3,007,761,306</b>
Four years later	2,340,203,614	-	-	-	-	<b>2,340,203,614</b>
Estimate of cumulative claims	2,340,203,614	623,489,081	548,139,060	724,907,708	1,825,827,421	<b>6,062,566,884</b>
Cumulative payment made to date	(2,303,385,469)	(587,681,219)	(454,820,624)	(599,809,105)	(939,166,328)	<b>(4,884,862,745)</b>
Liability for outstanding claims	36,818,145	35,807,862	93,318,436	125,098,603	886,661,093	<b>1,177,704,139</b>

## 29.2 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:

- Credit risk
- Liquidity risk
- Market risk

*K. Ravi*

# Notes to the Financial Statements

## For the year ended December 31, 2016



### 29.2.1 Risk management framework

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

### 29.2.2 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.

#### 29.2.2.1 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 at December 31, 2016 is as follows:

		December 31, 2016		December 31, 2015	
		Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure
(Rupees)					
Bank balances	14	29,672,481	29,672,481	76,103,518	76,103,518
Loans to employees	15	1,867,696	1,867,696	1,302,648	1,302,648
Investments	16	777,455,887	48,723,815	847,378,808	44,583,538
Premiums due but unpaid	18	509,634,413	509,634,413	304,090,398	304,090,398
Amounts due from other insurers / reinsurers	19	445,237,236	445,237,236	292,627,202	292,627,202
Accrued investment income		14,566,335	14,566,335	24,147,275	24,147,275
Reinsurance recoveries against outstanding claims		1,052,577,459	1,052,577,459	606,801,196	606,801,196
Sundry receivables		2,253,856	2,253,856	2,405,431	2,405,431
		<b>2,833,265,363</b>	<b>2,104,533,291</b>	<b>2,154,856,476</b>	<b>1,352,061,206</b>

Differences in the balances as per financial statements and maximum exposure in investments is due to investments in government securities of Rs. 488.931 million (2015: Rs. 509.450 million) which are not exposed to credit risk.

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

	Rating		Rating Agency	2016	2015
	Short term	Long term		(Rupees)	
United Bank Limited	A-1+	AAA	JCR-VIS	28,921,077	21,971,431
Summit Bank Limited	A-1	A-	JCR-VIS	414,355	3,460,437
Meezan Bank Limited	A-1+	AA	JCR-VIS	-	50,349,445
Khushhali Bank Limited	A+	A-1	JCR-VIS	337,049	322,205
				<b>29,672,481</b>	<b>76,103,518</b>

The credit quality of Company's exposure in Term finance certificates are disclosed in note 16.2.2 of the financial statements. The management monitors exposure to credit risk in premium receivable from customers through regular review of credit exposure and prudent estimates of provisions for doubtful receivables as disclosed in note 18 to the financial statements.

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# Notes to the Financial Statements

## For the year ended December 31, 2016



### 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.

Sector-wise analysis of premium due but unpaid at the reporting date was:

	December 31, 2016		December 31, 2015	
	(Rupees)	%	(Rupees)	%
Automobiles	106,522,042	20.9	107,018,697	35.17
Banks, Modaraba and leasing	131,757,239	25.9	93,212,603	30.64
Textile and composite	85,476,691	16.8	51,098,941	16.80
Sugar Mills	718,215	0.1	1,992,616	0.65
Chemicals and allied industries	778,698	0.2	19,635,517	6.45
Glass, Ceramics and tiles	1,904,425	0.4	1,918,704	0.63
Food and confectionary	14,524,103	2.8	18,331,918	6.03
Fuel and energy	14,414,306	2.8	9,904,183	3.26
Pharmaceutical	2,505,081	0.5	-	-
Telecommunication	123,753,530	24.3	-	-
Others	27,280,083	5.3	1,140,829	0.37
	<b>509,634,413</b>	<b>100</b>	<b>304,254,008</b>	<b>100</b>

Age analysis of premium due but unpaid at the reporting date was:

	December 31, 2016		December 31, 2015	
	Gross	Impairment	Gross	Impairment
	(Rupees)			
Upto 1 year	451,437,469	-	269,963,092	-
1-2 years	52,762,508	-	32,696,192	-
2-3 years	5,434,436	-	1,431,114	-
Over 3 years	-	-	163,610	163,610
Total	<b>509,634,413</b>	<b>-</b>	<b>304,254,008</b>	<b>163,610</b>

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 and other recoveries against outstanding claims	Prepaid reinsurance premium ceded	2016	2015
	(Rupees)				
A or above (including PRCL)	443,865,566	1,049,336,997	395,710,948	1,888,913,511	1,185,777,281
BBB	49,063	115,907	43,709	208,679	23,786,104
Others	1,322,607	3,124,555	1,178,288	5,625,450	1,055,122
	<b>445,237,236</b>	<b>1,052,577,459</b>	<b>396,932,945</b>	<b>1,894,747,640</b>	<b>1,210,618,507</b>



# Notes to the Financial Statements

## For the year ended December 31, 2016



Age analysis of amount due from other insurers / reinsurers at the reporting date was:

	2016		2015	
	Gross	Impairment	Gross	Impairment
	(Rupees)			
Upto 1 year	396,253,906	-	247,054,417	-
1-2 years	47,319,899	-	30,786,850	-
Over 2-3 years	1,976,514	-	14,785,935	-
Over 3 years	313,083	313,083	-	-
	<b>445,863,402</b>	<b>313,083</b>	<b>292,627,202</b>	<b>-</b>

Age analysis of reinsurance recoveries against outstanding claims at the reporting date was:

	2016		2015	
	Gross	Impairment	Gross	Impairment
	(Rupees)			
Up to 1 year	479,749,122	-	413,053,431	-
1-2 years	392,247,387	-	114,516,219	-
Over 2 years	180,580,950	-	79,231,546	-
	<b>1,052,577,459</b>	<b>-</b>	<b>606,801,196</b>	<b>-</b>

In respect of the aforementioned insurance and reinsurance assets, the Company takes into account its past history / track record of recoveries and financial position of the counterparties while creating provision for impairment. Further, reinsurance recoveries are made when corresponding liabilities are settled.

### 28.2.3 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:

	<u>Carrying Amount</u>	
	2016	2015
	(Rupees)	
<b>Non-Derivative Financial liabilities</b>		
Provision for outstanding claims (including IBNR)	<b>1,177,704,139</b>	766,835,943
Amount due to other insurers / reinsurers	<b>319,423,109</b>	216,579,411
Accrued expenses	<b>32,673,744</b>	30,020,504
Other creditor and accruals	<b>99,608,133</b>	86,064,513
	<b>1,629,409,125</b>	1,099,500,371

The carrying amounts represent contractual cash flows maturing within one year.

### 28.2.4 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.

*K. Raza*



# Notes to the Financial Statements

## For the year ended December 31, 2016



### 29.2.4.1 Interest rate risk

Interest rate risk is the risk that fair value of future cash flow of the financial instrument will fluctuate due to changes in the market interest rates. The Company is expose to interest rate risk only in respect of the following:

	Profit rate % per annum	Profit / mark-up bearing financial instruments			Non profit / mark-up bearing financial instruments			
		Maturity upto one year	Maturity over one to five year	Sub total	Maturity upto one year	Maturity over one to five year	Sub total	Total
		----- (Rupees) -----						
Financial assets								
Cash and bank	5.0 - 6	7,660,873	-	7,660,873	22,011,608	-	22,011,608	29,672,481
Loans to employees		-	-	-	1,867,696	-	1,867,696	1,867,696
Investments	5.86 - 15.0	537,654,520	-	537,654,520	239,801,367		239,801,367	777,455,887
Security deposits		-	-	-	-	14,380,461	14,380,461	14,380,461
Premium due but unpaid		-	-	-	509,634,413	-	509,634,413	509,634,413
Amount due to other insurers / reinsurers		-	-	-	445,237,236	-	445,237,236	445,237,236
Accrued investment income		-	-	-	14,566,335	-	14,566,335	14,566,335
Reinsurance recoveries against outstanding claims		-	-	-	1,052,577,459	-	1,052,577,459	1,052,577,459
Sundry receivables		-	-	-	2,253,856	-	2,253,856	2,253,856
		545,315,393	-	545,315,393	2,287,949,970	14,380,461	2,302,330,431	2,847,645,824
Financial liabilities								
Provision for outstanding claims (including IBNR)			-	-	1,177,704,139	-	1,177,704,139	1,177,704,139
Amount due to other insurers / reinsurers		-	-	-	319,423,109	-	319,423,109	319,423,109
Accrued expenses		-	-	-	32,673,744	-	32,673,744	32,673,744
Other creditors and accruals		-	-	-	99,608,133	-	99,608,133	99,608,133
		-	-	-	1,629,409,125	-	1,629,409,125	1,629,409,125
Interest rate risk sensitivity gap		545,315,393	0	545,315,393				
Cumulative interest rate risk sensitivity gap		545,315,393	545,315,393					

