

68TH ANNUAL REPORT 2019



IN SAFE HANDS, ALWAYS





alpha

Insurance Company Limited.

A subsidiary of State Life Insurance Corporation of Pakistan

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Company Information

Board of Directors

Ms. Nargis Ghaloo
Chairperson

Mr. Mushtaq Ahmed Shah
Director

Mr. Farrukh Ahmed Hamidi
Director

Mr Muhammad Izqar Khan
Director

Mr. Athar Hussain Khokhar
Director

Mr. Muhammad Rashid
Director

Mr. Mushtaq Ahmad
Director

Chief Executive Officer

Mr. Nadeem Bessey

Company Secretary

Mr. Faraz Ahmed

BOARD COMMITTEES

Audit Committee

Mr. Mushtaq Ahmed Shah
Chairman

Mr Muhammad Izqar Khan
Member

Mr. Athar Hussain Khokhar
Member

Mr. Muhammad Rashid
Member

Mr. Muhammad Shahbaz Khan
Secretary

Ethics, Human Resource, Remuneration, Nomination And Procurement Committee

Ms. Nargis Ghaloo
Chairperson

Mr. Mushtaq Ahmed Shah
Member

Mr. Farrukh Ahmed Hamidi
Director

Mr. Muhammad Rashid
Member

Mr. Nadeem Bessey
Member

Mr. Umair Sattar Abro
Secretary

Investment Committee

Mr. Muhammad Rashid
Chairman

Mr. Mushtaq Ahmad
Member

Mr. Nadeem Bessey
Member

Mr. Faraz Ahmed
Member & Secretary

MANAGEMENT COMMITTEES

Underwriting, Re-insurance And Co-insurance Committee

Mr Muhammad Izqar Khan
Chairman

Mr. Mushtaq Ahmad
Member

Mr. Nadeem Bessey
Member

Mr. Faraz Ahmed
Member

Mr. Khwaja Baliguddin
Secretary

Claims Settlement Committee

Mr. Mushtaq Ahmed Shah
Chairman

Mr. Athar Hussain Khokhar
Member

Mr. Muhammad Rashid
Member

Mr. Nadeem Bessey
Member

General Manager (Operations)
Member

Mr. Sabir Ali
Secretary

Risk Management, Compliance And It Steering Committee

Mr. Athar Hussain Khokhar
Chairman

Mr. Muhammad Rashid
Member

Mr. Mushtaq Ahmad
Member

Mr. Nadeem Bessey
Member

Mr. Khwaja Baliguddin
Member

Mr. Umair Sattar Abro
Member

Mr. Faraz Ahmed
Member

Dr. Syed Arif Hussain
Secretary



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Company Information

Management

Mr. Nadeem Bessey
Chief Executive Officer

Dr. Syed Arif Hussain
General Manager / Head of Marketing

Mr. Khwaja Balighuddin
Head of Underwriting &
Re-insurance

Mr. Faraz Ahmed
Chief Financial Officer

Mr. Sabir Ali
Head of Claim & Law

Mr. Muhammad Shahbaz Khan
Head of Internal Audit

Mr. Umair Sattar Abro
Head of Human Resource

Auditors

M/s KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisor

Mr. Sajid Bashir

Tax Consultants

M/s EY Ford Rhodes
Chartered Accountants

Marketing

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

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

Mr. Muhammad Abbass
Branch Head
Karachi South Division Branch
Karachi

Mr. Vijay Kumar
Branch Head, Hyderabad Branch
Hyderabad

Mr. Rohail Butt
Branch Head
Multan Branch
Multan

Mr. Muhammad Ilyas
Manager
Lahore Branch
Lahore

Mr. Slahuddin
Assistant Manager
Faisalabad Branch
Faisalabad

S. A. Raza
Sr. General Manager & Regional Chief
Northern Region
Islamabad

Mr. Saghir Ahmed
Branch Head
Rawalpindi Branch
Rawalpindi

Mr. Hamzullah Khan
Branch Manager
Peshawar Branch
Peshawar

Bankers

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

Reinsurers

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

Registered Office

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



Key Financial Data - Six Years

(Figures in '000)

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--------------------------------------|-----------|-----------|------------|-----------|----------|-----------|
| | | | (Restated) | | | |
| Paid Up Capital | 500,000 | 500,000 | 500,000 | 403,600 | 403,600 | 403,600 |
| Retained Earning | 99,783 | 96,712 | 146,048 | 206,123 | 221,534 | 189,529 |
| Capital & Revenue Reserves | 105,743 | 108,890 | 95,005 | 10,175 | 10,175 | 10,175 |
| Total Equity | 705,526 | 705,602 | 741,053 | 619,898 | 635,309 | 603,304 |
| Underwriting Reserves | 276,064 | 373,769 | 502,737 | 296,647 | 155,340 | 238,342 |
| Total Reserves | 481,590 | 579,371 | 743,790 | 512,945 | 387,049 | 438,046 |
| Total Liabilities | 406,449 | 510,467 | 670,093 | 485,636 | 339,167 | 426,408 |
| Total Assets | 1,111,974 | 1,216,069 | 1,411,146 | 1,105,534 | 974,476 | 1,029,712 |
| Investments, Cash & Bank Balances | 796,174 | 839,432 | 912,061 | 733,709 | 687,781 | 679,007 |
| Gross Premium | 114,854 | 83,474 | 106,277 | 151,448 | 179,989 | 219,652 |
| Retained Premium (Net Premium) | 60,197 | 47,419 | 79,917 | 79,946 | 63,215 | 90,907 |
| Net Claims (Loss) | 2,696 | 46,024 | 89,344 | 47,719 | 14,991 | 53,856 |
| Management Expenses | 92,280 | 91,323 | 96,130 | 102,051 | 80,600 | 99,530 |
| Underwriting Profit / (Loss) | (56,046) | (97,527) | (123,106) | (73,177) | (12,280) | (42,981) |
| Investments and Miscellaneous Income | 64,419 | 44,061 | 55,370 | 80,891 | 80,481 | 94,300 |
| Finance Cost (IFRS 16) | (2,631) | - | - | - | - | - |
| Profit / (Loss) Before Tax | 5,743 | (53,466) | (67,735) | (19,057) | 41,128 | 23,056 |
| Profit / (Loss) After Tax | 3,596 | (49,628) | (59,986) | (15,475) | 31,664 | 19,509 |

Important Ratios

| | | | | | | |
|---|---------|---------|---------|---------|---------|---------|
| Gross premium to total equity - % | 16% | 12% | 14% | 24% | 28% | 36% |
| Net premium to total equity - % | 9% | 7% | 11% | 13% | 10% | 15% |
| Net Loss to net premium - % | 4.48% | 97.06% | 111.80% | 59.69% | 23.71% | 59.24% |
| Expense to net premium - % | 153.30% | 192.59% | 120.29% | 127.65% | 127.50% | 109.49% |
| Combined ratio - (net loss + expense ratio) to net premium - % | 157.78% | 289.64% | 232.08% | 187.34% | 151.22% | 168.73% |
| Underwriting Loss to net premium - % | 93.10% | 205.67% | 154.04% | 91.53% | 19.43% | 47.28% |
| Return on Equity - (before tax) (Rs.) | 0.008 | (0.076) | (0.091) | (0.031) | 0.065 | 0.038 |
| Return on Equity - (after tax) (Rs.) | 0.005 | (0.070) | (0.081) | (0.025) | 0.050 | 0.032 |
| Return on Total Assets - (before tax) (Rs.) | 0.005 | (0.044) | (0.048) | (0.017) | 0.042 | 0.022 |
| Return on Total Assets - (after tax) (Rs.) | 0.003 | (0.041) | (0.043) | (0.014) | 0.032 | 0.019 |
| Breakup value per share (Book Value) Rs. | 14.11 | 14.11 | 14.82 | 15.36 | 15.74 | 14.95 |



VISION STATEMENT

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

MISSION STATEMENT

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



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OUR QUALITY POLICY

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

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



Notice of Annual General Meeting

Notice is hereby given that 68th Annual General Meeting of Alpha Insurance Company Limited will be held on Thursday, May 28, 2020 at 11:00 a.m. at registered office of the Company situated at 4th Floor, Building No. 1-B, State Life Square, I. I. Chundrigar Road, Karachi to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the 67th Annual General Meeting held on Tuesday, May 28, 2019.
2. To receive, consider and adopt Audited Financial Statements of the Company for the year ended December 31, 2019 together with the Auditors' and Directors' Report thereon.
3. To appoint the auditors of the Company for the year ending December 31, 2020 and fix their remuneration.
4. To elect seven (7) Directors as fixed by the Board for the term of three years in accordance with the provisions of Section 159(1) of the Companies Act, 2017. The names of retiring Directors are:

- | | |
|-----------------------------|------------------------------|
| 1) Ms. Nargis Ghaloo | 2) Mr. Mushtaq Ahmed Shah |
| 3) Mr. Farrukh Ahmad Hamidi | 4) Mr. Muhammad Izqar Khan |
| 5) Mr. Muhammad Rashid | 6) Mr. Athar Hussain Khokhar |
| 7) Mr. Mushtaq Ahmad | |

The retiring directors are eligible for being re-elected.

Every candidate for election of Directors, whether he is a retiring Director or otherwise shall file with the Company not later than 14 days before the date of Annual General Meeting the notice of his intention to offer himself for election as a Director of the Company in terms of Section 159(3) of the Companies Act, 2017 together with the consent in Form 28.

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

By Orders of the Board

Faraz Ahmed
Company Secretary

Karachi: May 02, 2020

Notes:

1. The share transfer Books of the Company will remain closed from May 18, 2020 to May 28, 2020 (both days inclusive)
2. A member entitled to attend and vote at the meeting may appoint another member as proxy to attend and vote in the meeting.
3. The instrument appointing a proxy must be received at registered Office of the Company situated at 4th Floor, Building No. 1-B, State Life Square, I. I. Chundrigar Road, Karachi not later than 48 hours before the time of the Meeting. A member shall not be entitled to appoint more than one proxy. If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instruments of proxies shall be rendered invalid.
4. Change of address, if any, should be notified immediately to the Company at 4th Floor, Building No. 1-B, State Life Square, I. I. Chundrigar Road, Karachi.



Report of the Directors to Shareholders

For the year ended December 31st, 2019

Company Performance

Directors of your Company are presenting 68th Annual Report together with Audited Financial Statements and Auditors' Report thereon for the year ended December 31st, 2019.

Following are key financial results for the period under review:

Table-1

| | Rupees in '000' | | | |
|--|-----------------|------|----------|-------|
| | 2019 | | 2018 | |
| | Rupees | % | Rupees | % |
| Gross premium | 114,854 | 100% | 83,474 | 100% |
| Net Premium Revenue | 60,197 | 52% | 47,419 | 57% |
| Insurance claims and acquisition costs | (23,962) | -21% | (53,624) | -64% |
| Management Expenses | (92,280) | -80% | (91,323) | -109% |
| Underwriting results (Loss) | (56,046) | -49% | (97,527) | -117% |
| Profit/(Loss) before tax | 5,743 | 5% | (53,466) | -64% |
| Taxation (Charge)/Gain | (2,146) | -2% | 3,838 | 5% |
| Profit/(Loss) after tax | 3,596 | 3% | (49,628) | -59% |
| Other comprehensive income/(loss) | (526) | | 293 | |
| Profit available for appropriation | 99,783 | | 96,712 | |

Table-2

| | Rupees in '000' | | | |
|--|-----------------|----------|------------------------------------|------------------------------------|
| | 2019 | 2018 | Change - favorable / (unfavorable) | Change - favorable / (unfavorable) |
| | Rupees | Rupees | Rupees | % |
| Gross premium | 114,854 | 83,474 | 31,380 | 38% |
| Net Premium Revenue | 60,197 | 47,419 | 12,778 | 27% |
| Insurance claims and acquisition costs | (23,962) | (53,624) | 29,662 | 55% |
| Management Expenses | (92,280) | (91,323) | (957) | -1% |
| Underwriting results (Loss) | (56,046) | (97,527) | 41,481 | 43% |
| Profit/(Loss) before tax | 5,743 | (53,466) | 59,209 | 111% |
| Taxation (Charge)/Gain | (2,146) | 3,838 | (5,984) | -156% |
| Profit/(Loss) after tax | 3,596 | (49,628) | 53,224 | 107% |
| Other comprehensive income/(loss) | (526) | 293 | (819) | -280% |
| Profit available for appropriation | 99,783 | 96,712 | 3,071 | 3% |



As it can be seen in above presented tables that gross premium has increased by 38% and the net premium by 27%. The increase in net premium is lesser than the gross premium due to the fact that the reinsurance arrangement was changed from the year 2018 from proportional to excess of loss with fixed minimum deposit premium (MDP) on certain premium volumes and further impact of unearned premium. Now your company is moving from downward to upward trend.

Underwriting loss has gone down by 43% attributable to decrease in claims & acquisition cost by 55% and control on management expenses. The decrease in claims & acquisition cost is the indication that the quality of the underwriting has been improving since 2017 as a direct result of the underwriting reforms and also no major claim was incurred during the period under review. Though, the company had been suffering losses from 2016 to 2018, however, this year the company has turned around. The Board is doing its best to sustain the situation by supporting the management.

Credit Rating

JCR-VIS is performing their procedures to assign the rating for the year 2020. However the rating for the year 2019 and before was "A" and the management is confident to retain the same for the year 2020.

Reinsurance

Reinsurance arrangements for the year 2020 have already been finalized in the last quarter of 2019 and your company has obtained best reinsurance treaties in the given scenario. Further, underwriting capacity of your company has been increased from Rs.300 million to Rs.500 million for Fire, Marine and Engineering classes.

Contingencies and Commitments

The Board has sufficient reasons to believe that the ultimate outcome of contingencies mentioned in note # 21 to the Financial Statements will be in Company's favour.

Minimum Paid-up Capital

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

Dividend and Appropriations

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

Earnings Per Share

Earnings per share for the year 2019 has improved by Rs. 1.06 to Rs. 0.07 from Rs. (0.99) in 2018.



Auditors

On completion of tenure of M/s. KPMG Taseer Hadi & Co., Chartered Accountants, M/s Grant Thornton Anjum Rahman, being eligible, offered themselves for appointment as Auditors of the Company. On recommendation of Audit Committee the Board proposes to appoint them for the year 2020.

Statement of Directors Responsibility

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

Board Meetings

During the year seven (7) meetings of the Board of the Directors were held, attendance details are as follows:

| | Attended |
|-----------------------|-----------------|
| Nargis Ghaloo | 7 |
| Muhammad Izqar Khan | 7 |
| Mushtaq Ahmed Shah | 4 |
| Muhammad Rashid | 7 |
| Mushtaq Ahmad | 7 |
| Farrukh Ahmad Hamidi | 7 |
| Athar Hussain Khokhar | 7 |



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Board Committees' Meetings

Following are the details of Board Committees' meetings held during the year:

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

Management Committees' Meetings

Following are the details of Management Committees' meetings held during the year:

| | No. of Meeting Held |
|---|----------------------------|
| Underwriting, Reinsurance and Coinsurance Committee | 4 |
| Claims Settlement | 5 |
| Risk Management, Compliance and IT Steering Committee | 4 |

Pattern of Shareholding

Pattern of shareholding is enclosed in this annual report.

Six Years Key Data

Six years key data is enclosed in this annual report.