*Kiran*

# Notes to the Financial Statements

For the year ended December 31, 2016



		2015			2015			
	Profit rate % per annum	Profit / mark-up bearing financial instruments			Non profit / mark-up bearing financial instruments			Total
		Maturity upto one year	Maturity over one to five year	Sub total	Maturity upto one year	Maturity over one to five year	Sub total	
		(Rupees)						
Financial assets								
Cash and bank	2.6 - 6.0	58,095,582	-	58,095,582	18,007,936	-	18,007,936	76,103,518
Loans to employees		-	-	-	1,302,648	-	1,302,648	1,302,648
Investments	6.26 - 15.0	99,660,476	454,372,997	554,033,473	228,706,755	-	228,706,755	782,740,228
Security deposits		-	-	-	-	4,815,756	4,815,756	4,815,756
Premium due but unpaid		-	-	-	304,090,398	-	304,090,398	304,090,398
Amount due to other insurers / reinsurers		-	-	-	292,627,202	-	292,627,202	292,627,202
Accrued investment income		-	-	-	24,147,275	-	24,147,275	24,147,275
Reinsurance recoveries against outstanding claims		-	-	-	606,801,196	-	606,801,196	606,801,196
Sundry receivable		-	-	-	2,405,431	-	2,405,431	2,405,431
		157,756,058	454,372,997	612,129,055	1,478,088,841	4,815,756	1,482,904,597	2,095,033,652
Financial liabilities								
Provision for outstanding claims (including IBNR)		-	-	-	766,835,943	-	766,835,943	766,835,943
Amount due to other insurers / reinsurers		-	-	-	216,579,411	-	216,579,411	216,579,411
Accrued expenses		-	-	-	30,020,504	-	30,020,504	30,020,504
Other creditors and accruals		-	-	-	86,064,513	-	86,064,513	86,064,513
		-	-	-	1,099,500,371	-	1,099,500,371	1,099,500,371
Interest rate risk sensitivity gap		157,756,058	454,372,997	612,129,055				
Cumulative interest rate risk sensitivity gap		157,756,058	612,129,055					

16/05/17

# Notes to the Financial Statements

## For the year ended December 31, 2016



### *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.

#### **29.2.4.2 Equity price 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 KSE-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.

#### **29.2.4.3 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 majority of the transactions are carried out in Pakistani Rupees.

### **29.3 Fair value of financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, difference may arise between the carrying values and the fair values estimates.

*KPMG*

# Notes to the Financial Statements

## For the year ended December 31, 2016



### 29.3 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

#### On balance sheet financial instruments

	2016					Fair value			
	Fair value through profit or loss	Available-for-sale	Held to maturity	Receivables and other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3
(Rupees)									
<b>Financial assets measured at fair value</b>									
- Investments *									
Ordinary shares of quoted companies	-	58,613,540	-	-	-	58,613,540	58,613,540	-	-
<b>Financial assets not measured at fair value</b>									
- Investments *									
Units of open end mutual funds	-	181,187,827	-	-	-	181,187,827	181,292,816	-	-
Term finance certificates	-	48,723,815	-	-	-	48,723,815	-	49,399,560	-
Government Securities	-	488,930,705	-	-	-	488,930,705	-	495,077,830	-
Cash and Bank balances**	-	-	-	29,672,481	-	29,672,481	-	-	-
Loan to employees**	-	-	-	1,867,696	-	1,867,696	-	-	-
Premium due but unpaid-Unsecured**	-	-	-	509,634,413	-	509,634,413	-	-	-
Amounts due from other insurers / reinsurers **	-	-	-	445,237,236	-	445,237,236	-	-	-
Accrued investment income**	-	-	-	14,566,335	-	14,566,335	-	-	-
Reinsurance and other recoveries against outstanding claims **	-	-	-	1,052,577,459	-	1,052,577,459	-	-	-
Salvage recoveries accrued**	-	-	-	4,835,769	-	4,835,769	-	-	-
Prepayments	-	-	-	-	-	-	-	-	-
- prepaid reinsurance premium ceded**	-	-	-	396,932,945	-	396,932,945	-	-	-
Sundry receivables**	-	-	-	2,253,856	-	2,253,856	-	-	-
Total Assets of Window Takaful Operations - Operator's Fund*	-	-	-	-	-	-	-	-	-
Investments *	-	21,682,344	-	-	-	21,682,344	21,688,353	-	-
Other than investments **	-	-	-	40,050,669	-	40,050,669	-	-	-
<b>Financial liabilities not measured at fair value</b>									
Provision for outstanding claims (including IBNR)**	-	-	-	-	1,177,704,139	1,177,704,139	-	-	-
Amount due to other insurers / reinsurers**	-	-	-	-	319,423,109	319,423,109	-	-	-
Accrued expenses**	-	-	-	-	37,277,999	37,277,999	-	-	-
Other creditors and accruals **	-	-	-	-	119,555,605	119,555,605	-	-	-
Total liabilities of Window Takaful Operations-Operator's Fund*	-	-	-	-	9,755,225	9,755,225	-	-	-
	-	799,138,231	-	2,497,628,859	1,663,716,077	4,960,483,167	261,594,709	544,477,390	-

#### On balance sheet financial instruments

	2015					Fair value			
	Fair value through profit or loss	Available for sale	Held to maturity	Receivables and other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3
(Rupees)									
<b>Financial assets not measured at fair value</b>									
- Investments *									
Ordinary shares of quoted companies	-	64,638,580	-	-	-	64,638,580	57,403,175	-	-
Units of open end mutual funds	-	228,706,755	-	-	-	228,706,755	229,398,156	-	-
Term finance certificates	-	44,583,538	-	-	-	44,583,538	-	46,607,257	-
Government Securities	-	509,449,935	-	-	-	509,449,935	-	520,360,365	-
Cash and Bank balances**	-	-	-	76,103,518	-	76,103,518	-	-	-
Loan to employees**	-	-	-	1,302,648	-	1,302,648	-	-	-
Premium due but unpaid-Unsecured**	-	-	-	304,090,398	-	304,090,398	-	-	-
Amounts due from other insurers / reinsurers **	-	-	-	292,627,202	-	292,627,202	-	-	-
Accrued investment income**	-	-	-	21,147,275	-	21,147,275	-	-	-
Reinsurance and other recoveries against outstanding claims **	-	-	-	606,801,196	-	606,801,196	-	-	-
Salvage recoveries accrued**	-	-	-	7,255,961	-	7,255,961	-	-	-
Prepayments	-	-	-	-	-	-	-	-	-
- prepaid reinsurance premium ceded**	-	-	-	311,190,109	-	311,190,109	-	-	-
Sundry receivables**	-	-	-	2,405,431	-	2,405,431	-	-	-
<b>Financial liabilities not measured at fair value</b>									
Provision for outstanding claims (including IBNR)**	-	-	-	-	766,835,943	766,835,943	-	-	-
Amount due to other insurers / reinsurers**	-	-	-	-	216,579,411	216,579,411	-	-	-
Accrued expenses**	-	-	-	-	33,201,345	33,201,345	-	-	-
Other creditors and accruals **	-	-	-	-	102,035,140	102,035,140	-	-	-
	-	847,378,808	-	1,622,923,738	1,118,651,839	3,588,954,385	286,801,331	566,967,622	-

\* These financial assets are measured at lower of cost or market value as required by S.R.O 938 of 2002 SEC (Insurance) Rules, 2002.