Acknowledgement

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

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

For and on behalf of the Board


Nadeem Bessey
Chief Executive Officer


Muhammad Rashid
Director

Karachi: April 11, 2020



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ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز

برائے سال ختمہ 31 دسمبر 2019

کمپنی کی کارکردگی

آپ کی کمپنی کے ڈائریکٹرز برائے سال ختمہ 31 دسمبر 2019 کے آڈٹ شدہ مالی گوشواروں اور اس پر آڈیٹرز کی رپورٹ کے ساتھ 68 ویں سالانہ رپورٹ پیش کر رہے ہیں۔

درج ذیل اہم مالی نتائج برائے سال 2019 ہیں:-

جدول 1 (روپے ہزار میں)

| 2018 | | 2019 | | |
|-------|----------|------|----------|--------------------------------|
| % | روپے | % | روپے | |
| 100% | 83,474 | 100% | 114,854 | مجموعی پربیم |
| 57% | 47,419 | 52% | 60,197 | نیٹ پربیم ریونیو |
| -64% | (53,624) | -21% | (23,962) | انشورنس کلیمز اور حصول کی لاگت |
| -109% | (91,323) | -80% | (92,280) | انتظامی اخراجات |
| -117% | (97,527) | -49% | (56,046) | انڈر رائٹنگ نتائج (نقصان) |
| -64% | (53,466) | 5% | 5,743 | منافع/ (نقصان) قبل از ٹیکس |
| 5% | 3,838 | -2% | (2,146) | ٹیکس (چارج)/ منافع |
| -59% | (49,628) | 3% | 3,596 | منافع/ (نقصان) بعد از ٹیکس |
| | 293 | | (526) | دیگر جامع آمدنی/ (نقصان) |
| | 96,712 | | 99,783 | دستیاب منافع برائے تصرف |

جدول 2 (روپے ہزار میں)

| تبدیلی موافق/ (ناموافق) | | تبدیلی موافق/ (ناموافق) | | 2018 | 2019 | |
|-------------------------|---------|-------------------------|------|----------|----------|--------------------------------|
| % | روپے | % | روپے | | | |
| 38% | 31,380 | | | 83,474 | 114,854 | مجموعی پربیم |
| 27% | 12,778 | | | 47,419 | 60,197 | نیٹ پربیم ریونیو |
| 55% | 29,662 | | | (53,624) | (23,962) | انشورنس کلیمز اور حصول کی لاگت |
| -1% | (957) | | | (91,323) | (92,280) | انتظامی اخراجات |
| 43% | 41,481 | | | (97,527) | (56,046) | انڈر رائٹنگ نتائج (نقصان) |
| 111% | 59,209 | | | (53,466) | 5,743 | منافع/ (نقصان) قبل از ٹیکس |
| -156% | (5,984) | | | 3,838 | (2,146) | ٹیکس (چارج)/ منافع |
| 107% | 53,224 | | | (49,628) | 3,596 | منافع/ (نقصان) بعد از ٹیکس |
| -280% | (819) | | | 293 | (526) | دیگر جامع آمدنی/ (نقصان) |
| 3% | 3,071 | | | 96,712 | 99,783 | دستیاب منافع برائے تصرف |



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جیسا کہ مندرجہ بالا پیش کردہ جدول میں یہ دیکھا جاسکتا ہے کہ مجموعی پریمیم میں 38 فیصد اور نیٹ پریمیم میں 27 فیصد اضافہ ہوا ہے۔ نیٹ پریمیم میں اضافہ اس مجموعی پریمیم سے کم ہے۔ اس کی وجہ درحقیقت یہ ہے کہ ری انشورنس معاہدے سال 2018 سے پروپوشنل سے ایکسس آف لاس کی بنیاد پر کئے گئے جس میں مخصوص پریمیم کی ضمانت (مٹیم پریمیم ڈپازٹ) دی گئی ہے پر تبدیل کر دیئے گئے اور ان ارنڈ (Unearned) پریمیم کے مزید اثرات مرتب ہوئے۔ اب آپ کی کمپنی کا رجحان نیچے کی بجائے اوپر کی جانب ہے۔

انڈر رائٹنگ نقصان میں کلیم اور حصول لاگت میں 55 فیصد کی اور انتظامی اخراجات پر قابو پانے میں 43 فیصد کی واقع ہوئی ہے۔ کلیمز اور حصول لاگت میں کمی اس بات کا اشارہ ہے کہ انڈر رائٹنگ کی کوالٹی بہتر ہو رہی ہے جس کا براہ راست نتیجہ 2017 میں انڈر رائٹنگ اصلاحات ہیں اور اس کے علاوہ جائزہ لینے کے دوران کوئی بڑا کلیم نہیں ہوا۔ اگرچہ کمپنی کو سال 2016 سے 2018 تک نقصانات کا سامنا کرنا پڑا تھا، تاہم اس سال کمپنی رخ موڑ رہی ہے۔ بورڈ انتظامیہ کی مدد سے صورتحال کو برقرار رکھنے کیلئے پوری کوشش کر رہا ہے۔

کرڈیٹ ریٹنگ

JCR-VIS سال 2020 کی ریٹنگ کیلئے کام کر رہی ہے۔ تاہم 2019 اور اس سے قبل ہماری ریٹنگ "A" تھی اور انتظامیہ کو قوی امید ہے کہ سال 2020 میں بھی یہی ریٹنگ برقرار رہے گی۔

ری انشورنس

2019 کے آخری سہ ماہی میں سال 2020 کی ری انشورنس معاہدے کئے جاسکے ہیں اور آپ کی کمپنی نے دیئے گئے منظر نامے میں بہترین ری انشورنس معاہدے حاصل کئے ہیں۔ مزید یہ کہ آپ کی کمپنی کی انڈر رائٹنگ کی صلاحیت 300 ملین روپے سے بڑھ کر 500 ملین روپے ہو گئی ہے جو کہ فائر، مرین اور انجینئرنگ کی کلاسز میں ہے۔

امکانات اور وعدے

بورڈ کے پاس یقین کرنے کی کافی وجوہات ہیں کہ مالیاتی گوشواروں کے نوٹ نمبر 21 میں درج معاملات کا نتیجہ کمپنی کے حق میں ہوگا۔

اداشدہ سرمائے میں اضافہ

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

منافع منقسمہ اور تصرف

گزشتہ کئی سالوں بعد موجودہ سال کے دوران مسلسل نقصانات اور کم آمدنی کی بناء پر اس سال ڈائریکٹرز نے ڈیویڈنڈ ادا کرنے کا فیصلہ کیا ہے۔

فی شیئر آمدنی

سال 2019 کیلئے فی شیئر آمدنی ہفتا بلکہ 2018 کے 1.06 روپے سے بڑھ کر 0.07 روپے رہی جو کہ 2018 میں منفی 0.99 روپے تھی۔

آڈیٹرز

میسرز KPMG ٹاٹیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کی مدت اختتام پر میسرز گرانٹ تھورنٹن انجم حُسن اہل ہونے کے ناطے، کمپنی کے آڈیٹر کی حیثیت سے اپنے آپ کو تفرری کیلئے پیش کیا ہے۔ آڈٹ کمیٹی کی سفارش پر بورڈ نے انہیں سال 2020 کیلئے مقرر کرنے کی تجویز پیش کی ہے۔

ڈائریکٹرز کی ذمہ داری کا اسٹیٹمنٹ

● مالیاتی گوشوارے جو کمپنی کی انتظامیہ نے تیار کئے ہیں ان کے کاروباری معاملات، ان کے آپریشنز کے نتائج، کیش فلوز اور اکیویٹی میں تبدیلیوں کو منصفانہ طریقہ سے پیش کیا گیا ہے۔

● کمپنی کے حسابی کھاتوں کو باقاعدہ طور پر تیار کیا گیا ہے۔

● مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تواتر کے ساتھ استعمال کیا گیا ہے اور اکاؤنٹنگ تخمینہ جات مناسب اور محتاط اندازوں پر مبنی ہیں۔

● مالیاتی گوشواروں کی تیاری میں پاکستان میں قابل اطلاق انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈز پر عملدرآمد کیا گیا۔ منظور شدہ اکاؤنٹنگ اسٹینڈرڈز ایسے انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز (IFRS) پر مبنی ہیں جو انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈز بورڈ نے جاری کئے اور جو کمپنیز ایکٹ 2017 و مندرجات اور ہدایات جاری شدہ ماتحت کمپنیز ایکٹ 2017، انشورنس آرڈیننس 2000 اور انشورنس رولز 2017 کے تحت ہیں اور اگر کہیں انحراف کرنا پڑا تو وہ معقول طور پر شائع کیا گیا ہے۔

● اندرونی کنٹرول سسٹم کی توسیع کر دی گئی ہے اور اس نے سینئر مینجمنٹ کو موثر مانیٹرنگ اور کنٹرول فراہم کیا ہے۔

● گورننگ کنسرن کے طور پر جاری رکھے کیلئے کمپنی کی صلاحیت پر شک کرنے کی کوئی بنیاد نہیں۔

● اسٹیٹمنٹ آف کمپلائنس و دکوڈ آف کارپوریٹ گورننس برائے پبلک سیکٹور کمپنیز اور انشورران مالیاتی گوشواروں کے ساتھ منسلک ہے۔

بورڈ کے اجلاس

سال کے دوران بورڈ آف ڈائریکٹرز کے سات (7) اجلاس منعقد ہوئے جن کی حاضری کی تفصیلات مندرجہ ذیل ہے:-

حاضر ہوئے

7

زرگس گھلو

7

محمد زاہد کارخان

4

مشتاق احمد شاہ

7

محمد راشد

7

مشتاق احمد

7

فرخ احمد حادی

7

اطہر حسین کھوکھر

بورڈ کمیٹیوں کے اجلاس

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

منعقدہ اجلاس کی تعداد

5

آئیٹھکس، ہیومن ریسورس، نو مینیشن اینڈ پروکیورمینٹ کمیٹی

4

انوسٹمنٹ کمیٹی

5

آڈٹ کمیٹی

مینیجمنٹ کمیٹیوں کے اجلاس

مینیجمنٹ کمیٹیوں کے اجلاس کی تفصیلات مندرجہ ذیل ہیں جو سال کے دوران منعقد ہوئے:-

منعقدہ اجلاس کی تعداد

4

انڈر رائٹنگ، ری انشورنس اینڈ کوانٹورنس کمیٹی

5

کلیم سٹیٹمنٹ

4

رسک مینیجمنٹ، کمپلائنس اینڈ آئی ٹی اسٹیرنگ کمیٹی

پیٹرین آف شیئر ہولڈنگ

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

چھ سالہ کلیدی ڈیٹا

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

اظہار تشکر

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

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

برائے اور منجانب بورڈ



محمد راشد

ڈائریکٹر



ندیم ہتھی

چیف ایگزیکٹو آفیسر

کراچی 11 اپریل 2020



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

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

For the year ended: **31 December 2019**

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

| S. No. | Provision of the Rules | Rule no. | Y | N | | | | | | | | | | | |
|-------------------------|---|--|-----------------------|---------------------|-----------------------|-------------------------------------|--------------------------------------|--------------------|--|--|-------------------------|---|--|--|--|
| | | | Tick the relevant box | | | | | | | | | | | | |
| 1. | The independent directors meet the criteria of independence, as defined under the Rules. | 2(d) | ✓ | | | | | | | | | | | | |
| 2. | The Board has the requisite percentage of independent directors. At present the Board includes: | 3(2) | ✓ | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of Appointment</th> </tr> </thead> <tbody> <tr> <td>Independent Directors</td> <td>Mushtaq Ahmed Shah Nargis Ghaloo</td> <td>March 24, 2017 September 12, 2018</td> </tr> <tr> <td>Executive Director</td> <td></td> <td></td> </tr> <tr> <td>Non-Executive Directors</td> <td>Muhammad Rashid Mushtaq Ahmad Athar Hussain Khokar Muhammad Izqar Khan Furrukh Ahmad Hamidi</td> <td>March 24, 2017 March 24, 2017 December 12, 2017 January 03, 2019 February 04, 2019</td> </tr> </tbody> </table> | Category | Names | Date of Appointment | Independent Directors | Mushtaq Ahmed Shah Nargis Ghaloo | March 24, 2017 September 12, 2018 | Executive Director | | | Non-Executive Directors | Muhammad Rashid Mushtaq Ahmad Athar Hussain Khokar Muhammad Izqar Khan Furrukh Ahmad Hamidi | March 24, 2017 March 24, 2017 December 12, 2017 January 03, 2019 February 04, 2019 | | |
| Category | Names | Date of Appointment | | | | | | | | | | | | | |
| Independent Directors | Mushtaq Ahmed Shah Nargis Ghaloo | March 24, 2017 September 12, 2018 | | | | | | | | | | | | | |
| Executive Director | | | | | | | | | | | | | | | |
| Non-Executive Directors | Muhammad Rashid Mushtaq Ahmad Athar Hussain Khokar Muhammad Izqar Khan Furrukh Ahmad Hamidi | March 24, 2017 March 24, 2017 December 12, 2017 January 03, 2019 February 04, 2019 | | | | | | | | | | | | | |
| 3. | The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries. | 3(5) | ✓ | | | | | | | | | | | | |
| 4. | The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as board members under the provisions of the Act. | 3(7) | ✓ | | | | | | | | | | | | |
| 5. | The chairman of the board is working separately from the chief-executive of the Company. | 4(1) | ✓ | | | | | | | | | | | | |
| 6. | The chairman has been elected by the Board of directors except where Chairman of the Board has been appointed by the Government. | 4(4) | ✓ | | | | | | | | | | | | |



alpha

Insurance Company Limited.

A subsidiary of State Life Insurance Corporation of Pakistan

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



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



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| S. No. | Provision of the Rules | Rule no. | Y | N | | | | | | | | | | | | | | | |
|-----------------------|--|---|-----------------------|-------------------------|--------------------|--------------------------------------|---|-----------------|------------------------|--------------------------|-----------------------|------------------------|------------------------------------|---------------------|------------------------|---------------------------------------|------------------|--------------------|--|
| | | | Tick the relevant box | | | | | | | | | | | | | | | | |
| 29. | (a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration. (b) The annual report of the company contains criteria and details of remuneration of each director. | 19 | ✓ ✓ | | | | | | | | | | | | | | | | |
| 30. | The financial statements of the Company were duly endorsed by the chief executive and chief financial officer, before consideration and approval of the audit committee and the Board. | 20 | ✓ | | | | | | | | | | | | | | | | |
| 31. | The Board has formed an audit committee, with defined and written terms of reference, and having the following members: <table border="1" data-bbox="264 801 1062 1149"> <thead> <tr> <th>Name of Member</th> <th>Category</th> <th>Professional Background</th> </tr> </thead> <tbody> <tr> <td>Mushtaq Ahmed Shah</td> <td>Independent / Non-Executive Director</td> <td>M.Com, Diploma in Public administration</td> </tr> <tr> <td>Muhammad Rashid</td> <td>Non-Executive Director</td> <td>FCMA, Finance & Accounts</td> </tr> <tr> <td>Athar Hussain Khokhar</td> <td>Non-Executive Director</td> <td>M.Sc (Mathematics) & B.Sc (Hons.),</td> </tr> <tr> <td>Muhammad Izqar Khan</td> <td>Non-Executive Director</td> <td>MBA (Major in Marketing), ACMA (CIMA)</td> </tr> </tbody> </table> The chief executive and chairman of the Board are not members of the audit committee. | Name of Member | Category | Professional Background | Mushtaq Ahmed Shah | Independent / Non-Executive Director | M.Com, Diploma in Public administration | Muhammad Rashid | Non-Executive Director | FCMA, Finance & Accounts | Athar Hussain Khokhar | Non-Executive Director | M.Sc (Mathematics) & B.Sc (Hons.), | Muhammad Izqar Khan | Non-Executive Director | MBA (Major in Marketing), ACMA (CIMA) | 21 (1) and 21(2) | ✓ ✓ | |
| Name of Member | Category | Professional Background | | | | | | | | | | | | | | | | | |
| Mushtaq Ahmed Shah | Independent / Non-Executive Director | M.Com, Diploma in Public administration | | | | | | | | | | | | | | | | | |
| Muhammad Rashid | Non-Executive Director | FCMA, Finance & Accounts | | | | | | | | | | | | | | | | | |
| Athar Hussain Khokhar | Non-Executive Director | M.Sc (Mathematics) & B.Sc (Hons.), | | | | | | | | | | | | | | | | | |
| Muhammad Izqar Khan | Non-Executive Director | MBA (Major in Marketing), ACMA (CIMA) | | | | | | | | | | | | | | | | | |
| 32. | (a) The chief financial officer, the chief internal auditor, and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed. (b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives. (c) The audit committee met the chief internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors. | 21(3) | ✓ ✓ ✓ | | | | | | | | | | | | | | | | |
| 33. | (a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee. (b) The Chief Internal Auditor does not have five years of relevant Audit experience. (c) The internal audit reports have been provided to the external auditors for their review. | 22 | ✓ ✓ | ✓ | | | | | | | | | | | | | | | |
| 34. | The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan. | 23 (4) | ✓ | | | | | | | | | | | | | | | | |
| 35. | The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services. | 23 (5) | ✓ | | | | | | | | | | | | | | | | |

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

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



1. The Board has formed the following management committees.

Underwriting, Re-Insurance & Co-Insurance Committee:

| Name of the member | Category |
|---------------------------|-----------------------------------|
| Mr. Muhammad Izqar Khan | Chairman (Non-Executive Director) |
| Mr. Mushtaq Ahmad | Member |
| Mr. Nadeem Bessey | Member |
| Mr. Faraz Ahmed | Member |
| Mr. Khawaja Balighuddin | Secretary |

Claims Settlement Committee:

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

Risk Management, Compliance and I.T. Steering Committee

| Name of the member | Category |
|---------------------------|-----------------------------------|
| Mr. Athar Hussain Khokar | Chairman (Non-Executive Director) |
| Mr. Muhammad Rashid | Member |
| Mr. Mushtaq Ahmad | Member |
| Mr. Nadeem Bessey | Member |
| Mr. Faraz Ahmed | Member |
| Mr. Khawaja Balighuddin | Member |
| Mr. Umair Sattar Abro | Member |
| Dr. Syed Arif Hussain | Member / Secretary |

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

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

| Name of the member | Category |
|---------------------------|---|
| Ms. Nargis Ghaloo | Chairman (Independent / Non-Executive Director) |
| Mr. Muhammad Rashid | Member |
| Mr. Mushtaq Ahmed Shah | Member |
| Mr. Farrukh Ahmad Hamidi | Member |
| Mr. Nadeem Bessey | Member |
| Mr. Umair Sattar Abro | Secretary |

Investment Committee:

| Name of the member | Category |
|---------------------------|-----------------------------------|
| Mr. Muhammad Rashid | Chairman (Non-Executive Director) |
| Mr. Mushtaq Ahmad | Member |
| Mr. Nadeem Bessey | Member |
| Mr. Faraz Ahmed | Member / Secretary |



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

Audit Committee:

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

- The meetings of the committees were held at least once every quarter prior to approval of interim and final results of the Company as required by CCG Insurers, 2016. The terms of references of the Committees have been formed and advised to the Committees for compliance.
- The Board has setup an effective internal audit function through competent personnel who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the insurer and they are involved in the internal audit function on a regular basis.
- All the resident directors of the Company have confirmed that they are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. None of the directors or their spouses is engaged in business of stock brokerage.
- The Chief Executive officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under CCG Insurers, 2016. Moreover, the persons heading the underwriting, claim, and reinsurance departments, possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000).

| Name of the Person | Designation |
|---------------------------|---------------------------------|
| Mr. Nadeem Bessey | Chief Executive Officer |
| Mr. Faraz Ahmed | Chief Financial Officer |
| Mr. Faraz Ahmed | Company Secretary |
| Mr. Faraz Ahmed | Head of IT |
| Mr. Muhammad Shahbaz Khan | Head of Internal Audit (Acting) |
| Mr. Khwaja Balighuddin | GM Operation |
| Mr. Khwaja Balighuddin | Head of Re-Insurance |
| Mr. Khwaja Balighuddin | Head of Underwriting |
| Mr. Sabir Ali | Head of Claims |
| Dr. Syed Arif Hussain | Compliance Officer |
| Mr. Umair Sattar Abro | Head of HR |



Following changes in the appointments were made during the reporting period

| Name of outgoing employee | Name of incoming employee | Designation | Reason of change in appointment |
|---------------------------|---------------------------|-------------------------|---|
| Mr. Ayaz Ghori | Mr. Faraz Ahmad | Chief Financial Officer | Mr. Ayaz Ghori has resigned from the Post |
| Mr. Ayaz Ghori | Mr. Faraz Ahmad | Company Secretary | Mr. Ayaz Ghori has resigned from the Post |

6. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
7. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
8. The Actuary appointed by the Company neither he nor his spouse and minor children hold shares of the insurer.
9. The Board ensured that the appointed actuary complies with the requirement set out for him in CCG Insurers, 2016.
10. The Board ensures that the investment policy of the insurer is drawn up in accordance with the provisions of the CCG Insurers, 2016.
11. The Board ensures that the risk management department/function of the company is in place as per the requirements of the CCG Insurers, 2016.
12. The Board ensures that as part of the risk management system, the insurer gets itself rated from JCR-VIS (credit rating agency) which is being used by its risk management function/department and the respective Committee as a risk monitoring tool. The rating assigned for the year 2018 by the said rating agency is "A" with "Negative" outlook.
13. The Board has set up a grievance department/function, which fully complies with the requirements of the CCG Insurers, 2016.
14. We confirm that all other material principles contained in CCG Insurers, 2016 have been complied with except for the following:
 - i. The company has not put in place, in writing, a complete program of compliance down the line under the supervision of a Compliance Officer.


Chief Executive Officer


Chairperson



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

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

| Sr. No. | Rule/Sub-rule no and Clause no. | Reason for non-compliance | Future Course of Action |
|---------|---------------------------------|---|--|
| 10. | 5(5)(b) (ii) | The Compliance Officer took longer to prepare the "Conflict of Interest policy". | The "Conflict of Interest policy" has been prepared and already presented in the Risk Management and Compliance Committee. Soon it will be presented to the Board for approval. |
| 11. | 5(5)(b) (vi) | The Compliance Officer took longer to prepare the "Anti-Corruption policy". | The "anti-corruption policy" has been prepared and already presented in the Risk Management and Compliance Committee. Soon it will be presented to the Board for approval. |
| 19. | 8 (2) | The Board does evaluate the performance of its members including the Chairperson and CEO in various meetings. | The criteria to evaluate the performance of members of Board including the chairperson is under preparation. However, the performance of top management is assessed through annual / half-yearly / quarterly operating results of the company. |
| 33. | 22(2) | Current CIA is the holder of master degree in Finance. He has a 3 years experience of working in Finance department of the company. | The management is looking for CIA who may comply with the criteria of fit and proper for the post. |


Chief Executive Officer


Chairperson



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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance for Insurers, 2016 and the Public Sector Companies (Corporate Governance) Rules, 2013 (combined called 'the Codes') as prepared by the Board of Directors ("the Board") of **Alpha Insurance Company Limited** ("the Company") for the year ended 31 December 2019 to comply with the requirements of the Codes.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Codes as applicable to the Company for the year ended 31 December 2019.



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

| S. No. | Reference | Rule and Clause No. | Description |
|--------|-----------------|-----------------------|---|
| 1 | S.No. 10 | Rule No. 5(5)(b) (ii) | The Company has not formulated any Conflict of Interest Policy. |
| 2 | S.No.11 | Rule No, 5(5)(b) (vi) | There is no Anti-Corruption Policy of the Company to minimize actual or perceived corruption in the Company. |
| 3 | S.No.19 | Rule No. 8(2) | The Board of Directors has not carried out performance evaluation of its members, including the Chairman. The Board of Directors has not monitored and assessed the performance of senior management on annual/half - yearly/quarterly basis. |
| 4 | S.No.33 | Rule No. 22 | The Chief Internal Auditor does not have five years of relevant audit experience. |
| 5 | Paragraph 14(i) | Clause xxix & xxxi | The Company has not formulated a Compliance Program. |

Date: 30 April 2020

Karachi

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.

Chartered Accountants



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

Opinion

We have audited the annexed financial statements of **Alpha Insurance Company Limited** (the "Company"), which comprise the statement of financial position as at 31 December 2019, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017}, in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 31 December 2019 and of the profit, total comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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

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



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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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



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- o Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion, The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- o Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- o Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- o Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- o Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

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

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



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- b) the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

Date: 30 April 2020

Karachi

KPMG Taseer Hadi

KPMG Taseer Hadi & Co.

Chartered Accountants



Statement of Financial Position

As at December 31, 2019

| | Note | 2019 | 2018 |
|--|------|----------------------|----------------------|
| ----- Rupees ----- | | | |
| Assets | | | |
| Property and equipment | 6 | 23,135,280 | 3,865,697 |
| Intangible assets | 7 | - | - |
| Investments | | | |
| Equity securities | 8 | 235,081,734 | 250,730,242 |
| Debt securities | 9 | 419,112,300 | 557,302,570 |
| Term deposits | | - | - |
| Loans and other receivables | 10 | 10,402,986 | 16,352,683 |
| Insurance / Reinsurance receivables | 11 | 62,547,897 | 54,307,940 |
| Reinsurance recoveries against outstanding claims | | 118,466,336 | 211,643,940 |
| Salvage recoveries accrued | | 7,882 | 7,882 |
| Deferred Commission Expense / Acquisition cost | 24 | 10,888,561 | 5,295,944 |
| Retirement benefits | 12 | 321,638 | 1,410,130 |
| Deferred taxation | 17 | 5,628,476 | 1,576,152 |
| Taxation - payment less provisions | 20 | 69,571,058 | 63,293,535 |
| Prepayments | 13 | 14,830,483 | 18,883,406 |
| Cash and bank | 14 | 141,979,813 | 31,399,235 |
| Total assets | | 1,111,974,444 | 1,216,069,356 |
| Equity and Liabilities | | | |
| Capital and reserves attributable to Company's equity holders | | | |
| Ordinary share capital | 15 | 500,000,000 | 500,000,000 |
| Reserves | 16 | 105,743,093 | 108,889,872 |
| Unappropriated profit | | 99,782,600 | 96,712,303 |
| Total Equity | | 705,525,693 | 705,602,175 |
| Liabilities | | | |
| Underwriting provisions | | | |
| Outstanding claims including IBNR | 23 | 199,813,911 | 318,692,780 |
| Unearned premium reserves | 22 | 48,770,068 | 33,943,281 |
| Premium deficiency reserves | | 27,251,570 | 20,598,586 |
| Unearned reinsurance commission | 24 | 228,490 | 534,024 |
| Premium received in advance | | 4,901,131 | 7,096,895 |
| Insurance / Reinsurance payables | 18 | 24,545,475 | 43,008,052 |
| Other creditors and accruals | 19 | 100,938,106 | 86,593,563 |
| Total Liabilities | | 406,448,751 | 510,467,181 |
| Total Equity and Liabilities | | 1,111,974,444 | 1,216,069,356 |
| Contingencies and commitments | 21 | | |

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


Chief Executive Officer


Chairperson


Director


Director



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Profit and Loss Account

For the year ended 31 December 2019

| | Note | 2019 | 2018 |
|--|------|--------------------|---------------------|
| | | ----- Rupees ----- | |
| Net insurance premium | 22 | 60,196,761 | 47,419,199 |
| Net insurance claims | 23 | (2,696,404) | (46,023,512) |
| Premium deficiency | | (6,652,984) | 3,444,900 |
| Net commission and other acquisition costs | 24 | (14,612,642) | (11,044,981) |
| Insurance claims and acquisition costs | | (23,962,030) | (53,623,593) |
| Management expenses | 25 | (92,280,417) | (91,323,065) |
| Underwriting results | | (56,045,686) | (97,527,459) |
| Investment income | 26 | 43,277,239 | 43,776,945 |
| Other income | 27 | 24,835,588 | 4,361,708 |
| Other expenses | 28 | (3,693,477) | (4,077,454) |
| | | 64,419,350 | 44,061,199 |
| Results of operating activities | | 8,373,664 | (53,466,260) |
| Finance Costs | 29 | (2,631,161) | - |
| Profit / (loss) before tax | | 5,742,503 | (53,466,260) |
| Income tax expense | 30 | (2,146,454) | 3,837,913 |
| Profit / (loss) after tax | | 3,596,049 | (49,628,347) |
| Earnings / (loss) (after tax) per share | 31 | 0.07 | (0.99) |

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


Chief Executive Officer


Chairperson


Director


Director



Statement of Comprehensive Income

For the year ended 31 December 2019

| | 2019 | 2018 |
|---|------------------------|----------------------------|
| | ----- Rupees ----- | |
| Profit / (Loss) after tax | 3,596,049 | (49,628,347) |
| Other comprehensive income / (loss) | | |
| Items that will be reclassified to profit and loss subsequently | | |
| Unrealised (loss) / gain on available-for-sale investments | (7,206,169) | 20,182,930 |
| Reclassification adjustment relating to available-for-sale investments disposed off | - | (626,658) |
| Total unrealized gain on available-for-sale investments | (7,206,169) | 19,556,272 |
| Deferred tax on available-for-sale investments | 4,059,390 | (5,671,319) |
| | <u>(3,146,779)</u> | <u>13,884,953</u> |
| Items not to be reclassified to profit and loss subsequently | | |
| Actuarial (loss) / benefit on defined benefit plans | (740,496) | 412,587 |
| Related deferred tax | 214,744 | (119,650) |
| | (525,752) | 292,937 |
| Total comprehensive loss for the year | <u><u>(76,482)</u></u> | <u><u>(35,450,457)</u></u> |

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


Chief Executive Officer


Chairperson


Director


Director



Cash Flow Statement

For the year ended 31 December 2019

| | 31 December 2019 | 31 December 2018 |
|--|---------------------|----------------------|
| | ----- Rupees ----- | |
| Operating Cash Flows | | |
| a) Underwriting activities | | |
| Insurance premiums received | 114,385,839 | 95,499,346 |
| Reinsurance premium paid | (53,673,684) | (92,405,027) |
| Claims paid | (103,036,669) | (158,074,997) |
| Reinsurance and other recoveries received | 74,639,000 | 113,902,451 |
| Commission paid | (22,982,694) | (14,395,309) |
| Commission received | 703,389 | 876,541 |
| Management expenses paid | (80,834,756) | (66,975,130) |
| Net cash used in underwriting activities | (70,799,575) | (121,572,125) |
| b) Other operating activities | | |
| Income tax paid | (8,202,167) | (17,319,138) |
| Other operating payments | (933,491) | 5,670,702 |
| Other operating receipts | 256,854 | (1,400,700) |
| Loans advanced | (427,877) | 8,105 |
| Net cash used in other operating activities | (9,306,681) | (13,041,031) |
| Total cash used in all operating activities | (80,106,256) | (134,613,156) |
| Investment Activities | | |
| Profit / return received | 57,799,274 | 41,523,061 |
| Dividend received | 8,373,943 | 8,114,036 |
| Payment for investments | (941,014,686) | (394,052,643) |
| Proceeds from investments | 1,074,494,766 | 377,755,834 |
| Fixed capital expenditure | (4,637,707) | (375,857) |
| Proceeds from disposal of fixed assets | 1,679,144 | - |
| Total cashflow from investing activities | 196,694,734 | 32,964,431 |
| Financing Activities | | |
| Unclaimed dividend paid during the period | (9,810) | - |
| Lease payments | (5,998,090) | - |
| Total cash flow from financing activities | (6,007,900) | - |
| Net cashflow from all activities | 110,580,578 | (101,648,725) |
| Cash and cash equivalents at the beginning of the year | 31,399,235 | 133,047,960 |
| Cash and cash equivalents at the end of the year | 141,979,813 | 31,399,235 |



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Cash Flow Statement

For the year ended 31 December 2019

| | 31 December 2019 | 31 December 2018 |
|---|---------------------|---------------------|
| | ----- Rupees ----- | |
| Reconciliation to Profit and Loss account | | |
| Operating cash flows | (80,106,256) | (134,613,156) |
| Depreciation expense | (5,752,888) | (1,731,086) |
| Gain on disposal of fixed assets | 1,679,135 | |
| Increase / (decrease) in assets other than cash | (82,676,064) | (128,439,824) |
| (Increase) / decrease in liabilities | 104,018,430 | 159,626,083 |
| Other investment income | 34,931,796 | 41,557,897 |
| Other Income | 23,156,453 | 4,361,708 |
| Dividend Income | 8,345,443 | 7,797,261 |
| Profit / (loss) on disposal of investment | - | 1,186,112 |
| Adjustment of unrealized gain / (loss) on sale of AFS investments | - | 626,658 |
| Profit / (Loss) after taxation | <u>3,596,049</u> | <u>(49,628,347)</u> |

Definition of cash:

Cash comprises of cash in hand, policy stamps, bond papers, cheques in hand, bank balances and other deposits which are readily convertible to cash in hand and which are used in the cash management function on a day-to-day basis.

Cash for the purposes of the Cash Flow Statement consists of:

| | | |
|----------------------------|--------------------|-------------------|
| Cash and other equivalents | 141,995 | 194,630 |
| Current and other accounts | <u>141,837,818</u> | <u>31,204,605</u> |
| | <u>141,979,813</u> | <u>31,399,235</u> |

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


Chief Executive Officer


Chairperson


Director


Director



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Insurance Company Limited.
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Statement of Changes in Equity

For the year ended December 31, 2019

| | Attributable to equity holders of the Company | | | | | Total |
|--|---|----------------------------------|------------------|--|-----------------------|--------------------|
| | Share Capital | Capital reserve | General reserve | Revenue reserves | Unappropriated profit | |
| | | Reserve for exceptional losses * | | Unrealized Gain on Revaluation of AFS Investment-net | | |
| Balance as at 01 January 2018 | 500,000,000 | 3,355,000 | 6,820,000 | 84,829,919 | 146,047,713 | 741,052,632 |
| <i>Total comprehensive income for the year:</i> | | | | | | |
| Loss for the year | - | - | - | - | (49,628,347) | (49,628,347) |
| Other comprehensive income | - | - | - | 13,884,953 | 292,937 | 14,177,890 |
| Transactions with owners recorded directly in equity - Issue of right shares | - | - | - | 13,884,953 | (49,335,410) | (35,450,457) |
| Balance as at 31 December 2018 | 500,000,000 | 3,355,000 | 6,820,000 | 98,714,872 | 96,712,303 | 705,602,175 |
| Balance as at 01 January 2019 | 500,000,000 | 3,355,000 | 6,820,000 | 98,714,872 | 96,712,303 | 705,602,175 |
| Total comprehensive income for the year: | | | | | | |
| Profit for the year | - | - | - | - | 3,596,049 | 3,596,049 |
| Other comprehensive income | - | - | - | (3,146,779) | (525,752) | (3,672,531) |
| Balance as at 31 December 2019 | 500,000,000 | 3,355,000 | 6,820,000 | 95,568,093 | 99,782,600 | 705,525,693 |

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

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


Chief Executive Officer


Chairperson


Director


Director



Notes to and forming part of the Financial Statements

For the year ended December 31, 2019

1 LEGAL STATUS AND NATURE OF BUSINESS

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

The registered office of the Company is situated at 4th Floor, Building # 1-B, State Life Square, I. I. Chundrigar Road, Karachi. The Company has 11 (31 December 2018: 13) branches in Pakistan. The parent entity of the Company is State Life Insurance Corporation of Pakistan holding 95.15% (31 December 2018: 95.15%) shares of the Company.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as are notified under Companies Act, 2017; and
- Provision of and directive issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules, 2017 and Insurance Accounting Regulations, 2017.