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

Fair value measurement of traded investments, debt and government securities are disclosed in the relevant notes. Other financial liabilities are based on the present value of expected payment, discounted using a risk adjusted discount rate.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs use 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 input 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 input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

*Kipin*



# Notes to the Financial Statements

## For the year ended December 31, 2016



### 30. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safe guard 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 businesses.

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

The Company currently meets the paid up capital requirement as required by Securities and Exchange Commission of Pakistan.

### 31. PROVIDENT FUND

The following is based on un-audited financial statements for the year ended December 31, 2016 and audited financial statement for the year ended December 31, 2015:

	2016 (Rupees)	2015
Size of the fund - Net Assets	55,007,251	43,334,566
Cost of investments	48,592,020	41,299,651
Percentage of investments made	88.34%	95.30%
Fair value of investments	50,506,358	41,874,798

#### 31.1 The breakup-value of fair value of investments is as follows

	2016 Percentage	2015	2016 (Rupees)	2015
Bank balances	3.0%	1.4%	1,508,582	575,147
Pakistan investment bonds	34.6%	41.0%	17,467,521	17,174,835
Market treasury bills	25.7%	46.4%	13,005,355	19,411,354
Term deposits	26.9%	0.0%	13,600,000	-
Units of open ended mutual funds	9.7%	11.3%	4,924,900	4,713,462
	100.0%	100%	50,506,358	41,874,798

#### 31.2 The above investments of funds in special bank account has been made in accordance with the provision of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

### 32. NUMBER OF EMPLOYEES

The number of employees as at / average during the year are as follows:

	2016	2015
At the year end	272	238
Average during the year	262	216

### 33. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors in their meeting held on 06 March, 2017.

Karam

Chief Executive  
Officer

Director

Director

Chairman



UBL TAKAFUL



Here for you



## Auditors' Report to the Members of UBL Insurers Limited

We have audited the annexed financial statements comprising of:

- (i) balance sheet;
- (ii) profit and loss account;
- (iii) statement of comprehensive income;
- (iv) statement of cash flows;
- (v) statement of changes in fund;
- (vi) statement of contributions;
- (vii) statement of claims;
- (viii) statement of expenses; and
- (ix) statement of investment income

of **UBL Insurers Limited – Window Takaful Operations** ("the Company") as at 31 December 2016 together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

- a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies stated therein;

## Auditors' Report to the Members of UBL Insurers Limited



- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2016 and of the loss, its comprehensive income, its cash flows and changes in fund for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

**Date: 6 March 2017**

**Karachi**

*KPMG Taseer Hadi & Co.*

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Mazhar Saleem**



# Balance Sheet

As at December 31, 2016



UBL Insurers Limited - Window Takaful Operations  
Balance Sheet  
As at December 31, 2016

		2016		
	Note	Operator's Fund	Participants' Takaful Fund	Aggregate
		(Rupees)		
<b>Operator's Fund</b>				
Statutory fund		50,000,000	-	50,000,000
Accumulated loss		(5,362,160)	-	(5,362,160)
		44,637,840	-	44,637,840
<b>Waqf / Participants' Takaful Fund</b>				
Ceded money		-	500,000	500,000
Accumulated surplus		-	2,487,066	2,487,066
		-	2,987,066	2,987,066
<b>LIABILITIES</b>				
<b>Underwriting provisions</b>				
Provision for outstanding claims (including IBNR)		-	9,324,603	9,324,603
Provisions for unearned contribution		-	37,977,913	37,977,913
Provisions for unearned re-takaful rebate		-	5,397,041	5,397,041
Total underwriting provisions		-	52,699,557	52,699,557
Qard-e-Hasna			5,000,000	5,000,000
<b>Creditors and accruals</b>				
Amounts due to other takaful / re-takaful operators	5	-	13,320,318	13,320,318
Provision for unearned Wakala fees	7	16,276,248	-	16,276,248
Wakala and mudarib fee payable		-	32,666,248	32,666,248
Accrued expenses		1,629,126	-	1,629,126
Other creditors and accruals	8	8,126,100	1,429,653	9,555,753
		26,031,474	47,416,219	73,447,693
<b>Total liabilities</b>		26,031,474	105,115,776	131,147,250
<b>Total fund and liabilities</b>		<b>70,669,314</b>	<b>108,102,842</b>	<b>178,772,156</b>
<b>Contingency and commitment</b>	9			

		2016		
	Note	Operator's Fund	Participants' Takaful Fund	Aggregate
		(Rupees)		
<b>ASSETS</b>				
<b>Cash and bank</b>	10			
Current and other accounts		2,384,421	4,649,134	7,033,555
<b>Investments</b>	11	21,682,344	26,825,964	48,508,308
<b>Current assets - other</b>				
Contribution due but unpaid - unsecured	12	-	27,144,014	27,144,014
Wakala and mudarib fee receivable		32,666,248	-	32,666,248
Deferred commission expense		6,473,545	-	6,473,545
Amount due from other takaful operators / retakaful operators	13	-	14,952,396	14,952,396
Accrued investment income		-	-	-
Accrued salvage recoverable		-	799,160	799,160
Retakaful recoveries against outstanding claims		-	5,202,940	5,202,940
Prepaid re-takaful contribution ceded		-	28,517,053	28,517,053
Qard-e-Hasna		5,000,000	-	5,000,000
Taxation		2,462,756	12,181	2,474,937
		46,602,549	76,627,744	123,230,293
<b>Total assets</b>		<b>70,669,314</b>	<b>108,102,842</b>	<b>178,772,156</b>

The annexed notes from 1 to 23 form an integral part of these financial statements.

K. Raza

K. Raza

Chief Executive Officer

Director

Director

Chairman

K. Raza

**UBL INSURERS LIMITED**  
WINDOW TAKAFUL OPERATIONS

*For the year ended December 31, 2016*

		For the year ended December 31, 2016					
Note	Fire and property	Marine and transport	Motor	Bankers' blanket	Other classes	Aggregate 2016	
<hr/> <div>(Rupees)</div> <hr/>							
<b>Revenue Account</b>							
<b>Participants' Takaful Fund</b>							

The annexed notes from 1 to 23 form an integral part of these financial statements.

*Green*

Asava Muzhe

## Chief Executive Officer



**Director**

25/1

**Director**

*M. J. J. J.*

## Chairman

# Statement of Comprehensive Income

For the year ended December 31, 2016



## UBL Insurers Limited - Window Takaful Operations

### Statement of Comprehensive Income

For the year ended 31 December 2016

	Rupees	2016 (Rupees)
<b>Loss for the year</b>		<b>(5,362,160)</b>
Other comprehensive income	-	-
<b>Total comprehensive loss for the year</b>	-	<b><u>(5,362,160)</u></b>

The annexed notes from 1 to 23 form an integral part of these financial statements.

*Kreem*

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

  
\_\_\_\_\_  
**Director**

  
\_\_\_\_\_  
**Director**

  
\_\_\_\_\_  
**Chairman**





# Statement of Cash Flows

For the year ended December 31, 2016



WINDOW TAKAFUL OPERATIONS

UBL Insurers Limited - Window Takaful Operations  
Statement of Cash Flows  
For the year ended December 31, 2016

	2016		
	Operator's Fund	Participant's Takaful Fund	Aggregate
	(Rupees)		
<b>Operating cash flows</b>			
<b>(a) Takaful activities</b>			
Contribution received	-	72,813,030	72,813,030
Claim paid	-	(10,325,254)	(10,325,254)
Commission paid	(5,851,783)	-	(5,851,783)
Other underwriting received / (payments)	1,806,583	(36,444,115)	(34,637,532)
Net cash (outflows) / inflows from takaful activities	(4,045,200)	26,043,661	21,998,461
<b>(b) Other operating activities</b>			
Income tax paid	(53,669)	(12,181)	(65,850)
General, administration and management expenses paid	(19,003,264)	(1,023,461)	(20,026,725)
<b>Net cash outflows from other operating activities</b>	(19,056,933)	(1,035,642)	(20,092,575)
<b>Total cash (outflows) / inflows from operating activities</b>	<b>(23,102,133)</b>	<b>25,008,019</b>	<b>1,905,886</b>
<b>Investment activities</b>			
Profit / return received	986,554	141,115	1,127,669
Payment for purchase of investments	(166,818,031)	(130,727,455)	(297,545,486)
Proceeds from disposal / redemption of investments	146,318,031	104,727,455	251,045,486
Ceded money	-	500,000	500,000
<b>Total cash (outflows) from investing activities</b>	<b>(19,513,446)</b>	<b>(25,358,885)</b>	<b>(44,872,331)</b>
<b>Financing activities</b>			
Contribution to operator's fund	50,000,000	-	50,000,000
Qard-e-Hasna	(5,000,000)	5,000,000	-
<b>Total cash inflow from financing activities</b>	<b>45,000,000</b>	<b>5,000,000</b>	<b>50,000,000</b>
<b>Cash at end of the period - Net cash inflows from all activities</b>	<b>2,384,421</b>	<b>4,649,134</b>	<b>7,033,555</b>
<b>Reconciliation to profit and loss account</b>			
Operating cash flows	(23,102,133)	25,008,019	1,905,886
Increase in assets other than cash	41,602,549	76,627,744	118,230,293
Increase in liabilities	(26,031,474)	(100,115,776)	(126,147,250)
	(7,531,058)	1,519,987	(6,011,071)
<b>Other adjustments</b>			
Capital gain	1,182,344	825,964	2,008,308
Other income	986,554	141,115	1,127,669
	2,168,898	967,079	3,135,977
<b>Net (loss) / surplus for the year</b>	<b>(5,362,160)</b>	<b>2,487,066</b>	<b>(2,875,094)</b>

## Definition of cash

Cash comprises of cash in hand, policy stamp, bond papers, 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.

The annexed notes from 1 to 23 form an integral part of these financial statements.

*Kareem*

*Kareem*

Chief Executive Officer

Director

Director

Chairman

*AD*

# Statement of Changes in Fund

For the year ended December 31, 2016



## UBL Insurers Limited - Window Takaful Operations

### Statement of Changes in Fund

For the year ended December 31, 2016

	Operator's Fund		
	Statutory fund	Accumulated loss	Total
		(Rupees)	
Contribution made during the year	50,000,000	-	50,000,000
Total comprehensive loss for the year	-	(5,362,160)	(5,362,160)
<b>Balance as at December 31, 2016</b>	<b>50,000,000</b>	<b>(5,362,160)</b>	<b>44,637,840</b>

	Participants' Takaful Fund		
	Ceded money	Accumulated surplus	Total
		(Rupees)	
Contribution received during the year from the Operator	500,000	-	500,000
Surplus for the year	-	2,487,066	2,487,066
<b>Balance as at December 31, 2016</b>	<b>500,000</b>	<b>2,487,066</b>	<b>2,987,066</b>

The annexed notes from 1 to 23 form an integral part of these financial statements.

*K. Raza*

*Kabir Raza*  
Chief Executive Officer

*[Signature]*  
Director

*[Signature]*  
Director

*[Signature]*  
Chairman

*[Signature]*

# Statement of Contributions

For the year ended December 31, 2016



UBL Insurers Limited - Window Takaful Operations  
Statement of Contributions  
For the year ended December 31, 2016

## Business underwritten inside Pakistan

Class	Year ended December 31, 2016										
	Gross contribution written*	Wakala fee	Net contribution	Unearned contribution reserve		Contribution earned	Re-takaful ceded	Prepaid re-takaful contribution ceded		Re-takaful expense	Net contribution revenue
				Opening	Closing			Opening	Closing		
				(Rupees)							
Direct and facultative											
Fire and property	30,361,841	9,108,552	21,253,289	-	10,639,895	10,613,394	26,449,945	-	12,026,184	14,423,761	(3,810,367)
Marine and transport	9,483,503	2,845,051	6,638,452	-	1,132,287	5,506,165	8,279,379	-	1,418,558	6,860,821	(1,354,656)
Motor	39,619,511	11,885,853	27,733,658	-	14,655,072	13,078,586	7,866,552	-	2,255,921	5,610,631	7,467,955
Bankers' blanket	29,358,624	8,807,587	20,551,037	-	9,547,147	11,003,890	22,094,147	-	10,290,580	11,803,567	(799,677)
Other classes	6,085,961	1,825,788	4,260,173	-	2,003,512	2,256,661	5,391,483	-	2,525,810	2,865,673	(609,012)
Total	114,909,440	34,472,831	80,436,609	-	37,977,913	42,458,696	70,081,506	-	28,517,053	41,564,453	894,243
Treaty											
Proportional / non-proportional	-	-	-	-	-	-	-	-	-	-	-
Grand total	114,909,440	34,472,831	80,436,609	-	37,977,913	42,458,696	70,081,506	-	28,517,053	41,564,453	894,243

\* This includes administrative surcharge of Rs. 1.407 million in aggregate.

The annexed notes from 1 to 23 form an integral part of these financial statements.

*Karam*

*Saba Raza*

Chief Executive Officer

*[Signature]*

Director

*[Signature]*

Director

*[Signature]*

Chairman

*[Signature]*



# Statement of Claims

For the year ended December 31, 2016



UBL Insurers Limited - Window Takaful Operations  
Statement of Claims  
For the year ended December 31, 2016

Class	Year ended December 31, 2016								
	Claims paid	Outstanding claims		Claims expense	Re-takaful and other recoveries received	Re-takaful and other recoveries in respect of outstanding claims		Re-takaful and other recoveries revenue	Net claims expense
		Opening	Closing			Opening	Closing		
Direct and facultative									
Fire and property	5,245,801	-	536,865	5,782,666	4,669,015	-	447,894	5,116,909	665,757
Marine and transport	449,558	-	2,662,569	3,112,127	404,603	-	2,401,238	2,805,841	306,286
Motor	4,385,914	-	3,902,875	8,288,789	2,543,947	-	1,012,377	3,556,324	4,732,465
Bankers blanket	-	-	1,442,256	1,442,256	-	-	1,382,114	1,382,114	60,142
Other classes	243,981	-	780,038	1,024,019	219,584	-	758,477	978,061	45,958
Total	10,325,254	-	9,324,603	19,649,857	7,837,149	-	6,002,100	13,839,249	5,810,608
Treaty									
Proportional / non-proportional	-	-	-	-	-	-	-	-	-
Grand total	10,325,254	-	9,324,603	19,649,857	7,837,149	-	6,002,100	13,839,249	5,810,608

The annexed notes from 1 to 23 form an integral part of these financial statements.

*Karam*

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

  
\_\_\_\_\_  
**Director**

  
\_\_\_\_\_  
**Director**

  
\_\_\_\_\_  
**Chairman**

*AD*

# Statement of Expenses

For the year ended December 31, 2016



## UBL Insurers Limited - Window Takaful Operations

### Statement of Expenses

For the year ended December 31, 2016

Class	Year ended December 31, 2016							
	Commission paid or payable	Deferred commission		Net commission expense	Other management expense	Underwriting expense	Rebate from re takaful operators *	Net Underwriting expense
		Opening	Closing					
(Rupees)								
Direct and facultative								
Fire and property	4,660,823	-	2,471,551	2,189,272	3,235,448	5,424,720	3,383,949	2,040,771
Marine and transport	1,383,177	-	239,613	1,143,564	1,010,590	2,154,154	2,058,246	95,908
Motor	4,700,816	-	2,408,341	2,292,475	4,221,973	6,514,448	234,138	6,280,310
Bankers Blanket	2,427,652	-	1,126,348	1,301,304	3,128,543	4,429,847	690,132	3,739,715
Other classes	455,800	-	227,692	228,108	648,537	876,645	716,418	160,227
Total	13,628,268	-	6,473,545	7,154,723	12,245,091	19,399,814	7,082,883	12,316,931
Treaty								
Proportional / non-proportional	-	-	-	-	-	-	-	-
Grand total	13,628,268	-	6,473,545	7,154,723	12,245,091	19,399,814	7,082,883	12,316,931

\* Rebate from retakaful operators is arrived at after taking the impact of opening and closing unearned retakaful rebate.