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

2.1 Basis of measurement

These financial statements have been prepared under the historical cost basis except for the available-for-sale investments that have been measured at fair value, the obligations under employee benefits that have been measured at fair value of plan assets less the present value of defined benefit obligation and right of use assets and corresponding lease liabilities have been measured on their present value.

2.2 Functional and presentation currency

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



2.3 Standards, interpretations and amendments effective in current year

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after 01 January 2019 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not stated in these financial statements. During the year, certain new standards and amendments to existing standards became effective except for the impact of accounting of lease as disclosed in note 4.1 of these financial statements.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future.. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.



- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.

- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after 1 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated – i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on Company's financial statements.

- IFRS 9 'Financial Instruments' is effective for reporting period / year ending on or after 30 June 2019. It replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

- Amendment to IFRS 4 Insurance Contracts' - Applying IFRS 9 'Financial Instruments' with IFRS 4 addresses issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from 01 July 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied.



- The Company has determined that it is eligible for the temporary exemption option since the Company has not previously applied any version of IFRS 9, its activities are predominantly connected with insurance as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent and the company doesn't engage in significant activities unconnected with insurance based on historical available information. Under the temporary exemption option, the Company can defer the application of IFRS 9 until the application IFRS 17.
- To determine the appropriate classification of financial assets under IFRS 9, an entity would need to assess the contractual cash flows characteristics of any financial asset. Indeed, the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") i.e. cash flows that are consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest.
- IFRS 9 defines the terms "principal" as being the fair value of the financial asset at initial recognition, and the "interest" as being compensation for (i) the time value of money, and (ii) the credit risk associated with the principal amount outstanding during a particular period of time.
- The tables below set out the fair values as at the end of reporting period and the amount of change in the fair value during that period for the following two groups of financial assets separately:
 - a) Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis, and
 - b) All other financial assets.

| | 31 December 2019 | | | | |
|--|----------------------|--|--------------------|----------------------|--|
| | Fail the SPPI test | | Pass the SPPI test | | |
| | Fair value | Change in unrealized gain / (loss) during the year | Carrying value | Cost less Impairment | Change in unrealized gain / (loss) during the year |
| Financial assets | ----- (Rupees) ----- | | | | |
| Cash and bank* | 141,979,813 | - | - | - | - |
| Investments in equity securities - available for sale | 235,081,734 | (7,206,169) | - | - | - |
| Investments in debt securities - - held to maturity | - | - | 419,112,300 | 419,112,300 | - |
| Loans and other receivables* | - | - | 10,402,986 | 10,402,986 | - |
| Total | 377,061,547 | (7,206,169) | 429,515,286 | 429,515,286 | - |



31 December 2019

| | Gross carrying amounts of debt instruments that pass the SPPI test | | | | |
|---|--|-----|----|---|-------------|
| | AAA | AA+ | AA | A | Unrated |
| | ----- (Rupees) ----- | | | | |
| Investments in debt securities - held to maturity | - | - | - | - | 419,112,300 |
| Loans and other receivables* | - | - | - | - | 10,402,986 |
| Total | - | - | - | - | 429,515,286 |

* The carrying amount of these financial assets measured applying IAS 39 are a reasonable approximation of their fair values.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and method of computation adopted in preparation of financial statements are consistent to all years presented in these financial statements except for the accounting for leases as disclosed in note 4 and the standards, which became effective during the current year.

3.1 Property and Equipment

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

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

An item of fixed assets is derecognised upon disposal and when no economic benefits are expected from its use or disposal. Gains or losses on disposal of tangible assets are taken to the profit and loss account in the period in which disposals are made.

3.2 Intangible assets

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

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



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

3.3 Insurance contracts

Insurance contracts are those contracts under which the Company, as insurer, has accepted insurance risk from the insurance contract holder (insured) by agreeing to compensate the insured if a specified uncertain future event (the insured event) adversely affects the insured.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its tenure, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

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

- Fire and property damage;
 - Marine, aviation and transport;
 - Motor;
 - Accident and health;
 - Credit and suretyship; and
 - Miscellaneous.
- (a) Fire and property damage insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities.
- (b) Marine, aviation and transport insurance covers the loss or damage of vessels, cargo, terminals, and any transport or property by which cargo is transferred, acquired or held between the points of origin and final destination.
- (c) Motor insurance provides protection against losses incurred as a result of theft, traffic accidents and against third party liability that could be incurred in an accident.
- (d) Accident and health insurance covers unforeseen cash flows and financial hardships arising due to ailments, accidents and other natural causes necessitating hospitalisation.
- (e) Credit and suretyship insurance covers performance bonds in which surety assures the obligee that the principal can perform the task.
- (f) Other types of insurance contracts are classified in the miscellaneous category which includes mainly engineering, terrorism, worker compensation, and travel insurances, etc.

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



3.4 Commission

3.4.1 Deferred commission expense / Acquisition Cost

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

3.4.2 Unearned Commission income

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

3.5 Premium

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

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

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

3.6 Unearned premium reserve

Unearned premium reserve represents the portion of premium written relating to the unexpired period of coverage and is recognised as a liability by the Company. This liability is calculated by determining the ratio of the unexpired period of the policy as specified in the Insurance Rules, 2017.

3.7 Premium deficiency reserve

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



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

3.8 Reinsurance contracts

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums is accounted for in the same period as the related premium for the direct business being reinsured. Reinsurance premium is recognised as expense after taking into account the proportion of deferred premium expense which is calculated using pattern similar to calculation of premium income for the same policy. The deferred portion of premium expense is recognised as prepaid reinsurance premium ceded.

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

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

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

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

3.9 Receivables and payables related to insurance contracts

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

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

3.10 Creditors, accruals and provisions

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



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

3.11 Segment reporting

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

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

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

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

3.12 Cash and cash equivalents

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

3.13 Revenue Recognition

- (a) Premium income under a policy is recognised over the period of insurance contract from the date of inception of the policy to which it relates till the expiry in case of marine cargo business whereas, for all other cases of premium, income is recognised as a difference between total premium written and provision for unearned premium.
- (b) Commission income is taken to the profit and loss account on a time proportionate basis in accordance with the pattern of recognition of reinsurance premium to which it relates.
- (c) Administrative surcharge recovered by the Company from policy holders is included in income.
- (d) Income from held-to-maturity investments is recognised on time proportion basis taking into account the effective yield on the investment. The difference between redemption and purchase price of the held-to-maturity investment is amortised and recognised in the profit and loss account over the term of investment.
- (e) Dividend income is recognised when the right to receive such dividend is established.



- (f) Gain / loss on sale of investments is included in the profit and loss account in the period of sale.
- (g) Return on bank balances is recognised on a time proportion basis taking into account the effective yield.

3.14 Investments

3.14.1 Classification

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

a) In equity securities

Surplus / (deficit) arising on revaluation of quoted securities which are classified as available for sale investments is taken to other comprehensive income in the Statement of Comprehensive Income. On derecognition or impairment of available-for-sale investments, the cumulative gain or loss previously reported in other comprehensive income is transferred to profit and loss for the period within Statement of Comprehensive Income whereas any reversal in impairment is taken in Statement of Comprehensive Income.

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

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

b) In debt securities

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

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

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

c) In term deposits

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



3.15 Offsetting of financial assets and liabilities

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

3.16 Provision for outstanding claims (including IBNR)

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

Outstanding claims

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

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

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

Incurred But Not Reported (IBNR) Claims

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

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

3.17 Taxation

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



Current tax

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

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

Deferred tax

Deferred tax is recognised using balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the reporting date.

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

3.18 Staff retirement benefits

3.18.1 Defined benefit plan - Gratuity Scheme

The Company operates an approved and funded gratuity scheme for employees whose period of service with the Company is five years or more. The liability / asset recognized in the balance sheet is the present value of defined benefit obligation at the reporting date less fair value of plan assets. The defined benefit obligation is calculated annually using Projected Unit Credit Method. Remeasurements which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognized immediately in other comprehensive income.

The Company determines the net interest expense (income) on the net defined benefit liability / (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability / (asset), taking into account any changes in the net defined benefit liability / (asset) during the period as a result of contribution and benefit payments. Net interest expense and current service cost are recognized in profit and loss account and actuarial gains / loss are recognised in other comprehensive income as they occur and are not reclassified to profit or loss in subsequent periods. The last actuarial valuation of the Company's defined benefit plan was carried on as of 31 December 2019.

3.18.2 Defined contribution plan

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



3.18.3 Employees' compensated absences

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

3.19 Impairment

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

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

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

3.20 Dividend distribution

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

3.21 Expenses of management

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

3.22 Commission from reinsurers

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

3.23 Foreign currencies

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. All exchange differences are routed through the profit and loss account.



3.24 Financial instruments

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

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is taken to income directly.

3.25 Earnings per Share

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

4. CHANGE IN ACCOUNTING POLICIES

4.1 During the year, IFRS 16 - Leases become applicable on all companies having lease arrangements. This IFRS 16 replaces existing guidance on accounting for leases as per IAS 17. IFRS 16 introduced a single balance sheet accounting model for long term lessees. As a result, the company as a lessee, recognizes right-of-use assets representing its right of using the underlying assets and a corresponding lease liability representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Company has applied IFRS 16 using the modified retrospective approach, therefore, the comparative information has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations.

The right-of-use asset is initially measured at cost, are subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company has applied incremental borrowing rate as the discount rate i.e 1 Year KIBOR + 2% at the date of initial recognition.



The lease liability is subsequently increased by interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options.

Summary of the effect of this change in accounting policy is as follows:

| | Rupees |
|---|------------------|
| Impact on Statement of Financial Position | |
| Increase in fixed assets - right of use assets | 16,211,617 |
| Increase in other liabilities - lease liability against right of use assets | (17,017,844) |
| Decrease in prepaid rent | (187,917) |
| Decrease in net asset - before tax | <u>(994,144)</u> |
| Impact on Profit and Loss Account | |
| Increase in finance cost - lease liabilities | (2,631,161) |
| Increase / decrease in management expenses | |
| Increase in depreciation expense - right of use assets | (4,173,155) |
| Decrease in rent expense | 5,810,172 |
| Decrease in profit before tax | <u>(994,144)</u> |

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The judgments, estimates and assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the revision and future periods if the revision affects both current and future periods.

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



alpha

Insurance Company Limited.

A subsidiary of State Life Insurance Corporation of Pakistan

| | |
|--|------|
| | Note |
| a) Property and Equipment | 3.1 |
| b) Unearned Premium reserve | 3.6 |
| c) Premium deficiency reserve | 3.7 |
| d) Receivable related to insurance / reinsurance contracts | 3.9 |
| e) Provision for outstanding claim (including IBNR) | 3.16 |
| f) Taxation | 3.17 |
| g) Staff retirement benefits | 3.18 |
| h) Impairment | 3.19 |

| | | | |
|----------------------------------|------|--------------------|------------------|
| | Note | 2019 | 2018 |
| | | ----- Rupees ----- | |
| 6. PROPERTY AND EQUIPMENT | | | |
| Operating assets | 6.1 | 6,923,663 | 3,865,697 |
| Right-of-use assets | 6.2 | 16,211,617 | - |
| | | 23,135,280 | 3,865,697 |

6.1 Operating assets

| | 2019 | | | | | | | |
|--------------------------|----------------------|--|------------------------|----------------------|--|------------------------|---|---------------------|
| | Cost | | | Depreciation | | | Written down value as at 31 December 2019 | Depreciation rate % |
| | As at 1 January 2019 | Additions / (disposals) | As at 31 December 2019 | As at 1 January 2019 | For the year / (on disposals) | As at 31 December 2019 | | |
| | ----- (Rupees) ----- | | | | | | | |
| Furniture and fixtures | 14,431,026 | - | 14,431,026 | 11,614,383 | 809,238 | 12,423,621 | 2,007,405 | 10 |
| Office equipment | 5,140,356 | 53,500 | 5,193,856 | 5,069,460 | 36,627 | 5,106,087 | 87,769 | 10 & 20 |
| Computer and accessories | 9,035,723 | 409,930 | 9,445,653 | 8,735,297 | 169,108 | 8,904,405 | 541,248 | 20 |
| Motor vehicles | 22,578,279 | 3,282,348 (4,306,811) | 21,553,816 | 22,565,685 | 352,554 (4,306,803) | 18,611,436 | 2,942,380 | 20 |
| Electrical Installations | 4,927,898 | 891,929 | 5,819,827 | 4,262,760 | 212,206 | 4,474,966 | 1,344,861 | 15 |
| | 56,113,282 | 4,637,707 (4,306,811) | 56,444,178 | 52,247,585 | 1,579,733 (4,306,803) | 49,520,515 | 6,923,663 | |

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



6.1.1 Details of tangible assets disposed off during the year are as follows:

| Category of assets | Cost | Accumulated Depreciation | Book value | Sale proceeds | Gain/ (loss) | Mode of disposals | Sold to |
|--------------------------|------------------|--------------------------|------------|------------------|------------------|-------------------|-------------|
| ----- (Rupees) ----- | | | | | | | |
| Motor vehicles | | | | | | | |
| Toyota Corolla Abm-337 | 969,000 | 968,999 | 1 | 357,786 | 357,785 | Tender | Imran Ahmed |
| Suzuki cultus vxr-KJ929 | 595,000 | 594,999 | 1 | 312,786 | 312,785 | Tender | Imran Ahmed |
| Suzuki cultus vxr-KJ970 | 595,000 | 594,999 | 1 | 313,786 | 313,785 | Tender | Imran Ahmed |
| Baleno jxr-Ajs-762 | 789,000 | 788,999 | 1 | 217,000 | 216,999 | Tender | Aqeel Ahmed |
| Sentro-Lry-714 | 634,500 | 634,499 | 1 | 207,000 | 206,999 | Tender | Aqeel Ahmed |
| Suzuki Cultus Lrr-6339 | 645,500 | 645,499 | 1 | 256,786 | 256,785 | Tender | Ashraf Ali |
| Super Star 70cc Kdt-6427 | 39,405 | 39,404 | 1 | 7,000 | 6,999 | Tender | Aqeel Ahmed |
| Super Star 70cc Kdt-6430 | 39,406 | 39,405 | 1 | 7,000 | 6,999 | Tender | Aqeel Ahmed |
| | <u>4,306,811</u> | <u>4,306,803</u> | <u>8</u> | <u>1,679,144</u> | <u>1,679,136</u> | | |

6.2 Right-of-use assets

| | 2019 | 2018 |
|------------------------------------|--------------------|----------|
| | ----- Rupees ----- | |
| Balance at 1 January 2019 | 20,384,772 | - |
| Depreciation charge for the period | (4,173,155) | - |
| Balance at 31 December 2019 | <u>16,211,617</u> | <u>-</u> |

| Right-of-use assets | 2019 | | | | | | | |
|---------------------|----------------------|-------------------------|------------------------|----------------------|-------------------------------|------------------------|---|---------------------|
| | Cost | | | Depreciation | | | Written down value as at 31 December 2019 | Depreciation rate % |
| | As at 1 January 2019 | Additions / (disposals) | As at 31 December 2019 | As at 1 January 2019 | For the year / (on disposals) | As at 31 December 2019 | | |
| | ----- (Rupees) ----- | | | | | | | |
| Right-of-use assets | 20,384,772 | - | 20,384,772 | - | 4,173,155 | 4,173,155 | 16,211,617 | 20 & 33 |
| | <u>20,384,772</u> | <u>-</u> | <u>20,384,772</u> | <u>-</u> | <u>4,173,155</u> | <u>4,173,155</u> | <u>16,211,617</u> | |