The annexed notes from 1 to 23 form an integral part of these financial statements.

*K. Raza*

*K. Raza*

**Chief Executive Officer**

*[Signature]*

**Director**

*[Signature]*

**Director**

*[Signature]*

**Chairman**

*[Signature]*

# Statement of Investment Income

For the year ended December 31, 2016



## UBL Insurers Limited - Window Takaful Operations

### Statement of Investment Income

For the year ended December 31, 2016

	Year ended December 31, 2016 (Rupees)
<b>Participants' Takaful Fund</b>	
Profit on bank deposits	141,115
Gain on sale of investments	<u>825,964</u>
	967,079
Less: Mudarib's fee	<u>(193,416)</u>
<b>Net investment income</b>	<u><u>773,663</u></u>
<b>Operator's Fund</b>	
Profit on bank deposits	986,554
Gain on sale of investments	1,182,344
<b>Net investment income</b>	<u><u>2,168,898</u></u>

The annexed notes from 1 to 23 form an integral part of these financial statements.

*K. K. K.*

*Salwa Kuge*

Chief Executive Officer

*[Signature]*

Director

*[Signature]*

Director

*[Signature]*

Chairman

*[Signature]*

## UBL Insurers Limited - Window Takaful Operations

### Notes to the Financial Statements

For the year ended December 31, 2016

#### 1. STATUS AND NATURE OF BUSINESS

UBL Insurers Limited (the Operator) is a public limited company incorporated in Pakistan on June 29, 2006. The Operator is a subsidiary of Bestway (Holding) Limited. The Operator received the Certificate of Commencement of Business on December 27, 2006.

The Operator was granted license as Window Takaful Operator on December 29, 2015 by Securities and Exchange Commission of Pakistan (SECP) under Takaful Rules, 2012 to carry on General Window Takaful Operations in Pakistan.

For the purpose of carrying on the takaful business, the Operator has formed a Waqf / Participant Takaful Fund (PTF) on January 1, 2016 under the waqf deed. The Waqf deed governs the relationship of Operator and participants for management of takaful operations.

#### 2. BASIS OF PREPARATION

These financial statements have been prepared in line with the format issued by the Securities and Exchange Commission of Pakistan (SECP) through SEC (Insurance) Rules, 2002, and SECP circular no. 25 of 2015 dated July 9, 2015.

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

##### 2.1 Statement of compliance

- 2.1.1** These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, Insurance Ordinance, 2000, SEC (Insurance) Rules, 2002 and Takaful Rules, 2012. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, Insurance Ordinance, 2000, SEC (Insurance) Rules, 2002 and Takaful Rules, 2012 shall prevail.

##### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention.

##### 2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the Operator's functional currency.

##### 2.4 Use of estimates and judgements

The preparation of these financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from period of revision.





# Notes to the Financial Statements

For the year ended December 31, 2016



In particular, information about judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on these financial statements, and estimates that have a significant risk of resulting in a material adjustment in the subsequent years are included in following notes:

- (a) classification of takaful contracts (note 4.1);
- (b) provision for unearned contribution (note 4.3);
- (c) provision for contribution due but unpaid and amount due from other takaful / retakaful operators (note 4.4);
- (d) provision for outstanding claims (including IBNR) and retakaful recoveries there against (note 4.5);
- (e) contribution deficiency reserve (note 4.10);

### 3. STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 1, 2017:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on the financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are not likely to have an impact on the financial statements.
- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are not likely to have an impact on the financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the financial statements.

*Kashif*

# Notes to the Financial Statements

## For the year ended December 31, 2016



Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

- Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the held for sale or discontinued operations in accordance with IFRS 5 – 'Non- current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on the financial statements.
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The amendments are not likely to have an impact on the financial statements.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below.

##### 4.1 Standards, interpretations and amendments effective in current year

During the year, certain new standards and amendments to existing standards became effective. However, they did not have material effect on these financial statements.

##### 4.2 Takaful contracts

The takaful contracts are based on the principles of Wakala. The takaful contracts so agreed usually inspire concept of tabarru (to donate for benefit of others) and mutual sharing of losses with the overall objective of eliminating the element of uncertainty.

Contracts under which the Participant Takaful Fund (PTF) accepts significant takaful risk from another party (the participant) by agreeing to compensate the participant if a specified uncertain future event (the takaful event) adversely affects the participant are classified as takaful contracts. Takaful risk is significant if a takaful event could cause the PTF to pay significant benefits due to the

*Karam*



# Notes to the Financial Statements

For the year ended December 31, 2016



happening of the takaful event compared to its non happening. Once a contract has been classified as a takaful contract, it remains a takaful contract for the remainder of its lifetime, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

The Operator underwrites non-life takaful contracts that can be categorised into following main categories:

## **(a) Fire and property**

Fire and property takaful 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 covered properties in their business activities.

## **(b) Marine and transport**

Marine and transport takaful covers the loss or damage of ships, 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**

Motor takaful is to provide protection against losses incurred as a result of traffic accidents and against liability that could be incurred in an accident.

## **(d) Other classes**

Miscellaneous takaful includes various types of coverage mainly burglary, loss of cash in safe and cash in transit, engineering losses, accident and health, money and other coverage.

## **(e) Bankers' blanket**

Bankers blanket takaful covers losses as a result of dishonest or fraudulent acts by officers and employees of the bank, including on premises coverage of cash, coverage of cash during transit and coverage of forged cheques.

### **4.3 Re-takaful contracts held**

These are contracts entered into by the Company with retakaful for compensation of losses suffered on takaful contracts issued. These retakaful contracts include both facultative and treaty arrangements contracts and are classified in same categories of takaful contracts for the purpose of these financial statements.

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

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

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

*K. K. K.*

# Notes to the Financial Statements

## For the year ended December 31, 2016



#### 4.4 Provision for unearned contribution

Provision for unearned contribution represents the portion of contribution 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 SEC (Insurance) Rules, 2002.

#### 4.5 Contribution deficiency reserve

The Company maintains a provision in respect of contribution deficiency for the class of business where the unearned contribution liability is not adequate to meet the expected future liability, after retakaful, from claims and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The movement in the contribution 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 claim development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, contribution deficiency is determined. Further actuarial valuation has been carried out to determine the amount of contribution deficiency reserve in respect of Accident and Health takaful as required by SRO 16 (I) / 2012 issued by Securities and Exchange Commission of Pakistan on January 9, 2012.

Based on an analysis of combined operating ratio for the expired period of each reportable segment and also on the advise of actuary, the unearned contribution reserve for all classes of business as at the year end is adequate to meet the expected future liability after retakaful, from claims and other expenses expected to be incurred after the balance sheet date in respect of policies in those classes of business in force at the balance sheet date. Hence, no reserve for the same has been made in these financial statements.

#### 4.6 Commission

##### 4.6.1 Commission expense

Commission expense incurred in obtaining and recording policies is deferred and recognised as an expense in accordance with the pattern of recognition of contribution.

##### 4.6.2 Rebate from retakaful operators

Rebate from retakaful operators is deferred and recognised as revenue in accordance with the pattern of recognition of contribution of retakaful contribution to which it relates.

#### 4.7 Receivables and payables related to takaful contracts

Receivables and payables, other than claim payables, relating to takaful contracts are recognized when due. The claim payable is recorded when intimation is received. These include contributions due but unpaid, contribution received in advance, contributions due and claims payable to participants. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any.

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

#### 4.8 Takaful surplus

Takaful surplus attributable to the participants is calculated after charging all direct cost and setting aside various reserves. Allocation to participants, if applicable, is made after adjustment of claims paid to them during the period.

*K. M. Khan*



#### 4.9 Wakala and mudarib fee

The Takaful operator manages the general takaful operations for the participants and charge 30% of gross contribution as wakala fees against the services given to Participant's Takaful Fund. Wakala fee under a policy is recognised evenly over the period of takaful from the date of issuance of the policy till the date of its expiry.

The Operator also manages the participants' investment as Mudarib and charges 20 percent of the investment income earned by the PTF as Mudarib fee. It is recognised on the same basis on which the related revenue is recognised.

#### 4.10 Provision for outstanding claims including Incurred But Not Reported (IBNR)

A liability for outstanding claims is recognized in respect of all claims incurred as at the reporting date 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 outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates.

Provision for IBNR is made for the cost of settling claims incurred but not reported at the reporting date, on the basis of management's judgment and the Operator's prior experience. The Operator takes advice from actuary for the determination.

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

#### 4.11 Investments

##### 4.11.1 Classification and recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs, except for investment at fair value through profit or loss in which case transaction costs are charged to the profit and loss account. These are recognized and classified as follows:

- Investment at fair value through profit or loss
- Held to maturity
- Available-for-sale

The classification depends on the purpose for which the financial assets were acquired.

##### 4.11.2 Measurement

###### 4.11.2.1 Investment at fair value through profit or loss

- Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.
- Investments which are designated at fair value through profit or loss upon initial recognition.

*Continued*

# Notes to the Financial Statements

## For the year ended December 31, 2016



Subsequent to initial recognition, these investments are premeasured at fair value. Gains or losses on remeasurement of these investments are recognised in profit and loss account.

### 4.11.2.2 Held to maturity

Investments with fixed determinable payments and fixed maturity, where Operations has both the intent and the ability to hold to maturity, are classified as held to maturity.

Subsequently, these are measured at amortised cost less provision for impairment, if any.

### 4.11.2.3 Available-for-sale

Investments which are not eligible to be classified as "held for trading" or "held to maturity" are classified as 'available-for-sale'. These investments are intended to be held for an indefinite period of time which may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available-for-sale.

#### Quoted

Subsequent to initial recognition at cost, quoted investments are stated at the lower of cost or market value (market value on an individual investment basis being taken as lower if the fall is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002 vide S.R.O. 938 dated December 2002.

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

Any premium paid or discount availed on government securities and term finance certificates is deferred and amortised over the period to maturity of investment using the effective yield.

#### Fair / market value measurements

For investments in Government securities, fair / market value is determined by reference to quotations obtained from Reuters page (PKRV) where applicable. For investments in quoted marketable securities, other than Term Finance Certificates, fair / market value is determined by reference to Stock Exchange quoted market price at the close of business on reporting date. The fair market value of Term Finance Certificates is as per the rates issued by the Mutual Funds Association of Pakistan (MUFAP).

#### Date of recognition

Regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Operator commits to purchase or sell the investment.

The Takaful operator also manages the Participant's investments as Mudarib and charges 20% of the investment / deposit income earned by the participant's Takaful Fund as Mudarin's share.

Administrative surcharge is included in Wakala fee at the date of inception of policy to which it relates.

*Karam*

# Notes to the Financial Statements

For the year ended December 31, 2016



## 4.12 Qard-e-Hasna

Qard-e-hasna is provided by Operator's fund to PTF in case of deficit or fulfil cash flow requirements.

## 4.13 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand, policy stamps, bank balances and the term deposit receipts having a maturity of not more than twelve months and are subject to insignificant risk of change in value.

## 4.14 Contribution income

Contribution including administrative surcharge under a takaful contract are recognised as revenue at the time of issuance of takaful contract.

Contributions income net of wakala fee is determined after taking into account the unearned portion of contributions. The unearned portion of contribution income is recognised as a liability in PTF.

Re- takaful ceded is recognised as expense after taking into account the proportion of deferred retakaful contribution expense which is calculated using twenty fourths method. The deferred portion of retakaful contribution expense is recognised as a prepayment.

## 4.15 Commission

Commission expense incurred in obtaining and recording policies is deferred and recognised in OTF as an expense in accordance with pattern of recognition of contribution revenue.

Rebate and other forms of revenue (apart from recoveries) from retakaful operators are deferred and recognised as liability and recognised in the profit and loss account as revenue of PTF in accordance with the pattern of recognition of the retakaful contributions.

## 4.16 Allocation of management expenses

Expenses of management of the Window Takaful Operations have been charged to the Operator's Fund on a basis deemed equitable by the operator.

## 4.17 Investment income

- Profit on bank deposits is recognised on a time proportion basis taking into account the effective yield.
- Gain / loss on sale / redemption of investments is taken to profit and loss account in the year of sale / redemption.
- Dividend income is recognised when the right to receive the dividend is established.

## 4.18 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 Operator, the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past.

*Kraam*



# Notes to the Financial Statements

For the year ended December 31, 2016



## Current

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 Operator 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 Operator 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.

### 4.19 Offsetting of financial assets and liabilities

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

### 4.20 Impairment

The carrying amount of assets are reviewed at each reporting date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less cost to sell and value in use. Impairment losses are recognised in profit and loss account.

### 4.21 Creditors, accruals and provisions

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

## 5. AMOUNT DUE TO OTHER TAKAFUL / RE-TAKAFUL OPERATORS

	2016 (Rupees)
Foreign retakaful operators	10,295,383
Local retakaful operators	2,425,800
Co-takaful operators	599,135
	<b>13,320,318</b>

*Karam*



# Notes to the Financial Statements

For the year ended December 31, 2016



## 6. DIRECT EXPENSES

2016  
(Rupees)

Co-takaful service charges

453,115

## 7. WAKALA FEE INCOME

	2016		
	Wakala fee	Provision for unearned Wakala fee (Rupees)	Net Wakala fee income
<b>Direct and facultative</b>			
Fire and property	9,108,552	4,559,955	4,548,597
Marine, aviation and transport	2,845,051	485,266	2,359,785
Motor	11,885,853	6,280,745	5,605,108
Bankers blanket	8,807,587	4,091,634	4,715,953
Other classes	1,825,788	858,648	967,140
	<u>34,472,831</u>	<u>16,276,248</u>	<u>18,196,583</u>

## 8. OTHER CREDITORS AND ACCRUALS

	2016		
	Operator's Fund	Participant's Takaful Fund	Aggregate
		(Rupees)	
Federal excise duty and sales tax	-	834,973	834,973
Federal insurance fees	-	79,779	79,779
Agents commission payable	7,776,485	-	7,776,485
Tax deducted at source	-	9,864	9,864
Others	-	1,378	1,378
Payable to UBL Insurers Limited 8.1	349,615	503,659	853,274
	<u>8,126,100</u>	<u>1,429,653</u>	<u>9,555,753</u>

8.1 This represents payable in respect of expenses incurred by UBL Insurers Limited on behalf of operator.

## 9. CONTINGENCY AND COMMITMENT

There is no contingency and commitment as at December 31, 2016.

## 10. CASH AND BANK

	2016		
	Operator's Fund	Participant's Takaful Fund	Aggregate
		(Rupees)	
<b>Bank accounts</b>			
Savings accounts	<u>2,384,421</u>	<u>4,649,134</u>	<u>7,033,555</u>

10.1 Savings accounts carry expected profits rates ranging from 2.41% to 2.61% per annum.

*Karam*

# Notes to the Financial Statements

For the year ended December 31, 2016

## 11. INVESTMENTS

	2016		
	Operator's Fund	Participant's Takaful Fund	Aggregate
	(Rupees)		
<b>Available-for-sale</b>			
Units of open end mutual funds	<u>21,682,344</u>	<u>26,825,964</u>	<u>48,508,308</u>

The market value of the investments in mutual funds as at December 31, 2016 is Rs. 21.688 million in Operator's Fund and Rs. 26.833 million in Participant's Takaful fund.