7 INTANGIBLE ASSETS

| Right-of-use assets | 2019 | | | | | | | |
|---------------------------|----------------------|-------------------------|-------------------|-----------------|-------------------------------|-------------------|--------------------------------------|---------------------|
| | Cost | | | Amortisation | | | Written down value as at 31 December | Depreciation rate % |
| | As at 1 January | Additions / (disposals) | As at 31 December | As at 1 January | For the year / (on disposals) | As at 31 December | | |
| | ----- (Rupees) ----- | | | | | | | |
| 2019 Computer Software | - | - | 2,411,912 | 2,411,912 | - | 2,411,912 | - | 30% |
| 2018 Computer Software | - | - | 2,411,912 | 2,411,912 | - | 2,411,912 | - | 30% |



8 INVESTMENTS IN EQUITY SECURITIES

| Note | 2019 | | | 2018 | | |
|---------------------------|--------------------|-------------------------------------|--------------------|--------------------|-------------------------------------|--------------------|
| | Cost | Impairment / provision for the year | Carrying value | Cost | Impairment / provision for the year | Carrying value |
| | (Rupees) | | | | | |
| Available for sale | | | | | | |
| Listed shares | 125,868,299 | (21,709,358) | 104,158,941 | 125,868,299 | (16,377,399) | 109,490,900 |
| Surplus on revaluation | - | - | 130,922,793 | - | - | 141,239,342 |
| 8.1 | <u>125,868,299</u> | <u>(21,709,358)</u> | <u>235,081,734</u> | <u>125,868,299</u> | <u>(16,377,399)</u> | <u>250,730,242</u> |

8.1 Investments - Available for sale

| | 2019 | 2018 | 2019 | 2018 |
|--|--------------------|---------|------------|------------|
| | (Number of shares) | | (Rupees) | |
| Listed shares | | | | |
| Oil and Gas | | | | |
| Oil and Gas Development Company Limited | 13,800 | 13,800 | 1,964,016 | 1,766,400 |
| Pakistan Oil Fields Limited | 6,000 | 6,000 | 2,680,320 | 2,548,920 |
| Pakistan Petroleum Limited | 126,960 | 105,800 | 17,411,294 | 15,834,028 |
| Pakistan State Oil Company Limited | 45,120 | 37,600 | 8,646,797 | 8,476,168 |
| Shell (Pakistan) Limited | 35,063 | 35,063 | 8,885,315 | 10,750,316 |
| Fertilizer | | | | |
| Engro Fertilizer Limited | 108,500 | 108,500 | 7,967,155 | 7,491,925 |
| Fauji Fertilizer Company Limited | 79,627 | 79,627 | 8,079,752 | 7,393,367 |
| Engro Corporation Limited | 1,100 | 1,000 | 379,775 | 291,080 |
| Forestry (Paper and Board) | | | | |
| Pakistan Paper Product Limited | 159,333 | 159,333 | 14,339,970 | 21,310,789 |
| Packages Limited. | 3,500 | 3,500 | 1,395,590 | 1,353,870 |
| Leasing | | | | |
| Orix Leasing Pakistan Limited | 30,000 | 30,000 | 787,500 | 787,200 |
| Tobacco | | | | |
| Pakistan Tobacco Company Limited | 23,367 | 23,367 | 57,028,332 | 67,764,300 |
| Pharmaceuticals | | | | |
| GlaxoSmithKline Pakistan Limited | 83,383 | 83,383 | 13,388,808 | 9,395,597 |
| GlaxoSmithKline Consumer Healthcare Pakistan Limited | 22,644 | 22,644 | 5,806,374 | 6,032,136 |
| Hignoon Laboratories Limited | 28,614 | 26,013 | 15,373,158 | 9,043,419 |
| Travel and Leisure | | | | |
| Pakistan Service Limited | 28,815 | 28,815 | 28,815,000 | 30,543,900 |



| | 2019 | 2018 | 2019 | 2018 |
|--|--------------------------------|-----------|----------------------|--------------------|
| | ----- (Number of shares) ----- | | ----- (Rupees) ----- | |
| Commercial Banks | | | | |
| Allied Bank Limited | 121,000 | 121,000 | 11,567,600 | 13,003,870 |
| Askari Bank Limited | 917,500 | 917,500 | 17,010,450 | 21,946,600 |
| Non Life Insurance | | | | |
| Habib Insurance Company Limited | 19,831 | 19,831 | 215,761 | 218,141 |
| Pakistan Reinsurance Company Limited | 177,777 | 177,777 | 5,228,422 | 6,175,973 |
| Adamjee Insurance Company Limited | 28,500 | 28,500.00 | 1,199,565 | 1,197,570 |
| Food & Personal Care Products | | | | |
| Treet Corporation Limited | 221,190 | 221,190 | 4,664,900 | 5,111,701 |
| Cement | | | | |
| D. G. Khan Cement Company Limited. | 21,000 | 21,000 | 1,559,670 | 1,683,150 |
| Fauji Cement Company Limited | 10,000 | 10,000 | 155,600 | 209,300 |
| Automobile Assemblers | | | | |
| Pak Suzuki Motor Company Limited. | 2,300 | 2,300 | 530,610 | 400,522 |
| | | | <u>235,081,734</u> | <u>250,730,242</u> |

Note

| | 2019 | 2018 |
|--|--------------------|------|
| | ----- Rupees ----- | |

8.2 Listed shares

| | | | |
|--------------------------|-------|---------------------|---------------------|
| Cost | | 125,868,299 | 125,868,299 |
| Provision for impairment | 8.2.1 | <u>(21,709,358)</u> | <u>(16,377,399)</u> |
| | | <u>104,158,941</u> | <u>109,490,900</u> |

8.2.1 Provision for impairment

| | | | |
|---------------------|--|--------------------|-------------------|
| Opening provision | | 16,377,399 | 14,526,479 |
| Charge for the year | | 8,442,339 | 1,850,920 |
| Reversal | | <u>(3,110,380)</u> | - |
| Closing provision | | <u>21,709,358</u> | <u>16,377,399</u> |



9 INVESTMENTS IN DEBT SECURITIES

| | Note | 2019 | | | 2018 | | |
|------------------------------|------|--------------------|-------------------------------------|--------------------|--------------------|-------------------------------------|--------------------|
| | | Cost | Impairment / provision for the year | Carrying value | Cost | Impairment / provision for the year | Carrying value |
| ----- (Rupees) ----- | | | | | | | |
| Government securities | | | | | | | |
| Held to maturity | | | | | | | |
| Pakistan Investment Bonds | 9.1 | 338,300,450 | - | 338,300,450 | 308,310,941 | - | 308,310,941 |
| Treasury Bills | 9.2 | 80,811,850 | - | 80,811,850 | 248,991,629 | - | 248,991,629 |
| | | <u>419,112,300</u> | <u>-</u> | <u>419,112,300</u> | <u>557,302,570</u> | <u>-</u> | <u>557,302,570</u> |

9.1 Government securities - held to maturity

9.1.1 Pakistan Investment Bonds

| Face value (Rupees) | Profit rate % | Profit payment | Type of Security | Maturity date | 2019 | | 2018 | |
|----------------------|---------------|----------------|-------------------------------------|---------------|--------------------|--------------------|--------------------|--------------------|
| | | | | | Cost | Carrying value | Cost | Carrying value |
| ----- (Rupees) ----- | | | | | | | | |
| 11,000,000 | 7 | Semi-annually | Pakistan Investment Bond - 3 years | 21-04-2019 | - | - | 11,025,561 | 11,025,561 |
| 12,500,000 | 7 | Semi-annually | Pakistan Investment Bond - 3 years | 21-04-2019 | - | - | 12,526,623 | 12,526,623 |
| 3,500,000 | 7 | Semi-annually | Pakistan Investment Bond - 3 years | 29-12-2019 | - | - | 3,521,529 | 3,521,529 |
| 75,000,000 | 7 | Semi-annually | Pakistan Investment Bond - 3 years | 29-12-2019 | - | - | 75,408,387 | 75,408,387 |
| 200,000,000 | 9.25 | Semi-annually | Pakistan Investment Bond - 5 years | 26-03-2020 | 211,368,800 | 201,133,468 | 205,828,841 | 205,828,841 |
| 100,000,000 | 9.5 | Semi-annually | Pakistan Investment Bond - 5 years | 19-09-2024 | 89,509,800 | 89,960,580 | - | - |
| 50,000,000 | 10 | Semi-annually | Pakistan Investment Bond - 10 years | 19-09-2029 | 47,189,900 | 47,206,402 | - | - |
| | | | | | <u>348,068,500</u> | <u>338,300,450</u> | <u>308,310,941</u> | <u>308,310,941</u> |

9.1.2 Pakistan investment bonds have face value of Rs. 350 million (market value of Rs. 326 million) [2018: face value of Rs. 302 million (market value of Rs. 294.108 million)]. These carry mark-up ranging from 9.25% to 10% per annum and will mature between 2020 and 2029.

9.1.2.1 Pakistan Investment Bonds with face value of Rs. 60 million (2018: Rs. 60 million) are placed with State Bank of Pakistan under Section 29 of the Insurance Ordinance, 2000.



9.2 Treasury Bills

| Face value (Rupees) | Profit rate % | Profit payment | Type of Security | Maturity date | 2019 | | 2018 | |
|------------------------|------------------|-------------------|---------------------|------------------|-------------------|-------------------|--------------------|--------------------|
| | | | | | Cost | Carrying value | Cost | Carrying value |
| ----- (Rupees) ----- | | | | | | | | |
| 254,000,000 | 8.74 | On maturity | Treasury Bills | 03-01-2019 | - | - | 248,991,629 | 248,991,629 |
| 40,000,000 | 13.43 | On maturity | Treasury Bills | 08-10-2020 | 35,276,360 | 36,353,455 | - | - |
| 50,000,000 | 13.02 | On maturity | Treasury Bills | 17-12-2020 | 44,253,150 | 44,458,395 | - | - |
| | | | | | <u>79,529,510</u> | <u>80,811,850</u> | <u>248,991,629</u> | <u>248,991,629</u> |

9.2.1 Market treasury bills have face value of Rs. 90 million (market value of Rs. 80.7 million) [2018: face value of Rs. 254 million (market value of Rs. 293.85 million)]. These carry mark-up at 13.02% to 13.43% (2018: 8.74%) per annum and will mature in 2020.

| | 2019 | 2018 |
|---|--------------------|-------------------|
| | ----- Rupees ----- | |
| 10 LOANS AND OTHER RECEIVABLES - Considered good | | |
| Receivable from related parties | - | 1,558,728 |
| Accrued investment income | 9,072,804 | 12,075,868 |
| Security deposit | 50,000 | 1,932,910 |
| Advance against commission to agents | 49,999 | 49,999 |
| Loans to employees | 744,028 | 316,151 |
| Federal insurance fee | 129,207 | - |
| Other receivables | 356,948 | 419,027 |
| | <u>10,402,986</u> | <u>16,352,683</u> |
| 11 INSURANCE / REINSURANCE RECEIVABLES - Unsecured and considered good | | |
| Due from insurance contract holders | 95,502,525 | 96,244,434 |
| Less : provision for impairment of receivables from Insurance contract holders | (86,269,882) | (78,695,201) |
| Due from other Insurers / reinsurers | 83,724,302 | 87,309,222 |
| Less : provision for impairment of due from other insurers / re-insurers | (30,409,048) | (50,550,515) |
| | <u>62,547,897</u> | <u>54,307,940</u> |



| | 2019 | 2018 |
|---|-----------------------------|-----------------------------|
| | ----- Rupees ----- | |
| 12 RETIREMENT BENEFIT OBLIGATIONS | | |
| 12.1 Balance Sheet Reconciliation | | |
| Fair value of plan assets | 6,699,609 | 7,459,285 |
| Present value of defined benefit obligation | <u>(6,377,971)</u> | <u>(6,049,155)</u> |
| Funded status | 321,638 | 1,410,130 |
| Unrecognised net actuarial loss / (gain) | - | - |
| Recognised asset | <u>321,638</u> | <u>1,410,130</u> |
| 12.2 Movement in fair value of plan assets | | |
| Fair value of plan assets as at 01 January 2019 | 7,459,285 | 6,889,641 |
| Expected return on plan assets | 745,929 | 654,516 |
| Actuarial gains / (losses) | <u>(2,034,805)</u> | 117,686 |
| Benefits paid | 529,200 | <u>(202,558)</u> |
| Fair value as at 31 December 2019 | <u>6,699,609</u> | <u>7,459,285</u> |
| 12.3 Movement in the defined benefit obligations | | |
| Obligation as at 01 January 2019 | 6,049,155 | 5,524,244 |
| Service cost | 489,009 | 497,567 |
| Interest cost | 604,916 | 524,803 |
| Actuarial gain | <u>(235,909)</u> | <u>(294,901)</u> |
| Benefits paid | 529,200 | <u>(202,558)</u> |
| Obligation as at 31 December 2019 | <u>6,377,971</u> | <u>6,049,155</u> |
| 12.4 Cost | | |
| Service cost | 489,009 | 497,567 |
| Interest cost | 604,916 | 524,803 |
| Expected return on plan assets | <u>(745,929)</u> | <u>(654,516)</u> |
| Settlement and curtailment | - | - |
| Recognition of actuarial loss | - | - |
| Expense | <u>347,996</u> | <u>367,854</u> |
| Actual return on plan assets | <u>(1,288,876)</u> | <u>772,202</u> |
| 12.5 Principle actuarial assumptions under are as follows: | 2019 | 2018 |
| Discount rate and expected return on plan assets | 13% | 10% |
| Future salary increases | 12.50% | 9.5% |
| Mortality rates | 60 years | 60 years |
| Rates of Employee turnover | SLIC (2001-05) - 1 Light | SLIC (2001-05) - 1 Light |



12.6 Comparison for five years:

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|----------------|------------------|------------------|------------------|------------------|
| ----- (Rupees) ----- | | | | | |
| As at December 31 | | | | | |
| Fair value of plan assets | 6,699,609 | 7,459,285 | 6,889,641 | 6,658,904 | 8,503,939 |
| Defined benefit obligations | (6,377,971) | (6,049,155) | (5,524,244) | (4,792,675) | (6,314,730) |
| Surplus / (Deficit) | <u>321,638</u> | <u>1,410,130</u> | <u>1,365,397</u> | <u>1,866,229</u> | <u>2,189,209</u> |
| Experience adjustments | | | | | |
| Gain / (loss) on plan assets (as percentage of plan assets) | -3.52% | -3.95% | -1.61% | -5.09% | 8.51% |
| (Gain) / loss on obligations (as percentage of plan obligations) | 15.31% | -1.95% | 4.60% | -5.19% | -3.51% |

| | 2019 | | 2018 | |
|---|------------------|-------------|------------------|-------------|
| | (Rupees) | % | (Rupees) | % |
| Plan assets comprise of the following: | | | | |
| Debt | - | - | - | - |
| Equity | - | - | - | - |
| Cash and cash equivalent - net of current liabilities | 6,699,609 | 100% | 6,889,641 | 100% |
| Fair value of plan assets | <u>6,699,609</u> | <u>100%</u> | <u>6,889,641</u> | <u>100%</u> |

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

| Particulars | 2019 | | | 2018 | | |
|--------------------------------|----------------------|--|-----------|----------------------|--|-----------|
| | Change in assumption | Increase / (decrease) in present value of defined benefit obligation | | Change in assumption | Increase / (decrease) in present value of defined benefit obligation | |
| | | (%) | Rupees | | (%) | Rupees |
| Discount rate | +1.00% | -7.5% | (437,786) | +1.00% | -7.40% | (405,018) |
| | -1.00% | 8.6% | 499,236 | -1.00% | 8.50% | 464,338 |
| Long-term salary increase rate | +1.00% | 9.0% | 524,912 | +1.00% | 8.90% | 486,979 |
| | -1.00% | -8.0% | (467,266) | -1.00% | -7.80% | (431,262) |

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

The weighted average duration of the defined benefit obligation is 8.05 years (2018: 7.91 years).