## 12. CONTRIBUTIONS DUE BUT UNPAID - unsecured

	2016 (Rupees)
Considered good	27,144,014
Considered doubtful	-
	<u>27,144,014</u>
Provision against doubtful debts	-
	<u><b>27,144,014</b></u>

## 13. AMOUNT DUE FROM OTHER TAKAFUL / RE-TAKAFUL OPERATORS

Foreign retakaful operators	-
Local retakaful operators	297,996
Co-takaful operators	14,654,400
	<u><b>14,952,396</b></u>

## 14. MANAGEMENT EXPENSES

Salaries, wages and benefits	8,046,076
Communication	1,854,280
Printing and stationary	50,311
Travelling expenses	89,604
Rent, rates and taxes	559,573
Utilities	213,513
Vehicle running and maintenance	1,235,671
Repair and maintenance	51,209
Others	144,856
	<u><b>12,245,093</b></u>

## 15. GENERAL AND ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	3,131,164
Rent, rates and taxes	426,410
Utilities	163,923
Communication	1,007,140
Printing and stationary	991,177
Travelling expenses	136,977
Repair and maintenance	97,667
Vehicle running & maintenance	488,743
Advertisement expense	638,026
Others	208,975
Legal and professional fees	547,125
Auditor's Remuneration	593,000
	<u><b>8,430,327</b></u>

### 15.1 AUDITOR'S REMUNERATION

Annual audit fee	159,000
Interim review	53,000
Sharjah Compliance audit	318,000
Out of pocket expenses	63,000
	<u><b>593,000</b></u>

*K. K. K.*

# Notes to the Financial Statements

For the year ended December 31, 2016



## 16. TRANSACTIONS WITH RELATED PARTIES

- 16.1** Related parties of the Operations comprise of associated companies, companies with common directors, major shareholders, staff retirement funds, directors and key management personnel. Transaction with related parties are carried out at commercial terms and conditions except for compensation to key management personnel which are on employment terms.

Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

### *Transactions with related parties*

**2016**  
**(Rupees)**

#### *Transactions during the period with related parties*

Contribution underwritten	<b>1,218,386</b>
Takaful claim expense	<b>182,029</b>
Takaful claim outstanding	<b>650</b>

## 17. REMUNERATION OF HEAD OF WINDOW TAKAFUL OPERATIONS

Managerial remuneration - including bonus	<b>1,583,818</b>
Staff retirement benefits	<b>232,553</b>
House rent allowance	<b>549,744</b>
Utilities allowance	<b>249,465</b>
Medical expenses	<b>122,163</b>
Driver salary	<b>120,000</b>
Vehicle allowance	<b>199,680</b>
Others	<b>31,350</b>
	<b>3,088,773</b>

During the year, a new appointment of Head of Window Takaful Operations was made.

## 18. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The operations has exposure to the following risks from its use of financial instruments:

- Market risk
- Liquidity risk
- Credit risk

### 18.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise of interest rate risk, foreign currency risk and other price risk. The objective of market risk management is to manage and control market risk exposures within an acceptable range.

#### 18.1.1 Profit rate risk

Profit rate risk is the risk that the value of a financial instrument will fluctuate due to change in the market profit rate.

The information about the Operation's exposure to profit rate risk based on contractual repricing or maturity dates whichever is earlier is as follows:

All financial assets of the operations are non profit bearing except for cash and bank for which expected profits range from 2.41% to 2.61% per annum.

*K. K. K.*



# Notes to the Financial Statements

## For the year ended December 31, 2016



### 18.1.2 Foreign Currency risk

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

### 18.1.3 Other price risk

Other price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Operations at present, is not materially exposed to other price risk.

### 18.2 Liquidity risk

Liquidity risk is the risk that the Operations will not be able to meet its financial obligations as they fall due. The Operations' approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the operation's reputation. The following are the contractual maturities of financial liabilities based on the remaining period at the reporting date to maturity date.

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

	2016			Total
	With in one year	Over one year to five year	Over five year	
	(Rupees in '000)			
<b>Financial liabilities</b>				
<b>Participant's Takaful Fund</b>				
Provision for outstanding claims (including IBNR)	9,324,603	-	-	9,324,603
Amounts due to other takaful / retakaful operators	13,320,318	-	-	13,320,318
Wakala and mudarib fee payable	32,666,248	-	-	32,666,248
Accrued expenses	1,629,125	-	-	1,629,125
Other creditors and accruals	8,126,100	-	-	8,126,100
<b>Operator's Fund</b>				
Accrued expenses	-	-	-	-
Other creditors and accruals	1,429,653	-	-	1,429,653
	<u>65,066,394</u>	<u>-</u>	<u>-</u>	<u>65,066,394</u>

### 18.3 Credit risk

Credit risk is the risk, which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The operations attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counter parties in various industries and by continually assessing the credit worthiness of counter parties.

#### 18.3.1 Concentration of credit risk

The bank balances and deposits represents low credit risk as they are placed with reputed financial institutions with strong credit ratings.

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

Bank	Rating Agency	Long Term Rating	2016 (Rupees)
Meezan Bank Limited	JCR-VIS	AA	4,649,134
Meezan Bank Limited	JCR-VIS	AA	2,384,421
			<u>7,033,555</u>

*Karam*

# Notes to the Financial Statements

For the year ended December 31, 2016



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

As at December 31, 2016 there is no significant balance outstanding against contribution due but unpaid and amount due from other takaful / retakaful operators / companies for more than one year and accordingly no aging analysis has been disclosed.

## 19. TAKAFUL RISK

The risk under any takaful contract is the possibility that the covered event occurs and the uncertainty in the amount of compensation to the participant. Generally, most takaful contracts carry the takaful risk for a period of one year (refer note 4.2).

The Operations accepts takaful through issuance of general takaful contracts. For these general takaful contracts the most significant risks arise from fire, atmospheric disturbance, earthquake, terrorist activities and other catastrophes. For health takaful contracts, significant risks arise from epidemics.

### Frequency and severity of claims

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

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

Class	Maximum gross Risk Exposure	Re-Takaful	Net Risk Exposure
Fire and property	312,000,000	294,500,000	17,500,000
Marine and transport	139,432,237	129,432,237	10,000,000
Motor	7,500,000	6,500,000	1,000,000
Bankers Blanket	78,000,000	74,750,000	3,250,000
Other classes	31,450,000	28,305,000	3,145,000

The re-takaful arrangements against major risk exposure include excess of loss, quota arrangements, facultative arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on operation's net retentions. As the major re-takaful arrangements are on excess of loss basis, therefore the re-takaful coverage against PTF's risk exposures is not quantifiable.

### Uncertainty in the estimation of future claims payment

Claims on general takaful contracts are payable on a claim occurrence basis. The PTF is liable for all covered events that occur during the term of the takaful contract including the event reported after the expiry of the takaful contract term.

*K. R. M.*

# Notes to the Financial Statements

For the year ended December 31, 2016



An estimated amount of the claim is recorded immediately on the intimation to the operations. The estimation of the amount is based on operator's judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims.

There are several variable factors which affect the amount and timing of recognized claim liabilities. The operations 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 significantly different from initial recognized amount.

## Key assumptions

The principal assumption underlying the liability estimation of IBNR and Contribution Deficiency Reserves is that the Operator's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc. The internal factors such as portfolio mix, policy conditions and claim handling procedures are further used in this regard.

During the year actuarial valuation is carried out for the determination of IBNR which is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation as required/ allowed by the circular 9 of 2016.

## Statement of Age-wise Breakup of Unclaimed Takaful Benefits

Total amount	Age-wise Breakup			
	1 to 6 months	7 to 12 months	13 to 24 months	Beyond 24 months
(Rupees in '000)				
Claims not encashed	1,380	-	1,380	-

## 20. RE-TAKAFUL RISK

Re-takaful ceded does not relieve the PTF from its obligation towards participants and, as a result, the PTF remains liable for the portion of outstanding claims covered through retakaful to the extent that retakaful operators fails to meet the obligation under the retakaful agreements.

To minimise its exposure to significant losses from re-takaful operators' insolvencies, the operations obtain retakaful rating from a number of retakaful operators, who are dispersed over several geographical regions.