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

| Particulars | 2019 | | | Total |
|---|-------------------|-------------------|--------------------|------------|
| | Between 0-1 years | Between 2-4 years | Between 5-10 years | |
| ----- Rupees ----- | | | | |
| Distribution of timing of payment of benefits | 223,608 | 2,331,618 | 23,707,765 | 26,262,991 |

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

| | Note | 2019 | 2018 |
|--|------|--------------------|-------------------|
| | | ----- Rupees ----- | |
| 13 PREPAYMENTS | | | |
| Prepaid reinsurance premium ceded | 22 | 14,724,208 | 18,695,490 |
| Prepaid rent | | - | 187,916 |
| Prepaid miscellaneous expenses | | 106,275 | - |
| | | <u>14,830,483</u> | <u>18,883,406</u> |
| 14 CASH AND BANK | | | |
| Cash and Cash Equivalent | | | |
| - Cash in hand | | 78,665 | 50,000 |
| - Policy and Revenue stamps, Bond papers | | 63,330 | 144,630 |
| Cash at bank | | | |
| - Current accounts | | 16,374,124 | 1,383,745 |
| - Savings accounts | 14.1 | 125,463,694 | 29,820,860 |
| | | <u>141,979,813</u> | <u>31,399,235</u> |

14.1 The rate of return on profit and loss savings account maintained at various banks range from 8.00% to 12.00% per annum (2018: 3.14% to 8.75% per annum).



15 SHARE CAPITAL

15.1 Authorised capital

| 2019 | 2018 | | 2019 | 2018 |
|----------------------------|-------------------|--------------------------------|--------------------|--------------------|
|Number of shares..... | | | ----- Rupees ----- | |
| <u>51,000,000</u> | <u>51,000,000</u> | Ordinary shares of Rs. 10 each | <u>510,000,000</u> | <u>510,000,000</u> |

15.2 Issued, Subscribed and Paidup Share capital

| 2019 | 2018 | | 2019 | 2018 |
|----------------------------|-------------------|--------------------------------------|--------------------|--------------------|
|Number of shares..... | | | ----- Rupees ----- | |
| | | Ordinary shares of Rs.10 each issued | | |
| <u>1,162,000</u> | 1,162,000 | - as fully paid in cash | <u>11,620,000</u> | 11,620,000 |
| <u>19,640,000</u> | 19,640,000 | - issued as right share | <u>196,400,000</u> | 196,400,000 |
| <u>29,198,000</u> | 29,198,000 | - issued as fully paid bonus shares | <u>291,980,000</u> | 291,980,000 |
| <u>50,000,000</u> | <u>50,000,000</u> | | <u>500,000,000</u> | <u>500,000,000</u> |

16 RESERVES

Capital reserve

| | Note | 2019 | 2018 |
|--------------------------------|------|--------------------|-----------|
| | | ----- Rupees ----- | |
| Reserve for exceptional losses | 16.1 | <u>3,355,000</u> | 3,355,000 |

Revenue reserves

| | | | |
|---|--|--------------------|--------------------|
| General reserve | | <u>6,820,000</u> | 6,820,000 |
| Unrealised appreciation on 'available for sale' investments | | <u>95,568,093</u> | 98,714,872 |
| | | <u>105,743,093</u> | <u>108,889,872</u> |

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



| | Note | 2019 | 2018 |
|---|------|--------------------|-------------------|
| | | ----- Rupees ----- | |
| 17 DEFERRED TAXATION | | | |
| Deferred debits arising in respect of: | | | |
| Accelerated tax depreciation on fixed assets | | 1,354,706 | 1,636,867 |
| Lease liabilities | | 4,935,175 | - |
| Provision against premium due but unpaid | | 25,018,266 | 22,821,608 |
| Provision for diminution in value of investment | | 6,295,714 | 4,749,446 |
| Provision against amount due from other insurers/reinsurers | | 8,818,624 | 14,659,649 |
| Minimum tax | | 1,924,644 | - |
| Deferred credits arising due to: | | | |
| Right-of-use assets | | (4,701,369) | - |
| Provision for employees' benefits plan | | (49,674) | (264,418) |
| Unrealized gain/(loss) on revaluation of AFS | | (37,967,610) | (42,027,000) |
| | | <u>5,628,476</u> | <u>1,576,152</u> |
| 18 INSURANCE/ REINSURANCE PAYABLES | | | |
| Due to other insurers / reinsurers | | 19,593,555 | 37,796,132 |
| Cash margins against performance bonds | | 4,951,920 | 5,211,920 |
| | | <u>24,545,475</u> | <u>43,008,052</u> |
| 19 OTHER CREDITORS AND ACCRUALS | | | |
| Agent commission payable | | 38,696,380 | 40,464,892 |
| Federal Excise Duty / Sales tax | | 17,634,556 | 17,094,738 |
| Lease Liability | 19.1 | 17,017,844 | - |
| Sindh Workers' Welfare Fund | 19.2 | 2,197,746 | 2,197,746 |
| Salaries & wages payable | | 823,924 | 1,134,747 |
| Accrued expenses | | 4,014,713 | 2,932,290 |
| Compensated absences | | 1,782,729 | 2,570,094 |
| Income tax liabilities | | 198,566 | 172,798 |
| Other tax payables | | 58,368 | 1,118 |
| Unpaid and unclaimed dividend | | 3,001,450 | 3,011,260 |
| Accounts payable for goods & services | | 760,082 | 1,889,277 |
| Guarantee payable to court against claims | | 10,982,992 | 10,982,992 |
| Other creditors & accruals | 19.3 | 3,768,756 | 4,141,611 |
| | | <u>100,938,106</u> | <u>86,593,563</u> |
| 19.1 Lease Liability | | | |
| Current | | 3,277,774 | - |
| Non - Current | | 13,740,070 | - |
| | | <u>17,017,844</u> | |

19.2 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 10 November 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution.



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

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

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

| | 2019 | 2018 |
|----------------------|--------------------|----------------|
| | ----- Rupees ----- | |
| - More than 6 months | <u>689,115</u> | <u>698,036</u> |
| - 1 to 6 months | <u>-</u> | <u>-</u> |

20 TAXATION - PAYMENT LESS PROVISIONS

| | | |
|---|--------------------|--------------------|
| Provision for taxation | 63,293,535 | 47,184,173 |
| Add: Advance tax paid during the period | 8,202,167 | 17,319,138 |
| Less: Provision for the year | <u>(1,924,644)</u> | <u>(1,209,776)</u> |
| | <u>69,571,058</u> | <u>63,293,535</u> |

21 CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

21.1.1 Various claims amounting to Rs. 69.704 million (2018:Rs. 56.704 million) has been lodged by various parties against the Company. The Company has not acknowledge these claims as the management considers that the company is not liable to settle the amount.

21.1.2 The deemed assessment under section 120 of Income Tax Ordinance, 2001 of the Company have been finalised upto tax year 2019. Matters of disagreement exist between the Company and the tax authorities for the tax year 2009, 2011, 2012, 2013, 2014, 2015 and 2016. In prior years, the Commissioner has passed amended assessment orders for the these tax years under section 122(5A), wherein tax on dividend income has been charged at corporate tax rate by treating such income as business income of the Company under Fourth Schedule to the Ordinance. Further, certain disallowances were made in respect of provision for IBNR claims, non-withholding of tax on commission expenses and payment of certain expenses in cash. The management is contesting these matters with the tax authorities and has filed appeals with the Appellate Tribunal Inland Revenue (ATIR), the Honorable High Court of Sindh (the Court) and with the Commissioner Inland Revenue Appeals (CIRA) and is confident that these matters will be decided in favour of the Company. Consequently, no provision has been made in these financial statements in respect of the above matters.



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

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

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

21.2 Commitments

There are no commitments as at 31 December 2019 (2018: Nil).

| | 2019 | 2018 |
|---|--------------------|-------------------|
| | ----- Rupees ----- | |
| 22 NET INSURANCE PREMIUM | | |
| Written Gross Premium | 114,854,334 | 83,474,400 |
| Add: Unearned premium reserve opening | 33,943,281 | 44,053,707 |
| Less: Unearned premium reserve closing | 48,770,068 | 33,943,281 |
| Premium earned | <u>100,027,547</u> | <u>93,584,826</u> |
| Less: | | |
| Reinsurance premium ceded | 35,859,504 | 45,437,088 |
| Add: Prepaid reinsurance premium opening | 18,695,490 | 19,424,029 |
| Less: Prepaid reinsurance premium closing | 14,724,208 | 18,695,490 |
| Reinsurance expense | <u>39,830,786</u> | <u>46,165,627</u> |
| | <u>60,196,761</u> | <u>47,419,199</u> |



| | 2019 | 2018 |
|--|-------------------------|--------------------------|
| | ----- Rupees ----- | |
| 23 NET INSURANCE CLAIMS EXPENSE | | |
| Claims paid | 103,036,669 | 158,074,997 |
| Add: Outstanding claims including IBNR closing | 199,813,911 | 318,692,780 |
| Less: Outstanding claims including IBNR opening | <u>(318,692,780)</u> | <u>(430,990,074)</u> |
| Claims expense | <u>(15,842,200)</u> | 45,777,703 |
| Less: | | |
| Reinsurance and other recoveries received | <u>74,639,000</u> | 113,902,451 |
| Less: Reinsurance and other recoveries received in respect of outstanding claims opening | <u>(211,643,940)</u> | (325,792,200) |
| Add: Reinsurance and other recoveries received in respect of outstanding claims closing | <u>118,466,336</u> | 211,643,940 |
| Reinsurance and other recoveries revenue | <u>(18,538,604)</u> | (245,809) |
| | <u><u>2,696,404</u></u> | <u><u>46,023,512</u></u> |

23.1 Claim development

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

| Accident year | 2015 | 2016 | 2017 | 2018 | 2019 (including IBNR) |
|---|--------------------------|--------------------------|--------------------------|-------------------------|-----------------------------|
| Estimate of ultimate claims cost: | | | | | |
| - At end of accident | 180,055,474 | 171,160,863 | 336,709,438 | 49,858,309 | 20,325,249 |
| - One years later | 206,645,106 | 188,326,799 | 321,470,764 | 41,362,491 | - |
| - Two years later | 209,920,621 | 182,875,975 | 285,108,710 | - | - |
| - Three years later | 209,763,082 | 191,171,965 | - | - | - |
| - Four years later | 241,749,640 | - | - | - | - |
| Current estimate of cumulative claims | <u>241,749,640</u> | <u>191,171,965</u> | <u>285,108,710</u> | <u>41,362,491</u> | <u>20,325,249</u> |
| Cumulative payment to date | <u>(203,284,480)</u> | <u>(128,200,759)</u> | <u>(208,534,710)</u> | <u>(33,559,667)</u> | <u>(6,324,528)</u> |
| Liability recognised in statement of financial position | <u><u>38,465,160</u></u> | <u><u>62,971,206</u></u> | <u><u>76,574,000</u></u> | <u><u>7,802,824</u></u> | <u><u>14,000,721</u></u> |



| | 2019 | 2018 |
|--|--------------------|-------------------|
| | ----- Rupees ----- | |
| 24 NET COMMISSION EXPENSE / ACQUISITION COSTS | | |
| Commission paid or payable | 21,214,182 | 13,165,011 |
| Add: Deferred commission expense opening | 5,295,944 | 7,168,520 |
| Less: Deferred commission expense closing | 10,888,561 | 5,295,944 |
| Net Commission | <u>15,621,565</u> | <u>15,037,587</u> |
| Less: | | |
| Commission received or recoverable | 703,389 | 876,541 |
| Add: Unearned Reinsurance commission opening | 534,024 | 3,650,089 |
| Less: Unearned Reinsurance commission closing | 228,490 | 534,024 |
| Commission from reinsurers | <u>1,008,923</u> | <u>3,992,606</u> |
| | <u>14,612,642</u> | <u>11,044,981</u> |

| | Note | 2019 | 2018 |
|---|------|--------------------|-------------------|
| | | ----- Rupees ----- | |
| 25 MANAGEMENT EXPENSES | | | |
| Employee benefit cost | 25.1 | 48,802,701 | 40,195,722 |
| Traveling expenses | | 2,199,224 | 2,384,278 |
| Advertisements & sales promotion | | 3,021,258 | 364,690 |
| Printing and stationery | | 951,845 | 854,380 |
| Depreciation | | 5,752,888 | 1,731,086 |
| Rent, Rates and taxes | | 726,418 | 6,507,527 |
| Legal and professional charges - Business related | | 6,591,486 | 5,628,714 |
| Electricity, gas and water | | 2,087,092 | 2,097,162 |
| Entertainment | | 861,272 | 621,700 |
| Vehicle running expenses | | 6,103,000 | 5,542,390 |
| Office repairs and maintenance | | 2,222,263 | 1,490,814 |
| Bank charges | | 276,851 | 140,486 |
| Postages, telegrams and telephone | | 1,809,730 | 1,696,443 |
| Annual Supervision fee SECP | | 106,278 | 626,104 |
| Bad and doubtful debts | 25.2 | 6,780,951 | 19,984,780 |
| Coinsurance Service Charges | | 1,132,998 | 790,285 |
| Insurance Expense | | 452,255 | 374,387 |
| Security Deposits write off | | 1,882,910 | - |
| Miscellaneous | | 518,997 | 292,117 |
| | | <u>92,280,417</u> | <u>91,323,065</u> |

25.1 Employee benefit cost

| | | | |
|--|--------|-------------------|-------------------|
| Salaries, allowance and other benefits | | 47,508,053 | 35,011,213 |
| Charges for post employment benefits | 25.1.1 | <u>1,294,648</u> | <u>5,184,509</u> |
| | | <u>48,802,701</u> | <u>40,195,722</u> |

25.1.1 These include Rs. 946,652 (2018: Rs.911,259) being contribution for employees' provident fund and Rs. 347,996 (2018: Rs.367,854) in respect of defined benefit plan.



| | 2019 | 2018 |
|---|---------------------|--------------------|
| | ----- Rupees ----- | |
| 25.2 Provision for impairment of receivables | | |
| Opening provision | 129,245,716 | 109,260,936 |
| Charge for the year | 6,780,951 | 19,984,780 |
| Balances written off | <u>(19,347,737)</u> | - |
| | <u>116,678,930</u> | <u>129,245,716</u> |
| 26 INVESTMENT INCOME | | |
| | 2019 | 2018 |
| | ----- Rupees ----- | |
| Available for sale | | |
| Income from equity securities | | |
| Dividend Income | 8,345,443 | 7,797,261 |
| Gain on sale of Investment | - | 1,186,112 |
| Held to maturity | | |
| Income from debt securities | | |
| Return on government securities | 48,084,325 | 36,201,294 |
| Amortization of discount / (premium) on government securities / term finance certificates | <u>(4,710,190)</u> | <u>(5,540,063)</u> |
| | 43,374,135 | 30,661,231 |
| Income from term deposits | | |
| Return on term deposits | - | 5,356,603 |
| Net realised gains / (losses) on investments | | |
| Available for sale financial assets | | |
| Realised gains on: | | |
| Equity securities | - | 626,658 |
| Realised losses on: | | |
| Equity securities | - | - |
| | - | 626,658 |
| Total investment income | <u>51,719,578</u> | <u>45,627,865</u> |
| Less: Impairment in value of available for sale equity securities | <u>(8,442,339)</u> | <u>(1,850,920)</u> |
| | <u>43,277,239</u> | <u>43,776,945</u> |
| 27 OTHER INCOME | | |
| | 2019 | 2018 (Restated) |
| | ----- Rupees ----- | |
| Return on bank balances | 6,740,385 | 4,327,708 |
| Gain on sale of fixed assets | 1,679,135 | - |
| Liabilities written back | 16,151,214 | - |
| Exchange gain | 256,854 | - |
| Miscellaneous | 8,000 | 34,000 |
| | <u>24,835,588</u> | <u>4,361,708</u> |



| | Note | 2019 | 2018 |
|--|------|--------------------|---------------------|
| | | ----- Rupees ----- | ----- Rupees ----- |
| 28 OTHER EXPENSES | | | |
| Auditors' remuneration | 30.1 | 892,303 | 872,323 |
| Directors' Fees | | 2,280,000 | 2,900,000 |
| Directors' Training and Development Fees & Subscription | | 290,000 | - |
| | | 231,174 | 305,131 |
| | | <u>3,693,477</u> | <u>4,077,454</u> |
| 28.1 Auditors' remuneration | | | |
| Audit fee | | 735,666 | 735,666 |
| Out-of-pocket expenses | | 156,637 | 136,657 |
| | | <u>892,303</u> | <u>872,323</u> |
| 29 FINANCE COSTS | | | |
| Lease finance charges | | <u>2,631,161</u> | - |
| 30 TAXATION | | | |
| For the year | | | |
| - Current | | 1,924,644 | 1,209,776 |
| - Deferred | | 221,810 | (5,047,689) |
| For prior year(s) | | - | - |
| | | <u>2,146,454</u> | <u>(3,837,913)</u> |
| | | 2019 | 2018 |
| | | ----- Rupees ----- | ----- Rupees ----- |
| 30.1 Relationship between tax expense and accounting profit | | | |
| Profit/(Loss) before taxation | | <u>5,742,503</u> | <u>(53,466,260)</u> |
| Tax at the applicable rate of 29% (2018: 29%) | | 1,665,326 | (15,505,215) |
| Tax effect of change in tax rate | | - | 1,112,265 |
| Tax effect of minimum tax | | 1,924,644 | 1,209,776 |
| Deferred tax asset not booked on taxable losses | | <u>(1,443,516)</u> | <u>9,345,261</u> |
| | | <u>2,146,454</u> | <u>(3,837,913)</u> |



31 EARNINGS PER SHARE - basic and diluted

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

| | 2019 | 2018 (Restated) |
|--|------------------------------|---------------------|
| | ----- Rupees ----- | |
| Profit / (Loss) after tax for the year | <u>3,596,049</u> | <u>(49,628,347)</u> |
| | ----- Number of Shares ----- | |
| Weighted average number of ordinary shares | <u>50,000,000</u> | <u>50,000,000</u> |
| | ----- Rupee ----- | |
| Earnings per share | <u>0.07</u> | <u>(0.99)</u> |

31.1 No figure for diluted earnings per share has been presented as the Company has not issued any instrument which would have an impact on earnings per share when exercised.

32 COMPENSATION OF DIRECTORS AND EXECUTIVES

| | Chief Executive Officer | | Directors | | Executives | | Total | |
|---------------------------------|-------------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | -----Rupees----- | | | | | | | |
| Fees | - | - | 2,280,000 | 2,900,000 | - | - | 2,280,000 | 2,900,000 |
| Managerial remuneration | 3,600,000 | 1,774,998 | - | - | 6,453,133 | 7,921,100 | 10,053,133 | 9,696,098 |
| Leave encashment | - | - | - | - | 113,425 | - | 113,425 | - |
| Bonus | - | - | - | - | - | - | - | - |
| Ex-gratia allowance | 300,000 | - | - | - | 589,750 | 262,892 | 889,750 | 262,892 |
| Charge for defined benefit plan | - | - | - | - | - | - | - | - |
| Rent and house maintenance | - | - | - | - | 3,344,258 | 2,052,930 | 3,344,258 | 2,052,930 |
| Utilities | - | - | - | - | - | - | - | - |
| Medical | - | - | - | - | - | 50,714 | - | 50,714 |
| Conveyance | - | - | - | - | 42,004 | 308,760 | 42,004 | 308,760 |
| Entertainment Allowance | 240,000 | 136,244 | - | - | - | - | 240,000 | 136,244 |
| Others | - | - | - | - | 1,534,658 | 1,646,764 | 1,534,658 | 1,646,764 |
| | <u>4,140,000</u> | <u>1,911,242</u> | <u>2,280,000</u> | <u>2,900,000</u> | <u>12,077,228</u> | <u>12,243,160</u> | <u>18,497,228</u> | <u>17,054,402</u> |
| Number of persons | 1 | 1 | 7 | 8 | 9 | 9 | 17 | 18 |

The Non-Executive Directors were paid Directors meeting fee of Rs. 2.28 million (2018 : 2.90 million). No other remuneration was paid to Non-Executive Directors.



33 RELATED PARTY TRANSACTIONS

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

| | 2019 | 2018 |
|--|--------------------|-------------------|
| | ----- Rupees ----- | |
| Transactions and balances with related parties | | |
| Parent Company | | |
| Rent paid | <u>4,167,816</u> | <u>4,365,328</u> |
| Employees' funds | | |
| Contribution to provident fund | <u>946,652</u> | <u>911,259</u> |
| Others | | |
| Remuneration to key management personnel | <u>16,217,228</u> | <u>17,105,390</u> |
| Directors' remuneration | <u>2,280,000</u> | <u>2,900,000</u> |
| Balances as at 31 December | | |
| Parent Company | | |
| Receivable from State Life Insurance Corporation of Pakistan | <u>-</u> | <u>1,558,728</u> |
| Others | | |
| Receivable from gratuity fund | <u>321,638</u> | <u>1,410,130</u> |
| Receivable from provident fund | <u>-</u> | <u>134,572</u> |

34 SEGMENT INFORMATION

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



The class wise revenues and results are as follows:

| 2019 | Fire and property damage | Marine, aviation and transport | Motor | Accident and Health | Bond | Miscellaneous | Total |
|---|--------------------------|--------------------------------|---------------------|---------------------|----------------|---------------------|----------------------|
| ----- (Rupees) ----- | | | | | | | |
| Premium receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge) | 37,995,304 | 26,710,655 | 35,325,513 | 10,387,169 | 406,130 | 19,648,339 | 130,473,110 |
| Less: Federal Excise Duty | 4,596,486 | 2,754,766 | 3,869,555 | - | 46,221 | 2,375,821 | 13,642,849 |
| Federal Insurance Fee | 325,689 | 226,566 | 288,142 | 1,741 | 3,521 | 163,713 | 1,009,372 |
| Others | 46,839 | 643,903 | 187,056 | 6,966 | 4,730 | 77,061 | 966,555 |
| Gross written premium (inclusive of Administrative Surcharge) | 33,026,290 | 23,085,420 | 30,980,760 | 10,378,462 | 351,658 | 17,031,744 | 114,854,334 |
| Gross direct premium | 32,010,335 | 22,086,910 | 27,856,342 | 10,376,462 | 338,933 | 16,096,146 | 108,765,128 |
| Facultative inward premium | 465,470 | 419,228 | 2,166,128 | - | - | 661,105 | 3,711,931 |
| Administrative surcharge | 550,485 | 579,282 | 958,290 | 2,000 | 12,725 | 274,493 | 2,377,275 |
| | 33,026,290 | 23,085,420 | 30,980,760 | 10,378,462 | 351,658 | 17,031,744 | 114,854,334 |
| Insurance premium earned | 27,419,485 | 19,721,267 | 25,507,943 | 10,129,702 | 935,869 | 16,313,281 | 100,027,547 |
| Insurance premium ceded to reinsurers | (22,922,405) | (7,782,787) | (3,121,141) | - | (766,312) | (5,238,141) | (39,830,786) |
| Net insurance premium | 4,497,080 | 11,938,480 | 22,386,802 | 10,129,702 | 169,557 | 11,075,140 | 60,196,761 |
| Commission income | 391,976 | (6,832) | 67,812 | - | 219,327 | 336,640 | 1,008,923 |
| Net underwriting income | 4,889,056 | 11,931,648 | 22,454,614 | 10,129,702 | 388,884 | 11,411,780 | 61,205,684 |
| Insurance claims | 31,120,713 | 6,067,754 | (11,038,486) | (8,923,703) | - | (1,384,079) | 15,842,199 |
| Insurance claims recovered from reinsurer | (19,519,297) | (1,125,825) | 2,226,150 | - | - | (119,631) | (18,538,603) |
| Net claims | 11,601,416 | 4,941,929 | (8,812,336) | (8,923,703) | - | (1,503,710) | (2,696,404) |
| Commission expense | (6,256,115) | (2,772,500) | (2,899,823) | (507,110) | (296,023) | (2,889,994) | (15,621,565) |
| Management expense | (26,535,175) | (18,548,122) | (24,891,681) | (8,338,639) | (282,542) | (13,684,258) | (92,280,417) |
| Premium deficiency expense | 2,133,656 | (4,293,645) | (3,653,652) | (590,496) | 686,615 | (935,462) | (6,652,984) |
| Net insurance claims and expenses | (19,056,218) | (20,672,338) | (40,257,492) | (18,359,948) | 108,050 | (19,013,424) | (117,251,370) |
| Underwriting result | (14,167,162) | (8,740,690) | (17,802,878) | (8,230,246) | 496,934 | (7,601,644) | (56,045,686) |
| Net investment income | | | | | | | 43,277,239 |
| Rental income | | | | | | | - |
| Other income | | | | | | | 24,835,588 |
| Other expenses | | | | | | | (3,693,477) |
| Profit before tax | | | | | | | 8,373,664 |
| Segment assets | 65,748,662 | 43,004,030 | 52,153,236 | 14,564,644 | 501,779 | 29,677,174 | 205,649,525 |
| Unallocated assets | | | | | | | 903,332,684 |
| | 65,748,662 | 43,004,030 | 52,153,236 | 14,564,644 | 501,779 | 29,677,174 | 1,108,982,209 |
| Segment liabilities | 204,530,356 | 19,453,490 | 44,055,328 | 14,123,536 | 8,209,218 | 15,138,716 | 305,510,644 |
| Unallocated liabilities | | | | | | | 100,938,107 |
| | 204,530,356 | 19,453,490 | 44,055,328 | 14,123,536 | 8,209,218 | 15,138,716 | 406,448,751 |



2018

| | Fire and property damage | Marine, aviation and transport | Motor | Accident and Health | Bond | Miscellaneous | Total |
|---|--------------------------|--------------------------------|--------------|---------------------|--------------|---------------|---------------|
| ----- (Rupees) ----- | | | | | | | |
| Premium receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge) | 30,659,661 | 13,445,669 | 22,878,129 | 8,806,642 | 4,232,759 | 14,399,910 | 94,422,770 |
| Less: Federal Excise Duty / Sales Tax | 3,145,893 | 1,279,919 | 2,688,396 | - | 502,343 | 1,803,832 | 9,420,383 |
| Federal Insurance Fee | 219,513 | 114,033 | 193,979 | 2,889 | 36,701 | 118,877 | 685,992 |
| Others | 51,244 | 574,220 | 128,301 | 11,556 | 23,530 | 53,139 | 841,990 |
| Gross written premium (inclusive of Administrative Surcharge) | 27,243,011 | 11,477,497 | 19,867,453 | 8,792,197 | 3,670,185 | 12,424,062 | 83,474,405 |
| Gross direct premium | 26,803,634 | 10,999,345 | 19,184,587 | 8,790,197 | 3,567,305 | 12,204,929 | 81,549,997 |
| Facultative inward premium | - | - | - | - | - | - | - |
| Administrative surcharge | 439,377 | 478,152 | 682,866 | 2,000 | 102,880 | 219,133 | 1,924,408 |
| | 27,243,011 | 11,477,497 | 19,867,453 | 8,792,197 | 3,670,185 | 12,424,062 | 83,474,405 |
| Insurance premium earned | 36,897,995 | 12,823,413 | 20,139,507 | 8,703,472 | 4,237,302 | 10,783,137 | 93,584,826 |
| Insurance premium ceded to reinsurers | (25,523,862) | (10,703,743) | (3,611,166) | - | (1,702,738) | (4,624,118) | (46,165,627) |
| Net insurance premium | 11,374,133 | 2,119,670 | 16,528,341 | 8,703,472 | 2,534,564 | 6,159,019 | 47,419,199 |
| Commission income | 2,930,355 | 135,885 | 25,972 | - | 491,408 | 408,986 | 3,992,606 |
| Net underwriting income | 14,304,488 | 2,255,555 | 16,554,313 | 8,703,472 | 3,025,972 | 6,568,005 | 51,411,805 |
| Insurance claims | (21,296,674) | (4,374,287) | (5,543,236) | (8,876,535) | (6,425,000) | 738,029 | (45,777,703) |
| Insurance claims recovered from reinsurer | (10,163,483) | (4,809,698) | 5,570,455 | - | 3,855,000 | 5,301,917 | (245,809) |
| Net claims | (31,460,157) | (9,183,985) | 27,219 | (8,876,535) | (10,280,000) | 6,039,946 | (46,023,512) |
| Commission expense | (7,282,620) | (2,613,030) | (2,468,189) | (435,074) | (635,805) | (1,602,869) | (15,037,587) |
| Management expense | (29,804,530) | (12,556,661) | (21,735,487) | (9,618,882) | (4,015,273) | (13,592,232) | (91,323,065) |
| Premium deficiency expense | 8,148,788 | (324,893) | (3,253,843) | (863,399) | 553,562 | (815,315) | 3,444,900 |
| Net Insurance Claims and expenses | (60,398,519) | (24,678,569) | (27,430,300) | (19,793,890) | (14,377,516) | (9,970,470) | (148,939,264) |
| Underwriting result | (46,094,031) | (22,423,014) | (10,875,987) | (11,090,418) | (11,351,544) | (3,402,465) | (97,527,459) |
| Net investment income | | | | | | | 43,776,945 |
| Other income | | | | | | | 4,361,708 |
| Other expenses | | | | | | | (4,077,454) |
| Profit before tax | | | | | | | (53,466,260) |
| Segment assets | 101,465,834 | 39,612,525 | 67,006,802 | 25,025,359 | 12,702,260 | 44,138,418 | 289,951,198 |
| Unallocated assets | | | | | | | 926,118,158 |
| | 101,465,834 | 39,612,525 | 67,006,802 | 25,025,359 | 12,702,260 | 44,138,418 | 1,216,069,356 |
| Segment liabilities | 318,395,996 | 23,330,623 | 35,963,628 | 16,898,731 | 10,887,577 | 18,397,063 | 423,873,618 |
| Unallocated liabilities | | | | | | | 86,593,563 |
| | 318,395,996 | 23,330,623 | 35,963,628 | 16,898,731 | 10,887,577 | 18,397,063 | 510,467,181 |



35 MOVEMENT IN INVESTMENTS

| | Held to maturity | Available for sale | Total |
|---|------------------|--------------------|-----------------|
| | (Rupees) | | |
| At beginning of previous year | 557,836,005 | 221,176,934 | 779,012,939 |
| Additions | 372,229,127 | 21,823,515 | 394,052,642 |
| Disposals (sales and redemptions) | (367,222,500) | (10,602,217) | (377,824,717) |
| Fair value net gains (Excluding net realised gains) | - | 20,182,930 | 20,182,930 |
| Amortisation of premium | (5,540,062) | - | (5,540,062) |
| Impairment losses | - | (1,850,920) | (1,850,920) |
| At beginning of current year | 557,302,570 | 250,730,242 | 808,032,812 |
| Additions | 941,014,686 | - | 941,014,686 |
| Disposals (sales and redemptions) | (1,074,494,766) | - | (1,074,494,766) |
| Fair value net gains (Excluding net realised gains) | - | (7,206,169) | (7,206,169) |
| Classified as held for trading | - | - | - |
| Amortisation of premium | (4,710,190) | - | (4,710,190) |
| Impairment losses | - | (8,442,339) | (8,442,339) |
| At end of current year | 419,112,300 | 235,081,734 | 654,194,034 |

36 MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

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

36.1 Insurance Risk

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

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

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



a) Frequency and severity of claims

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

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

Concentration of risk

To optimise benefits 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.

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

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



| Class | 2019 | | | 2018 | | |
|--------------------------------|--------------------------|------------------------|--------------------------------|--------------------------|------------------------|--------------------------------|
| | Gross claims liabilities | Net claims liabilities | Gross premium liabilities | Gross claims liabilities | Net claims liabilities | Gross premium liabilities |
| Fire and property | 84.5% | 71.6% | 37.4% | 88.2% | 75.5% | 37.2% |
| Marine, aviation and transport | 2.2% | 3.3% | 11.5% | 4.0% | 7.6% | 6.7% |
| Motor | 8.0% | 17.2% | 30.3% | 4.0% | 11.9% | 27.4% |
| Health | 0.4% | 1.0% | 9.5% | 0.2% | 0.6% | 13.0% |
| Credit and suretyship | 3.2% | 3.2% | 0.1% | 2.0% | 2.4% | 1.9% |
| Miscellaneous | 1.7% | 3.7% | 11.1% | 1.6% | 2.1% | 13.9% |
| | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| | | | Net premium liabilities | | | Net premium liabilities |
| | | | 26.3% | | | -0.1% |
| | | | 10.3% | | | 5.8% |
| | | | 38.3% | | | 51.6% |
| | | | 13.6% | | | 28.8% |
| | | | 0.3% | | | 0.5% |
| | | | 11.2% | | | 13.4% |
| | | | 100.0% | | | 100.0% |

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

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

| | Gross sum insured | | Reinsurance | | Net | |
|--------------------------------|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Fire and property | 400,000,000 | 783,352,482 | 390,000,000 | 773,352,482 | 10,000,000 | 10,000,000 |
| Marine, aviation and transport | 300,000,000 | 232,379,400 | 290,000,000 | 222,379,400 | 10,000,000 | 10,000,000 |
| Motor | 16,500,000 | 16,500,000 | 15,450,000 | 15,450,000 | 1,050,000 | 1,050,000 |
| Health | 10,000,000 | 10,000,000 | - | - | 10,000,000 | 10,000,000 |
| Credit and suretyship | 22,368,143 | 57,158,117 | 12,368,143 | 47,158,117 | 10,000,000 | 10,000,000 |
| Miscellaneous | 2,961,480,532 | 2,961,480,532 | 2,951,480,532 | 2,951,480,532 | 10,000,000 | 10,000,000 |
| | 3,710,348,675 | 4,060,870,531 | 3,659,298,675 | 4,009,820,531 | 51,050,000 | 51,050,000 |



b) Uncertainty in the estimation of future claim payments

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

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

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

c) Key assumptions

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

d) Changes in assumptions

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

e) Sensitivity analysis

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



alpha

Insurance Company Limited.