An analysis of all retakaful assets recognised by the rating of the entity from which it is due is as follows:

	Amount due from other takaful / re-takaful operators	Re-takaful recoveries against outstanding claims	Other re-takaful assets	2016
	(Rupees in '000)			
Rating				
A or above	14,952,396	5,202,940	28,517,053	48,672,389

*Karam*



# Notes to the Financial Statements

## For the year ended December 31, 2016



### 21. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	Available-for-sale	Fair value through profit or loss	Receivables and other financial assets	Other financial liabilities	2016 Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)									
<b>On-balance sheet financial instruments</b>									
<b>Financial assets not measured at fair value</b>									
Cash and bank*	-	-	7,033,555	-	7,033,555	-	-	-	-
Investments - Units of open ended mutual fund **	48,508,308	-	-	-	48,508,308	48,521,752	-	-	48,521,752
Contribution due but unpaid*	-	-	27,144,014	-	27,144,014	-	-	-	-
Wakala and mudarib fee receivable*	-	-	32,666,248	-	32,666,248	-	-	-	-
Amount due from other takaful / re-takaful operators*	-	-	14,952,396	-	14,952,396	-	-	-	-
Accrued Salvage recoverable*	-	-	799,160	-	799,160	-	-	-	-
Accrued Investment Income*	-	-	-	-	-	-	-	-	-
Re-takaful recoveries against outstanding claims*	-	-	5,202,940	-	5,202,940	-	-	-	-
Prepaid re-takaful contribution ceded	-	-	28,517,053	-	28,517,053	-	-	-	-
Qard-e-Hasna	-	-	5,000,000	-	5,000,000	-	-	-	-
	<b>48,508,308</b>	<b>-</b>	<b>121,315,366</b>	<b>-</b>	<b>169,823,674</b>	<b>48,521,752</b>	<b>-</b>	<b>-</b>	<b>48,521,752</b>
<b>Financial liabilities not measured at fair value</b>									
Provision for outstanding claims (including IBNR)*	-	-	-	9,324,603	9,324,603	-	-	-	-
Amounts due to other takaful / re-takaful operators *	-	-	-	13,320,318	13,320,318	-	-	-	-
Wakala and mudarib fee payable*	-	-	-	32,666,248	32,666,248	-	-	-	-
Accrued expenses*	-	-	-	1,629,126	1,629,126	-	-	-	-
Other creditors and accruals*	-	-	-	9,555,753	9,555,753	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>66,496,048</b>	<b>66,496,048</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

*K. R. S. H.*

# Notes to the Financial Statements

For the year ended December 31, 2016

- 21.1** Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences may arise between the carrying values and the fair values estimates.

The operations measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurement

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).

## **22. DATE OF AUTHORISATION FOR ISSUE**

These financial statements have been authorised for issue in accordance with a resolution of the Board of Directors on 06 March, 2017

## **23. GENERAL**

All figures have been rounded off to the nearest rupees, unless otherwise stated.

*K. Raza*

*Saba Raza*

**Chief Executive Officer**

*[Signature]*

**Director**

*[Signature]*

**Director**

*[Signature]*

**Chairman**

*[Signature]*

## Head Office & Branches Information



### HEAD OFFICE

126-C, Jami Commercial, Street No. 14,  
Phase-VII, DHA, Karachi, Pakistan.  
UAN: 111-845-111  
Fax: (92-21) 35314504

### CITY BRANCH

6th Floor, Office No. 608-609, Uni Tower,  
I.I. Chundrigar Road, Karachi, Pakistan.  
Tel: (021) 32424699, 32415539,  
Fax: (92-21) 32424689

### CORPORATE BRANCH

126-C, Jami Commercial, Street No. 14,  
Phase-VII, DHA, Karachi, Pakistan.  
UAN: 111-845-111  
Fax: (92-21) 35314516

### SEA VIEW BRANCH

126-C, Jami Commercial, 4th floor, Street  
No. 14, Phase-VII, DHA, Karachi, Pakistan.  
UAN: 111-845-111 Ext: 7862,  
Fax: (92-21) 35314504.

### D.H.A. BRANCH

126-C, Jami Commercial, Street No.  
14, Phase-VII, DHA, Karachi, Pakistan.  
UAN: 111-845-111 Ext: 7856,  
Fax: (92-21) 35314504

### JAMI COMMERCIAL BRANCH

4th Floor, 126-C, Jami Commercial,  
Street No. 14, Phase-VII, DHA, Karachi,  
Pakistan. UAN: 111-845-111,  
Fax: (92-21) 35314504.

### KARACHI BRANCH

6th Floor, Office No. 608-609, Uni Tower,  
I.I. Chundrigar Road, Karachi, Pakistan  
Tel: (021) 32465123, 32465124,  
Fax: (92-21) 32424689

### NEW UNIT BRANCH

1st Floor, 125 - C/1, Jami Commercial,  
Street # 14, Phase - VII, D.H.A. Karachi.  
Tel: 021-35314530-32-33,  
Fax: 021-35314529

### COMMERCIAL BRANCH

1st Floor, 100-C Main Khayaban-e-Jami,  
Commercial Street, DHA, Phase 7, Karachi -  
Pakistan.  
Tel: (021) 35314534, 35314535, 35314536.

### HYDERABAD BRANCH

Office # 3,4 & 5, Mazanine Floor, Muskan  
Centre, (old Rahat Cinema) Near Risala  
Road, Hyderabad.  
Ph: 022-2784501,  
Fax: 022-2784439

### LAHORE (Regional Office)

3rd Floor, C-306 City Tower, 6 K Main  
Boulevard, Gulberg-II, Lahore  
UAN: +92 42 111-845-111  
Fax: 042-35770406

### FAISALABAD (Regional Office)

P-72/2 3rd Floor, Chiragh Plaza,  
Liaquat Road, Faisalabad  
UAN: (041) 111 845 111  
Fax: (041) 2606058

### MULTAN (Regional Office)

3rd Floor, ChenOne Tower, 74-Abdali  
Road, Multan  
UAN: (061) 111 845 111  
Fax: (92-61) 4500170

### ISLAMABAD (Regional Office)

4th Floor, Redco Plaza, Jinnah Avenue,  
Blue Area, Islamabad, Pakistan  
U.A.N. (051) 111-845-111,  
Ph: 051-2344345-7,  
Fax: 051-2344349

### PESHAWAR OFFICE

Unit #. TF-53 & TF-54, 3rd Floor, Deans  
Trade Centre, Peshwar Cantt.  
Phone : (091) 5250306-07  
Fax : (091) 5250301

### CANTT BRANCH LAHORE

3rd Floor, Executive Center,  
92-Commercial Area, Cavalry Ground,  
Lahore Cantt, Lahore.  
Ph: 042-36619851-3  
Fax: (042)36619854

### MALL ROAD BRANCH FAISALABAD

P-18, First Floor, Bilal Road, Civil  
lines, Faisalabad.  
Ph: 041-2623655,  
Fax: 041-2624455

### BOSSAN ROAD BRANCH MULTAN

Business City Plaza Bossan  
Road, Multan.  
Ph: 061-6220026-27  
Fax: 061-6220026.

### BAHAWALPUR OFFICE

Raheem Plaza,  
Fareed Gate, Bahawalpur.  
Ph: 062-2884090-91,  
Fax: 062-2884091



## 11<sup>TH</sup> ANNUAL GENERAL MEETING OF UBL INSURERS LIMITED

### Form of Proxy

I/We, \_\_\_\_\_ of \_\_\_\_\_ being a member of **UBL Insurers Limited** (the "**Company**") and holder of \_\_\_\_\_ ordinary shares as per Share Register Folio No. \_\_\_\_\_ hereby appoint \_\_\_\_\_ or failing him/her \_\_\_\_\_ as my/us proxy to vote for me/our and on my/our behalf at the **11<sup>th</sup> Annual General Meeting** of the Company scheduled to be held on **Tuesday 04, April 2017 at 03:00 p.m. at 1<sup>st</sup> Floor, UBL Head Office Building , I.I. Chundrigar Road, Karachi** and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2017.

#### **Witness 1:**

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

CNIC No. or Passport No: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Revenue  
Stamps  
of Rs.5/-

\_\_\_\_\_  
(Authorized Signature)

#### **Witness 2:**

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

CNIC No. or Passport No: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

#### **Note:**

The Proxy Form, duly completed, should be reached/deposited at the Registered Office of UBL Insurers Limited at 126, Jami Commercial Street No. 14, Phase VII, DHA Karachi not later than 48 hours before the meeting.