A subsidiary of State Life Insurance Corporation of Pakistan

| Average claim cost | Underwriting results | | Shareholder's equity | |
|----------------------|----------------------|--------------------|----------------------|--------------------|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 |
| | ----- (Rupees) ----- | | | |
| Fire and property | (1,416,716) | (4,609,403) | (1,005,869) | (3,272,676) |
| Marine and transport | (874,069) | (2,242,301) | (620,589) | (1,592,034) |
| Motor | (1,780,288) | (1,087,599) | (1,264,004) | (772,195) |
| Health Insurance | (823,025) | (1,109,042) | (584,347) | (787,420) |
| Bond | 49,693 | (364,154) | 35,282 | (258,550) |
| Miscellaneous | (760,164) | (340,247) | (539,717) | (241,575) |
| | <u>(5,604,569)</u> | <u>(9,752,746)</u> | <u>(3,979,244)</u> | <u>(6,924,450)</u> |

Financial risk management

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

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

36.2 Financial risk

Maturity profile of financial assets and liabilities:

| | 31 December 2019 | | | | | | Total |
|--|----------------------------|-------------------------|--------------------|--------------------------------|-------------------------|--------------------|--------------------|
| | Interest / mark-up bearing | | | Non interest / mark-up bearing | | | |
| | Maturity upto one year | Maturity after one year | Sub total | Maturity upto one year | Maturity after one year | Sub total | |
| | ----- (Rupees) ----- | | | | | | |
| Financial assets | | | | | | | |
| Cash | 125,463,694 | - | 125,463,694 | 16,516,119 | - | 16,516,119 | 141,979,813 |
| Investments | 290,898,310 | 136,699,700 | 427,598,010 | 235,081,734 | - | 235,081,734 | 662,679,744 |
| Loans and other receivables | - | - | - | 10,352,986 | 50,000 | 10,402,986 | 10,402,986 |
| Insurance / reinsurance receivables | - | - | - | 62,547,897 | - | 62,547,897 | 62,547,897 |
| Reinsurance recoveries against outstanding claims | - | - | - | 118,466,336 | - | 118,466,336 | 118,466,336 |
| | <u>416,362,004</u> | <u>136,699,700</u> | <u>553,061,704</u> | <u>442,965,072</u> | <u>50,000</u> | <u>443,015,072</u> | <u>996,076,776</u> |
| Financial liabilities | | | | | | | |
| Underwriting Provision for outstanding claims including IBNR | - | - | - | 199,813,911 | - | 199,813,911 | 199,813,911 |
| Premium received in advance | - | - | - | 4,901,131 | - | 4,901,131 | 4,901,131 |
| Insurance / reinsurance payables | - | - | - | 24,545,475 | - | 24,545,475 | 24,545,475 |
| Other creditors and accruals | - | - | - | 100,938,106 | - | 100,938,106 | 100,938,106 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>330,198,623</u> | <u>-</u> | <u>330,198,623</u> | <u>330,198,623</u> |
| Interest rate risk sensitivity gap | <u>416,362,004</u> | <u>136,699,700</u> | <u>553,061,704</u> | | | | |
| Cumulative interest rate risk sensitivity gap | <u>416,362,004</u> | <u>553,061,704</u> | | | | | |



31 December 2018

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

a) Sensitivity analysis- interest rate risk

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

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

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

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

b) Sensitivity analysis - equity risk

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

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



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

36.3 Credit risk

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

36.3.1 Exposure to credit risk

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

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

| | Note | 31 December 2019 | | 31 December 2018 | |
|---|-------|--|--------------------|--|----------------------|
| | | Balance as per the financial statement | Maximum exposure | Balance as per the financial statement | Maximum exposure |
| ----- (Rupees) ----- | | | | | |
| Cash and bank | 14 | 141,979,813 | 141,979,813 | 31,399,235 | 31,399,235 |
| Investments | 8 & 9 | 654,194,034 | 654,194,034 | 808,032,812 | 808,032,812 |
| Loans and other receivables | 10 | 10,402,986 | 10,402,986 | 16,352,683 | 16,352,683 |
| Insurance / reinsurance receivables | 11 | 62,547,897 | 62,547,897 | 54,307,940 | 54,307,940 |
| Reinsurance recoveries against outstanding claims | | 118,466,336 | 118,466,336 | 211,643,940 | 211,643,940 |
| | | <u>987,591,066</u> | <u>987,591,066</u> | <u>1,121,736,610</u> | <u>1,121,736,610</u> |



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

| | Rating | | Rating Agency | 2019 | 2018 |
|-----------------------------------|------------|-----------|---------------|--------------------|-------------------|
| | Short term | Long term | | ----- Rupees ----- | |
| National Bank of Pakistan Limited | A-1+ | AAA | PACRA/JCR-VIS | 67,265 | 22,311,929 |
| Allied Bank Limited | A-1+ | AAA | PACRA | 130,154 | 137,418 |
| MCB Bank Limited | A-1+ | AAA | PACRA | 147,155 | 868,952 |
| Soneri Bank Limited | A-1+ | AA- | PACRA | 92,054 | 92,054 |
| United Bank Limited | A-1+ | AAA | JCR-VIS | 140,180,967 | 6,631,293 |
| JS Bank Limited | A-1+ | AA- | PACRA | 1,220,223 | 1,162,959 |
| | | | | <u>141,837,818</u> | <u>31,204,605</u> |

Concentration of credit risk

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The Company manages concentration of credit risk through diversification of activities among individuals, groups and industry segments.

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

| | Amount due from other insurers / reinsurers | Reinsurance recoveries against outstanding claims | Prepaid reinsurance premium ceded | 2019 | 2018 |
|-----------------------------|---|---|-----------------------------------|--------------------|--------------------|
| A or above (including PRCL) | 54,178,156 | 42,610,697 | 5,153,473 | 101,942,326 | 139,449,753 |
| A - | 11,981,443 | 39,199,150 | - | 51,180,593 | 79,483,326 |
| BBB | 577,543 | - | - | 577,543 | 4,017,894 |
| Others | 16,987,160 | 36,656,489 | 9,570,735 | 63,214,384 | 94,697,679 |
| | <u>83,724,302</u> | <u>118,466,336</u> | <u>14,724,208</u> | <u>216,914,846</u> | <u>317,648,652</u> |

36.3.2 Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting its financial obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due under normal circumstances. To guard against the risk, the Company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.



The following are the contractual maturities of financial liabilities:

| | 2019 | | |
|---|----------------------|--------------------|-----------------------|
| | Carrying Amount | Upto one year | Greater than one year |
| | ----- (Rupees) ----- | | |
| Non-Derivative Financial Liabilities | | | |
| Outstanding claims including IBNR | 199,813,911 | 199,813,911 | - |
| Insurance / reinsurance payables | 24,545,475 | 24,545,475 | - |
| Other creditors and accruals | <u>100,938,106</u> | <u>100,938,106</u> | - |
| | <u>325,297,492</u> | <u>325,297,492</u> | - |
| | | | |
| | 2018 | | |
| | Carrying Amount | Upto one year | Greater than one year |
| | ----- (Rupees) ----- | | |
| Non-Derivative Financial Liabilities | | | |
| Outstanding claims including IBNR | 318,692,780 | 318,692,780 | - |
| Insurance / reinsurance payables | 43,008,052 | 43,008,052 | - |
| Other creditors and accruals | <u>86,593,563</u> | <u>86,593,563</u> | - |
| | <u>448,294,395</u> | <u>448,294,395</u> | - |

36.3.3 Market risk

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

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

36.3.4 Foreign Currency risk

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



Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

37 SUBSEQUENT EVENTS - NON ADJUSTING

Subsequent to the year end, the novel coronavirus (COVID 19) emergent and since then, the condition has continued to deteriorate. On January 30, 2020, the International Health Regulation Emergency Committee of the WHO declared the outbreak a "Public Health Emergency of International Concern". The COVID-19 pandemic has significantly impacted the market around the world to date and may continue to do so in the coming months of 2020, whereby potentially impacting the earnings and cash flows of the Company. The Company considers this outbreak to be a non-adjusting post balance sheet event. The scale and duration of this outbreak remains uncertain and as it evolves globally in 2020, the Company will evaluate the potential impacts and respond accordingly.

38 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

| | 31 December 2019 | | | | | | |
|--|------------------|--------------------|------------------|-----------------------|-----------------------------|---------------|-------------|
| | Held-for-trading | Available-for sale | Held-to-maturity | Loans and receivables | Other financial liabilities | Total | Total |
| ----- (Rupees) ----- | | | | | | | |
| Financial assets measured at fair value | | | | | | | |
| Investments | | | | | | | |
| - Investment in equity securities | - | 235,081,734 | - | - | - | 235,081,734 | 235,081,734 |
| Financial assets not measured at fair value | | | | | | | |
| Cash and bank deposits* | - | - | - | 141,979,813 | - | 141,979,813 | - |
| Investments | - | - | 419,112,300 | - | - | 419,112,300 | 406,850,274 |
| - Debt securities | - | - | - | - | - | - | - |
| - Term Deposits* | - | - | - | 62,547,897 | - | 62,547,897 | - |
| Insurance / reinsurance receivables* | - | - | - | 118,466,336 | - | 118,466,336 | - |
| Reinsurance recoveries against outstanding claims* | - | - | - | 10,402,986 | - | 10,402,986 | - |
| Loans and other receivables* | - | - | - | - | - | - | - |
| Financial liabilities not measured at fair value | | | | | | | |
| Provision for outstanding claims (including IBNR)* | - | - | - | - | 199,813,911 | 199,813,911 | - |
| Premium Received in Advance | - | - | - | - | 4,901,131 | 4,901,131 | - |
| Insurance/Reinsurance Payables | - | - | - | - | 24,545,475 | 24,545,475 | - |
| Other creditors and accruals* | - | - | - | - | 100,938,106 | 100,938,106 | - |
| | - | 235,081,734 | 419,112,300 | 333,397,032 | 330,198,623 | 1,312,888,558 | 235,081,734 |
| | | | | | | | 406,850,274 |
| | | | | | | | 641,932,008 |



Alpha

Insurance Company Limited.

A subsidiary of State Life Insurance Corporation of Pakistan

| 31 December 2018 | | | | | | | |
|---|----------------------|--------------------|------------------|-----------------------|-----------------------------|---------------|-------------|
| | Held-for-trading | Available-for sale | Held-to-maturity | Loans and receivables | Other financial liabilities | Total | Total |
| | | | | | | | |
| | ----- (Rupees) ----- | | | | | | |
| Financial assets measured at fair value | | | | | | | |
| Investments | | | | | | | |
| - Investment in equity securities | - | 250,730,242 | - | - | - | 250,730,242 | 250,730,242 |
| Financial assets not measured at fair value | | | | | | | |
| Cash and bank deposits* | | | | | | | |
| Investments | | | | | | | |
| - Debt securities | - | - | 557,836,005 | - | - | 557,836,005 | 547,958,583 |
| - Term Deposits* | - | - | - | 31,399,235 | - | 31,399,235 | |
| Insurance / Reinsurance receivables* | - | - | - | 54,307,940 | - | 54,307,940 | |
| Reinsurance recoveries against outstanding claims* | - | - | - | 211,643,940 | - | 211,643,940 | |
| Loans and other receivables* | - | - | - | 16,352,683 | - | 16,352,683 | |
| Financial liabilities not measured at fair value | | | | | | | |
| Provision for outstanding claims (including IBNR)* | - | - | - | - | 318,692,780 | 318,692,780 | |
| Premium Received in Advance | 7,096,895 | - | 7,096,895 | 14,193,790 | - | 28,387,580 | |
| Insurance/Reinsurance Payables | - | - | - | - | 43,008,052 | 43,008,052 | |
| Other creditors and accruals* | - | - | - | - | 86,593,563 | 86,593,563 | |
| Total liabilities of Window Takaful | | | | | | | |
| Operations - Operator's Fund* | 7,096,895 | 250,730,242 | 557,836,005 | 313,703,798 | 455,391,290 | 1,584,758,230 | 798,688,825 |

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

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

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



- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

39 CAPITAL MANAGEMENT

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

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

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

40 CORRESPONDING FIGURES

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

41 NUMBER OF EMPLOYEES

| | 2019 | 2018 |
|---|-----------|-----------|
| | (Number) | |
| As at 31 December | <u>70</u> | <u>58</u> |
| Average Number of employees during the year | <u>64</u> | <u>60</u> |

42 DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue in accordance with a resolution of the Board of Directors on April 11, 2020.

43 GENERAL

Figures in the financial statements are rounded off to the nearest rupee.


Chief Executive Officer


Chairperson


Director


Director



alpha

Insurance Company Limited.

A subsidiary of State Life Insurance Corporation of Pakistan

Pattern of Shareholding

As at December 31, 2019

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

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



Branch Network

Main Branch, Karachi

Branch Address: 406, 4th Floor,
Business & Finance Centre,
Opp: State Bank of Pakistan,
I.I. Chundrigar Road,
Karachi.
Office Nos. 021-32429151
& 021-32425547
Fax No. 021-32435142
reyaz@alphainsurance.com.pk

Karachi South Division Branch

Branch Address: 4th Floor,
Building # 1-B,
State Life Square,
Off: I.I. Chundrigar Road,
Karachi - 74000.
PABX: 021-32426041-5
Fax No. 021-32419968, 32422478

Central Branch, Karachi

Branch Address: 4th Floor,
Building # 1-B, State Life Square,
Off: I.I. Chundrigar Road,
Karachi - 74000.
PABX: 021-32426041-5
Fax No. 021-32419968, 32422478
centralbranch@alphainsurance.
com.pk

Hyderabad Branch

Branch Address: 6th Floor
State Life Building no 3,
Thandi Sarak,
Hyderabad.
Office No. 022-2621938
Fax No. 022-2618867

Lahore Branch

Branch Address: 4 Bank Square,
Shahrah-e-Quaid-e-Azam,
P.O.Box No.125, Lahore.
Office Nos. 042-37322518
& 042-37311618
Fax No. 042-37324628
ilyas@alphainsurance.com.pk

Faisalabad Branch

Branch Address: 6th Floor,
State Life Building, Liaquat Road,
Faisalabad.
Office No. 041-2640383
Fax No. 041-2640384
salahuddin@alphainsurance.com.pk

Multan Branch

Branch Address: Room Nos. 1 & 2,
1st floor, Hajvairee Arcade Center,
Kutchery Road,
Multan.
Office No. 061-4510694
Fax No. 061-4541649
rohail.butt@alphainsurance.com.pk

Bahawalpur Branch

Branch Address: 1st floor,
Shah Din Plaza, Outside Farid Road,
Stadium Road,
Bahawalpur.
Office No. 062-2874236
Fax Nos. 062-2884090
& 062-2887761

Islamabad Branch

Branch Address: Ground Floor,
State Life Building - 5,
China Chowk, Jinnah Avenue,
Blue Area,
Islamabad.
Office Nos. 051-2274032-34
Fax No. 051-2274964
raza@alphainsurance.com.pk

Peshawar Branch

Branch Address: Room No. 7,
1st Floor, Khair Mohammad Plaza,
Opp. State Bank of Pakistan,
Peshawar Cantt.
Office No. 091-5261691
Fax No. 091-5261692
hamzullah@alphainsurance.com.pk

Rawalpindi Branch

Branch Address: 2nd Floor,
State Life Building # 8,
Kashmir Road,
Rawalpindi Cantt.
Office Nos. 051-5568349, 051-5562249
Fax No. 051-5519201
saghirahmed@alphainsurance.com.pk



PROXY FORM

Annual General Meeting

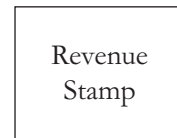
I/We.....of.....being a member of Alpha Insurance Company Limited hereby appoint Mr..... of of failing him Mr..... of.....as my/our Proxy to vote for me/us and on my/our behalf at the 68th Annual General Meeting of the Company to be held on 28th day of May, 2020 at 11:00 a.m. at Company's Head Office, 4th Floor, Building No. 1-B, State Life Square, I.I. Chundrigar Road, Karachi and at any adjournment thereof.

Signed this.....day of..... 2020

1. Witness:

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

 CNIC



2.

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

 CNIC

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

Note:

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

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



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